

NEW ISSUE

See “Ratings” herein.

In the opinion of Pierce Atwood LLP, Bond Counsel, under existing statutes and court decisions, and assuming compliance with certain covenants, interest on the Series 2010 Bonds (as defined herein) will be excludable from the gross income of the owners thereof for federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) except for interest on any Series 2010 Bond during any period while it is held by a person who is a “substantial user” of the project financed by the Series 2010 Bonds or a “related person” within the meaning of Section 147(a) of the Code. Interest on the Series 2010 Bonds will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations and such interest is not included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. Bond Counsel is also of the opinion that the interest paid on the Series 2010 Bonds is exempt from income tax imposed upon individuals by the State of Maine (the “State”) under existing statutes and judicial decisions. See “Tax Matters” and Appendix B herein.

\$72,310,000**CITY OF PORTLAND, MAINE
General Airport Revenue Bonds, Series 2010****Dated:** Date of Delivery**Due:** January 1, as shown on inside cover page

The City of Portland, Maine, General Airport Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), will be issued in registered form in the denomination of \$5,000 or any whole multiple thereof and, when issued, will be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2010 Bonds. Purchases of the Series 2010 Bonds will be made initially in book-entry form (without certificates) on the records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, payments of the principal of and interest on the Series 2010 Bonds will be made to DTC or its nominee on behalf of the City of Portland, Maine (the “City”) by The Bank of New York Mellon Trust Company, N.A., as trustee. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. See “DESCRIPTION OF THE SERIES 2010 BONDS” herein. Interest on the Series 2010 Bonds will accrue from their initial date of delivery and will be payable on each January 1 and July 1, commencing on July 1, 2010, until maturity or redemption prior to maturity.

Proceeds from the sale of the Series 2010 Bonds will be used (i) to provide a portion of the funds to finance the design, construction and equipping of an expansion and renovation of the Portland International Jetport terminal, together with certain other improvements to and equipping of other Jetport facilities related or ancillary thereto (the “Series 2010 Project”), (ii) to reimburse the City for certain costs of the Series 2010 Project previously paid by the City, (iii) to make a deposit to the Series 2010 Subaccount of the Capitalized Interest Account of the Debt Service Fund in an amount sufficient to pay a portion of the interest on the Series 2010 Bonds due through July 1, 2011, (iv) to fund the Series 2010 Account of the Debt Service Reserve Fund in the amount of the Series 2010 Debt Service Reserve Fund Requirement and (v) to pay certain expenses incurred in connection with the issuance of the Series 2010 Bonds.

The Series 2010 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity, as described herein. See “DESCRIPTION OF THE SERIES 2010 BONDS — Redemption.”

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



The Series 2010 Bonds are limited obligations of the City, payable solely from Revenues (as defined herein) of the City derived from the ownership and operation of the Portland International Jetport (the “Jetport”), subject to the prior payment of M&O Expenses (as defined herein), on a parity with the Prior Revenue Bonds (as defined herein) and any additional bonds which may hereafter be issued by the City for Jetport purposes pursuant to the General Certificate (as defined herein). The Series 2010 Bonds do not constitute a debt or liability of the City or a pledge of the faith and credit of the City and the City is not obligated to levy or pledge any form of taxation whatever therefor or to make any appropriation for payment of the Series 2010 Bonds except from Revenues.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of any informed investment decision.

The Series 2010 Bonds are offered when, as, and if issued and received by the underwriters listed below (the “Underwriters”), subject to approval of legality of Pierce Atwood LLP, Portland, Maine, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. Moors & Cabot, Inc. serves as financial advisor to the City. It is expected that the Series 2010 Bonds will be available for delivery to DTC in New York, New York, on or about April 28, 2010.

J.P. Morgan**Morgan Keegan & Company, Inc.**

April 20, 2010

**MATURITY DATES, PRINCIPAL AMOUNTS,
INTEREST RATES, YIELDS, AND PRICES**

\$72,310,000 General Airport Revenue Bonds, Series 2010

\$26,485,000 Series 2010 Serial Bonds

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] No.</u>
2014	\$125,000	5.00%	2.54%	\$108.575	736564CC7
2015	135,000	5.00	2.83	109.435	736564BJ3
2016	140,000	5.00	3.50	107.655	736564BK0
2017	145,000	5.00	3.94	106.163	736564BL8
2018	1,145,000	5.00	4.03	106.343	736564BM6
2019	1,445,000	4.00	4.25	98.197	736564BN4
2020	1,525,000	5.00	4.43	104.439	736564BP9
2021	1,630,000	5.00	4.54*	103.563*	736564BQ7
2022	1,730,000	5.00	4.62*	102.931*	736564BR5
2023	1,845,000	5.00	4.70*	102.304*	736564BS3
2024	1,960,000	5.00	4.78*	101.681*	736564BT1
2025	2,085,000	5.00	4.86*	101.063*	736564BU8
2026	2,220,000	5.00	4.94*	100.450*	736564BV6
2027	2,360,000	5.00	5.02	99.768	736564BW4
2028	2,505,000	5.00	5.04	99.528	736564BX2
2029	2,665,000	5.00	5.06	99.273	736564BY0
2030	2,825,000	5.00	5.08	99.004	736564BZ7

\$16,930,000 5.25% Series 2010 Term Bond due January 1, 2035, Yield 5.00%* (101.891),
CUSIP[†] No. 736564CA1

\$28,895,000 5.00% Series 2010 Term Bond due January 1, 2040, Yield 5.13% (98.022),
CUSIP[†] No. 736564CB9

* Priced at the stated yield and price to the January 1, 2020 optional redemption date at a redemption price of 100%.

[†] Copyright, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the Bonds. The State is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

CITY OF PORTLAND, MAINE

MAYOR

and

Councilor at Large

Nicholas Mavodones, Jr.

CITY COUNCIL

District 1	.....	Kevin J. Donoghue	District 5	.....	John R. Coyne
District 2	.....	David A. Marshall	At Large	.....	John M. Anton
District 3	.....	Dan S. Skolnik	At Large	.....	Dory Richards Waxman
District 4	.....	Cheryl A. Leeman	At Large	.....	Jill C. Duson

CITY ADMINISTRATION

Joseph E. Gray, Jr., City Manager
Ellen Sanborn, Director of Finance
Linda C. Cohen, City Clerk
Gary C. Wood, Esq., Corporation Counsel

PORTLAND INTERNATIONAL JETPORT

Paul H. Bradbury, P.E., Airport Director
Arthur M. Sewall, Deputy Director – Operations
Roy S. Williams, P.E., Deputy Director – Facilities & Engineering
Jennifer J. O’Byron, Deputy Director – Administration & Properties
Richard A. Marston, Principal Financial Officer

BOND COUNSEL

Pierce Atwood LLP
Portland, Maine

FINANCIAL ADVISOR

Moors & Cabot, Inc.
Boston, Massachusetts

AIRPORT CONSULTANT

MAC Consulting, LLC
Guilford, Indiana

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

No dealer, broker, salesperson or other person has been authorized by the City, the Financial Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the City or obtained by the City from sources which are believed by the City to be reliable. 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 any implication that there has been no change in the affairs of the City or in any other information contained herein, since the date hereof.

This Official Statement contains forecasts, projections and estimates that are based on current expectations and information which the City believes is reliable. In light of important factors that may materially affect the financial condition of the Jetport and the airline industry generally and other economic and financial matters, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City, the Financial Advisor or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of result. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “believes,” “may,” and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation, force majeure events, and various other events, conditions and circumstances, many of which are beyond the control of the City. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. As such, these forward-looking statements speak only as of the date of this Official Statement. The information, estimates, assumptions, and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Jetport or the City since the date of this Official Statement, except as expressly stated. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2010 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FOR NEW HAMPSHIRE RESIDENTS: IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Table of Contents

Introduction.....	1
Purpose Of Financing	2
Description Of The Series 2010 Bonds	2
Bond Insurance	5
Security For The Bonds	7
Estimated Sources And Uses Of Funds	16
Outstanding Obligations And Other Jetport Related Debt	16
Debt Service Requirements.....	18
The City	19
The Jetport	19
The Jetport’s Air Trade Area	21
Capital Improvement Program.....	21
Aviation Activity At The Jetport	23
Airline And Other Revenue Producing Agreements	25
Management And Administration Of The Jetport	29
Results Of Financial Operations	31
Management’s Discussion Of Financial Information	32
Report Of The Airport Consultant	35
Passenger Facility Charges	36
Federal Grants-In-Aid	38
Factors Affecting Jetport Operations And Revenues.....	39
Litigation And Proceedings	46
Tax Matters	46
Continuing Disclosure	48
Ratings	49
Financial Statements	49
Financial Advisor.....	49
Airport Consultant	50
Underwriting.....	50
Miscellaneous	50
Appendix A - Report of the Airport Consultant	A-1
Appendix B - Form of Opinion of Bond Counsel.....	B-1
Appendix C - Summary of Certain Provisions of the Certificate	C-1
Appendix D - Form of Continuing Disclosure Certificate.....	D-1
Appendix E - Audited Financial Statements of the Jetport.....	E-1
Appendix F - The Depository Trust Company	F-1
Appendix G – Specimen Municipal Bond Insurance Policy	G-1

\$72,310,000
CITY OF PORTLAND, MAINE
General Airport Revenue Bonds, Series 2010

INTRODUCTION

This Official Statement, which includes the cover page hereof and the appendices attached hereto, is furnished by the City of Portland, Maine (the “City”) to provide information regarding the \$72,310,000 aggregate principal amount of the City of Portland, Maine General Airport Revenue Bonds, Series 2010 (the “Series 2010 Bonds”). Certain capitalized terms used in this Official Statement are defined and have the meanings set forth in Appendix C hereto.

The Series 2010 Bonds will be issued pursuant to the City’s Charter, Maine Revised Statutes, Title 30-A, chapter 213, as amended (the “Act”), Order 150-09/10 adopted on February 1, 2010 as readopted, ratified and confirmed by Order 170-09/10 adopted on March 1, 2010 (collectively, the “Bond Order”) by the City Council (the “City Council”) of the City and a General Certificate of Terms of Issuance of General Airport Revenue Bonds delivered on behalf of the City as of July 1, 2003 (the “General Certificate”) as supplemented by a Third Supplemental Certificate Authorizing the Series 2010 Bonds delivered on behalf of the City as of April 28, 2010 (the “Supplemental Certificate” and, together with the General Certificate, the “Certificate”).

The Series 2010 Bonds are limited obligations of the City, payable solely from Revenues (as defined herein, see “SECURITY FOR THE BONDS – Net Revenue Pledge”) of the City derived from the ownership and operation of the Portland International Jetport (the “Jetport”), subject to the prior payment of M&O Expenses, on a parity with the Prior Revenue Bonds (defined below) and any additional bonds (together with the Series 2010 Bonds, the “Bonds”), which may hereafter be issued by the City for Jetport purposes pursuant to the General Certificate. *The Series 2010 Bonds do not constitute a debt or liability of the City or a pledge of the faith and credit of the City and the City is not obligated to levy or pledge any form of taxation whatever therefor or to make any appropriation for payment of the Series 2010 Bonds except from Revenues.* See “SECURITY FOR THE BONDS.”

The scheduled payment of principal of and interest on the Series 2010 Bonds when due will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM” or the “Insurer”). A specimen of the Policy is set forth in Appendix G hereto. See also “BOND INSURANCE.”

The City has previously issued its \$29,165,000 Series 2003A (Non-AMT), its \$5,835,000 Series 2003B (Federally Taxable) and its \$26,420,000 Series 2008 (Non-AMT) General Airport Revenue Bonds pursuant to the General Certificate (the “Prior Revenue Bonds”). As of the date hereof, \$57,690,000 of the Prior Revenue Bonds are Outstanding. Except for the Prior Revenue Bonds, the 2003 PFC Line of Credit (defined below), and the Prior General Obligation Bonds (defined below), there are no outstanding bonds or other evidences of indebtedness of the City with respect to the Jetport. See “OUTSTANDING OBLIGATIONS AND OTHER JETPORT RELATED DEBT.”

Brief descriptions of, among other things, the Series 2010 Bonds, the City and the Jetport are included in this Official Statement. The proposed form of opinion of Bond Counsel is included in Appendix B hereto. The information and descriptions in this Official Statement do not purport to be complete, comprehensive or definitive. Any capitalized term used but not defined in this Official Statement shall have the meaning ascribed to such term in the Certificate. Statements regarding the Act and specific documents, including the Series 2010 Bonds and the Certificate are summaries of, and subject to, the detailed provisions of the Act and such documents and are qualified in their entirety by reference to each such document, copies of which will be on file with the Director of Finance, City of Portland, 389 Congress Street, Portland, Maine 04101.

PURPOSE OF FINANCING

Proceeds from the sale of the Series 2010 Bonds will be used (i) to provide a portion of the funds to finance the design, construction and equipping of an expansion and renovation of the Jetport terminal, together with certain other improvements to and equipping of other Jetport facilities related or ancillary thereto (the “Series 2010 Project”), (ii) to reimburse the City for certain costs of the Series 2010 Project previously paid by the City, (iii) to make a deposit to the Series 2010 Subaccount of the Capitalized Interest Account of the Debt Service Fund in an amount sufficient to pay a portion of the interest on the Series 2010 Bonds due through July 1, 2011, (iv) to fund the Series 2010 Account of the Debt Service Reserve Fund in the amount of the Series 2010 Debt Service Reserve Fund Requirement and (v) to pay certain expenses incurred in connection with the issuance of the Series 2010 Bonds.

DESCRIPTION OF THE SERIES 2010 BONDS

General

The Series 2010 Bonds will be issued in registered form in the denomination of \$5,000 or any whole multiple thereof and, when issued, will be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2010 Bonds. Purchases of the Series 2010 Bonds will be made initially in book-entry form (without certificates) on the records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, payments of the principal of and interest on the Series 2010 Bonds will be made to DTC or its nominee on behalf of the City by The Bank of New York Mellon Trust Company, N.A., successor to J.P. Morgan Trust Company, National Association, as trustee (the “Trustee”). Disbursement of such payments to the DTC Participants (as defined in Appendix F hereto) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in Appendix F hereto) is the responsibility of the DTC Participants and the Indirect Participants, as more fully described in Appendix F hereto. Interest on the Series 2010 Bonds will accrue from their initial date of delivery and will be payable on each January 1 and July 1, commencing on July 1, 2010, until maturity or redemption prior to maturity.

Redemption

Optional Redemption

The Series 2010 Bonds maturing before January 1, 2021 are not subject to optional redemption prior to maturity. The Series 2010 Bonds maturing on or after

January 1, 2021 are subject to redemption from any source, at the option of the City, in whole or in part, at any time on and after January 1, 2020, upon notice as provided in the Certificate, at the redemption price of one hundred percent (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption.

Redemption by Operation of Sinking Fund Installments

The Series 2010 Bonds maturing January 1, 2035 are subject to mandatory redemption in part on January 1 of the respective years shown below at the principal amount of such Series 2010 Bonds being redeemed plus accrued interest to the date of redemption thereof, without premium, from sinking fund installments which are required to be made in amounts sufficient to redeem (or pay at maturity in the case of the final sinking fund installment) such Series 2010 Bonds in the principal amounts (or in such lesser principal amount as may result from prior redemption or purchase by the City) shown below.

<u>Year</u>	<u>Principal Amount</u>
2031	\$2,995,000
2032	3,180,000
2033	3,375,000
2034	3,580,000
2035 [†]	3,800,000

[†] Final Maturity

The Series 2010 Bonds maturing January 1, 2040 are subject to mandatory redemption in part on January 1 of the respective years shown below at the principal amount of such Series 2010 Bonds being redeemed plus accrued interest to the date of redemption thereof, without premium, from sinking fund installments which are required to be made in amounts sufficient to redeem (or pay at maturity in the case of the final sinking fund installment) such Series 2010 Bonds in the principal amounts (or in such lesser principal amount as may result from prior redemption or purchase by the City) shown below.

<u>Year</u>	<u>Principal Amount</u>
2036	\$4,030,000
2037	4,260,000
2038	4,500,000
2039	4,730,000
2040 [†]	11,375,000

[†] Final Maturity

Notice of Redemption

General

The Trustee is required to give notice of any redemption of the Series 2010 Bonds at the election of or direction by the City, which notice shall specify the Series and numbers of the bond certificates, or portions thereof to be redeemed, the redemption price

to be paid, the date of general mailing of notices to holders of the Series 2010 Bonds and the Municipal Securities Rulemaking Board, the date fixed for redemption, the name and address of the place or places where the amounts due upon such redemption are payable, including the name of the redemption agent together with a contact person and telephone number, the issue date, interest rate and maturity date of the Series 2010 Bonds to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2010 Bond to be redeemed, the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2010 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The failure to give any notice by mailing to any holder of a Series 2010 Bond, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the other Series 2010 Bonds.

So long as the Series 2010 Bonds are registered in the name of Cede & Co. as the registered owner of the Series 2010 Bonds and less than all of the Series 2010 Bonds of any maturity are to be redeemed, DTC's current practice is to determine by lot the amount of the interest of each DTC Participant (as defined in Appendix F hereto) in such maturity to be called for redemption, and each DTC Participant is then to select by lot the ownership interest in such maturity to be redeemed. See Appendix F hereto, "THE DEPOSITORY TRUST COMPANY." Notice of such redemption shall be mailed by the Trustee, postage prepaid, not less than thirty (30), and not more than sixty (60), days before the Redemption Date, to Cede & Co. as the registered owner of any such Series 2010 Bond or portion thereof to be redeemed. *DTC is responsible for notifying Participants, and Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Trustee nor the City is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the City as a result of the response or failure to respond by DTC or its nominee as Owner of the Series 2010 Bonds.* ("Participants," "Indirect Participants," and "Beneficial Owners" are defined in Appendix F hereto, "THE DEPOSITORY TRUST COMPANY.")

Notice of Optional Redemption to be Conditional

Each notice of optional redemption shall state that the redemption is conditional upon receipt by the Trustee or escrow agent named by the City of sufficient moneys to redeem the Series 2010 Bonds, or portions thereof to be redeemed, and satisfaction of such other conditions set forth therein, and such notice and optional redemption shall be of no effect if by no later than the scheduled redemption date, (i) the conditions set forth therein have not been satisfied, or (ii) the City or the Trustee, at the written direction of the City, rescinds such notice on or prior to the scheduled redemption date.

Rescission and Cancellation of Optional Redemption

Any scheduled optional redemption shall be deemed canceled once the City or the Trustee, at the written direction of the City, has given notice of rescission. The City or the Trustee, at the written direction of the City, shall give notice of rescission of optional redemption by the same means as is provided for the giving of notice of redemption. Any Series 2010 Bonds subject to a conditional redemption which has been canceled shall remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the proposed redemption date shall constitute an Event of Default.

* * * * *

The information set forth below under the heading “BOND INSURANCE” has been provided by the Insurer for use in this Official Statement. The City does not make any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2010 Bonds, AGM will issue the Policy. The Policy guarantees the scheduled payment of principal of and interest on the Series 2010 Bonds when due as set forth in the form of the Policy included as Appendix G to the Official Statement.

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

Assured Guaranty Municipal Corp. (Formerly Known as Financial Security Assurance Inc.)

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

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia SA (“Dexia”). In connection with such acquisition, Holdings’ financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the “SEC”) on July 8, 2009. Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM’s financial strength is rated “AAA” (negative outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). On February 24, 2010, Fitch, Inc. (“Fitch”), at the request of AGL, withdrew its “AA” (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the

securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

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

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

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Financial Security Assurance Inc., now known as AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

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

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the SEC on March 1, 2010. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

Capitalization of AGM

On December 31, 2009, AGM’s consolidated policyholders’ surplus and contingency reserves were approximately \$2,232,359,793 and its total net unearned premium reserve was approximately \$2,391,940,484 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the

Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

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

SECURITY FOR THE BONDS

General

The Series 2010 Bonds are limited obligations of the City, payable solely from Revenues (defined below) of the City derived from the ownership and operation of the Jetport, subject to the prior payment of M&O Expenses, on a parity with the Prior Revenue Bonds and any additional bonds which may hereafter be issued by the City for Jetport purposes pursuant to the General Certificate. *The Series 2010 Bonds do not constitute a debt or liability of the City or a pledge of the faith and credit of the City and the City is not obligated to levy or pledge any form of taxation whatever therefor or to make any appropriation for payment of the Series 2010 Bonds except from Revenues.*

As of the date hereof, Prior Revenue Bonds are Outstanding in the amount of \$57,690,000.

The Act does not limit the aggregate principal amount of indebtedness which may be outstanding at any time.

Net Revenue Pledge

Subsection 5403(5) of the Act provides a general grant of authority to the City to pledge revenues derived from the Jetport to the payment of the Bonds. In the Certificate, the City pledges as security for the Bonds (i) the Revenues and (ii) all moneys or securities held in any Fund, Account or Subaccount established under the Certificate (except the Revenue Fund, the Operating Fund, the Rebate Fund, the Subordinated Debt

Service Fund, if any and the Subordinated Debt Service Reserve Fund, if any) together with all investment earnings thereon (except to the extent such earnings are required to be deposited into the Rebate Fund). This pledge is subject to the provisions of the Certificate regarding the application of Revenues and other moneys pledged as security for the Bonds.

The term “Revenues” is defined in the Certificate to include the following: all receipts, revenues, fees, rentals, investment earnings, income and other moneys received by or on behalf of the City from or in connection with the ownership or operation of all or any part of the Jetport, whether existing at the date of execution of the Certificate or thereafter coming into existence and whether held by the City on such date or thereafter acquired, including without limitation, all tolls and charges, landing fees, terminal rents, real property rentals, concession fees, parking receipts, interest income, proceeds of business interruption insurance and condemnation awards from temporary takings, but not including (i) proceeds of insurance (except business interruption insurance, if any) and of condemnation awards (except awards for temporary takings), (ii) proceeds of the sale of any Indebtedness, (iii) Grant Receipts or PFC Revenues, (iv) proceeds of the sale of any portion of the Jetport permitted under the Certificate, (v) moneys derived from facilities hereafter financed with the proceeds of Indebtedness permitted under the Certificate to finance a facility for a particular person to the extent that such moneys are pledged to the payment of such Indebtedness under a separate resolution, indenture or other agreement of the City, (vi) interest income or other investment earnings on the Project Fund, (vii) any Swap Termination Payment to the City or (viii) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or that are restricted as to their use.

Flow of Funds

The Certificate provides that the City shall promptly cause all Revenues received to be deposited in the Revenue Fund established under the General Certificate.

The Certificate further provides that (i), during any month, the City shall, from time to time, transfer from the Revenue Fund to the Operating Fund an amount or amounts necessary and sufficient to pay M&O Expenses (defined below) for that month which amount or amounts shall not in the aggregate exceed the M&O Expenses for that month as shown on the Operating Budget filed with the Trustee pursuant to the Certificate and (ii), on the last Business Day of each month, the City shall, after making certain transfers which may be required pursuant to the Certificate from available amounts in the Revenue Fund, make the following transfers in the following order:

First, to the Debt Service Fund, the amounts necessary on a pro rata basis (i) to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate assumed in calculating the amount required for a prior deposit pursuant to the General Certificate, (ii) to increase the amount on deposit in each Subaccount of the Interest Account to equal interest included in Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month after taking into account any available moneys in the corresponding Subaccount (if any) of the Capitalized Interest Account, (iii) to increase the amount on deposit in each Subaccount of the Principal Account to equal that portion of the Principal Installment included in Debt Service next coming due (within twelve months) on Outstanding Bonds of the

applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month and (iv) to increase the amount on deposit in each Subaccount of the Redemption Account to equal the Redemption Price of Outstanding Bonds of the applicable Series then called for redemption (other than Sinking Fund Installments) as of any date on or prior to the last day of the next succeeding month;

Second, to the Debt Service Reserve Fund, (i) one-twelfth of the amount necessary to increase the amount on deposit in the applicable Series Account therein, determined as of the first day of the current Fiscal Year, to an amount equal to the Series Debt Service Reserve Fund Requirement and (ii) an amount equal to the deposit required by any Supplemental Certificate to any Special Account;

Third, to the Subordinated Debt Service Fund (if any is established upon issuance of any Subordinated Bond), the amounts required to be deposited therein pursuant to the terms of the financing documents executed and delivered with respect to such Subordinated Bonds;

Fourth, to the Subordinated Debt Service Reserve Fund (if any is established upon issuance of any Subordinated Bond), such amounts as may be required to be deposited therein pursuant to the terms of the financing documents executed and delivered with respect to such Subordinated Bonds;

Fifth, to the M&O Reserve Fund, the amount necessary to make the amount on deposit therein equal to M&O Expenses for the three consecutive months following the next succeeding month, as shown in the Operating Budget of the City on file with the Trustee;

Sixth, to the Renewal and Replacement Reserve Fund, one-twelfth of the difference, if any, between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Renewal and Replacement Reserve Fund Requirement for the current Fiscal Year;

Seventh, to the Rebate Fund, the amount necessary to make the amount on deposit therein equal to the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Certificate; and

Eighth, at the election of the City, after making the deposits set forth above, the amount remaining or any portion thereof, to the General Fund.

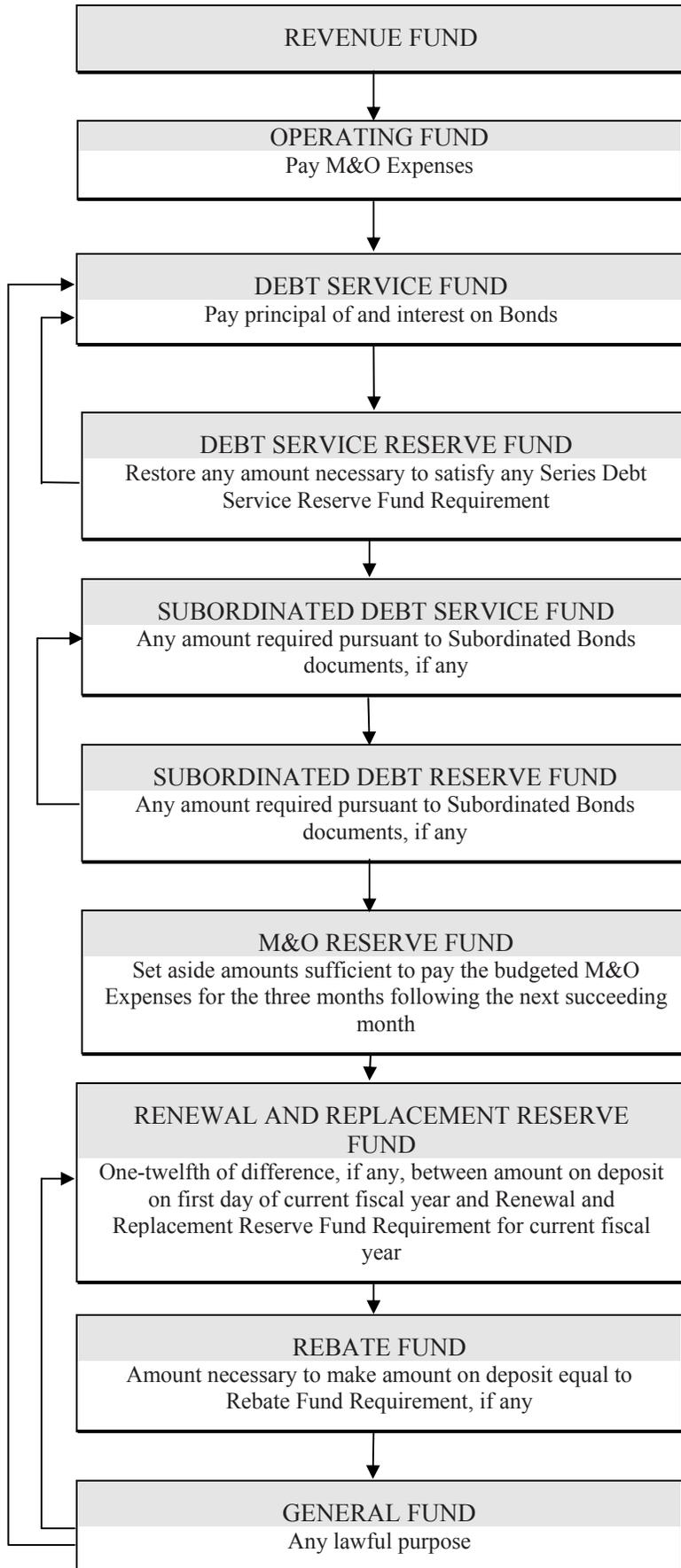
Revenues must be deposited in each Fund and Account, in the order set forth above, up to the amount required under the Certificate before Revenues are deposited in the next succeeding Fund and Account, in the order set forth above. After making the deposits described above in paragraphs *First* through *Seventh*, the City may retain all or any portion of the remaining moneys in the Revenue Fund to provide additional moneys for making the deposits described above during the next month or thereafter.

The term "M&O Expenses" is defined in the Certificate to mean the City's expenses, whether or not annually recurring, of maintaining, repairing and operating the Jetport including, without limiting the generality of the foregoing, amounts for administrative expenses including costs of salaries and benefits and amounts required to finance pension benefits earned by employees; cost of insurance; payments for engineering, financial, accounting, legal and other services; any lawfully imposed taxes

or other assessments on the Jetport or income from or operations at the Jetport and reserves for such taxes or assessments, any payments in lieu of taxes for the Jetport or income from or operations at the Jetport and reserves for such in lieu of taxes; any administration or service fees; costs of issuance not financed in the Costs of a Project paid by the City; and payments of interest on (but not the principal of) revenue anticipation notes and other current expenses; but not including any allowance for amortization or depreciation; any other expense for which (or to the extent to which) the City is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; any extraordinary items arising from the early extinguishment of debt; depreciation, recognition upon disposal or other retirement of a capital asset, reserves for unusual and extraordinary maintenance or repair, Debt Service payable from any Fund or Account established hereunder, and expenses described in section 709(c)(i) thereof.

See “Summary of Certain Provisions of the Certificate – Flow of Funds from the Revenue Fund” in Appendix C hereto for a more detailed explanation of the flow of funds.

Flow of Funds Diagram



Covenants Pertaining to Rates and Charges

Subsections 5405(1) and (4) of the Act and Section 18-83(a) of City Code of Ordinances authorize the City to establish and fix a schedule of rates, fees and other charges which, together with other available funds, will be sufficient to pay the cost of maintaining, repairing and operating the Jetport and to pay debt service on the Bonds. Under the Certificate, the City is required to meet the following covenants with respect to Rates and Charges (defined below) (collectively, the “Rate Requirements”).

Pursuant to the Certificate, the City covenants that for each fiscal year Net Revenues (defined below) will equal or exceed the sum of Required Debt Service Fund Deposits (defined below) plus deposits required to be made from Revenues described in paragraphs *Second* through *Seventh* of the description of the flow of funds set forth above (excluding interest or other earnings on the Project Fund and amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Certificate) (the “Rate Covenant”). In addition, the City covenants under the Certificate that Net Revenues available in each Fiscal Year shall equal or exceed 125% of Required Debt Service Fund Deposits (the “Debt Service Coverage Ratio”).

For the purpose of the Certificate, the term “Net Revenues” means, for any period, an amount equal to all Revenues accrued in such period in accordance with generally accepted accounting principles minus the M&O Expenses incurred or payable during such period in accordance with generally accepted accounting principles. For the purpose of the Certificate, the term “Required Debt Service Fund Deposits” means, for any period, all deposits required to be made to the Principal and Interest Accounts of the Debt Service Fund for such period under any provision of the Certificate, excluding, however, amounts transferred or expected to be transferred from the Capitalized Interest Account, from interest or other investment earnings on the Project Fund or from amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Certificate. For special rules on the calculation of Required Debt Service Fund Deposits in respect of Bonds subject to a Qualified Swap or on which interest is deferred and compounded rather than being paid currently, see “Summary of Certain Provisions of the Certificate – Definitions” in Appendix C.

A substantial portion of the cost of the Series 2010 Project is eligible to be paid from PFC Revenues. For purposes of the Certificate, the term “PFC Revenues” means any passenger facility charges or similar charges levied by or on behalf of the City pursuant to the Federal Aviation Safety and Capacity Expansion Act of 1990, as from time to time amended, and any successor thereto, and all investment earnings thereon. Pursuant to the Supplemental Certificate, while the Series 2010 Bonds remain outstanding, the City will monthly deposit PFC Revenues available to pay eligible costs of the Series 2010 Project into the Series 2010 Subaccounts of the Principal Account and the Interest Account established in the Debt Service Fund to pay debt service on the Series 2010 Bonds. Thus, in determining compliance with the Rate Covenant and the Debt Service Coverage Ratio, and for purposes of applying the Additional Bonds test established in the General Certificate, the Required Debt Service Fund Deposits are reduced by the amount of PFC Revenues deposited or expected to be so deposited in such Series 2010 Subaccounts. See “SECURITY FOR THE BONDS – Additional Bonds.”

If in any Fiscal Year the City shall not satisfy the Rate Requirements, then the City shall not be deemed to be in default under the Certificate so long as it shall, within 180 days after the close of the Fiscal Year, (i) specify to the Trustee the corrective steps which it has taken to assure compliance with the Rate Requirements for the then current Fiscal Year; (ii) retain the Airport Consultant to review the adequacy of the City's rates, fees, rentals and other charges with respect to the Jetport and to recommend changes necessary for the City to be in compliance with the Rate Requirements by the end of the then current Fiscal Year and for the following Fiscal Year and (iii) to the extent permitted by law and existing contractual obligations, use its best efforts to effect such changes as are so recommended by the Airport Consultant; provided, however, that (a) if the City shall not satisfy the Rate Requirements described above for the first full Fiscal Year following its failure to satisfy such Rate Requirements or (b) if Net Revenues for such Fiscal Year shall not equal or exceed 100% of the Required Debt Service Fund Deposits, then notwithstanding the foregoing such failure shall constitute a default under the Certificate. See "Summary of Certain Provisions of the Certificate – Covenant as to Rates and Charges; Debt Service Coverage Ratio" in Appendix C.

Debt Service Reserve Fund

The Certificate establishes a Debt Service Reserve Fund and requires, as a condition to the issuance of a Series of Bonds, that the Debt Service Reserve Fund be funded in the amount, if any, required to be on deposit in the Series Account of the Debt Service Reserve Fund specified in the Supplemental Certificate governing the issuance of such Series of Bonds. In lieu of depositing cash to the Debt Service Reserve Fund, the City may fund all or a portion of the amount required to be deposited into the Debt Service Reserve Fund upon issuance of a Series of Bonds with a Financial Guaranty. Moneys in a Series Account of the Debt Service Reserve Fund are available for the payment of principal and redemption price of and interest on the Bonds of the Series to which such Series Account relates, but not Subordinated Bonds and not the Prior General Obligation Bonds, equally and ratably. See "Summary of Certain Provisions of the Certificate – Debt Service Reserve Fund" in Appendix C. In the event that moneys are withdrawn from the Debt Service Reserve Fund, such withdrawal shall be replenished as nearly as practicable in twelve equal monthly installments commencing in the fiscal year following such withdrawal. See "Summary of Certain Provisions of the Certificate – Flow of Funds from the Revenue Fund" in Appendix C. As of June 30, 2009, the Series 2003A, Series 2003B and Series 2008 Accounts of the Debt Service Reserve Fund hold amounts that meet their respective Debt Service Reserve Fund Requirement. Upon issuance of the Series 2010 Bonds, the City will deposit \$6,412,820.27, equal to 125% of average annual debt service of the Series 2010 Bonds, into the Series 2010 Account of the Debt Service Reserve Fund to meet the Series 2010 Debt Service Reserve Fund Requirement.

Other Reserves

The Certificate also establishes an M&O Reserve Fund and a Renewal and Replacement Reserve Fund. The annual requirement for each such reserve is funded in monthly installments. Under certain circumstances, moneys on deposit in the Renewal and Replacement Reserve Fund are available to pay debt service on Bonds. Additionally, other reserves and funds established under the Certificate are generally available, with certain exceptions, to pay debt service on Bonds in the event Revenues are insufficient. See "Summary of Certain Provisions of the

Certificate – Debt Service Fund” and “– Priority of Funds in the Event of Debt Service Fund Shortfall” in Appendix C.

M&O Reserve Fund. The M&O Reserve Fund is funded from Revenues to equal the amount of the next three months M&O Expenses as set forth in the Operating Budget filed with the Trustee. Moneys in the M&O Reserve Fund may be transferred to the Operating Fund for the payment of M&O Expenses upon delivery of a Certificate of an Authorized Representative of the City. See “Management’s Discussion of Financial Information” and “Summary of Certain Provisions of the Certificate – M&O Reserve Fund” in Appendix C. As of February 28, 2010, the amount in the M&O Reserve Fund was \$2,864,760.

Renewal and Replacement Reserve Fund. The Renewal and Replacement Reserve Fund is funded from Revenues to equal the amount of the Renewal and Replacement Reserve Fund Requirement. Moneys in the Renewal and Replacement Reserve Fund may be applied to the Cost of any Capital Improvement which is not provided for by moneys available in the Project Fund, the General Fund or the Operating Fund in accordance with the procedures set forth in the Certificate, including without limitation the costs of unanticipated or emergency repairs or replacements of any part of the Jetport which are properly chargeable to plant or property accounts under generally accepted accounting principles. See “Summary of Certain Provisions of the Certificate – Renewal and Replacement Reserve Fund” in Appendix C.

The Renewal and Replacement Reserve Fund Requirement is the amount shown on the Operating Budget then in effect as required to be the balance of the Renewal and Replacement Reserve Fund for the Fiscal Year. As of February 28, 2010, the amount in the Renewal and Replacement Reserve Fund was \$250,000.

Additional Bonds

The Certificate contains certain conditions precedent to the issuance of Bonds, including a requirement that the City shall have complied with the Rate Requirements for any period of twelve consecutive months included wholly within the most recent period of eighteen consecutive months preceding the date on which such Bonds are to be issued for which such information is available and either (i) that the City shall certify, which certificate shall be confirmed by the Accountant, that for any period of twelve consecutive months wholly included within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available, Net Revenues for such period of twelve consecutive months were at least equal to 125% of maximum annual Debt Service on all Outstanding Bonds after giving effect to the issuance of such Bonds and to the refunding of any Prior General Obligation Bonds or Bonds to be refunded from the proceeds of such Bonds or (ii) that the Airport Consultant shall certify that in its estimation, for each Fiscal Year during the period commencing with (and including) the Fiscal Year in which such Bonds are to be issued and ending with (and including) the later of the fifth subsequent Fiscal Year or the third Fiscal Year following the date on which all Projects financed in whole or in part by such Bonds are estimated to have been completed and placed in operation, the Rate Requirements will be satisfied, taking into account the particular Series of Bonds to be issued (and the refunding of any Prior General Obligation Bonds or Bonds to be refunded from the proceeds thereof), such estimations to be based on estimates by the Independent Engineer of the cost to complete and the

time for completion and initial operation of such Projects and to be after giving effect, among other factors as the Airport Consultant shall consider relevant, to any estimated increased in M&O Expenses and in Revenues as the result of the completion of such Projects or any portion thereof.

The foregoing requirements need not be met for Bonds issued to refund the Prior General Obligation Bonds or other Bonds so long as debt service is not increased in any fiscal year and the latest maturity date of the refunding Bonds is not later than the latest maturity date of the Bonds to be refunded. The Certificate requires that upon the issuance of Bonds, for refunding purposes or otherwise, the applicable Series Account of the Debt Service Reserve Fund will be funded to the Series Debt Service Reserve Fund Requirement. In addition, the Certificate permits the City to issue other Indebtedness including, but not limited to, Subordinated Bonds, grant and bond anticipation notes, Indebtedness secured by the General Fund, Indebtedness secured by PFC Revenues and certain other special facilities or other non-recourse Indebtedness. See “Summary of Certain Provisions of the Certificate – Conditions Precedent to Delivery of a Series of Bonds” in Appendix C hereto.

Permitted Investments

Moneys held for the credit of the Funds and Accounts established under the Certificate may, with certain exceptions, be invested only in “Investment Securities” as defined in the Certificate. See “Summary of Certain Provisions of the Certificate – Definitions” in Appendix C.

Modifications of the Certificate

The provisions of the Certificate are subject to modification in certain cases without the consent of the holders of the Bonds (including without limitation under certain circumstances when a Credit Provider is authorized to consent to modifications on behalf of holders of certain Bonds) and in other cases if and when approved by the holders of the requisite percentages of the Bonds outstanding. See “Summary of Certain Provisions of the Certificate – Supplemental Certificates Effective Upon Filing With the Trustee” and following in Appendix C.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Series 2010 Bonds are expected to be approximately as set forth below.

Sources:

Principal amount of Series 2010 Bonds	\$72,310,000.00
Net Premium	<u>57,564.10</u>
Total Sources	<u>\$72,367,564.10</u>

Uses:

Deposit to Project Fund	\$62,384,651.87
Deposit to Debt Service Fund for Capitalized Interest	1,496,424.18
Deposit to Debt Service Reserve Fund	6,412,820.27
Allowance for Costs of Issuance	381,108.64
Bond Insurance Premium	1,294,043.00
Underwriters' Discount	<u>398,516.14</u>
Total Uses	<u>\$72,367,564.10</u>

OUTSTANDING OBLIGATIONS AND OTHER JETPORT RELATED DEBT

Except for the Prior Revenue Bonds, and certain debt described below, there are no outstanding bonds or other evidences of indebtedness of the City with respect to the Jetport.

The City has issued certain general obligation bonds, described below, for Jetport purposes (the "Prior General Obligation Bonds"). The City expects to apply moneys held in the General Fund and other moneys received or held by the City for Jetport purposes to pay debt service on the Prior General Obligation Bonds.

**Prior General Obligation Bonds
as of February 28, 2010**

Dated Date	Original Principal Amount	Outstanding Principal Amount
10/1/90	\$1,600,000	\$77,738

There is no authorized but unissued general obligation debt with respect to the Jetport as of the date hereof.

On June 26, 2003 the City entered into a line of credit agreement (the "2003 PFC Line of Credit") with Bank of America, N.A. in a maximum principal amount of \$14,214,483 to provide financing for a portion of the capital projects approved in the existing passenger facility charge ("PFC") applications. See "PASSENGER FACILITY CHARGES." As of February 28, 2010, the 2003 PFC Line of Credit had an outstanding principal balance of \$2,090,000. The 2003 PFC Line of Credit is secured by a pledge of PFC Revenues and matures on October 1, 2011. The City expects to pay the balance of the 2003 PFC Line of Credit with PFC Revenues before November 1, 2010. Once the 2003 PFC Line of Credit is repaid, all future PFCs at the \$4.50

level will be dedicated, to the extent required, to paying the PFC-eligible debt service of the Series 2010 Bonds.

In addition, on February 1, 2010, the City authorized the Jetport to enter into a line of credit agreement in the amount of \$12,000,000 to provide financing for an aircraft deicing fluid recovery system and terminal aircraft parking apron (discussed in greater detail under the caption "CAPITAL IMPROVEMENT PROGRAM" below). The Jetport expects to repay borrowed amounts from federal Airport Improvement Program ("AIP") grants and to pay interest on the borrowed amounts from moneys in the General Fund.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

DEBT SERVICE REQUIREMENTS

The following table sets forth (1) annual debt service requirements for the Prior Revenue Bonds, (2) annual principal installments, annual interest payments, and annual debt service with respect to the Series 2010 Bonds, and (3) debt service requirements for the Prior General Obligation Bonds. There may be discrepancies in the following table between entries and sum totals due to rounding.

Period Ending <u>July 1</u>	Debt Service on Prior <u>Revenue Bonds</u>	<u>Series 2010 Bonds</u>			Total Revenue Bond Debt <u>Service</u>	Debt Service on Prior General <u>Obligation Bonds</u>
		<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>		
2010	\$ 3,490,289	\$ -	\$ 637,591	\$ 637,591	\$ 4,127,880	\$ 167,794
2011	3,972,423	-	3,643,375	3,643,375	7,615,798	80,267
2012	3,972,971	-	3,643,375	3,643,375	7,616,346	
2013	3,970,171	-	3,643,375	3,643,375	7,613,546	
2014	3,972,148	125,000	3,640,250	3,765,250	7,737,398	
2015	3,970,773	135,000	3,633,750	3,768,750	7,739,523	
2016	3,972,273	140,000	3,626,875	3,766,875	7,739,148	
2017	3,975,782	145,000	3,619,750	3,764,750	7,740,532	
2018	3,970,679	1,145,000	3,587,500	4,732,500	8,703,179	
2019	3,972,416	1,445,000	3,529,975	4,974,975	8,947,391	
2020	3,973,748	1,525,000	3,462,950	4,987,950	8,961,698	
2021	3,971,273	1,630,000	3,384,075	5,014,075	8,985,348	
2022	3,974,360	1,730,000	3,300,075	5,030,075	9,004,435	
2023	3,972,166	1,845,000	3,210,700	5,055,700	9,027,866	
2024	3,970,616	1,960,000	3,115,575	5,075,575	9,046,191	
2025	3,969,357	2,085,000	3,014,450	5,099,450	9,068,807	
2026	3,976,818	2,220,000	2,906,825	5,126,825	9,103,643	
2027	3,972,650	2,360,000	2,792,325	5,152,325	9,124,975	
2028	3,972,425	2,505,000	2,670,700	5,175,700	9,148,125	
2029	3,970,756	2,665,000	2,541,450	5,206,450	9,177,206	
2030	3,976,031	2,825,000	2,404,200	5,229,200	9,205,231	
2031	3,972,531	2,995,000	2,254,956	5,249,956	9,222,487	
2032	3,971,500	3,180,000	2,092,863	5,272,863	9,244,363	
2033	1,717,375	3,375,000	1,920,794	5,295,794	7,013,169	
2034	1,715,500	3,580,000	1,738,225	5,318,225	7,033,725	
2035	1,715,250	3,800,000	1,544,500	5,344,500	7,059,750	
2036	1,716,375	4,030,000	1,344,000	5,374,000	7,090,375	
2037	1,718,625	4,260,000	1,136,750	5,396,750	7,115,375	
2038	1,716,875	4,500,000	917,750	5,417,750	7,134,625	
2039	-	4,730,000	687,000	5,417,000	5,417,000	
<u>2040</u>	<u>-</u>	<u>11,375,000</u>	<u>284,375</u>	<u>11,659,375</u>	<u>11,659,375</u>	
TOTAL	\$101,184,154	\$72,310,000	\$ 79,930,353	\$ 152,240,353	\$ 253,424,509	\$ 248,061

THE CITY

General

The City is located on the southern coast of the State of Maine (the “State”) in the southeastern section of Cumberland County, the State’s most populous county. The City is approximately 100 miles north-northeast of Boston, Massachusetts and 60 miles southwest of the City of Augusta, the State’s capital. The City is the largest in Maine, the seat of government for Cumberland County and the region’s leading industrial, commercial and cultural center. With one of the finest deep water harbors on the Atlantic Coast, the City is closer to Europe than any other transatlantic port in the United States. The City enjoys numerous parks, monuments, historical sites, several hotels and restaurants. The City is the home of the University of Southern Maine, the University of New England, the Portland Museum of Art, the Maine College of Art and the Cumberland County Civic Center. Two major medical centers, Maine Medical Center and Mercy Hospital, are also located in the City.

The City was settled in 1632 and incorporated in 1786. The first charter of the City was granted in 1832. The present charter of the City was adopted September 11, 1923, as amended, most recently on November 4, 2008 (the “Charter”). The Charter provides for a Council-Manager form of government with a nine-member City Council. Each of the City’s five voting districts elect one Council member, with four members being elected from the registered voters of the entire City at large. The Council members are elected for three-year staggered terms. The Mayor is elected by the City Council from among its members for a one year term. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City’s property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and to authorize the issuance of debt. The Council adopts an annual budget and provides for an annual audit. The City Manager is the administrative head of the City and is responsible to the City Council for the administration of all departments.

THE JETPORT

General

The Jetport occupies approximately 840 acres of land in the City and the adjacent city of South Portland and is approximately three miles west of Portland’s downtown.

Airfield

The Jetport’s major airfield facilities consist of two air carrier runways and associated taxiways, which provide access to the air carrier apron to the north and west, the cargo area to the north and east, and general aviation facilities to the east. The primary runway, 11/29, is 7,200 feet in length. The secondary runway, 18/36, is 5,001 feet in length and used primarily for crosswind operations.

The taxiway system at the Jetport consists of two full-length taxiways parallel to the two air carrier runways and five exit taxiways. Taxiway A is a full-length taxiway located on the north side of Runway 11/29 and provides access to the holding aprons as well as ingress and egress on both ends of Runway 11/29. Taxiway C is a full-length taxiway parallel to the west side of

Runway 18/36. The north end of Taxiway C provides ingress and egress to Runway 18. The south end of Taxiway C intersects with and provides an exit to Runway 11/29 as well as provides ingress and egress to Runway 36. The five exit taxiways include Taxiway D, Taxiway E, Taxiway F, Taxiway G and Taxiway J.

Terminal

The passenger terminal is located near midfield in an east-west orientation on the north side of Runway 11/29. In 2006, an expansion of the east end of the terminal was completed which doubled the capacity of the baggage claim area, while providing additional office space on the second level of the terminal, and a new partial third level that houses a mechanical penthouse with a generator room. The expansion added 26,000 square feet to the existing 131,000 square feet for a total area of approximately 157,000 square feet.

The terminal is divided into two levels for passenger processing. The lower level includes ticketing, baggage make-up, baggage claim and surface transportation services. There are seven ticket counters and three baggage carousels which are used by the passenger airlines. The upper level includes the passenger screening and holdrooms, restaurants, shops, Jetport administration offices, meeting rooms and other offices. The administrative space for the Transportation Security Administration (“TSA”) is also located on the second floor of the terminal. The terminal contains 12 passenger gates, nine of which contain passenger loading bridges. The terminal apron is located south of the terminal and provides aircraft parking, access and circulation for the air carrier gate positions. Several gates have multiple aircraft parking positions and can be utilized by all aircraft types from regional jets to wide-body jets.

Parking Facilities

The parking facilities at the Jetport include a short-term parking area, long-term garage, and long-term surface lot, all located north of the terminal. The parking facilities at the Jetport include a 2,181-space parking garage completed in phases in March 2003 and January 2009 and a 502-space surface lot with a total of 2,683 public parking spaces at the Jetport. In addition, the Jetport has a remote lot located approximately two miles west of the terminal and an overflow lot located just north of the long-term garage. These surface lots contain 548 spaces and are only used to accommodate overflow parkers during peak periods. Finally, the Jetport has a 275-space employee lot and a 238-space rental car ready/return lot.

Access Roads

International Parkway and Jetport Boulevard provide access to the Jetport terminal and parking facilities from public highways. Jetport Boulevard connects with Johnson Road (State Route 9) near the Maine Turnpike exit serving the Jetport and runs easterly along runway 11/29 to the point where it intersects with International Parkway which connects with Congress Street (State Routes 9 and 22) about ½ mile northeast of the Maine Turnpike exit. From the intersection, the terminal and parking facilities are accessed by a loop road.

Other Facilities

Other Jetport facilities include general aviation, cargo, snow removal equipment and maintenance building, airport rescue and fire fighting (“ARFF”) station and the air traffic control tower (“ATCT”). There is a general aviation area that includes an apron, fueling facilities, hangars, and buildings. This area is located to the north of the terminal and west of Runway 18/36. The cargo area and the maintenance facility are located to the east of Runway 18/36. The ARFF building and ATCT are located to the west of Runway 18/36 and the east of the terminal.

THE JETPORT’S AIR TRADE AREA

As discussed in Appendix A hereto, “REPORT OF AIRPORT CONSULTANT,” the Jetport’s air trade area, within which (i) a majority of originating passengers using the Jetport reside and (ii) comparable alternative facilities are not available within a driving distance of less than 90 miles, is comprised of the seven Maine counties of Androscoggin, Cumberland, Kennebec, Knox, Lincoln, Oxford and Sagadahoc. The seven counties are home to approximately one-half the population of Maine.

CAPITAL IMPROVEMENT PROGRAM

General

In 2007, the Jetport, in conjunction with Coffman Associates, Inc., completed the Airport Master Plan (the “Master Plan”). The Master Plan sets forth priorities for capital projects at the Jetport and each year, the City re-examines these priorities for project funding. Since the completion of the Master Plan, certain projects have been added or deleted to better reflect the needs of the Jetport based on recommendations by the Jetport staff and consultants. While most projects are demand-based, others are dictated by design standards, safety, federal requirements, or rehabilitation needs. There is a higher level of uncertainty as to the estimated cost and schedule of projects in the later years of the Capital Improvement Program (“CIP”), as compared to those scheduled to be undertaken within the next several years. The estimated cost of the Jetport’s existing CIP for FY 2010 through FY 2017, of which the Series 2010 Project is a component, is approximately \$124.8 million.

Series 2010 Project

The Master Plan describes a terminal redevelopment plan that was prepared for the Jetport in 2006. A primary conclusion of this process was that the existing terminal building capacity and circulation deficiencies needed to be addressed and could not be resolved without expanding the facility. Chapter 3 of the Master Plan presents the required facility requirements based on a 2015 enplanement forecast of 960,000. This analysis concluded that the Jetport would need a 250,000 to 387,000 square foot terminal to adequately accommodate 960,000 enplanements. This compares to the existing terminal square footage at the Jetport of approximately 157,000 square feet. Following completion of the Series 2010 Project, the terminal square footage is expected to be approximately 302,000 square feet.

Due to the Master Plan recommendations, the City Council, through two separate motions in October 2007 and June 2008, appropriated a total of \$6 million for the design of the proposed terminal expansion. On March 31, 2008, M. Arthur Gensler, Jr. & Associates, Inc. (“Gensler”) was awarded the design contract for the proposed Series 2010 Project, which was completed in February 2009. On February 1, 2010, the City Council appropriated an additional \$1.4 million to fund the additional stages of construction of the terminal expansion for a total appropriated for design and construction of \$7.4 million. Any amounts expended up to the \$7.4 million appropriated to fund the upfront costs of the terminal expansion are expected to be reimbursed to the Jetport from a portion of the proceeds of the Series 2010 Bonds.

On July 20, 2009, Turner Associates, Inc. (“Turner”) was awarded the construction management contract for the Series 2010 Project. On January 12, 2010, the Jetport received the guaranteed maximum price in the amount of approximately \$75 million from Turner for the Series 2010 Project. This amount includes costs for construction, design, administration, and contingencies. Construction of the Series 2010 project began in March 2010 with an estimated completion by February 2012. The Series 2010 Project is described in the following paragraphs.

Terminal Expansion. The proposed terminal expansion is a demand driven project that directly relates to the movement of passengers and baggage within the Jetport and will enhance the safety and security of passengers. The proposed terminal expansion will result in approximately 145,000 of additional and renovated useable square feet including a new airline ticketing area, a bridge connecting the parking garage and the terminal, three additional airline gates, refurbishment of the existing airline gate area, additional security lanes, and additional concession areas.

Terminal Access Roadway. The site changes that will occur as part of the terminal expansion include a realignment of International Parkway, including the relocation of utilities. International Parkway will be re-aligned and extended to the terminal with a four lane section along the proposed expansion. In addition, new electrical, storm water, sewer, gas, and water utilities will be installed under this new entrance road. One of the four lanes connects to the parking garage access road, and all four lanes merge into two lanes at the existing passenger terminal. Once complete, this will give the Jetport an additional 250 feet of curbside check-in.

Passenger Loading Bridges. Three new loading bridges will be purchased to equip the additional airline gates resulting from the expansion.

In-Line Explosives Detection System (“EDS”). The Series 2010 Project also includes an in-line EDS outbound baggage system. The Jetport is currently in compliance with the checked baggage screening requirement imposed by the federal Aviation and Transportation Security Act; however, the equipment resides in the ticket lobby. Upon completion of this project, the Jetport will have the ability to screen all checked baggage for explosives behind the ticket counters through this more efficient EDS integrated outbound baggage system.

Employee/Public Parking Lot. The site changes that will occur as part of the Series 2010 Project also include the reconfiguration of the surface parking areas at the Jetport. The expanded terminal will be built in the same location as the current employee parking lot,

consisting of 275 parking spaces, and a portion of a public surface lot, consisting of 214 spaces. In sum, 489 spaces to the west of the terminal will be removed, and 1.72 acres will be cleared to allow for the construction of 497 new surface parking spaces, for a net increase of 8 total spaces. The new surface parking areas will be created to the west of the expanded terminal with an exit only onto Jetport Boulevard and a two-way access/entry point from the re-aligned International Parkway.

AVIATION ACTIVITY AT THE JETPORT

Airlines Providing Service at the Jetport

As of December, 2009, passenger and cargo service at the Jetport was provided by the airlines listed in the table below. Except as hereafter set forth under the heading “AIRLINE AND OTHER REVENUE PRODUCING AGREEMENTS – Airline Agreements,” the City has no expectation that the airlines listed in the table below will continue to provide service at the Jetport or which, if any, airlines may in the future provide service at the Jetport.

Low-Cost Carriers	Regional Affiliates of Legacy Carriers	All Cargo Carriers
AirTran	Continental	FedEx
JetBlue	Colgan Air	FedEx
	ExpressJet	Wiggins
	Delta	
	Atlantic Southeast Airlines (ASA)	
	Comair	
	Pinnacle	
	United	
	Mesa Air	
	Trans States/GoJet	
	US Airways	
	Air Wisconsin	
	Piedmont	
	PSA	
	Republic	

Source: Report of the Airport Consultant

The table on the next page sets forth historical enplanements at the Jetport from Fiscal Years 1998 through 2009. Enplanements at the Jetport have grown at a compound annual growth rate of 3.0% from Fiscal Year 1998 to Fiscal Year 2009 (625,336 to 861,570, respectively). From Fiscal Year 2002 to Fiscal Year 2009, enplanements have grown considerably faster at a compound annual growth rate of 5.1% in part because the introduction of low-cost carrier service at the Jetport over the last four years has increased seat capacity and lowered fares at the Jetport, which has accommodated additional demand.

Historical Enplanements

Fiscal Year	Major/ National	Regional/ Commuter	Total	Annual Growth
1998	303,320	322,016	625,336	--
1999	337,213	329,933	667,146	6.7%
2000	374,600	300,007	674,607	1.1%
2001	391,039	286,441	677,480	0.4%
2002	326,344	283,664	610,008	-10.0%
2003	321,364	305,062	626,426	2.7%
2004	288,849	349,825	638,674	2.0%
2005	280,120	464,393	744,513	16.6%
2006	116,902	562,556	679,458	-8.7%
2007	180,922	600,263	781,185	15.0%
2008	264,836	604,790	869,626	11.3%
2009	252,768	608,802	861,570	-0.9%
Compound Annual Growth Rate				
1998-2009	-1.6%	6.0%	3.0%	
2002-2009	-3.6%	11.5%	5.1%	

Source: Report of the Airport Consultant

The table below sets forth the Jetport’s historical enplanement market share for Fiscal Years 2004 through 2009. As evidenced by the data presented in this table, the Jetport market has become more competitive over the past several years. Low cost carrier market share has become significant as these airlines continue to add flights and destinations at the Jetport. In general, the broader base of airlines serving the Jetport and relative balance in market share among the airlines has made the Jetport a more stable market capable of sustaining consistent growth in enplanements over the forecast period with new capacity and lower fares.

Historical Enplanements Market Share¹

Airline ²	FY 2004	% Share	FY 2005	% Share	FY 2006	% Share	FY 2007	% Share	FY 2008	% Share	FY 2009	% Share
US Airways	70,530	11.0%	68,682	9.2%	36,448	5.4%	-	0.0%	-	0.0%	-	0.0%
US Airways Express	94,726	14.8%	109,706	14.7%	168,842	24.8%	230,622	29.5%	229,747	26.4%	240,299	27.9%
Subtotal	165,256	25.9%	178,388	24.0%	205,290	30.2%	230,622	29.5%	229,747	26.4%	240,299	27.9%
Delta Air Lines	147,834	23.1%	150,515	20.2%	29,550	4.3%	5,031	0.6%	-	0.0%	12,850	1.5%
Delta Connection	56,909	8.9%	72,494	9.7%	139,576	20.5%	165,602	21.2%	148,118	17.0%	108,192	12.6%
Northwest Airlines	66,887	10.5%	60,923	8.2%	36,610	5.4%	33,602	4.3%	14,678	1.7%	65	0.0%
Northwest Airlinck	-	0.0%	24,525	3.3%	34,258	5.0%	19,336	2.5%	39,300	4.5%	55,123	6.4%
Subtotal	271,630	42.5%	308,457	41.4%	239,994	35.3%	223,571	28.6%	202,096	23.2%	176,230	20.5%
JetBlue Airways	-	0.0%	-	0.0%	14,294	2.1%	135,836	17.4%	147,971	17.0%	143,235	16.6%
United Express	97,929	15.3%	105,973	14.2%	120,396	17.7%	119,602	15.3%	119,479	13.7%	121,259	14.1%
AirTran Airways	-	0.0%	-	0.0%	-	0.0%	6,453	0.8%	102,187	11.8%	96,618	11.2%
Continental Airlines	3,598	0.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Continental Express	48,800	7.6%	52,701	7.1%	58,385	8.6%	65,101	8.3%	66,843	7.7%	13,465	1.6%
Continental Connection	9,341	1.5%	7,349	1.0%	1,182	0.2%	-	0.0%	1,303	0.1%	69,913	8.1%
Subtotal	61,739	9.7%	60,050	8.1%	59,567	8.8%	65,101	8.3%	68,146	7.8%	83,378	9.7%
Starlink Aviation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	551	0.1%
Independence Air	1,169	0.2%	65,640	8.8%	39,917	5.9%	-	0.0%	-	0.0%	-	0.0%
American Eagle	40,951	6.4%	26,005	3.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	638,674	100.0%	744,513	100.0%	679,458	100.0%	781,185	100.0%	869,626	100.0%	861,570	100.0%

¹ Figures may not sum to totals due to rounding.

² Regional affiliates of legacy carriers are subtotaled by legacy carrier under their "Doing Business As" identity.

Source: Report of the Airport Consultant

Origin and Destination Information

Approximately 100% of passenger traffic at the Jetport is comprised of origin and destination (“O&D”) passengers. The largest 25 O&D markets, each of which provided at least 1.0% of total O&D traffic at the Jetport during the year ended September 30, 2009, represent 72.2% of total O&D traffic at the Jetport. O&D traffic patterns at the Jetport are relatively diversified as none of the largest markets represents more than 10.8% of the total traffic base. Most of the largest markets correspond to large metropolitan areas in the United States located far enough from the air trade area to make air travel an efficient option in terms of total trip time. See “REPORT OF THE AIRPORT CONSULTANT” in Appendix A hereto.

AIRLINE AND OTHER REVENUE PRODUCING AGREEMENTS

General

The Jetport receives Revenues from various rental and fee payments made by airlines and other users for the use of various Jetport facilities. Pursuant to substantially similar airline operating agreements and terminal building leases between the City and the airlines which sign

such agreements, each airline pays rentals, fees and other charges for such airline's use and occupancy of the Jetport terminal, aprons and other airfield areas. Jetport parking facilities, which provide a significant source of Revenues to the Jetport, are operated pursuant to a management agreement. Rental car concessions are also a significant source of Revenues. Revenues are also received from food and beverage concessions, news and gift concessions, advertising and other sources.

Airline Agreements

The Jetport's airline agreements expired on December 31, 2009. The Jetport is currently operating on a month-to-month basis with its airline tenants under the terms of the expired agreements until proposed airline agreements are executed. The airlines with which the City is operating under the expired airline agreements and expects to enter into the proposed airline agreements are AirTran Airways, Air Wisconsin Airlines, Express Jet Airlines, Inc., Delta Air Lines, FedEx, JetBlue Airways, and US Airways (the "Occupant Airlines"). On February 17, 2010, the City Council approved the proposed airline agreement in substantially the form presented to it on such date. It is expected that the City and the Occupant Airlines will each enter into the proposed airline agreement by May 2010.

The Occupant Airlines and certain code share airlines which provided passenger service accounted for approximately 100% of Fiscal Year 2009 enplanements. Pursuant to the proposed airline agreement, a code share airline may provide service at the Jetport pursuant to an agreement with an Occupant Airline subject to certain conditions. The City has no expectation which, if any, such code share airlines may in the future provide service at the Jetport.

During any period between the expiration of an airline agreement and the execution of a new airline agreement or if for any other reason an airline agreement is not in effect with any airline serving the Jetport, the City, acting through its Airport Director, has the authority, pursuant to the City Code of Ordinances, Section 18-83 and subject to applicable federal law, to set rentals, fees and other charges to airlines using Jetport facilities without any further action or approval by the City Council (but subject to disapproval by the City Manager) or any other department, agency, instrumentality or official of the City or the State.

The current rate-making methodologies outlined in the expired airline agreements largely remain in place in the proposed airline agreements, with primary differences relating to the approval of the terminal expansion project, a provision for extraordinary coverage, the approval of the in-line EDS outbound baggage system, and the reallocation of space resulting from the terminal expansion.

Rates for rentals, charges, and fees for the Occupant Airlines are calculated on an annual basis using a compensatory rate-making methodology. The landing fee recovers 50% of certain costs attributable to the Jetport field divided by total airport landed weight. The terminal building rental rate for each of the (i) common use, (ii) exclusive use, (iii) preferential use and (iv) public and concession areas is based on requirements of the terminal divided by the total square footage of those four areas. The Occupant Airlines are charged for the common use, exclusive use and preferential use areas. Rentals, charges, and fees for the current rate setting

period are adjusted for the variance of budget to actual M&O Expenses from the prior rate setting period.

The proposed airline agreements provide that for each rate adjustment period, the City will provide the budget and actual financial information for the prior rate setting period and a budget for the current rate setting period; the adjustment of rates for the prior Fiscal Year that is carried over to the current rate setting period; and the calculation of proposed rentals, charges, and fees for the current rate setting period to the Occupant Airlines. A meeting is also held between the Airport Director and the Occupant Airlines for the purpose of discussing the proposed rentals, charges, and fees. The Airport Director may also give consideration to signatory airline comments and suggestions prior to the adoption and finalization of the proposed rentals, charges, and fees.

A majority-in-interest (“MII”) provision is included in the proposed airline agreements for the Jetport field and terminal building capital improvements. MII is defined as 50% in number of all Occupant Airlines, which in aggregate paid 50% or more of landing fees or terminal building rentals in the preceding Fiscal Year for the Jetport field and the terminal building, respectively.

The Jetport’s premises are expected to be leased by the Occupant Airlines exclusively, preferentially, and jointly. Any unleased areas are under the direct control of the City.

The landing fees and terminal rentals are compensatory based formulas that recover the costs of operating the Jetport field and terminal cost centers. The rate-base items that determine the total requirement for the rate calculations include M&O Expenses, equipment and capital outlays under \$10,000, amortization and debt service. The rates and charges to the Occupant Airlines are determined prospectively pursuant to the ratemaking procedures of the airline agreements. After the end of the Fiscal Year, the amounts actually collected from the Occupant Airlines are reconciled to the amounts actually required under the proposed airline agreement to be paid for such Fiscal Year, and the amount of any overpayment or underpayment is established. The Occupant Airlines are responsible for any underpayments and overpayments, which will be included in the next Fiscal Year’s rates and charges.

In addition to all other rentals, fees and charges in the proposed airline agreements, the proposed airline agreements contain a provision for extraordinary coverage of debt service on bonds issued to finance improvements to any of the airfield and the common use, preferential use and exclusive use areas of the terminal. Such provision requires that the Occupant Airlines shall make payment in the rates for rentals, fees and charges of the Jetport in any Fiscal Year in which the amount in which revenues less operating and maintenance expenses and the operating and maintenance reserve requirement are projected to be less than 125% of the debt service coverage (the “Extraordinary Coverage Protection”). Should Extraordinary Coverage Protection payments be made, the Airport will refund such payments to the Occupant Airlines as soon as uncommitted funds become available in the General Fund.

The proposed airline agreements, when signed by the parties, will reserve to the City the right to reassign one or more of a signatory airline’s preferentially assigned gates to another signatory airline if the airline’s scheduled average gate utilization falls below two flights per gate

per weekday and the City determines that there is a reasonable need for the preferential use of such gate by another signatory airline.

The proposed airline agreements also contain provisions which will obligate the airlines which sign such agreements, at the direction of the City, to accommodate any airline, including a signatory airline, at the signatory airline's preferentially assigned gate according to specified procedures.

Jetport Parking

Parking management services are provided at the Jetport by Standard Parking Corporation. The company provides complete turnkey maintenance and operation of all Jetport parking facilities. Compensation under the contract is limited to an annual fixed management fee of approximately \$93,924 as of the date hereof. The management fee is subject to an annual increase as of August 1 each year based on the federal government's Consumer Price Index. The current contract expires on December 31, 2014.

Jetport Concession Agreements

The on-airport rental car operators at the Jetport include Avis Budget Group, Inc., Hertz Corporation, and Vanguard Car Rental USA, Inc. (Enterprise/National/Alamo). In 2009, the Jetport renegotiated its rental car concession agreement with these operators. On June 1, 2009 these agreements were executed and will expire on June 30, 2014. According to these agreements, each rental car company is obligated to pay a concession fee of the greater of a specified minimum annual guarantee, or 10% of the gross receipts of each on-airport rental car operator. The rental car companies also pay terminal rental for the premises occupied in the terminal; and a customer facility charge of a \$1.00 per day for up to five days on any rental.

Additional Revenues are received from concessions for food and beverage and news and gifts and from advertising and other sources. Food and beverage concessions at the Jetport are operated by HMS Host, Inc. ("Host") pursuant to a current agreement with a subsidiary of Host, which agreement terminates on May 31, 2015, provided that the City has the right to terminate the agreement at any time on 30 days notice. Host is required to pay to the City the greater of 10.5% of its annual gross receipts (excluding any sales taxes collected) at the Jetport or a minimum amount which is adjusted based on the prior year's payment. This rate increases to 14% of its gross receipts above \$1 million at its lower level restaurant and for gross receipts above \$1.5 million at its second level hold room restaurant. In addition, Host must pay for janitorial services, repairs, electricity charges and taxes and assessments with respect to its premises. The Jetport intends to rebid this concession lease prior to the completion of the terminal expansion.

The news and gift concessions at the Jetport are operated by Paradies Shops, L.L.C. ("Paradies") pursuant to an agreement which terminated on February 28, 2006. The City is continuing this agreement on a month-to-month basis and intends to rebid this concession lease prior to the completion of the terminal expansion. Pursuant to the current agreement, Paradies is required to pay to the City 10% of annual gross revenues less than \$600,000, 11% of annual gross revenues between \$600,000 and \$800,000, 11.5% of annual gross revenues between

\$800,000 and \$1,000,000 and 12% of annual gross revenues over \$1,000,000 or 80% of the prior year payment if it is higher than the percentage of gross revenues calculation for the current year. In addition, Paradies must pay for janitorial services and repairs and for its share of any terminal costs for heat, water, sewer, air conditioning and electric service.

MANAGEMENT AND ADMINISTRATION OF THE JETPORT

Administration

The Jetport is owned and operated by the City and is managed by its Airport Director. The Airport Director and the Jetport management staff are responsible for the planning, development, management and operation of the Jetport. The Airport Director is appointed by the City Manager.

The Operating Budget for the Jetport is prepared by the Principal Financial Officer of the Jetport, under the supervision of the Airport Director and in consultation with the Director of Finance who, with the City Manager, is responsible for presenting the city-wide budget for approval of the City Council.

Under the current City Code of Ordinances, Section 18-83, the Airport Director (subject to disapproval by the City Manager) is authorized, subject to applicable federal law, to set all rentals, fees and other charges for use of any Jetport facility other than by lease or contract including without limitation airline rentals, charges and fees, without any approval by the City Council or any other agency, department, instrumentality or official of the City or the State.

Management

The following are the principal officials responsible for management and administration of the Jetport:

Ellen Sanborn is the City's Director of Finance. Ms. Sanborn has been employed by the City of Portland since 1984 and in her present position since 2008. She graduated from the University of Maine with a B. S. degree in accounting. She is responsible for issuing the City's financial statements and managing the accounting and treasury functions of all City funds, including the City funds for the Jetport.

Paul H. Bradbury, P.E., is the City's Airport Director. Mr. Bradbury has been employed with the City in various roles at the Jetport since August 1992 and has managed all landside facilities at the Jetport since 1994. Mr. Bradbury was appointed to his current position of Airport Director in 2008. In this position, he is responsible for the overall management, operations and planning for the Jetport. Mr. Bradbury graduated from Rensselaer Polytechnic Institute with a B.S. in Mechanical Engineering. He is a licensed professional engineer in the State.

Arthur M. Sewall is the City's Deputy Director of Operations. Mr. Sewall has been employed by the City in his present position since 1987. Mr. Sewall is responsible for maintenance and construction of the airfield and management of the maintenance staff. Prior to his tenure at the Jetport, Mr. Sewall was employed by Ernest J. Aselyn, Inc., general contractors.

One of his duties with Aselyn, Inc. was overseeing the Jetport's airfield snow removal. Mr. Sewall graduated from the University of New Hampshire with a B.A. degree in Microbiology.

Roy S. Williams, P.E., is the City's Deputy Director of Facilities and Engineering. Mr. Williams has been employed in his current role with the City for 18 months. Mr. Williams is responsible for all maintenance and construction engineering functions of the Jetport within the terminal/landside. Mr. Williams has comprehensive work experiences in construction and engineering both domestically and internationally. Mr. Williams graduated from East Berks College UK in Mechanical Engineering, is a licensed professional engineer in the State and is LEED AP certified.

Jennifer J. O'Bryon is the City's Deputy Director of Administration and Properties. She has worked for the City for the past 16 months in her current position at the Jetport. Prior to that, she worked for the Maine Department of Transportation as the Aviation Policy/Planning specialist for 12 years. She also worked as the assistant operations manager at the Boise International Airport in Idaho and as the airport operations planner with Sverdrup Aviation in St. Louis, Missouri between 1993 and 1997, after serving four years in the Air Force. Ms. O'Bryon graduated from Embry-Riddle Aeronautical University with a B.S. and an M.S. in aviation management. Ms. O'Bryon has also completed all but her dissertation towards a Doctorate of Business Administration degree from Northcentral University. She also holds a private pilot's license for operating fixed wing and rotor aircraft.

Richard A. Marston is the City's Principal Financial Officer for the Jetport and is responsible for the departmental budgeting, accounting and payroll functions of the Jetport. Mr. Marston has been employed by the City since 1996, beginning with the City's Parking division and moving on to the Public Buildings and Parks and Recreation departments before joining the Jetport in May of 2006. Prior to working for the City of Portland, Mr. Marston worked for the Cumberland County District Attorney's Office. Mr. Marston graduated from the University of Maine with a B.S. in Finance.

Employee Matters

The Airport Director has sole responsibility for hiring all personnel necessary to operate the Jetport. As of January 31, 2010, there were 44 full-time Jetport employees, but the Jetport has budgeted for an additional Assistant Operations Manager position in FY 2010 and plans to hire that position before fiscal year-end. The American Federation of State, County, and Municipal Employees, Labor and Trades Union ("AFSCME"), is the bargaining unit for 19 of the full-time Jetport employees and for certain other City employees. The current contract between the City and AFSCME expires on June 30, 2011. The City Employees' Benefit Association ("CEBA") is the bargaining unit for 2 full-time Jetport employees, and the Professional and Technical City Employees Association ("Pro-Tech") is the bargaining unit for 13 full-time Jetport employees. The CEBA contract expired on December 31, 2009 and is currently being renegotiated, and the Pro-Tech contracts expire on June 30, 2011. The Jetport has had a good relationship with its employees.

RESULTS OF FINANCIAL OPERATIONS

The following tables set forth revenues, expenses and changes in net assets in the Jetport Fund which has been established by the City to account for the operation of the Jetport.

Statement of Revenues, Expenses and Changes in Fund Net Assets For Fiscal Years Ended June 30

	2007	2008	2009
Operating revenues:			
Charges for services	\$ 13,756,436	15,908,590	16,154,677
Adjustments for allowances	-	466,000	-
Total operating revenues	13,756,436	16,374,590	16,154,677
Operations expenses:			
Personal services	2,963,176	3,349,806	3,129,467
Contractual services	3,844,778	4,501,162	4,530,097
Supplies and materials	472,292	546,473	608,939
Rentals	220,311	310,543	11,169
Utilities	755,658	791,472	843,497
Maintenance	698,960	603,504	776,723
Depreciation and amortization	7,641,896	7,910,637	8,118,477
Other	764,515	734,297	509,639
Total operations expenses	17,361,586	18,747,894	18,528,008
Operating income (loss)	(3,605,150)	(2,373,304)	(2,373,331)
Nonoperating revenues (expenses):			
Passenger facility charges	2,292,019	2,558,826	2,590,439
Interest and other revenue	559,039	555,023	500,951
Interest expense	(1,867,922)	(1,968,475)	(2,171,153)
Total nonoperating revenues (expenses)	983,136	1,145,374	920,237
Income (loss) before contributions	(2,622,014)	(1,227,930)	(1,453,094)
Capital contributions	2,480,066	965,454	2,989,064
Change in net assets	(141,948)	(262,476)	1,535,970
Net assets, beginning of year	75,795,225	75,653,277	75,390,801
Net assets, end of year	\$ 75,653,277	75,390,801	76,926,771

Sources: Financial Statements of the City
Jetport

Historical Debt Service Coverage

	Fiscal Years Ended June 30			Six Months Ended December 31	
	2007	2008	2009	2008	2009
Revenues					
Terminal Rentals	\$2,452,011	\$3,163,230	\$3,330,290	\$1,470,076	\$1,461,932
Landing Fees	2,135,339	2,610,477	2,581,143	1,303,012	1,141,798
Ground Rent	493,482	559,059	565,950	299,458	254,333
Parking	5,223,613	5,661,652	5,593,218	2,054,365	2,557,484
Rental Cars	2,658,064	2,833,994	2,958,897	1,875,093	2,319,578
Concessions	712,240	878,183	895,328	342,514	359,298
Investment Earnings	422,085	429,125	190,627	151,171	9,405
Other	214,555	367,108	364,098	87,787	114,135
Total Revenues	\$14,311,388	\$16,502,828	\$16,479,550	\$7,583,476	\$8,217,963
M&O Expenses					
Personnel services	\$3,078,835	\$3,214,082	\$3,110,007	\$1,458,757	\$1,617,554
Contractual services	3,792,254	4,129,890	4,182,045	1,628,172	1,740,546
Supplies and materials	496,655	562,494	615,756	274,399	257,945
Rentals	220,311	310,543	11,168	6,110	8,629
Utilities	755,658	791,472	843,498	336,131	325,924
Maintenance	822,210	857,465	881,123	413,578	474,596
Other	797,688	626,653	615,124	336,125	353,259
Total M&O Expenses	\$9,963,611	\$10,492,597	\$10,258,721	\$4,453,272	\$4,778,453
Net Revenue	\$4,347,777	\$6,010,231	\$6,220,829	n/a	n/a
Debt Service	\$2,255,311	\$2,290,404	\$3,536,838	n/a	n/a
Debt Service Coverage Ratio	1.93	2.62	1.76		

Sources: Financial statements of the City
Jetport

MANAGEMENT'S DISCUSSION OF FINANCIAL INFORMATION

Operating Revenues

Operating revenues are derived from four primary sources: parking, airlines, rental cars, and concessions. Parking is the largest revenue source, followed closely by airline revenues, which are realized through exclusive terminal space rentals, common use space rentals for baggage claim and terminal gate areas, and landing fees. Rental cars and concessions make up the balance of the primary revenue sources. Additional operating revenues are derived from ground rent of property and other income.

As shown in the "Historical Debt Service Coverage" table above, operating revenues increased from \$14.3 million in FY 2007 to \$16.5 million in FY 2008. The increase over this

period was due primarily to the continuous operation of two new carriers throughout FY 2008. JetBlue was the sole low cost carrier at the Jetport for the first 11 months of FY 2007, with AirTran operations commencing in the final month of that FY. The operation of these two low cost carriers in FY 2008 resulted in an 11.3% increase in enplanements over FY 2007. This growth in enplanements positively impacted not only landing fee revenue, but revenue from terminal rentals, parking, rental car commissions and concessions. Ground rent revenue also increased significantly in FY 2008 due to the construction of a private hangar in the General Aviation area and to a 19% increase in revenue from the Jetport's fixed base operator, Northeast Air.

Operating revenues in FY 2009 fell by 0.14%, due to a 0.9% reduction in enplanements, a reduction in landing fees associated with the loss of DHL as an air cargo carrier at the Jetport, and a reduction in parking revenues caused by a major expansion of the parking garage in the first half of the year.

For the first six months of FY 2010, operating revenue increased 8.36% over the same period in FY 2009. Enplanements were up 1.5% during this period, which drove modest gains in concession revenue. The revenue increase for the first half of FY 2010 was driven by gains of 24.5% and 23.7% in parking and rental car revenue, respectively. Parking revenue in FY 2010 grew at such a sharp rate as a result of a \$1.00 increase in the hourly surface parking rate, and the fact that a major expansion of the parking garage in the first half of FY 2009 depressed normal parking revenues for that period, thereby resulting in a significant percentage increase in the first half of FY 2010 when parking revenues rebounded to normal levels. Rental car revenues benefited from the solicitation of new competitive contracts for on-airport rental car companies at the end of FY 2009. The new contracts included a customer facility charge of \$1.00 for each of the first five days of a vehicle rental, which has generated approximately \$200,000 per annum of additional revenue. The competitive bid process was also successful in bringing Enterprise Rental Car from an off-airport to on-airport company, resulting in a higher commission.

Although financial data for the third quarter is not available, it is important to note that enplanements for the first two months of the third quarter of FY 2010 were down due to unusually severe winter weather in the New York, Washington DC, and Philadelphia metropolitan areas, which are the Jetport's top three destinations. This resulted in a reduction in enplanement volume of 3.0% and 12.9% for January and February 2010, respectively. Overall enplanements dropped 0.2% for the first eight months of FY 2010.

Operating Expenses

Operating expenditures are divided into eight cost centers: Jetport administration, Jetport field, general aviation, fringe benefits, security, terminal, marketing and parking. An additional airfield deicing facility cost center will be added beginning in FY 2011.

Operating expenditures increased by 5.3% in FY 2008. FY 2008 was an extremely heavy snow year, which resulted in increases in personnel services and contractual services beyond that expected by inflation. In FY 2008 the Jetport also initiated a new marketing program that increased contractual services expenditures by \$250,000. This marketing program was, and

continues to be, an important part of management's plan for educating the region on the Jetport's air service and fares since the introduction of low cost carriers.

In FY 2009, operating expenditures decreased by 2.2%, as the Jetport and the City made a conscious effort to minimize expenditures in response to the recession. A significant portion of this decrease was due to the reorganization of the City's Department of Waterfront and Transportation. This reorganization separated the Waterfront operations from that of the Jetport and resulted in the elimination of two positions that were funded by the Jetport. The elimination of these positions, combined with several staffing vacancies, resulted in savings within personnel services of approximately \$220,000.

In the first six months of FY 2010, operating expenditures rose 7.3%. This was primarily attributable to the filling of necessary staff positions which were vacant for part of the prior comparable period. Management instituted a wage freeze for FY 2010 that limited further increases.

Non-Operating Revenues and Expenses

Non-operating revenues are comprised mainly of PFCs and interest earned on the Jetport's cash reserves. Non-operating expenses are comprised mainly of capital asset retirement, interest expense and amortization of bond issue costs. Non-operating revenues increased from \$2.8 million in FY 2007 to \$3.1 million in FY 2009, mainly due to the increasing PFC revenue earned as the Jetport's enplanements increased. Non-operating expenses slowly increased from \$1.9 million in FY 2007 to \$2.2 million in FY 2009, caused mainly by increasing interest expense.

Capital Contributions

Capital contributions are the federal funds received by the Jetport for AIP expenditures. These funds are used for a variety of purposes including the reconstruction and rehabilitation of the Jetport's main runway, security improvements, airfield lighting improvements, noise studies and the construction of a new general aviation apron.

Annual Budget

On May 18, 2009, the City Council approved the Jetport's FY 2010 budget. This budget reflects approximately \$16.6 million in Revenues and \$11.4 million in M&O Expenses. The Jetport's FY 2011 budget, showing \$18.2 million in Revenues and \$12.5 million in M&O Expenses, is scheduled for City Council approval in May 2010. A significant change to the FY 2011 budget is the addition of the Jetport's ninth cost center; the airfield deicing facility. This cost center will keep track of the expenses and revenues from the contracted recovery and recycling of used aircraft deicing fluid, which the Jetport is mandated to begin doing by November of 2010. For the FY 2011 budget, expenditures are estimated to be \$1,398,371 and revenues are estimated to be \$937,137.

REPORT OF THE AIRPORT CONSULTANT

The General Certificate requires that as a condition to the issuance and delivery of the Series 2010 Bonds, the City deliver to the Trustee, among other things, a certificate of the Airport Consultant that estimated Net Revenues for each Fiscal Year during the period commencing with (and including) the Fiscal Year in which the Series 2010 Bonds are issued and ending with (and including) the later of the fifth subsequent Fiscal Year or the third Fiscal Year following the date on which the Series 2010 Project is estimated to have been completed and placed in operation (i) will equal or exceed an amount sufficient to satisfy the Rate Covenant and (ii) will equal or exceed an amount sufficient to satisfy the Debt Service Coverage Ratio. The Certificate requires that, in order to satisfy the Debt Service Coverage Ratio, Net Revenues in a Fiscal Year must equal or exceed 125% of Required Debt Service Fund Deposits. As set forth in the Report of the Airport Consultant prepared by MAC Consulting, LLC (the “Airport Consultant”) dated April 14, 2010 included herein as Appendix A (the “Report of the Airport Consultant”), Net Revenues for the period commencing July 1, 2010 and ending June 30, 2018 (the “Projection Period”) are projected to be sufficient to satisfy the Debt Service Coverage Ratio in each Fiscal Year of the Projection Period. The Airport Consultant will separately certify to the Trustee that Net Revenues for the Projection Period are projected to be sufficient to satisfy the Rate Covenant in each Fiscal Year of the Projection Period.

The following table, which sets forth the projected Debt Service Coverage Ratio in each Fiscal Year of the Projection Period, has been extracted from the Report of the Airport Consultant. As shown, the Debt Service Coverage Ratio exceeds the 125% requirement of the Certificate.

Projected Debt Service Coverage Ratio

Fiscal Year	Net Revenues	Required Debt Service Fund Deposits	Debt Svc Coverage Ratio
2010	\$5,914,930	\$3,490,289	1.69
2011	\$5,793,452	\$3,972,423	1.46
2012	\$7,239,701	\$4,366,078	1.66
2013	\$7,253,218	\$4,362,815	1.66
2014	\$7,386,362	\$4,359,730	1.69
2015	\$7,527,685	\$4,358,693	1.73
2016	\$7,659,930	\$4,359,180	1.76
2017	\$7,779,912	\$4,369,927	1.78
2018	\$7,882,271	\$4,359,561	1.81

Source: Report of the Airport Consultant

Also according to the Supplemental Certificate, the City will deposit PFC Revenues available to pay eligible costs of the Series 2010 Project into the Series 2010 Subaccounts of the Principal Account and the Interest Account established in the Debt Service Fund to pay debt

service on the Series 2010 Bonds. In calculating the Rate Covenant and the Debt Service Coverage Ratio, and for purposes of applying the Additional Bonds test established in the General Certificate, the Required Debt Service Fund Deposits will be reduced by the amount of PFC Revenues deposited or expected to be deposited in any Series subaccount established in the Debt Service Fund. PFC Revenues expected to be deposited in any such Series subaccount will be taken into account only if collection of the PFC Revenues expected to be deposited has been approved by the Federal Aviation Administration.

The Report of the Airport Consultant should be read in its entirety for a complete understanding of its forecasts and underlying assumptions. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts may not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. See “REPORT OF THE AIRPORT CONSULTANT” in Appendix A hereto.

PASSENGER FACILITY CHARGES

Under the Aviation Safety and Capacity Expansion Act of 1990 (the “PFC Act”), as modified by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (“AIR-21”), the Federal Aviation Administration (“FAA”) may authorize a public agency to impose PFCs of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50 on each qualifying passenger enplaned at any commercial service airport controlled by the public agency, subject to certain limitations. PFCs are available to such public agencies to finance certain eligible airport-related projects that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise resulting from an airport which is part of such system or (iii) furnish opportunities for enhanced competition between or among air carriers. An airport must apply to the FAA for the authority to impose a PFC and for the authority to use the PFCs collected for specific FAA-approved projects, and the airport may only impose the designated PFC until the authorized total amount is collected. Interest earnings on PFCs collected are included in the approved PFC collection amount. Under certain circumstances, the FAA will approve collection of PFCs (“impose only” approval) before approval to spend the PFCs on approved projects (“use” approval) is granted. Approval to both collect and spend PFCs is referred to as “impose and use” approval.

The City began collecting a \$3.00 PFC in February 1994 and is currently authorized to impose a \$4.50 PFC, until the estimated charge expiration date of September 30, 2010, with total PFC Revenues of \$35,579,763 approved for collection and use. The Jetport requested the \$4.50 per passenger collection amount to expedite the reimbursement of the costs of the PFC approved projects contained in four separate PFC applications in order to be able to use future PFC Revenues to pay for the terminal expansion. A summary of the PFC applications approved by the FAA to date is provided in the table below.

Application #	Initial			Amended			PFC-Related	
	Approved Collections	Amended Collections	Amended Collection Approval	Approved Use	Amended Use	Amended Use Approval	Expenses as of 12/31/09	PFC Revenue as of 12/31/09
PFC #1	\$12,233,751	(\$4,564,884)	\$7,668,867	\$11,983,751	(\$4,314,884)	\$7,668,867	\$7,611,415	\$7,611,415
PFC #2	6,887,241	1,598,238	8,485,479	6,887,241	1,598,238	8,485,479	6,986,461	6,986,461
PFC #3 & #4	14,214,483	5,210,934	19,425,417	10,071,183	9,354,234	19,425,417	18,302,079	15,590,444
	\$33,335,475	\$2,244,288	\$35,579,763	\$28,942,175	\$6,637,588	\$35,579,763	\$32,899,955	\$30,188,320

Source: Report of the Airport Consultant

As of December 31, 2009, the City had collected approximately \$30.2 million in revenues under the four applications and expended approximately \$32.9 million for PFC eligible projects funded in part through PFC-supported lines of credit, as discussed under the heading “OUTSTANDING OBLIGATIONS AND OTHER JETPORT RELATED DEBT” above. The project costs that have not yet been funded with PFCs due to the difference in the timing of the PFC collection versus expenditures will be reimbursed once the PFCs are collected. If the amounts authorized to be collected have not been collected by the expiration dates, it is expected that the authorization to collect the PFCs will be extended.

Since the inception of the City’s PFC program, these funds have been used to fund various projects at the Jetport, all of which have been completed. These projects include a terminal expansion; the replacement, purchase, and/or installation of terminal equipment, a terminal ramp reconstruction, Jetport access road reconstruction and various planning projects. PFC Applications #3 and #4 (“PFC #3 & #4” in the table above) were approved in November 2002. These applications included the completion of the terminal canopy, a baggage claim area expansion; the acquisition of snow removal equipment; the acquisition of passenger boarding bridges and funding of the local share of project costs associated with the Runway 11/29 upgrade and relocation and associated taxiway improvements.

In addition to the projects listed above, PFC #3 and #4 provided for the funding of approximately \$2.4 million of the project costs and approximately \$600,000 in interest costs associated with certain projects related to the parking garage constructed in 2003 including all of the roadways and a portion of the utility relocation.

On April 12, 2010 the Jetport received approval for PFC Application #5 (“PFC #5”) from the FAA to fund the principal, interest, and financing costs associated with the PFC-eligible portion of the Series 2010 Project. According to PFC #5, approximately 89% of the terminal expansion and 100% of the roadway and passenger loading bridge projects are PFC eligible. Therefore, of the \$57.6 million in terminal expansion costs approximately \$51.2 million is PFC-eligible and approximately \$3.6 million of the roadway and approximately \$1.4 million of the

passenger loading bridge projects are PFC-eligible for a total of \$56.1 million in PFC-eligible project costs. At this time, the Jetport's projected PFC Revenue stream allows for a project cost of approximately \$54.0 million. The remaining \$2.1 million of PFC-eligible Series 2010 Project costs is expected to be funded from the Jetport's General Fund.

Although levied by the Jetport, PFCs are actually collected from airline passengers by the respective airline on behalf of the Jetport. In the process of collecting PFCs, each airline is entitled to and does commingle the collected PFCs with other airline funds as well as deduct carrier compensation of \$0.11 per PFC collected. Airlines remit collected PFCs to the Jetport on a monthly basis.

Revenues do not include PFC Revenues. No assurance can be given that PFCs will actually be received in the amount or at the time contemplated by the Jetport. The amount of actual PFC Revenues collected, and the rate of collection, will vary depending on the actual levels of passenger enplanements at the Jetport.

In addition, the FAA may terminate the Jetport's ability to impose PFCs, subject to informal and formal procedural safeguards, if (1) the Jetport fails to use its PFC Revenues for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder, or (2) the Jetport otherwise violates the PFC Act or provisions of the Airport Noise and Capacity Act of 1990 and its implementing regulations. Furthermore, no assurance can be given that the Jetport's authority to impose a PFC will not be terminated by Congress or the FAA, or that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC Revenues available to the Jetport. See "FACTORS AFFECTING JETPORT OPERATIONS AND REVENUES — Passenger Facility Charges."

FEDERAL GRANTS-IN-AID

The Airport and Airway Improvement Act of 1982 created the AIP, which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon enplaned passengers and cargo landing weights and discretionary funds are available at the discretion of the FAA based upon a national priority system. Actual entitlement funds will vary with the actual number of passenger enplanements, with total appropriations for the AIP and with any revision of the existing statutory formula for calculating such funds.

The U.S. Department of Transportation ("DOT") classifies airports as large, medium, small and non hubs according to their share of the total enplaned passengers in the United States. Large-hub airports enplane over 1.0%, medium-hub airports enplane between 0.25% and 0.9999%, small-hub airports enplane between 0.05% and .2499% and non-hub airports enplane less than 0.05% of total enplaned passengers in the United States. Pursuant to the PFC Act and AIR-21, annual federal passenger entitlement grants to large- and medium-hub airports are reduced by 50% when a \$3.00 PFC is imposed and reduced by 75% when a \$4.50 PFC is imposed. Small- and non-hub airports are not required to reduce their passenger entitlement grants due to the collection of any PFC amount. As a result of the Jetport's small hub

classification by the DOT, the City is not required to reduce any federal passenger entitlement grants when collecting the \$4.50 PFC.

FAA authorization and the funding of the Airport and Airway Trust Fund (the primary source of AIP funding) expired on September 30, 2007, and legislation to reauthorize and fund the AIP beyond such date has been under consideration by Congress but has not been enacted. Congress has approved several short-term extensions of the AIP, the most recent of which was on March 31, 2010 when the President signed legislation that gives the FAA the authority to make new obligations under the AIP through April 30, 2010. No assurance can be given that enactment of reauthorization legislation will occur after April 30, 2010, or at what levels the AIP may be funded in the future.

Certain funds are made available out of the Airport and Airway Trust Fund to make grants for the AIP and for other purposes. For federal fiscal years 2007, 2008 and 2009, the total amount appropriated for all airports for the AIP was \$3.7 billion, \$3.675 billion, and \$3.9 billion, respectively. For the first seven months of federal fiscal year 2010, the total amount appropriated for all airports for the AIP is \$2.333 billion.

The Jetport anticipates that AIP grants will fund a portion of the CIP in the amount of approximately \$47.4 million through 2017. Since the beginning of federal fiscal year 2010, grants approved for the Jetport pursuant to the AIP have totaled \$2,092,797. No AIP grants are, however, dedicated to the Series 2010 Project. No assurance can be given that federal grants-in-aid will actually be received in any amount or at any time contemplated by the Jetport.

FACTORS AFFECTING JETPORT OPERATIONS AND REVENUES

General

The principal of and interest on the Bonds is payable pursuant to the Certificate solely from the Revenues, Funds and Accounts pledged as security for the Bonds, subject to the prior payment of M&O Expenses. Receipt of Revenues in amounts sufficient to make timely payment of M&O Expenses and principal of and interest on the Bonds is dependent upon a number of factors affecting the business of air transportation.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain risks associated with the Series 2010 Bonds. There follows a discussion of some, but not necessarily all, of the possible considerations and risks which should be carefully evaluated by prospective purchasers of the Series 2010 Bonds prior to purchasing any Series 2010 Bonds. The Series 2010 Bonds may not be suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of any investment in the Series 2010 Bonds and should confer with their own legal and financial advisors before considering a purchase of the Series 2010 Bonds.

General Factors Affecting the Airline Industry

General Factors Affecting Air Carrier Revenues. The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are sensitive to general and local economic trends, and passenger traffic can fluctuate with seasonal travel patterns. The profitability of the airline industry can change dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the events of September 11, 2001.

The revenues of both the Jetport and the airlines serving the Jetport can be materially affected by many factors including demand for air travel; airline bankruptcies and the application of federal and state bankruptcy and insolvency laws; airline service and cost competition; mergers, acquisitions, and closures; the price of air travel; the availability and cost of fuel; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; national and international disasters and hostilities; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; congestion in the federal air traffic control system and at connecting hub airports; litigation liability; federal regulation; environmental risks and regulations; noise abatement concerns and regulation; and other risks.

General Factors Affecting Airline Activity. Numerous factors affect air traffic, generally, and air traffic at the Jetport, specifically. Demand for air travel is influenced by factors such as population; levels of disposable income; the nature, level and concentration of industrial and commercial activity in the Jetport's air trade area; and the cost of air travel. The cost of air travel is, in turn, affected by the number of airlines serving the Jetport and its principal O&D markets and the financial condition, cost structure, and hubbing strategies of the airlines serving the Jetport. The financial strength and stability of airlines serving the Jetport are key determinants of future airline service and traffic. In addition, individual airline decisions regarding level of service at the Jetport will affect total enplanements. No assurance can be given as to the levels of aviation activity that will be achieved by the Jetport. There is no assurance that the Jetport, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future.

Economic Conditions in the United States

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. Beginning in 2006, the rate of economic growth in the U.S. slowed considerably, primarily due to losses in real estate values and tightening of credit in financial markets. Starting in September 2008 and continuing thereafter, there have been significant and dramatic changes in the financial markets. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore consumer confidence in the nation's financial markets. As a result of this economic turbulence, the U.S. and several other countries' economies entered a

deep recession in the fourth quarter of 2007 that persisted through the first half of 2009. The U.S. unemployment rate doubled to over 10% in 2009, and remains over 9% in the first quarter of 2010. While the U.S. economy returned to positive growth in the second half of 2009, most economists expect economic growth to be modest through 2010 and 2011, and unemployment rates to remain high. The short- and long-term effects of these developments on the broader economy are not known at this time. There can be no assurances that such developments will not have an adverse effect on the air transportation industry.

Airline Agreements

Revenues may be affected by the ability of the Occupant Airlines, individually and collectively, to meet their respective obligations under the proposed airline agreements. Pursuant to the proposed airline agreements, when signed by the City and each of the Occupant Airlines, each airline will pay rentals, fees and charges for such airline's use and occupancy of the Jetport terminal, aprons and other airfield areas. The Jetport's airline agreements expired on December 31, 2009. The Occupant Airlines continue to operate under the holdover provisions of the expired airline agreements. On February 17, 2010, the City Council approved the proposed airline agreement in substantially the form presented to it on such date. It is expected that the City and the Occupant Airlines will each enter into the proposed airline agreement by May 2010. No assurance can be given concerning the outcome of the ongoing negotiations with respect to the terms of the proposed airline agreements or the content of any new airline agreements with the Occupant Airlines. Any reduction in Revenues or change in the manner of assessing rentals, fees and charges could have an adverse impact on the timely payment of principal of or interest on the Series 2010 Bonds. See "AIRLINE AND OTHER REVENUE PRODUCING AGREEMENTS."

Cost of Aviation Fuel

According to the Air Transportation Association, aviation fuel is the largest item of airline expense. Aviation fuel costs fluctuate in response to market forces and exposure to these fluctuations is uncertain and largely outside of airline management control except through hedging techniques. The price of aviation fuel has two determinants: (1) the price of crude oil, and (2) the "crack spread." The price of crude oil had been increasing almost continuously from 2003 through July 2008, with the price per barrel more than quadrupling from approximately \$30 in late 2003 to record levels of over \$140 in July 2008. The crude oil price has subsided substantially, with 2010 prices at approximately \$70-\$85 per barrel. The price of aviation fuel used by the airlines also includes the "crack spread," which is the cost of processing or "cracking" crude oil into distillates, including aviation fuel. The crack spread increased from less than \$4 per barrel in 2003 to over \$25 per barrel in 2008, before subsiding to less than \$10 per barrel in 2009 and 2010. Some airlines have attempted to recover such increased fuel costs by imposing or increasing a fuel surcharge on air travelers or increasing the price of airfares. Such increases have, however, been limited because some airlines, particularly low cost carriers, have not matched the increase.

Significant and prolonged increases in the cost of aviation fuel would have an adverse impact on air transportation industry profitability and would hamper the recovery plans and cost-cutting efforts of certain airlines.

Effect of Bankruptcy on Airline Agreements

The profitability of the airline industry has varied significantly in recent years. As a result, many air carriers have declared or have been threatened with bankruptcy. In the event of bankruptcy proceedings involving one or more of the Occupant Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the bankruptcy court whether to assume or reject the applicable airline agreement. In the event of assumption, the debtor would be required to cure any prior default and to provide adequate assurance of future performance under the relevant agreement. Rejection of an airline agreement by any of such airlines would give rise to an unsecured claim of the City for damages, the amount of which may be limited by the Bankruptcy Code.

Financial Condition and Bankruptcy of Certain Airlines

The financial strength and stability of the airlines using the Jetport, together with numerous other factors, influence the level of aviation activity at the Jetport and the Revenues of the Jetport. Since September 11, 2001, substantially all domestic airlines have been downgraded by the rating agencies, a number of them have declared Chapter 11 bankruptcy, including United, U.S. Airways, Delta, ATA, Air Canada and Independence Air, and many airlines have continued to reduce services and layoff employees in response to decline in passenger demand. Record fuel prices and the financial circumstances of the airline industry led to bankruptcies among smaller carriers, including ATA Airlines, Skybus, Aloha Airgroup and Frontier Airlines.

General Information Concerning the Airlines

The securities of many of the Occupant Airlines, or their respective parent corporations, are registered on a national securities exchange and are 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 Securities and Exchange Commission (the "SEC"). Certain information, including financial information, concerning such airlines, or their respective parent corporations, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copies at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the SEC: Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511, and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 upon payment of prescribed rates. The SEC maintains a web site at <http://www.sec.gov> containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, reports, proxy statements and other information concerning airlines whose stock or whose parent's stock is traded on the New York Stock Exchange may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. In addition, each airline is required to file periodic reports of financial and operation statistics with the DOT. Such reports can be inspected at the DOT's Office of Aviation Information Management, Data Requirements and Public Records Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590.

The City makes no representation as to the financial condition of any airline serving the Jetport.

Concession Revenues

Revenues from concessions at the Jetport are provided principally from parking, rental car and terminal retail operations, including restaurant, news and advertising. Because concessions primarily serve airline passengers, Revenues from concessions are affected by many of the factors that impact airlines.

Economic Conditions in the Jetport's Air Trade Area

For a review of the economic conditions in the Jetport's air trade area, see Chapter 1 of the REPORT OF THE AIRPORT CONSULTANT in Appendix A hereto.

Costs of Capital Improvement Program and Schedule

The purpose of the CIP is to provide for the orderly construction, expansion and improvement of Jetport facilities which enhance Jetport operations and Revenues. The estimated costs of, and the projected schedule for completion of, the CIP are, however, subject to a number of uncertainties. The ability of the Jetport to complete the CIP may be adversely affected by various factors including, but not limited to: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the capital improvements, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation, (11) litigation, (12) delays in permitting, and (13) environmental issues. No assurances can be given that the CIP will not cost more than is currently estimated. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines utilizing the Jetport.

Construction of large projects at airports also involves the risk of disruption of ongoing operations and a resultant reluctance on the part of passengers and airlines to use the Jetport. The Jetport has taken, and will continue to take, steps to minimize the impact of construction at the Jetport and does not believe that air traffic will be reduced because of implementation of the CIP.

Government Regulation

Environmental Regulation. The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. All aircraft using the Jetport comply with the noise control requirements of the Airport Noise and Capacity Act of 1990.

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

Airport Security. On November 19, 2001, the Aviation and Transportation Security Act (the “Aviation Security Act”) became law. The Aviation Security Act provided, among other things, for the establishment of the TSA. Under the Aviation Security Act, the provision of airport security is administered by the federal government through TSA. The Aviation Security Act also permits the deployment of air marshals on all flights and requires deployment of air marshals on all “high risk” flights. The airlines provide a portion of the cost of the federal security service. The Aviation Security Act also provides for a passenger fee of \$2.50 for each flight segment, not to exceed \$5.00 per one-way trip, which is to be used by the federal government to help defray the cost of the TSA.

Like many other airport operators, the Jetport experienced increased M&O Expenses due to compliance with federally mandated and other security and operating requirements. The airlines and the federal government are primarily responsible for, and will bear most of the costs associated with, implementing security measures. However, the Aviation Security Act did require that sufficient EDS equipment be deployed at airports in the United States to screen all checked baggage. EDS equipment purchased by the federal government has been installed at the Jetport. In some cases this EDS equipment necessitated structural modifications to terminal buildings and substantially all of the cost of those modifications and the installation was borne by the TSA. The design and installation associated with the EDS requirement did result in some modest increase in cost in the CIP. The Jetport continues to follow and implement security initiatives based on the policy and guidelines established by the TSA. The Jetport is currently in compliance with all federally mandated security requirements. See “CAPITAL IMPROVEMENT PROGRAM” herein.

In addition to costs relating to installation of the new EDS, the Jetport’s operating costs have increased because of the procedures mandated under “Code Orange” (high) and “Code Red” (severe) national threat levels declared by the Department of Homeland Security.

Passenger Facility Charges

Termination of PFCs. The Jetport’s legal authority to impose and use PFCs is subject to certain terms and conditions provided in the PFC Act, AIR-21, regulations promulgated in connection with the PFC Act and AIR-21 (collectively, the “PFC Regulations”), and each PFC application. If the Jetport fails to comply with these requirements, the FAA may take action to terminate or to reduce the Jetport's legal authority to impose or to use PFCs. Some of the events that could cause the Jetport to violate these provisions are not within the Jetport's control. In addition, failure to comply with the provisions of certain federal noise pollution acts may lead to termination of the Jetport's authority to impose PFCs.

Amendments to PFC Act or PFC Regulations. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or any PFC application will not be amended in a manner that would adversely affect the Jetport's ability to collect and use PFC Revenues in an amount sufficient to deposit available PFC Revenues for payment of principal and interest on the Series 2010 Bonds.

Collection of the PFCs. The ability of the Jetport to collect sufficient PFCs depends upon a number of factors including the operation of the Jetport by its administrative personnel,

the use of the Jetport by the airlines which provide service at the Jetport (the “Collecting Carriers”), the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the Jetport and the number of enplanements at the Jetport. The Jetport relies upon the Collecting Carriers' collection and remittance of PFCs, and both the Jetport and the FAA rely upon the airlines' reports of enplanements and collection statistics.

If the numbers of enplaned passengers at the Jetport are significantly below the numbers forecast by the Airport Consultant in projecting annual PFC Revenues, if the collection fees retained by the Collecting Carriers are increased or if the PFC Act is amended, the amount of PFC Revenues actually collected by the Jetport each year will be less than the amount projected. Accordingly, available PFC Revenues may be less than the amount sufficient to enable the Jetport to pay the principal of and interest on the Series 2010 Bonds. In such event other Revenues would be required to pay debt service on the Series 2010 Bonds. On the other hand, if the number of annual enplanements is higher than initially projected or if the rate of PFCs is increased above the level described under the heading “PASSENGER FACILITY CHARGES” herein, the Jetport will collect PFC Revenues faster than initially forecast. The Jetport will have to manage its PFC program carefully in such event and balance its expenditures with its collecting rates to ensure that sufficient PFC Revenues will be available in later years to pay debt service attributable to the Series 2010 Bonds.

The Jetport’s ability to pay the principal of, premium, if any, and interest on the Series 2010 Bonds depends, in part, upon the timely receipt by the Jetport of PFC Revenues, and the amount of PFC Revenues received annually by the Jetport depends largely upon the Jetport’s ability to implement and complete PFC-funded projects and upon the number of enplanements at the Jetport each year. The level of enplanements, in turn, depends upon a number of economic and other factors that are not within the Jetport’s control. See “REPORT OF THE AIRPORT CONSULTANT” in Appendix A hereto for a discussion of projected PFC Revenues and information under the heading “PASSENGER FACILITY CHARGES” herein for a description of some of the requirements and risks associated with obtaining and maintaining the authority to impose and use PFCs.

Report of the Airport Consultant

As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts may not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. See “REPORT OF THE AIRPORT CONSULTANT” in Appendix A hereto.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2010 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2010 Bonds should be prepared, if necessary, to hold their Series 2010 Bonds until their respective maturity dates.

Limitations on Remedies

The Series 2010 Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation on the occurrence or continuance of any Event of Default. Upon the occurrence or continuation of an Event of Default, the City would be liable only for principal and interest payments on the Series 2010 Bonds as they come due. In addition, the Series 2010 Bonds are payable solely from Revenues. Under certain circumstances, holders of the Series 2010 Bonds may not be able to pursue certain remedies or enforce covenants contained in the General Certificate.

The remedies available to the holders of the Series 2010 Bonds upon an Event of Default are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies specified by the General Certificate and the Series 2010 Bonds may not be readily available or may be limited.

LITIGATION AND PROCEEDINGS

There is no litigation pending or threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2010 Bonds or in any way contests the validity of the Series 2010 Bonds or any proceedings of the City taken with respect to the authorization, sale, execution, issuance or delivery of the Series 2010 Bonds or the pledge or application of any moneys provided to pay, or to secure the payment of, debt service on the Series 2010 Bonds when due in accordance with the Certificate. The City is involved in various lawsuits arising in the ordinary course of operations of the Jetport. Although the outcome of all existing claims is not presently determinable, the City estimates that the outcome of these matters (taking into account existing accruals for probable losses for such claims and insurance coverage) will not materially affect the financial position of the Jetport or the City's ability to pay debt service on the Series 2010 Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010 Bonds in order that interest on the Series 2010 Bonds be and remain excluded from gross income pursuant to section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2010 Bonds to become subject to federal

income taxation retroactive to the date of issuance of the Series 2010 Bonds, regardless of when such noncompliance occurs or is ascertained.

The Arbitrage and Use of Proceeds Certificate of the City, which will be delivered concurrently with the delivery of the Series 2010 Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The City, in executing its Arbitrage and Use of Proceeds Certificate, will covenant to comply with the provisions and procedures set forth therein and to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2010 Bonds will be excluded from gross income under section 103 of the Code.

Pierce Atwood LLP, Bond Counsel to the City, is of the opinion that, under existing statutes and court decisions and assuming that the City complies with the covenants set forth in its Arbitrage and Use of Proceeds Certificate, interest on the Series 2010 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code except for interest on any Series 2010 Bonds during any period while it is held by a person who is a “substantial user” of the Series 2010 Project financed by the Series 2010 Bonds or a “related person” within the meaning of Section 147(a) of the Code. In addition, such interest will not, under the Code, be treated as a preference item in calculating the alternative minimum taxable income of individuals or corporations and is not included in “adjusted current earnings” for purposes of computing the alternative minimum tax that may be imposed on corporations.

In the opinion of Bond Counsel, under existing statutes, regulations and court decisions, interest on the Series 2010 Bonds is exempt from taxation within the State. Bond Counsel will express no other opinion as to any tax consequences of holding the Series 2010 Bonds.

Prospective purchasers of the Series 2010 Bonds should be aware that ownership of governmental obligations, such as the Series 2010 Bonds, may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Series 2010 Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Legislation affecting governmental obligations, such as the Series 2010 Bonds, is continuously being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2010 Bonds will not have an adverse effect on the tax exempt status or market price of the Series 2010 Bonds.

Original Issue Discount. In the opinion of Bond Counsel, under existing law, the original issue discount, if any, in the selling price of each Series 2010 Bond, to the extent properly allocable to each owner of such Series 2010 Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2010 Bond over its initial

offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2010 Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a bond during any accrual period generally equals (i) the issue price of such bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such 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, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such bond.

The foregoing discussion assumes that all interest payments made on the Series 2010 Bonds are "qualified stated interest payments" as defined in Treasury Regulations Sections 1.1273-1(c)(1)(i) or 1.1275-5(e), as applicable. If interest payments are not "qualified stated interest payments," then such payments must be included in the stated redemption price at maturity, for the purpose of calculating original issue discount, and will be accrued as part of the original issue discount.

Purchasers of any Series 2010 Bond at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

Original Issue Premium. An amount equal to the excess of the purchase price of a Series 2010 Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the Bond's yield to maturity. As premium is amortized, the purchaser's basis in such Bond and the amount of tax-exempt interest received with respect to any Bond will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2010 Bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the City will deliver its Continuing Disclosure Certificate with respect to the Series 2010 Bonds for the benefit of the beneficial owners of the Series 2010 Bonds, substantially in the form attached as Appendix D to this Official Statement (the "Continuing Disclosure Certificate"), pursuant to which the City will agree to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely notice of

the occurrence of certain material events with respect to the Series 2010 Bonds and (iii) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Certificate. The obligation of the Underwriters (as defined herein) to purchase the Series 2010 Bonds is conditioned upon their receiving, at or prior to the delivery of the Series 2010 Bonds, an executed copy of the Continuing Disclosure Certificate. The City has delivered continuing disclosure undertakings with respect to other debt of the City and to date has complied in all material respects with such undertakings.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), are expected to assign ratings of "Aa3" (negative outlook) and "AAA" (negative outlook), respectively, to the Series 2010 Bonds based on the issuance of the Policy by the Insurer. In addition, Moody's and S&P have assigned underlying ratings of "A3" (stable outlook) and "BBB+" (positive outlook), respectively, to the Series 2010 Bonds based solely on their respective evaluations of the Series 2010 Bonds without giving effect to the Policy. Such ratings express only the views of each such rating agency. Certain information and materials were furnished to such rating agencies to be considered in evaluating the Series 2010 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2010 Bonds. The ratings are not recommendations to buy, sell or hold the Series 2010 Bonds.

FINANCIAL STATEMENTS

Included herein as Appendix E hereto are the audited financial statements of the Jetport as of, and for the years ended, June 30, 2009 and June 30, 2008, together with the report thereon dated October 30, 2009 of Runyon Kersteen Ouellette, Certified Public Accountants. The financial statements as of June 30, 2009 and for the year then ended, included in Appendix E hereto, have been audited by Runyon Kersteen Ouellette as stated in their report appearing in Appendix E. The City has not requested the consent of Runyon Kersteen Ouellette for the inclusion of the financial statements in Appendix E, nor has it been received.

FINANCIAL ADVISOR

Moors & Cabot, Inc. has served as financial advisor to the City in connection with the issuance of the Series 2010 Bonds. In accordance with applicable law, Moors & Cabot, Inc. will not purchase any portion of the Series 2010 Bonds. Moors & Cabot, Inc. is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement including the Appendices hereto.

AIRPORT CONSULTANT

Information provided by MAC Consulting, LLC in its Report of the Airport Consultant included in this Official Statement as Appendix A is based on the City's reliance on MAC Consulting, LLC's knowledge and expertise in the area of airport feasibility studies.

UNDERWRITING

The Series 2010 Bonds are being purchased by J.P. Morgan Securities Inc. and Morgan Keegan & Company, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Series 2010 Bonds at a price of \$71,969,047.96, which purchase price reflects an Underwriters' discount of \$398,516.14 from the initial public offering prices of the Series 2010 Bonds and a net premium of \$57,564.10. The purchase contract relating to the Series 2010 Bonds provides that the Underwriters will purchase all of the Series 2010 Bonds, if any Series 2010 Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The initial public offering prices may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2010 Bonds to certain dealers (including dealers depositing Series 2010 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the inside front cover page hereof.

J.P. Morgan Securities Inc., one of the Underwriters, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services, Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010 Bonds with UBS Financial Services, Inc.

MISCELLANEOUS

Any statement in this Official Statement setting forth any opinion or estimate, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that any such statement will be realized. The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Jetport since the date of this Official Statement, except as expressly stated.

The execution and distribution of this Official Statement has been duly authorized by the City Council of the City.

CITY OF PORTLAND, MAINE

By: /s/ Ellen Sanborn
Ellen Sanborn
Director of Finance

Dated April 20, 2010

CITY OF PORTLAND, MAINE
GENERAL AIRPORT REVENUE BONDS, SERIES 2010

REPORT OF THE AIRPORT CONSULTANT

(THIS PAGE INTENTIONALLY LEFT BLANK)



MAC Consulting, LLC

April 14, 2010

Ms. Ellen Sanborn
Director of Finance
City of Portland
389 Congress Street
Portland, Maine 04101

**Re: City of Portland, Maine
General Airport Revenue Bonds, Series 2010
Appendix A: Report of the Airport Consultant**

Dear Ms. Sanborn:

This report sets forth findings, assumptions, and projections of air traffic and financial analyses performed by MAC Consulting, LLC (MAC) and its subconsultant, InterVISTAS Consulting, LLC (InterVISTAS), in conjunction with the planned issuance by the City of Portland, Maine (City) of its \$70,120,000 General Airport Revenue Bonds, Series 2010 (Series 2010 Bonds) for the Portland International Jetport (Jetport). This report is intended for inclusion in the Official Statement for the Series 2010 Bonds as Appendix A: Report of the Airport Consultant.

In 2007, the Jetport, in conjunction with Coffman Associates, Inc., completed the Airport Master Plan (Master Plan). The Master Plan cites priorities for capital projects at the Jetport and each year the City re-examines these priorities for project funding as well as adding or removing projects from the capital improvement program (CIP). The Master Plan describes a terminal redevelopment plan that was prepared for the Jetport in 2006. A primary conclusion of this terminal redevelopment plan was that the existing terminal building capacity and circulation deficiencies needed to be addressed and could not be resolved without expanding the facility. The Series 2010 Project addresses these concerns and is defined as the terminal building expansion, an in-line explosive detection system (EDS) outbound baggage system, the purchase of passenger loading bridges, the realignment of the terminal access roadway, and the reconfiguration of a surface parking lot.

On July 20, 2009, Turner Associates, Inc. (Turner) was awarded the construction management contract for the Series 2010 Project. On January 12, 2010, the Jetport received the guaranteed maximum price in the amount of approximately \$75 million from Turner for the Series 2010 Project. This amount includes cost of construction, design, administration, and contingencies. Construction of the Series 2010 Project began in March 2010 with completion estimated by February 2012.

On February 1, 2010, the City Council authorized and on March 1, 2010 ratified and confirmed the issuance of the Series 2010 Bonds to fund the Series 2010 Project. The proceeds of the Series 2010 Bonds will be used to fund approximately \$52.7 million in project costs and contingencies for the Series 2010 Project, reimburse the Jetport for approximately \$7.4 million in design costs of the Series 2010 Project, and fund capitalized interest, a debt service reserve, and costs of issuance of the Series 2010 Bonds. The debt service on the Series 2010 Bonds is expected to be paid with passenger facility charge (PFC) revenue based on PFC project eligibility, with the remainder being paid with Jetport Revenues.

On the basis of the assumptions and analyses described in this report, MAC is of the opinion that Net Revenues during the projection period will exceed the City's rate covenant requirements set forth in Section 705(a) of the General Certificate, dated July 1, 2003 (the General Certificate). The General Certificate will be supplemented by a Third Supplemental Certificate authorizing the Series 2010 Bonds delivered on behalf of the City as of April 1, 2010 (the Supplemental Certificate and, together with the General Certificate, the Certificate). In addition, debt service on the Series 2010 Bonds will not require rates and charges to users that are unreasonable when compared to other airports undertaking similar capital improvement programs. Additional findings of these analyses include the following:

Economic Base

- The economic base of the Jetport's Air Trade Area is strong and diversified and should continue to generate sustained growth in the demand for air transportation services.
- From 2000 through 2008, the growth rate in the Air Trade Area's economy was greater than the growth rate experienced throughout Maine but less than that of the U.S. as a whole and is expected to outpace the growth projected for Maine's economy and the U.S. economy through 2018.
- The population growth rate in the Air Trade Area was greater than that of the State of Maine but less than that of the U.S. between 1990 and 2009. The population growth rate in the Air Trade Area is projected to be equivalent to the Maine rate but remain below that of the U.S. through 2018.
- Growth of per capita income in the Air Trade Area increased at a greater rate than Maine and the U.S. between 2000 and 2008. Per capita income for the Air Trade Area is projected to grow at a compound annual growth rate of 1.4%, which is greater than that projected for Maine and the U.S. between 2008 and 2018.

- The Air Trade Area maintained unemployment rates consistently below those of the U.S. between 2000 and 2009. Three of the six major industry classifications of nonfarm employment in the Air Trade Area experienced positive growth between 2000 and 2008, with the highest growth in employment occurring in the services sector.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities.

Air Traffic

- Origin and destination (O&D) passenger traffic represents approximately 100% of the traffic at the Jetport. The O&D nature of the Jetport indicates that its traffic is influenced more by local demand for air transportation of the Air Trade Area served rather than by individual airline network decisions in support of connecting activity.
- As of December 2009, the Jetport had scheduled passenger service provided by two low cost carriers, 11 regional affiliates of four legacy carriers, and two all-cargo carriers (FedEx and its regional affiliate, Wiggins). The market for passenger traffic at the Jetport is competitive as no one airline (including code-share partners) has more than a 28% share of passengers through FY 2009. US Airways Express is the largest airline at the Jetport with an enplaned passenger market share of 27.9%. Delta Connection and JetBlue, the second and third largest airlines at the Jetport, have enplaned passenger market shares of 20.5% and 16.6%, respectively.
- Eight markets are served from the Jetport on a non-stop basis. All eight of the markets with non-stop service from the Jetport are among the Jetport's 25 largest O&D markets. Three markets have non-stop service on multiple airlines and are served by low cost carriers.
- Since 1998, enplanements at the Jetport have increased at a compound annual growth rate of 3.0% as a result of growth in the Air Trade Area as well as the existence and expansion of competitive airline service at the Jetport available at reasonable fares. From FY 2002 to FY 2009, enplaned passengers have grown considerably faster at a compound annual growth rate of 5.1%. The introduction of low cost carrier service at the Jetport over the last four years has increased seat capacity and lowered fares at the Jetport, which has accommodated additional demand. The level of enplaned passengers experienced in FY 2008 is the highest in Jetport history. In FY 2009, enplaned passengers decreased 0.9% from the FY 2008 record levels, which is well below the declines experienced on average nationwide.
- Enplanements are forecast to increase from 861,570 in 2009 to approximately 1.1 million in FY 2018, reflecting a compound annual growth rate of 2.2% from FY 2009 to FY 2018. While enplanements have grown much faster than 2.2% per year over the past five years as low

cost carriers have added capacity and caused average fares to decrease at the Jetport, these higher rates of growth are not forecast to continue throughout the forecast period because additional fare and capacity based stimulation is less likely.

Financial Analyses

- The Series 2010 Project is financially feasible and will provide facilities that will alleviate the terminal capacity constraints at the Jetport.
- The Jetport's airline agreements expired on December 31, 2009. The Jetport is currently operating on a month-to-month basis with its airline tenants under the terms of the expired agreements until the proposed airline agreements are executed. The City Council approved the proposed airline agreements on February 18, 2010, and the Jetport anticipates having executed agreements in May 2010. The current rate-making methodologies outlined in the expired airline agreements largely remain in place in the proposed airline agreements with primary differences relating to the approval of the terminal expansion project, a provision for extraordinary coverage, the approval of the in-line EDS outbound baggage system, and the reallocation of space resulting from the terminal expansion. If the proposed airline agreements are not signed, the City has the legal authority to set rates. The methodologies outlined in the proposed airline agreements are assumed to be in place throughout the projection period.
- On a per enplanement basis, total airline rentals, fees, and charges are projected to increase from \$6.34 in FY 2009 to \$7.70 in FY 2012 primarily due to the completion of the Series 2010 Project and are projected to increase to \$8.12 by FY 2018.
- PFC collections are estimated to generate revenues of approximately \$3.6 million in FY 2011 increasing to approximately \$4.4 million in FY 2018. The debt service (net of capitalized interest) related to the Series 2010 Bonds is approximately \$1.0 million in FY 2011 increasing to \$4.8 million in FY 2018 of which the PFC eligible portion is approximately \$4.3 million. For every year of the analysis, estimated PFC revenues adequately cover the debt service payments for the PFC-eligible portion of the Series 2010 Bonds.
- The Debt Service Coverage Ratio of 125% (Net Revenues divided by Required Debt Service Fund Deposits) required by Section 705(a) of the General Certificate is exceeded in each year ranging from a minimum of 1.46 times in FY 2011 to a maximum of 1.81 times in FY 2018.

Ms. Ellen Sanborn
Director of Finance
April 14, 2010

The projections present the expected financial results of the Jetport for the FY 2012 through FY 2018 period. The projections are based on information and assumptions reflecting expected conditions and the course of action that management expects to take during the projection period. MAC has relied upon the Jetport for representations about its plans and expectations and for disclosure of significant information that might affect the realization of projected results. Representatives of the Jetport have reviewed the assumptions and concur that they provide a reasonable and appropriate basis for the projections.

The assumptions and estimates underlying the projections are inherently subject to change and, though considered reasonable when taken as a whole as of this date, are subject to a wide variety of business, economic, and competitive risks and uncertainties that could cause actual results to vary materially from forecast results. Accordingly, there can be no assurance that assumptions will be realized, that unanticipated events and circumstances will not occur, and that actual results will not be materially higher or lower than projected results.

The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions, limiting conditions, and rationale underlying the financial projections. MAC has no responsibility to update this report for events and circumstances occurring after the date of the report. Except as defined otherwise, the capitalized terms used in this report are as defined in the Certificate and/or the proposed airline agreements.

Sincerely,


MAC Consulting, LLC

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

	<u>Page</u>
1. ECONOMIC BASE FOR AIR TRANSPORTATION.....	A-11
1.1. Air Trade Area.....	A-11
1.2. State of the Economy.....	A-12
1.3. Population.....	A-14
1.4. Income.....	A-15
1.5. Employment.....	A-19
1.6. Economic Base.....	A-23
1.7. Summary.....	A-32
2. AIR TRAFFIC.....	A-33
2.1. State of the Airline Industry.....	A-33
2.2. Alternative Facilities.....	A-34
2.3. Airlines Serving the Jetport.....	A-41
2.4. Historical Air Service.....	A-42
2.5. Historical Passenger Activity.....	A-44
2.6. Historical Aircraft Operations and Landed Weight.....	A-51
2.7. Forecasts of Aviation Demand.....	A-53
2.8. Summary.....	A-60
3. CAPITAL IMPROVEMENT PROGRAM.....	A-61
3.1. Existing Jetport Facilities.....	A-61
3.2. Capital Improvement Program.....	A-63
3.3. Series 2010 Project.....	A-64
3.4. Plan of Finance.....	A-66
3.5. Summary.....	A-69
4. FINANCIAL ANALYSIS.....	A-71
4.1. Financial Structure.....	A-71
4.2. Debt Service Requirements.....	A-75
4.3. M&O Expenses.....	A-76
4.4. Revenues.....	A-78
4.5. PFC Revenues.....	A-85
4.6. Cash Position.....	A-87
4.7. Debt Service Coverage Ratio.....	A-88

LIST OF TABLES

	<u>Page</u>
1-1	GRP, GSP, and GDP A-13
1-2	Population..... A-14
1-3	Per Capita Income A-16
1-4	Historical Distribution of Households by Income Category A-17
1-5	Projected Distribution of Households by Income Category A-18
1-6	Civilian Labor Force..... A-19
1-7	Nonfarm Employment Trends by Major Industry Division..... A-21
1-8	Top Private Employers in Maine with Locations in the Air Trade Area..... A-22
1-9	Per Capita Retail Sales A-25
2-1	Domestic O&D Passengers in the Region (000's)..... A-36
2-2	Average Daily Domestic Departure Seats and Non-stop Domestic Destinations Served March 2010..... A-37
2-3	Average One-Way Fare Comparison..... A-38
2-4	Airlines Serving the Jetport December 2009 A-41
2-5	Largest O&D Passenger Markets..... A-43
2-6	Non-stop Markets March 2010..... A-44
2-7	Historical Enplanements A-45
2-8	Monthly Enplanements A-47
2-9	Historical Enplanement Market Share..... A-49
2-10	Historical Aircraft Operations..... A-51
2-11	Historical Landed Weight (000 lbs)..... A-52
2-12	Forecast Enplanements..... A-55
2-13	Forecast Aircraft Operations..... A-58
2-14	Forecast Landed Weight (000 lbs)..... A-60
3-1	Capital Improvement Program..... A-63
3-2	Funding Sources of the CIP A-66
3-3	Approved PFC Applications A-68
4-1	Sources and Uses of Funds Series 2010 Bonds A-75
4-2	Debt Service Requirements..... A-76
4-3	M&O Expense Projections A-77
4-4	Revenue Projections A-79
4-5	Airline Rates and Charges A-84
4-6	Airline Cost per Enplanement..... A-85
4-7	Annual PFC Revenue..... A-86
4-8	Cash Position February 28, 2010 A-87
4-9	Debt Service Coverage Ratio A-88

LIST OF FIGURES

	<u>Page</u>
1-1 Air Trade Area	A-12
1-2 Geographic Distribution of the Air Trade Area’s CY 2009 Population.....	A-15
1-3 Unemployment Rates	A-20
2-1 Service Region	A-35
2-2 Domestic O&D Passengers per Capita at New England Airports with Low Cost Carrier Service.....	A-40
2-3 Enplanement Market Share by Carrier FY 2009.....	A-50
3-1 Series 2010 Project.....	A-65

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

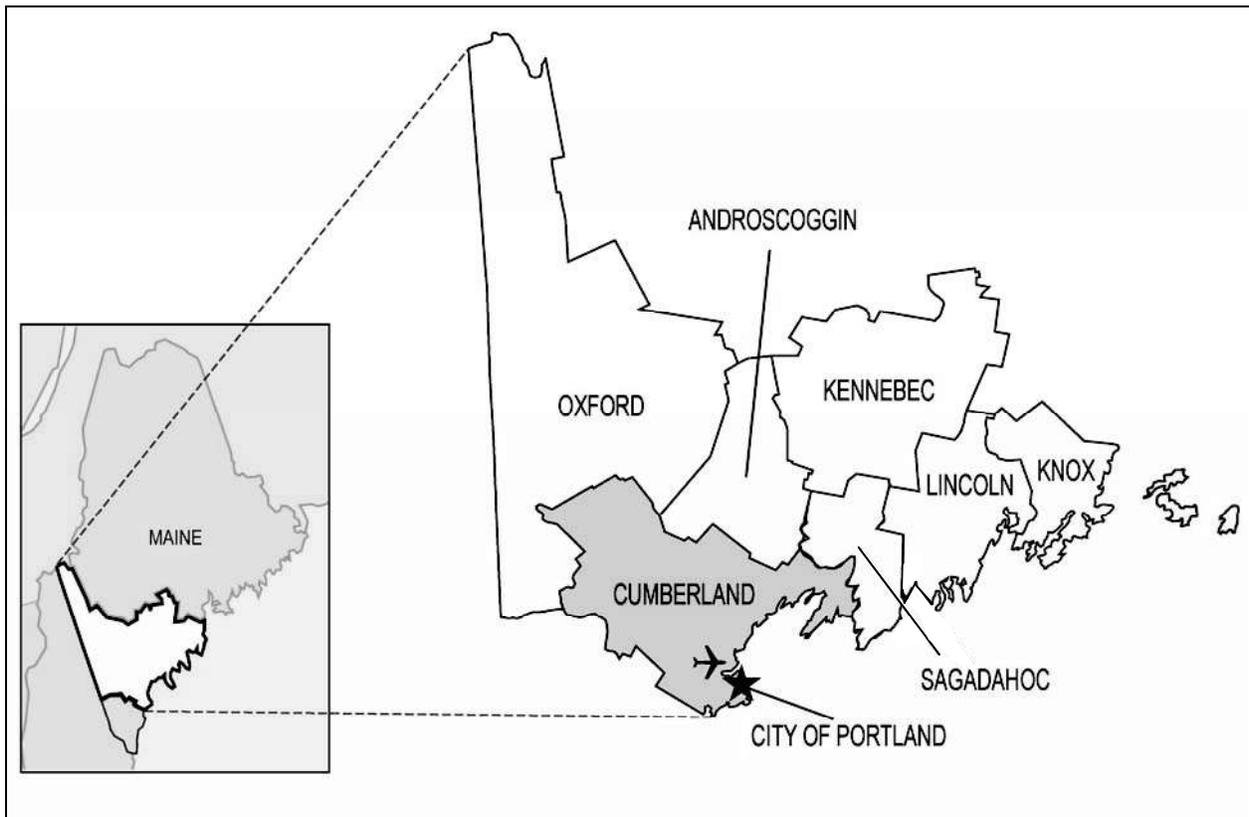
1. ECONOMIC BASE FOR AIR TRANSPORTATION

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of the geographical area served by an airport (i.e., the air trade area). This relationship is particularly true for O&D passenger traffic, which constitutes approximately 100% of the traffic at the Jetport. This high O&D percentage indicates that demand for air travel at the Jetport is influenced more by local characteristics of the area served than by individual airline network decisions in support of connecting activity. This chapter presents data indicating that the Jetport's air trade area has an economic base capable of supporting increased air travel demand at the Jetport 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 commercial airport facilities, discussed in greater detail in the following chapter of this report. For purposes of these analyses, the Jetport's air trade area (Air Trade Area) is best represented by the counties in which the majority of the Jetport's originating passengers reside and where comparable alternative facilities are not available within a driving distance of less than 90 miles. As a result, the Air Trade Area comprises the following seven counties in Maine: Androscoggin, Cumberland, Kennebec, Knox, Lincoln, Oxford, and Sagadahoc. It is the economic strength of these counties that provide the primary base for supporting air transportation at the Jetport. As a result, socioeconomic data for these counties were analyzed in conjunction with socioeconomic data for the State of Maine and the United States. **Figure 1-1** graphically presents the Jetport's Air Trade Area.

Figure 1-1
Air Trade Area



1.2. STATE OF THE ECONOMY

Table 1-1 presents a comparison of the Air Trade Area's Gross Regional Product (GRP), Maine's Gross State Product (GSP), and the United States' Gross Domestic Product (GDP)¹. From 2000 to 2008, the growth rate in the Air Trade Area's economic output was greater than the growth rate experienced throughout Maine but less than the U.S. as a whole. The compound annual growth rate from 2000 to 2008 was 1.9% for the Air Trade Area's GRP and 1.7% for Maine's GSP compared to 2.3% for the U.S. GDP. However, economic output in each of the areas examined decreased in 2008 due to a recession that began in December 2007.

¹ GRP, GSP, and GDP measure the market value of goods and services produced in the Air Trade Area, Maine, and the U.S., respectively.

**Table 1-1
GRP, GSP, and GDP**

Year	GRP (in millions)		GSP (in millions)		GDP (in billions)	
	Air Trade Area	% Change	Maine	% Change	United States	% Change
<u>Historical</u>						
2000	\$22,811	--	\$38,525	--	\$10,567	--
2001	\$23,440	2.8%	\$39,419	2.3%	\$10,679	1.1%
2002	\$24,158	3.1%	\$40,434	2.6%	\$10,885	1.9%
2003	\$24,618	1.9%	\$41,215	1.9%	\$11,174	2.7%
2004	\$25,843	5.0%	\$43,191	4.8%	\$11,607	3.9%
2005	\$25,674	-0.7%	\$43,181	0.0%	\$11,986	3.3%
2006	\$26,043	1.4%	\$43,802	1.4%	\$12,374	3.2%
2007	\$26,448	1.6%	\$44,239	1.0%	\$12,635	2.1%
2008	\$26,447	-0.01%	\$44,166	-0.2%	\$12,628	-0.1%
<u>Projected</u>						
2018	\$31,465		\$52,133		\$14,909	
Compound Annual Growth Rate						
2000-2008	1.9%		1.7%		2.3%	
2008-2018	1.8%		1.7%		1.7%	

Sources: Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source*, presented in 2004 dollars.
Compiled by MAC Consulting, LLC

The table also presents projected GRP, GSP, and GDP for 2018. These projections are provided by Woods & Poole Economics, Inc.² and take into account specific local as well as national conditions based on historical data from 1970 to 2008. As shown, the Air Trade Area's GRP is projected to increase at a compound annual growth rate of 1.8% while Maine's GSP and the GDP of the U.S. are projected to increase at a compound annual growth rate of 1.7% through the projection period. As shown in these longer-term projections, economic growth is expected to continue in each of the areas examined at slower or similar rates than experienced historically.

Beginning in late 2007 and increasing in intensity through 2008, a global recession led to increased unemployment, volatility in financial markets, and decreased travel demand. The length and depth of the U.S. recession made it one of the most severe downturns in the last 100 years. Growth in the economy during the last quarter of 2009 reached its highest levels since the third quarter of 2003. Maine has fared better than the U.S. as a whole during the recession. In terms of the labor market, Maine's unemployment rates have remained consistently below those experienced throughout the U.S. while job losses experienced in Maine and the U.S. have tracked at similar rates since the beginning of the recession. According to a University of

² Woods & Poole Economics, Inc. is a nationally recognized independent firm that specializes in long-term economic and demographic projections.

Southern Maine economist, Maine has partially recovered from the recession. Although job growth is expected to occur in mid-2010, Maine's unemployment rates are forecast to remain high relative to historical rates, consistent with similar forecasts for the U.S. as a whole.

1.3. POPULATION

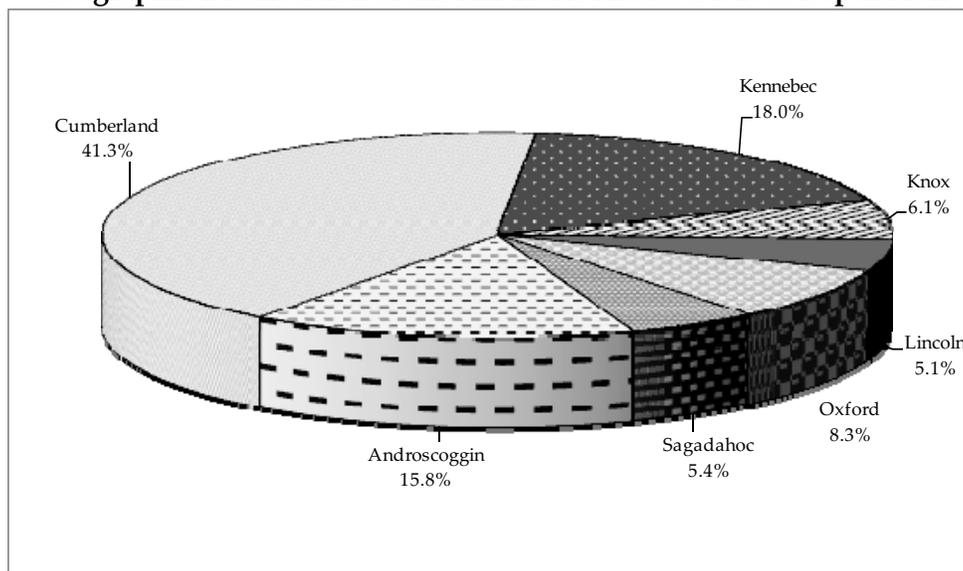
The historical population of the Air Trade Area, the State of Maine, and the United States is presented in **Table 1-2**. As shown, population in the Air Trade Area increased at a compound annual growth rate of 0.5% between 1990 and 2009, compared to 0.4% for the State of Maine and 1.1% for the U.S. during the same time period. As shown in **Figure 1-2**, the largest concentration of population within the Air Trade Area in 2009 was in Cumberland County (41.3%), the county in which the Jetport is located. In addition, the population of the Air Trade Area accounted for 51.1% of Maine's total population in 2009.

Table 1-2
Population

	Historical			Projected	Compound Annual Growth Rate	
					Historical	Projected
	CY 1990	CY 2000	CY 2009	CY 2018	1990-2009	2009-2018
Androscoggin	105,259	103,793	106,539	111,516	0.1%	0.5%
Cumberland	243,135	265,612	278,559	296,602	0.7%	0.7%
Kennebec	115,904	117,114	121,090	130,374	0.2%	0.8%
Knox	36,310	39,618	40,801	45,364	0.6%	1.2%
Lincoln	30,357	33,616	34,576	38,579	0.7%	1.2%
Oxford	52,602	54,755	56,244	59,475	0.4%	0.6%
Sagadahoc	33,535	35,214	36,391	39,019	0.4%	0.8%
AIR TRADE AREA	617,102	649,722	674,200	720,929	0.5%	0.7%
State of Maine	1,227,928	1,274,923	1,318,301	1,402,980	0.4%	0.7%
United States	248,709,873	281,421,906	307,006,550	334,925,342	1.1%	1.0%

Sources: U.S. Department of Commerce, Bureau of the Census (1990, 2000, and 2009)
Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source* (2018)
Compiled by MAC Consulting, LLC

**Figure 1-2
Geographic Distribution of the Air Trade Area's CY 2009 Population**



Source: U.S. Department of Commerce, Bureau of the Census
Compiled by MAC Consulting, LLC

Table 1-2 also shows projections of the population for the Air Trade Area, the State of Maine, and the U.S. for 2018. Population in the Air Trade Area is expected to increase at a compound annual growth rate of 0.7% between 2009 and 2018, which is equivalent to Maine's projected compound annual growth but less than the projected compound annual growth rate of 1.0% for the U.S. during the same time period.

Through 2018, the largest concentration of the Air Trade Area's population is expected to remain in Cumberland County, indicating a significant population base surrounding the Jetport to support growth in aviation activity and air service.

1.4. INCOME

The demand for air travel tends to increase as income increases because consumers with higher income levels tend to travel by air more frequently. When comparing the various levels of income, the level of income in a particular area indicates the relative affluence of local residents. Changes in the level of income over time indicate changes in economic well being and reflect local economic and employment trends.

Table 1-3 presents per capita income for the Air Trade Area, Maine, and the U.S. for 2000 through 2008. As shown, per capita income for the Air Trade Area increased at a compound annual growth rate of 1.6% between 2000 and 2008, which is higher than the compound annual growth rates of Maine and the U.S. during this same time period. As with population in the Air Trade Area, personal income is also concentrated in the area surrounding the Jetport. In 2008,

Cumberland County accounted for 48.5% of the Air Trade Area’s personal income. The Air Trade Area’s total personal income accounts for approximately 55.4% of Maine’s total personal income.

Table 1-3
Per Capita Income

CY	Per Capita Income		
	Air Trade Area	Maine	United States
<u>Historical</u>			
2000	\$30,037	\$28,153	\$32,352
2001	\$31,056	\$29,014	\$32,468
2002	\$31,296	\$29,130	\$32,283
2003	\$31,881	\$29,574	\$32,365
2004	\$32,446	\$30,191	\$33,157
2005	\$32,052	\$29,918	\$33,699
2006	\$32,868	\$30,518	\$34,778
2007	\$34,011	\$31,313	\$35,574
2008	\$34,218	\$31,539	\$35,438
<u>Projected</u>			
2018	\$39,412	\$36,048	\$39,522
Compound Annual Growth Rate			
2000 - 2008	1.6%	1.4%	1.1%
2008 - 2018	1.4%	1.3%	1.1%

Source: Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source*
Compiled by MAC Consulting, LLC

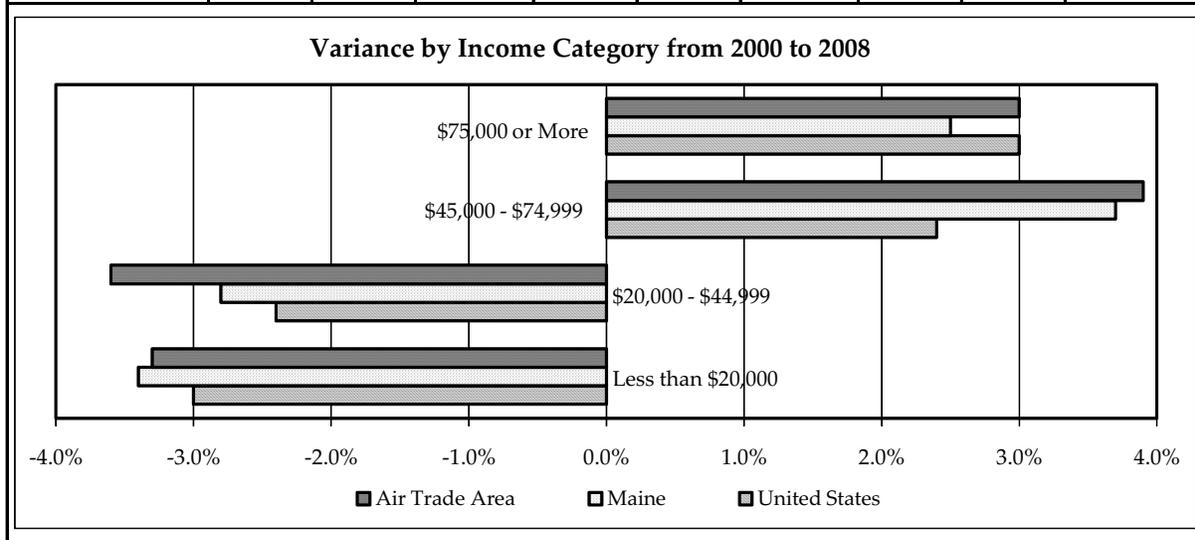
Table 1-3 also presents projections of per capita income for 2018. Per capita income in the Air Trade Area is projected to increase from \$34,218 in 2008 to \$39,412 in 2018, representing a compound annual growth rate of 1.4% from 2008 through 2018, which is higher than that of Maine and the U.S. during this same time period.

An additional indicator of the market’s potential for air transportation demand is the percentage of households in the higher income categories. An examination of this indicator is important because as personal income increases, the cost of air transportation becomes increasingly affordable and therefore, air transportation is used more frequently. According to the Travel Industry Association’s *2007 Domestic Travel Report*, approximately 79% of domestic trips using air transportation were taken by passengers with annual household incomes over \$50,000.

Table 1-4 presents the distribution of households by income category for the Air Trade Area, Maine, and the U.S. for 2000 and 2008. As shown, 49.9% of households in the Air Trade Area had an income of \$45,000 or more in 2008 compared to 46.5% and 52.3% for Maine and the U.S., respectively. In addition, there has been a decrease in the percentage of households in the lower two income categories, while the percentage of households in the higher two income categories has increased since 2000. The percentage of households in the Air Trade Area with incomes of \$75,000 or more increased 3.0% from 2000 to 2008, compared to 2.5% for Maine and 3.0% for the U.S.

**Table 1-4
Historical Distribution of Households by Income Category**

Income Category	Air Trade Area			Maine			United States		
	CY 2000	CY 2008	Variance	CY 2000	CY 2008	Variance	CY 2000	CY 2008	Variance
Less than \$20,000	22.7%	19.4%	-3.3%	25.0%	21.6%	-3.4%	22.2%	19.2%	-3.0%
\$20,000 - \$44,999	34.3%	30.7%	-3.6%	34.7%	31.9%	-2.8%	30.9%	28.5%	-2.4%
\$45,000 - \$74,999	25.7%	29.6%	3.9%	24.8%	28.5%	3.7%	24.4%	26.8%	2.4%
\$75,000 or More	17.3%	20.3%	3.0%	15.5%	18.0%	2.5%	22.5%	25.5%	3.0%
Total	100.0%	100.0%		100.0%	100.0%		100.0%	100.0%	

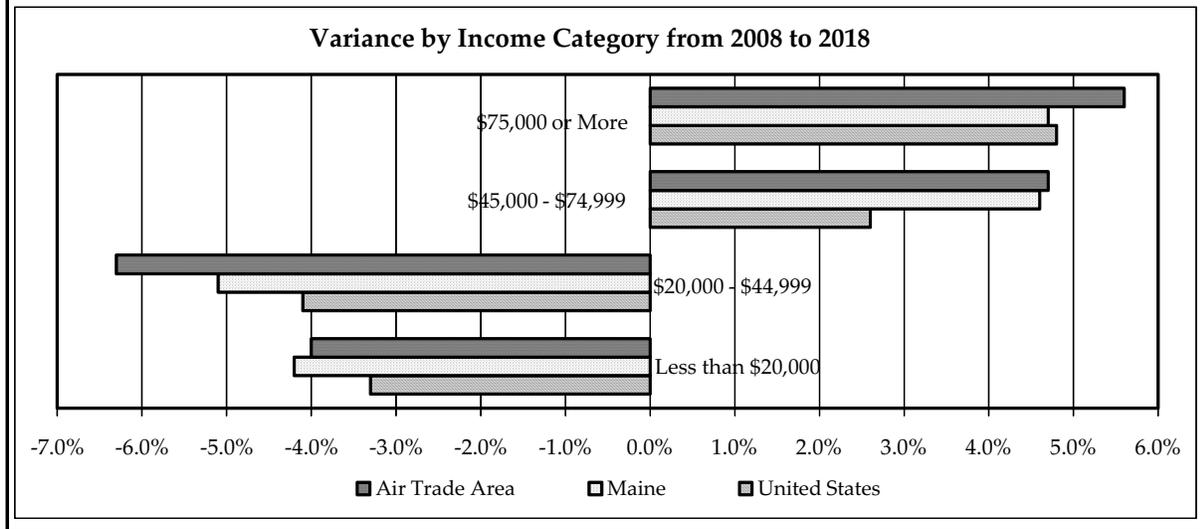


Source: Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source*
Compiled by MAC Consulting, LLC

Table 1-5 presents projections of the distribution of households by income category. The decrease in the percentage of households in the lower two income categories is projected to continue through 2018, while the number of households with incomes of \$45,000 or more is projected to increase in each of the areas examined. However, the Air Trade Area is projected to experience the greatest shift with a projected increase of 10.3% from 2008 to 2018, while Maine and the U.S. are projected to increase 9.3% and 7.4%, respectively.

**Table 1-5
Projected Distribution of Households by Income Category**

Income Category	Air Trade Area			Maine			United States		
	CY 2008	CY 2018	Variance	CY 2008	CY 2018	Variance	CY 2008	CY 2018	Variance
Less than \$20,000	19.4%	15.4%	-4.0%	21.6%	17.4%	-4.2%	19.2%	15.9%	-3.3%
\$20,000 - \$44,999	30.7%	24.4%	-6.3%	31.9%	26.8%	-5.1%	28.5%	24.4%	-4.1%
\$45,000 - \$74,999	29.6%	34.3%	4.7%	28.5%	33.1%	4.6%	26.8%	29.4%	2.6%
\$75,000 or More	20.3%	25.9%	5.6%	18.0%	22.7%	4.7%	25.5%	30.3%	4.8%
Total	100.0%	100.0%		100.0%	100.0%		100.0%	100.0%	



Source: Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source*
 Compiled by MAC Consulting, LLC

1.5. EMPLOYMENT

Table 1-6 presents the civilian labor force for the Air Trade Area, Maine, and the U.S. between 2000 and 2009. The Air Trade Area's civilian labor force grew by 14,286 workers from 2000 to 2009. This increase represents a compound annual growth rate of 0.4%, which is less than the growth experienced in Maine and throughout the U.S. during the same time period.

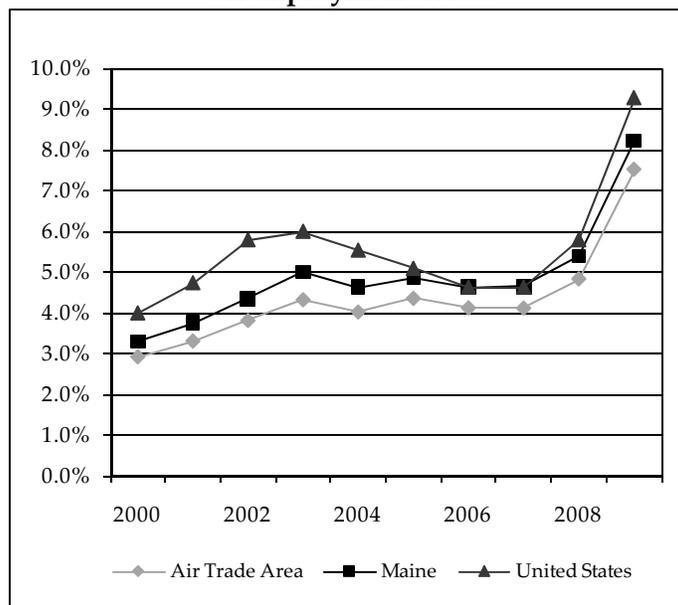
Table 1-6
Civilian Labor Force

CY	Air Trade Area	Maine	United States (000s)
2000	349,770	672,400	142,583
2001	350,740	676,000	143,734
2002	352,190	680,600	144,863
2003	354,000	684,700	146,510
2004	355,830	685,500	147,401
2005	359,700	694,300	149,320
2006	364,050	701,500	151,428
2007	365,940	702,500	153,124
2008	367,760	706,800	154,287
2009	364,056	703,367	154,142
Compound Annual Growth Rate			
2000 - 2009	0.4%	0.5%	0.9%

Sources: Maine Department of Labor
U.S. Department of Labor, Bureau of Labor Statistics
Compiled by MAC Consulting, LLC

Figure 1-3 depicts the unemployment rates experienced in the Air Trade Area, Maine, and the U.S. from 2000 through 2009. As shown, the Air Trade Area maintained unemployment rates consistently below Maine and the U.S. during the period presented. In 2009, the unemployment rate was 7.5% for the Air Trade Area, compared to 8.2% for Maine and 9.3% for the U.S.

Figure 1-3
Unemployment Rates

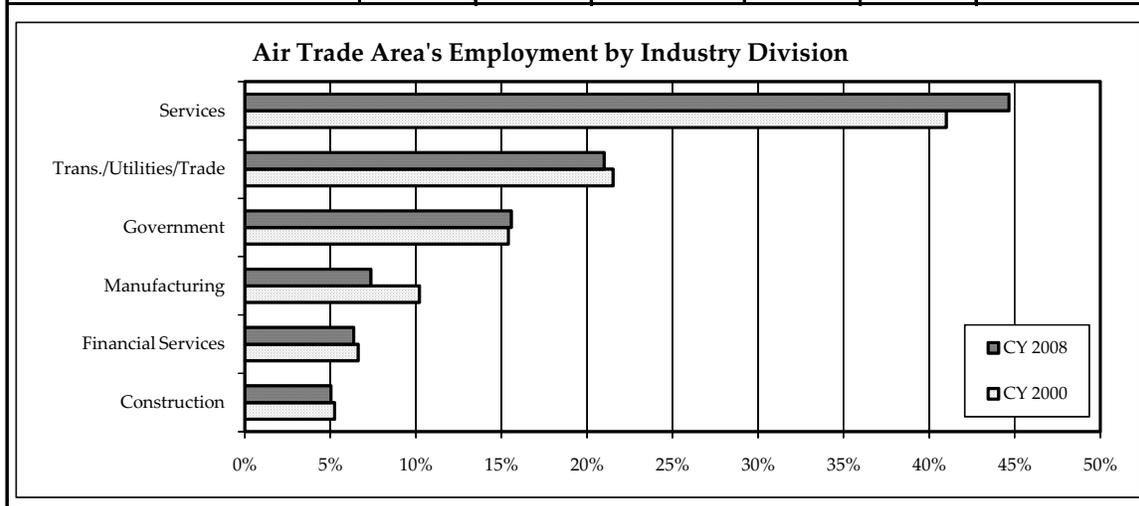


Sources: Maine Department of Labor
 U.S. Department of Labor, Bureau of Labor Statistics
 Compiled by MAC Consulting, LLC

An analysis of nonfarm employment trends by major industry division is presented in **Table 1-7**, which compares the Air Trade Area's employment trends to those of the U.S. for 2000 and 2008. As shown, nonfarm employment in the Air Trade Area increased from 326,658 workers in 2000 to 337,418 in 2008. This increase represents a compound annual growth rate of 0.4% during this time period, compared to a compound annual growth rate of 0.5% experienced nationwide. The highest percentage increase in employment during this period occurred in the services sector, with a compound annual growth rate of 1.5% compared to 1.4% for the U.S.

**Table 1-7
Nonfarm Employment Trends by Major Industry Division**

Industry	Air Trade Area			United States (000s)		
	CY 2000	CY 2008	Compound Annl Growth Rate	CY 2000	CY 2008	Compound Annl Growth Rate
Services	133,925	150,663	1.5%	52,436	58,617	1.4%
Transportation/Utilities/Trade	70,303	70,865	0.1%	26,225	26,385	0.1%
Government	50,339	52,541	0.5%	20,790	22,500	1.0%
Manufacturing	33,343	24,848	-3.6%	17,263	13,431	-3.1%
Financial Services	21,618	21,473	-0.1%	7,687	8,146	0.7%
Construction ¹	17,130	17,028	-0.1%	7,386	7,989	1.0%
Total	326,658	337,418	0.4%	131,787	137,068	0.5%



¹ Includes mining employment in cases where data is not confidential.

Sources: Maine Department of Labor
 U.S. Department of Labor, Bureau of Labor Statistics
 Compiled by MAC Consulting, LLC

Table 1-8 illustrates the diversity of the local economy by listing major private-sector employers located in the Air Trade Area, as measured by the average number of employees in the third quarter of 2009, the most recent data available. This diversity helps to shield the Air Trade Area from hardship due to fluctuations in a particular sector. As shown, Hannaford Bros. Company is the largest employer with over 8,500 employees statewide. Other major private-sector employers include Wal-Mart, Maine Medical Center, Bath Iron Works Corporation (BIW), and L.L. Bean, Inc., each having greater than 4,500 employees. Additionally, the Air Trade Area is home to Energy East, a Fortune 500 company and the parent company of Central Maine Power Company, and Fairchild Semiconductor Corporation, a Fortune 1000 company.

**Table 1-8
Top Private Employers in Maine
with Locations in the Air Trade Area¹**

Employer	Location (County)	Approximate Employment	Industry Sector	Product or Service
Hannaford Bros. Company	Statewide	8,501-9,000	Trade	Supermarkets and other grocery stores
Wal-Mart	Statewide	7,501-8,000	Trade	Discount department stores
Maine Medical Center	Cumberland	6,001-6,500	Services	General medical and surgical hospitals
Bath Iron Works Corporation	Sagadahoc	5,001-5,500	Manufacturing	Ship building and repairing
L.L. Bean, Inc.	Cumberland	4,501-5,000	Trade	Retail trade/catalog sales
Shaw's Supermarkets, Inc.	Statewide	3,001-3,500	Trade	Supermarkets and other grocery stores
UnumProvident	Cumberland	3,001-3,500	Financial	Direct life insurance carriers
Central Maine Healthcare Corporation	Androscoggin	2,501-3,000	Services	General medical and surgical hospitals
TD Bank, N.A.	Statewide	2,501-3,000	Financial	Commercial banking
MaineGeneral Medical Center	Kennebec	2,001-2,500	Services	General medical and surgical hospitals
Bank of America, N.A.	Statewide	1,501-2,000	Financial	Commercial banking
Mercy Hospital	Cumberland	1,501-2,000	Services	General medical and surgical hospitals
Verso Paper	Statewide	1,501-2,000	Manufacturing	Paper manufacturer
Bowdoin College	Cumberland	1,001-1,500	Services	Education
Central Maine Power Company	Statewide	1,001-1,500	Utilities	Hydroelectric power generation
ElderCare Resources Corporation	Statewide	1,001-1,500	Services	Nursing care facilities
Goodwill Industries of Northern New England	Statewide	1,001-1,500	Services	Vocational rehabilitation services
Home Depot USA, Inc.	Statewide	1,001-1,500	Trade	Home centers
Lowes Home Centers, Inc.	Statewide	1,001-1,500	Trade	Home centers
Penobscot Bay Medical Center	Knox	1,001-1,500	Services	General medical and surgical hospitals
Rite Aid of Maine, Inc.	Statewide	1,001-1,500	Trade	Pharmacies and drug stores
S. D. Warren (SAPPI)	Statewide	1,001-1,500	Manufacturing	Paper manufacturer
Anthem Health Systems	Statewide	501-1,000	Financial	Direct health and medical insurance carriers
Attendant Services, Inc.	Statewide	501-1,000	Services	Services for the elderly and disabled
Bates College	Androscoggin	501-1,000	Services	Colleges and universities
C. N. Brown Company	Statewide	501-1,000	Trade	Gasoline stations with convenience stores
Circle K	Statewide	501-1,000	Trade	Gasoline stations with convenience stores
Colby College	Kennebec	501-1,000	Services	Colleges and universities
Dead River Company	Statewide	501-1,000	Services	Heating oil dealers
Fairchild Semiconductor Corporation	Cumberland	501-1,000	Manufacturing	Semiconductors and related device mfg.
Fairpoint Communications	Statewide	501-1,000	Utilities	Wired telecommunications carriers
Kindred Nursing Centers West, LLC	Statewide	501-1,000	Services	Nursing care facilities
Idexx Laboratories, Inc.	Cumberland	501-1,000	Manufacturing	Pharmaceutical preparation manufacturing
Mardens, Inc.	Statewide	501-1,000	Trade	All other general merchandise stores
Mid Coast Hospital	Cumberland	501-1,000	Services	General medical and surgical hospitals
New Balance Athletic Shoe, Inc.	Statewide	501-1,000	Manufacturing	Other footwear manufacturing
North Country Association, Inc.	Statewide	501-1,000	Services	Nursing care facilities
Rumford Paper Company	Oxford	501-1,000	Manufacturing	Paper, except newsprint, mills
Spurwink Corporation	Statewide	501-1,000	Services	Other individual and family services
St Mary's Regional Medical Center	Androscoggin	501-1,000	Services	General medical and surgical hospitals
United Parcel Service	Statewide	501-1,000	Services	Couriers
University of New England	York/Cumberland	501-1,000	Services	Colleges and universities

¹ Ranked by average monthly employment, July through September 2009.

Source: Maine Department of Labor, Center for Workforce Research and Information
Compiled by MAC Consulting, LLC

1.6. ECONOMIC BASE

The economic strength of the Air Trade Area can be seen more clearly by examining the local economy in greater detail. The growth rates discussed in the following subsections were presented in Table 1-7.

1.6.1. Services

The Air Trade Area's economy has shifted to a more service-oriented economy. Employment in the Air Trade Area's services industry increased at a compound annual growth rate of 1.5% from 2000 to 2008 compared to 1.4% for the U.S. Several major employers, as well as activities, in the services sector are discussed below.

- Several premier medical facilities are located in the Air Trade Area.
 - Maine Medical Center, located in Portland, recently completed several renovation and expansion projects including construction of a new central utility plant, a new women and infant's building, an expansion of the emergency department, a new helipad, and a new parking garage.
 - Central Maine Medical Center (CMMC) in Lewiston, a subsidiary of Central Maine Healthcare Corporation, recently began a \$45 million renovation and expansion of its emergency department and laboratory. The project is scheduled for completion in 2011.
 - Mercy Hospital in Portland broke ground on a two phase construction project in the fall of 2006. The total cost of the two phases is expected to reach approximately \$160.7 million. Phase One of construction was completed in September 2008 and included a 151,000 square-foot hospital facility and an 80,000 square foot medical office building. The new facility includes short-stay and comprehensive outpatient surgery, imaging, obstetrics and gynecology, breast and women's health, oncology and hematology, physical rehabilitation and laboratory services, a chapel, and a medical office building. The new campus, which is connected to the Portland Trails System, allows Mercy to modernize and improve the delivery of health care services. Mercy Hospital expects to begin Phase Two between 2012 and 2015 and be fully relocated to the new facility at its Fore River campus in time for its 100th anniversary in 2018. Phase Two will include an expansion of the hospital constructed in Phase One to accommodate the remaining services now provided at the current State Street location, in addition to an additional medical office building and possibly a hospital administration building.
 - Other medical facilities include MaineGeneral Medical Center, ElderCare Resources Corp., and Penobscot Bay Medical Center.

- The availability and quality of educational institutions are important in stimulating economic growth and development. Several private educational institutions are located in the Air Trade Area, including Bowdoin College, Colby College, and Bates College, ranked 6th, 22nd, and 25th, respectively, on *U.S. News & World Report's* 2010 ranking of Liberal Arts Colleges. The Air Trade Area is also home to the University of New England, ranked 81st on *U.S. News & World Report's* 2010 rankings of Top Northern Master's Universities. Other private educational institutions located in the Air Trade Area include Andover College, Maine College of Art, New England Bible College, Rockport College, Saint Joseph's College, and Thomas College.
- Tourism also plays an important role in the Air Trade Area's services sector. According to "Place and Prosperity," a report prepared by the Maine State Planning Office in 2007, overnight visitors to Maine spent over \$3 billion on goods and services, approximately two-thirds of which was attributable to tourists. The Air Trade Area offers a wide variety of attractions, which not only provide a catalyst for employment, but also provide a revenue stream of capital being spent by non-residents. Local residents also enjoy the benefit of having access to these activities. The following are examples of tourist attractions in the Air Trade Area.
 - There are a wide variety of museums and historical sites located in the Air Trade Area. Some of these museums include the Center for Maine History, the Portland Museum of Art, the Children's Museum of Maine, the Tate House Museum, the Victoria Mansion, the Portland Observatory, and the Maine Maritime Museum.
 - The landscape of the Air Trade Area provides for many indoor and outdoor recreational activities such as arts and crafts, dance, music, and sports, including hiking, kayaking, fishing, sailing, and snow skiing. According to a study prepared by the Margaret Chase Smith Policy Center at the University of Maine and the Maine Department of Conservation, visitors to Maine State Parks and historic sites spent \$60.3 million on goods and services directly related to their State Park and historic site visits in 2005. Including the direct and indirect impacts, state parks and historic sites contributed an estimated \$95.7 million to Maine's economy in 2005, the most recent data available. State parks in the Air Trade Area include Bradbury Mountain State Park and Sebago Lake State Park, and historic sites in the Air Trade Area include Fort McClary State Historic Site, John Paul Jones State Historic Site, and Eagle Island State Historic Site.
 - There are a wide variety of festivals and events that attract visitors to the Air Trade Area. These include the Baystock Festival, Festival of Nations, Greek Heritage Festival, Maine Boatbuilders Show, Maine Brewers' Festival, Maine Festival of the Book, the Old Port Festival, and Harvest on the Harbor.

1.6.2. Transportation/Utilities/Trade

Employment in the Air Trade Area's transportation/utilities/trade sector increased at a compound annual growth rate of 0.1% between 2000 and 2008, which was similar to the growth rate experienced nationwide during this same period. 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. **Table 1-9** presents historical per capita retail sales for the Air Trade Area, Maine, and the U.S. for 2000 through 2008. Per capita retail sales in the Air Trade Area increased at a compound annual growth rate of 0.2%, compared to 0.3% and 0.1% for Maine and the U.S., respectively, between 2000 and 2008.

**Table 1-9
Per Capita Retail Sales**

CY	Air Trade Area	Maine	United States
<u>Historical</u>			
2000	\$16,149	\$14,066	\$12,463
2001	\$16,072	\$14,058	\$12,360
2002	\$16,046	\$14,088	\$12,290
2003	\$16,266	\$14,285	\$12,463
2004	\$16,708	\$14,672	\$12,802
2005	\$17,066	\$14,984	\$13,076
2006	\$17,276	\$15,171	\$13,241
2007	\$17,238	\$15,137	\$13,211
2008	\$16,453	\$14,451	\$12,612
<u>Projected</u>			
2018	\$16,887	\$14,829	\$12,951
Compound Annual Growth Rate			
2000 - 2008	0.2%	0.3%	0.1%
2008 - 2018	0.3%	0.3%	0.3%

Source: Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source*
Compiled by MAC Consulting, LLC

Table 1-9 also presents projections for 2018. Per capita retail sales are expected to increase at a compound annual growth rate of 0.3% in each of the areas examined between 2008 and 2018. In each year, the Air Trade Area's per capita retail sales exceeded those of Maine and the U.S., indicating a greater tendency of the residents of the Air Trade Area to spend and the attraction of shoppers from outside the Air Trade Area.

The Air Trade Area is home to several retail sales centers including Portland's Old Port area, the Freeport Village shopping area, and the area in and surrounding the Maine Mall in South Portland. The Old Port area in Portland's downtown district is home to many

boutiques and art galleries. Over 200 upscale retail outlets and L.L. Bean, Inc. are located in Freeport including the new Freeport Village Station, a retail complex and parking structure developed by L.L. Bean, Inc. and Berensen Associates. At 1.2 million square feet, the Maine Mall, which is owned by General Growth Properties, is Maine's largest indoor shopping center. In April 2009, General Growth Properties filed for bankruptcy protection and at this time is considering various plans of reorganization as well as a potential sale of the property.

In addition, a number of new developments are planned or are being constructed, including Maine's first Cracker Barrel Old Country Store, which may employ as many as 200 workers, and Cap'n Newick's seafood restaurant, which is returning to South Portland after closing in May 2007. In September 2009, L.L. Bean, Inc. opened its first store focused solely on home furnishings and accessories, in Freeport. As a result of these and other retail sales centers, the Air Trade Area attracts shoppers from outside its boundaries.

Hannaford Bros. Company (Hannaford), a supermarket chain owned by Delhaize America and headquartered in Scarborough, Maine, is the State's largest employer and has served the Air Trade Area since its inception in 1883. Hannaford also operates two distribution centers in the Air Trade Area and plans to open a new store in Kennebunk, which will employ approximately 150 workers. Delhaize Group, the parent company of Delhaize America, recently announced plans to consolidate Delhaize America's human resources operations to Scarborough while finance and accounting will be consolidated in Salisbury, North Carolina. According to Delhaize Group, the consolidation will mean fewer jobs in the area over the long-term. In addition, Shaw's Supermarkets, Inc., which is owned by SUPERVALU, Inc., has been located in the Air Trade Area since opening its first store in 1860 and employs over 3,000 people in Maine.

Wholesale trade, specifically beer and wine wholesale trade, also plays an important role in the State's economy. According to the Maine Beer and Wine Distributors Association, beer and wine distributors have annual sales of over \$330 million and provide over \$50 million in salaries, wages, and benefits to more than 1,000 Maine residents.

Exporting is also an important factor in the trade sector. According to the Maine International Trade Center, Maine's total exports increased 9.5% in 2008 from 2007. Computer and electronic products, which includes the semiconductor industry, followed by paper were the most widely exported items, decreasing 2.0% and increasing 10.2%, respectively, in 2008 from 2007 levels. Exporting supports approximately 143,000 jobs in Maine and more than 1,600 Maine companies are active exporters.

1.6.3. Government

Employment in the Air Trade Area's government sector increased at a compound annual growth rate of 0.5% between 2000 and 2008, compared to 1.0% experienced nationwide

during this same time period. Major employers in the government sector located in the Air Trade Area are discussed below.

- The Air Trade Area includes the State Capital of Augusta, making the state government the largest public employer in the Air Trade Area. According to the Maine Department of Labor, state and local governments employed nearly 47,000 workers in the Air Trade Area in 2008.
- In addition to the private universities mentioned previously, the Air Trade Area is home to several public universities. There are two public university systems in Maine.
 - The University of Maine System consists of seven universities and nine regional outreach centers. Two of these universities, the University of Maine at Augusta and the University of Southern Maine, which includes the University of Maine School of Law, are located in the Air Trade Area. As of January 2010, enrollment at these two universities was approximately 15,000 full and part-time students. Four of the nine regional outreach centers are located in the Air Trade Area.
 - The Maine Community College system consists of seven community colleges located throughout Maine. The Air Trade Area is home to three of these institutions. Kennebec Valley Community College is located in Fairfield; Central Maine Community College is located in Auburn; and Southern Maine Community College is located in South Portland. Enrollment at these colleges was comprised of approximately 10,000 full and part-time students as of January 2010.
- In 2005, the Base Realignment and Closure committee voted to close Naval Air Station (NAS) Brunswick, home to five active duty squadrons and two reserve squadrons, and move its operations to NAS Jacksonville. In 2007, the Navy began relocating squadrons based at NAS Brunswick to NAS Jacksonville, the last squadron being relocated in November 2009. The base is scheduled to be transferred to the Midcoast Regional Redevelopment Authority (MRRA), created by an act of the Maine legislature to develop a plan for re-use of the facilities and manage the property.

In December 2009, the MRRA had a consultant prepare an Airport Master Plan for the Brunswick facility. According to the Airport Master Plan, the airport operations district will target four sectors: general and corporate aviation; aircraft manufacturing as well as maintenance, repair, and overhaul; operation and maintenance of aircraft fleet for government agencies such as the Federal Aviation Administration and the Department of Homeland Security; aerospace research and development. Scheduled passenger and cargo airline service was determined to be unlikely to occur at the former NAS Brunswick.

1.6.4. Manufacturing

Manufacturing employment in the Air Trade Area decreased at a compound annual rate of 3.6% between 2000 and 2008. This decrease in manufacturing employment was not unique to the Air Trade Area, as manufacturing employment nationwide decreased at a compound annual rate of 3.1% between 2000 and 2008. Examples of major manufacturing facilities located in the Air Trade Area are discussed below.

- BIW, a division of General Dynamics, is located on the Kennebec River in Bath and employs approximately 5,500 people, making it one of the largest private employers in Maine. Since its inception in 1884, BIW has built private, commercial, and military vessels. Historically, its largest customer has been the United States Navy. Since completing its first Navy ship in 1893, the company has continued building and designing vessels for the U.S. Navy, including some of the most advanced surface warships in the world. The City of Bath recently approved plans to expand BIW's Ultra Hall facility, which is used to build large portions of ships. This expansion may lead to non-ship building projects such as manufacturing offshore wind components.
- The semiconductor industry plays a major role in the Air Trade Area's economy as evidenced by its top ranking among Maine's exports. Fairchild Semiconductor Corporation and National Semiconductor Corporation are both located in South Portland.
 - Fairchild Semiconductor Corporation is headquartered in the Air Trade Area and has approximately 9,000 employees worldwide, nearly 1,000 of which are located in the Air Trade Area.
 - National Semiconductor Corporation has design, manufacturing, and testing facilities located in the Air Trade Area and employs approximately 5,800 people worldwide, nearly 500 of which are located in the Air Trade Area.
- According to the North East State Foresters Association, approximately 89% of Maine's total land is covered with trees. The direct annual contribution of forest-based manufacturing, which includes paper manufacturing, to the Maine economy is approximately \$5.3 billion and provides employment for nearly 20,000 people. As mentioned previously, paper is Maine's second ranking export.
 - Verso Paper, headquartered in Tennessee, operates four mills, two of which are located in Maine and one of which is located in the Air Trade Area. The company's Androscoggin County mill has been in operation since 1965 and employs approximately 1,000 workers.
 - Rumford Paper Company operates a mill in Oxford County and employs nearly 1,000 people.

- SAPPI, the parent company of S.D. Warren, produces coated, specialty, and technical paper. SAPPI has locations throughout Maine, including the S.D. Warren paper mill in Westbrook and Corporate Data Facility, Financial Services group, and Information Technology group in South Portland. With more than 1,000 employees throughout Maine, SAPPI is one of the state’s top private employers.
- IDEXX Laboratories, Inc., headquartered in Westbrook and employing over 4,700 people worldwide, manufactures products focused on pet health. IDEXX Laboratories, Inc. has nearly completed the renovation and expansion of its current location but temporarily halted plans to build a \$50 million corporate headquarter facility until the City of Westbrook settles ongoing issues with an adjacent property. The planned expansion is expected to generate 500 additional jobs if and when the project is undertaken. The company employs approximately 1,600 workers at its Westbrook location, making it one of the largest employers in the Air Trade Area. However, IDEXX Laboratories, Inc. reports its employment figures to the Maine Department of Labor in multiple categories, and only one category has employment figures large enough for the company to be listed on Table 1-8.
- In recent years, the wind energy industry has become an important topic among economic developers in Maine. Projections of the scale of the impact on employment vary widely. According to the Maine Wind Industry Initiative, as many as 18,000 additional jobs could be generated in Maine, all dependent on how much of the industry supply chain Maine is able to develop. Much of the job opportunities will likely come in the form of manufacturing wind turbine blades, repair and maintenance of wind farms, and construction of wind farms.
- Composite manufacturing is also playing an increasingly important role in the Air Trade Area’s manufacturing sector. Companies located in the Air Trade Area are researching and manufacturing materials for marine, automotive, aerospace, architecture, and industrial industries. According to Maine Composites Alliance, Maine’s largest composite segments are boatbuilding and marine infrastructure and construction materials. Over the next several years, wind energy, transportation, and construction are expected to drive growth in the use of composite materials.

1.6.5. Financial Services

Financial services employment in the Air Trade Area decreased at a compound annual rate of 0.1% while such employment nationwide increased at a compound annual growth rate of 0.7% between 2000 and 2008. According to the Maine Department of Labor, which ranks employers in terms of average number of employees, UnumProvident is the largest financial employer in the Air Trade Area; followed by TD Bank, N.A. and Bank of America, N.A., both of which have offices statewide.

There is a large concentration of insurance companies located in the Air Trade Area. In fact, according to each state's department of labor, insurance employment as a percentage of total financial services employment in 2008 was approximately 42% in the Air Trade Area compared to 68% in the Hartford, Connecticut Labor Market Area, typically recognized as a major center for insurance activity. Insurance companies located in the Air Trade Area include Acadia Insurance Company, Aetna Inc., Anthem Health Systems, Disability RMS, Maine Employers' Mutual Insurance Company, OneBeacon Insurance, which is being acquired by Tower Group Inc., TD Bank Insurance Group, and UnumProvident, which was discussed previously as the largest financial employer in the Air Trade Area.

1.6.6. Construction

Employment in the Air Trade Area's construction industry decreased at a compound annual rate of 0.1% between 2000 and 2008, compared to an increase of 1.0% experienced nationwide during this same time period. Recent and future major development projects in the Air Trade Area include the following:

- The Central Maine Power Company, one of Maine's largest employers, is modernizing its power system, portions of which are located in the Air Trade Area, at a cost of \$1.55 billion. Construction is expected to generate approximately 2,100 jobs per year through 2013.
- The Maine Department of Transportation (MaineDOT) recently announced plans to replace the Veterans Memorial Bridge, which connects Portland and South Portland, at a cost of more than \$60 million. The new bridge is scheduled to open in 2012, and construction may generate approximately 1,700 jobs. The MaineDOT also plans to spend \$30 million to replace the Martin's Point Bridge between Portland and Falmouth in 2012 while the Maine Turnpike Authority plans to spend \$7.5 million in 2010 to widen and rehabilitate the bridge that spans the Presumpscot River between Falmouth and Portland.
- The Northern New England Passenger Rail Authority received \$35 million in federal stimulus funds to expand Amtrak's service from Portland to Brunswick. This expansion will generate approximately 200 additional jobs and is expected to be complete by 2012.
- Developers are awaiting approval on a proposal to convert former barracks and the hospital located at Fort McKinley on Great Diamond Island into 20 condominiums and a hotel. This project is estimated to cost approximately \$8.5 million and could lead to 50 full-time construction jobs and an additional 10 to 15 seasonal staff at the hotel.
- As previously stated, IDEXX Laboratories, Inc. is near the end of its renovation and expansion program at its current location and plans to construct a new building on land the company owns nearby. However, IDEXX has temporarily stopped plans to construct the new building until the City of Westbrook settles ongoing issues with an

adjacent lot. This expansion is expected to create 500 new jobs if and when the project is undertaken.

- In 2009, the Department of Commerce jointly awarded an \$885,000 grant to Westbrook and Portland. Westbrook received \$225,000 of the grant to make improvements at its Five Star Industrial Park, home of IDEXX Laboratories, Inc. Portland received \$660,000 to develop a 26-acre business park. The City of Portland plans on matching these grant funds with the intent to attract biotechnology, pharmaceutical, and nanotechnology companies to the business park
- Casella Waste Systems plans to build a \$15 million trash processing facility in Westbrook, which is expected to create an additional 30 jobs.
- As discussed previously, two hospitals located in the Air Trade Area are renovating and expanding. CMMC's \$45 million renovation and expansion project is expected to have a \$140 million impact on the local economy and generate over 200 construction and trade jobs. The construction of Mercy Hospital's new campus is expected to cost approximately \$160.7 million and generate approximately 175 construction jobs.

1.6.7. Other

The following presents additional information regarding other facets of the Air Trade Area's economic base.

- The Air Trade Area is home to the Portland Pirates, the American Hockey League affiliate of the National Hockey League's Anaheim Ducks, as well as the Portland Seadogs, the Double-A affiliate of Major League Baseball's Boston Red Sox. In 2009, Portland was awarded an expansion franchise from the NBA Development League, and the Maine Red Claws began competing at the Portland Exposition Building.
- There is an array of performing arts available in the Air Trade Area. These include the Portland Ballet, the Portland Symphony Orchestra, the Portland Opera Repertory Theater, the Maine State Music Theater in Brunswick, and the Maine Music Society in Auburn, which supports performances of the Maine Chamber Ensemble and the Androscoggin Chorale.
- Recently, the City of Portland has earned top rankings from various publications. In 2010, Portland ranked 5th in an annual Portfolio.com ranking of the best places for small businesses. In 2009, Forbes Magazine named Portland America's most livable city, and National Geographic named Portland's downtown 41st among top historic places in the world in 2008.

1.7. SUMMARY

As detailed in this chapter, the U.S., along with the Air Trade Area, has experienced one of the most severe economic downturns in recent history; however, Maine appears to have partially recovered. In spite of the recession, Maine has sustained unemployment rates below those of the U.S. and is poised to support growth. Over 51% of the population and over 55% of the personal income of the State of Maine is located in the Air Trade Area, both of which are projected to continue increasing through 2018. In addition, the percentage of higher income households in the Air Trade Area historically has increased at a greater rate than that of Maine, which is projected to continue through 2018. This, in tandem with an approximately 100% O&D passenger market, indicates that the Jetport is capable of supporting increased air travel demand during the projection period. The next chapter presents the forecasts of air travel demand for the Jetport.

This chapter presents historical and forecast aviation activity at the Jetport and discusses key factors affecting these activity levels. Because of their impact on traffic at the Jetport, the status of the airline industry and passenger activity at Boston Logan International and Manchester-Boston Regional airports are also discussed in this section.

2.1. STATE OF THE AIRLINE INDUSTRY

In addition to the socioeconomic factors presented in Chapter 1, the state of the airline industry has the potential to affect the projections of aviation demand at the Jetport. The airline industry as a whole remains weakened following a period of prolonged difficulty from 2001 through 2009 that resulted from weak economic conditions, political instability and military activity in the world, and the terrorist events occurring on and after September 11, 2001. Details of these trends are discussed below.

From January 2001 through August 2001, average domestic passenger airfares decreased 20% from their heights reached in 2000. These fare decreases were a leading indicator of a slowing economy in the U.S. and around the world during the period immediately prior to the downfall of the “dot-com” companies. During this period, airlines in the U.S. began to struggle to earn a profit under cost structures built around revenue generation at higher fare levels.

The events of September 11, 2001 and the subsequent military action in Iraq and Afghanistan, SARS, and the Avian Flu Virus exacerbated the airlines’ financial difficulties. Not only were passengers paying 20% less for domestic airline tickets, but many passengers chose not to fly out of fear or because of the inconvenience caused by time consuming and confusing security procedures at airports.

From 2002 through 2005, the U.S. airline industry as a whole operated at a net loss primarily for the following two reasons. First, low cost carriers including AirTran, Frontier, JetBlue, and Southwest increased their collective market share of U.S. domestic enplanements from 18% to 30%. With this larger market share, low cost carriers have had a substantial impact on domestic airfare pricing. As a result, domestic airfares have not returned to levels experienced prior to 2001. Second, jet fuel prices began to rise appreciably for the first time in many years. Jet fuel commodities are now the largest component of most airlines’ cost structures, having surpassed labor.

In response to these circumstances, legacy airlines in the U.S. engaged in a cost-cutting process from 2002 through 2005 to reduce their non-fuel costs structures so that they could earn a profit at new prevailing domestic airfare levels. This cost-cutting process included (1) simplifying fleets by retiring older less-efficient aircraft, (2) improving labor productivity and lowering compensation levels, (3) rationalizing route networks by allocating smaller or regional aircraft to markets where demand was insufficient to support larger aircraft, and eliminating under-

performing hubs, (4) focusing efforts at attracting higher yield passengers, and (5) allocating more capacity to international routes while curtailing domestic capacity growth plans.

As a result of these cost cutting initiatives, the U.S. airline industry as a whole achieved a net profit in 2006 and 2007 for the first time since 2000. However, upward pressure on costs, especially fuel costs, and downward pressure on ticket prices continued to dampen a full recovery.

In 2008, airlines took further steps to rationalize domestic capacity and safeguard the financial recovery of the industry as a result of fuel costs and downward pressure on airfares. However, oil prices spiked to approximately \$150 per barrel, the “housing bubble” burst and a credit crisis occurred, the U.S. and world economies fell into recession, and unemployment rates quickly doubled.

In 2009, while the airlines’ cost outlook improved as oil prices stabilized at approximately \$80.00 per barrel, the airlines’ revenue outlook deteriorated as ticket prices declined more precipitously than they did following September 11, 2001 as a result of a global recessionary market. Early in 2009, the airlines engaged in another round of capacity reductions resulting in increases in airfares in the second half of 2009. AirTran and Southwest posted net profits for the year, and many other airlines, including JetBlue, achieved positive operating margins in their fourth quarter.

Most economists believe that the U.S. airline industry will return to profitability in 2010, though capacity and traffic levels are expected to be relatively flat compared to 2009. This is consistent with the prevailing opinion that positive U.S. economic growth will be achieved again in 2010, though the amount of growth year-over-year is expected to be modest. More robust economic growth, including air traffic growth, is expected in 2011 and beyond.

2.2. ALTERNATIVE FACILITIES

The Air Trade Area is the primary source of demand for air transportation at the Jetport as approximately 100% of passengers using the Jetport begin or end their journeys there. The Jetport’s service area is further defined by the availability and quality of air service at surrounding airports. Both Boston Logan International and Manchester-Boston Regional airports are geographically located within approximately 100 miles of the Jetport and offer commercial air service that is competitive with the Jetport.

The map on **Figure 2-1** depicts the three-airport region (the Region)¹ that impacts traffic generation at the Jetport. For reasons discussed below, passenger and cargo diversion from the Air Trade Area to other airports in the Region has been significant, but as airlines have added

¹ The Region illustrated on Figure 2-1 is a geographic area that contains the three airports that impact traffic generation at the Jetport as a result of geographic proximity and road accessibility, comparative airline service and capacity, and prevailing airfares.

new capacity to popular destinations at competitive fares, the Jetport has begun to accommodate an ever larger proportion of demand generated by its Air Trade Area.

**Figure 2-1
Service Region**



Manchester-Boston Regional Airport is 94 miles southwest of the Jetport. Under favorable driving conditions, the travel time from Portland to Manchester-Boston Regional Airport by car is approximately one hour and forty-five minutes. Boston Logan International Airport is 102 miles southeast of the Jetport. Under favorable driving conditions, the travel time from Portland to Boston Logan International Airport by car is approximately two hours.

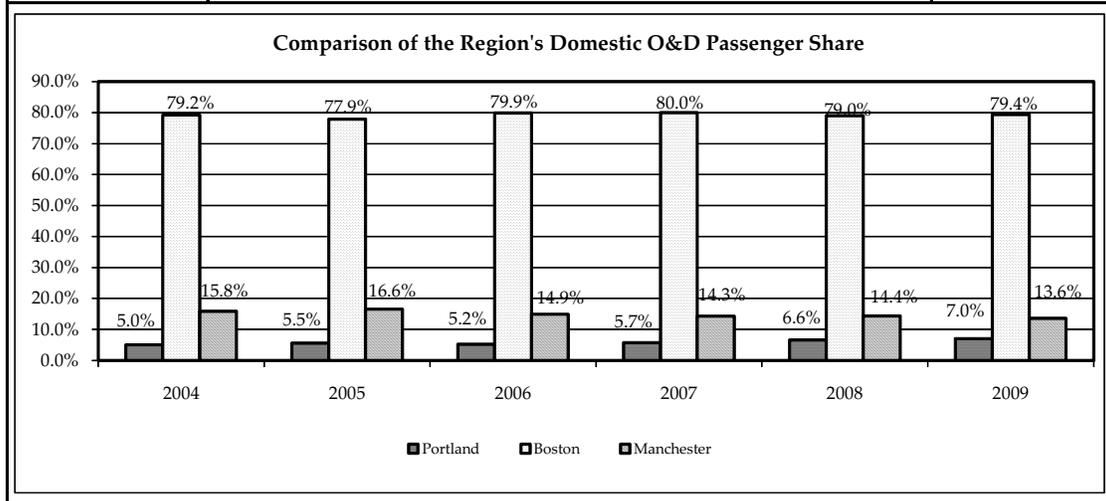
2.2.1. O&D Passenger Traffic in the Region

Table 2-1 summarizes recent trends in domestic O&D passenger traffic at airports in the Region. While the Jetport is the smallest of the three airports in the Region, from 2004 through 2009 the Jetport’s domestic O&D traffic has increased the fastest with a compound annual growth rate of 6.6%. The largest airport in the Region is Boston Logan International Airport, where domestic O&D traffic decreased marginally at a compound annual rate of 0.3% per year from 2004 to 2009. Domestic O&D passengers at Manchester-Boston Regional Airport decreased at a more significant compound annual rate of 3.3%.

Domestic O&D passenger traffic at the Jetport continued to increase in 2009 as airline service at the Jetport continued to improve. The Jetport now attracts 7.0% of domestic O&D passengers handled in the Region, up from 5.0% in 2004. Though Boston Logan International Airport's market share of domestic O&D passenger traffic has remained relatively steady at approximately 79% since 2004, it was negatively impacted by reductions in capacity by US Airways as well as other airlines in 2009. Domestic O&D passenger traffic at Manchester-Boston Regional Airport declined in 2009 as a result of Southwest reallocating capacity from Manchester-Boston Regional Airport to Boston Logan International Airport. As a result, Manchester-Boston Regional Airport's share of domestic O&D passengers in the Region has decreased from 15.8% in 2004 to 13.6% in 2009.

Table 2-1
Domestic O&D Passengers in the Region
 (000's)

Airport	Calendar Year						Compound Annual Growth Rate
	2004	2005	2006	2007	2008	2009	
Portland	1,200	1,406	1,337	1,469	1,627	1,652	6.6%
Boston	19,002	19,835	20,578	20,594	19,355	18,744	-0.3%
Manchester	3,796	4,216	3,833	3,673	3,520	3,213	-3.3%
Total	23,998	25,457	25,748	25,736	24,501	23,609	-0.3%



Sources: United States Department of Transportation O&D Passenger Survey
 Compiled by InterVISTAS Consulting, LLC; Note: 2009 is year-ended September 30, 2009

2.2.2. Domestic Air Service in the Region

Table 2-2 summarizes the domestic service pattern at airports in the Region. Domestic service at Boston Logan International Airport is very broad and includes an average of 42,775 daily departure seats to 70 non-stop destinations. Boston is served by a wide variety of airlines including full-service legacy carriers, low cost carriers, and regional/commuter carriers. Low cost carriers offer 33% of domestic seat capacity at Boston Logan International

Airport published in the Official Airline Guide. Manchester-Boston Regional Airport has an average of 5,060 daily departure seats to 17 non-stop destinations throughout the U.S. Low cost carrier Southwest offers 60% of total seat capacity at Manchester-Boston Regional Airport. Service at the Jetport is available to 12 non-stop destinations in the eastern U.S. with an average of 2,728 daily departure seats. Air service at the Jetport includes two low cost carriers, and the regional affiliates of four U.S. legacy carriers. A regional affiliate of Air Canada will inaugurate service between Toronto and the Jetport for the summer season in May 2010.

Table 2-2
Average Daily Domestic Departure Seats and
Non-stop Domestic Destinations Served
March 2010

Airport	Domestic Non-stop Destinations	Average Daily Domestic Departure Seats
Portland	12	2,728
Boston	70	42,775
Manchester	17	5,060

Sources: Official Airline Guide Schedules March 2010
 Compiled by InterVISTAS Consulting, LLC

2.2.3. Airfares in the Region

Table 2-3 summarizes the average fares for the airports in the Region for the Jetport’s largest 20 O&D passenger markets for the year-ended September 30, 2009, the most recent period for which data is available. In half of the markets, the Jetport generates a higher airfare than the other airports in the Region; however, the average difference at the Jetport for all domestic markets is \$4.14 lower than Boston Logan International Airport, and \$22.02 higher than Manchester-Boston Regional Airport. Any potential savings would be diminished once the passenger incurred the time and cost of traveling to an alternative airport.

Historically, the Jetport’s airfares were comparatively high as a result of limited low cost carrier service when compared to the other airports in the Region. As low cost carriers have inaugurated service to the Jetport, they have lowered airfares and added new capacity. Incumbent carriers then lowered their fares as a competitive response. As a result, additional passenger traffic generated by the Air Trade Area has been accommodated at the Jetport as the airfare premium to fly from the Jetport has diminished significantly or has been eliminated.

**Table 2-3
Average One-Way Fare Comparison**

Rank	Market	Portland	Boston	Manchester
1	Washington, D.C./Baltimore ^(a)	\$139.78	\$139.21	\$107.26
2	New York City ^(b)	\$111.36	\$144.88	\$207.52
3	Orlando ^(c)	\$132.27	\$132.09	\$127.65
4	Tampa Bay Area ^(d)	\$137.45	\$139.16	\$127.80
5	Miami/Fort Lauderdale/Palm Beach ^(e)	\$158.15	\$149.25	\$133.88
6	Atlanta	\$162.82	\$145.63	\$201.65
7	Chicago ^(f)	\$186.30	\$148.28	\$145.09
8	Philadelphia	\$193.49	\$275.80	\$93.70
9	Charlotte	\$138.77	\$140.88	\$184.34
10	Los Angeles Basin ^(g)	\$218.72	\$200.57	\$176.20
11	San Francisco Bay Area ^(h)	\$207.34	\$218.83	\$187.81
12	Denver	\$191.87	\$200.39	\$172.49
13	Richmond/Norfolk/Newport News ⁽ⁱ⁾	\$139.98	\$106.45	\$132.87
14	Fort Myers/Naples ^(j)	\$154.38	\$155.31	\$137.73
15	Raleigh/Durham	\$125.93	\$123.47	\$126.10
16	Jacksonville, Florida	\$140.38	\$139.01	\$122.16
17	Seattle/Tacoma	\$195.59	\$202.87	\$190.03
18	San Diego/Carlsbad ^(k)	\$201.65	\$198.50	\$185.25
19	Las Vegas	\$193.49	\$185.23	\$156.86
20	Phoenix	\$204.57	\$201.99	\$166.11

^(a) Baltimore Washington International Thurgood Marshall, Ronald Reagan Washington National, and Washington Dulles International airports

^(b) John F. Kennedy International, LaGuardia, Long Island Macarthur, Newark Liberty International, Stewart International, and Westchester County airports

^(c) Orlando and Orlando Sanford international airports

^(d) Saint Petersburg Clearwater, Sarasota Bradenton, and Tampa international airports

^(e) Fort Lauderdale/Hollywood, Miami, and Palm Beach international airports

^(f) Midway and O'Hare international airports.

^(g) Bob Hope, John Wayne, Long Beach, Los Angeles International, and LA/Ontario International airports

^(h) Norman Y. Mineta San Jose, Oakland, and San Francisco international airports

⁽ⁱ⁾ Newport News/Williamsburg, Norfolk, and Richmond international airports

^(j) Naples Municipal and Southwest Florida International airports

^(k) McClellan - Palomar and San Diego International airports

Sources: United States Department of Transportation O&D Passenger Survey
for the year-ended September 30, 2009
Compiled by InterVISTAS Consulting, LLC

JetBlue and AirTran inaugurated service to the Jetport in May 2006 and June 2007, respectively. As shown in Table 2-3, the Jetport enjoys the lowest airfare in the Region to New York City, JetBlue's first non-stop market. Airfares in AirTran's first non-stop market, Washington, D.C./Baltimore, are now competitive with airfares offered from Boston. Both AirTran and JetBlue subsequently inaugurated new service to Orlando, indicating the

success of their services at the Jetport. As a result, airfares to Orlando from the Jetport are competitive with other airports in the Region. AirTran recently inaugurated seasonal service between the Jetport and Atlanta, which will likely make airfares from the Jetport more competitive with those at the Region's other airports, and attract more passengers to the Jetport.

2.2.4. Traffic Diversion to Alternative Facilities

Historically, activity at the Jetport has been negatively impacted by passengers in the Air Trade Area using other airports in the Region. However, the inauguration of the low cost carrier service at the Jetport has begun to reverse this traffic diversion.

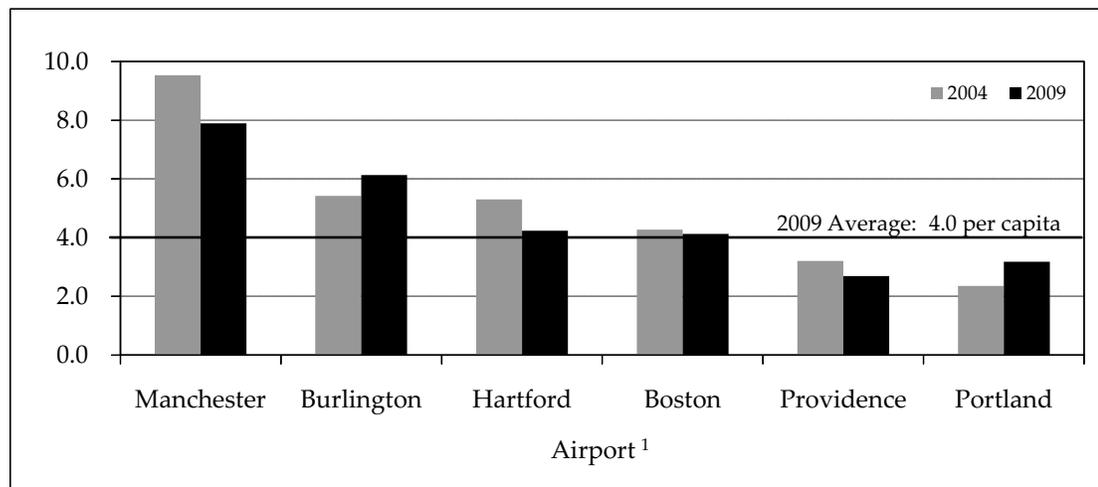
- **Boston Logan International Airport** – For many years, a significant proportion of passengers traveling to and from most destinations throughout New England, including the Air Trade Area, flew from Boston Logan International Airport because of the higher quality and quantity of air service provided there versus other New England airports. However, the attractiveness of the broad service pattern at Boston Logan International Airport has been mitigated by the time and expense of traveling by road to Boston from other parts of New England and the cost to park at Boston Logan International Airport.

When competitive air service is available at a convenient airport outside Boston, such as the Jetport, passengers have opted to use those facilities. Specifically, as low cost carriers have inaugurated service at the Jetport and other New England airports, passengers have begun to use these airports rather than Boston Logan International Airport. Boston Logan International Airport continues to serve as the gateway to New England for long-haul and international traffic. The hourly service provided between the Air Trade Area and Boston Logan International Airport on Concord Coach, the most widely used surface transportation provider, is evidence of this. However, short- and medium-haul domestic passengers are now more likely to fly from one of the many airports in New England offering good quality air service at competitive prices.

- **Manchester-Boston Regional Airport** – For a short period prior to the inauguration of low cost carrier service at the Jetport, some Air Trade Area passengers used Manchester-Boston Regional Airport due to the low airfares resulting from the low cost carrier service provided there. Since JetBlue and AirTran began serving the Jetport, passengers to and from the Air Trade Area have begun to take advantage of the competitive air service at the Jetport rather than incur the time and cost of traveling to Manchester-Boston Regional Airport. This trend is evidenced by the discontinuation by Mermaid Transportation of its ground transportation service between the Air Trade Area and Manchester-Boston Regional Airport. Mermaid Transportation has redeployed its assets to bring passengers from north and east of the Air Trade Area to the Jetport. With efficient low cost carrier service at the Jetport, Manchester-Boston Regional Airport no longer attracts a significant number of Air Trade Area passengers, and is not expected to do so in the future.

To illustrate the amount of traffic diversion (and potential upside in passenger traffic generation) at the Jetport, **Figure 2-2** compares the propensity to travel from New England airports with low cost carrier service. Propensity to travel is expressed as domestic O&D passengers per capita. While it would be expected that the New England airports generate similar propensities to travel, the propensity to travel from the Jetport trailed other airports in New England and, thus, the New England airport average. The reason for this difference was higher airfares caused by the lack of low cost carrier capacity at the Jetport. The availability of more low cost carrier capacity at other airports in New England at lower fares caused passengers travelling to and from the Air Trade Area to fly to and from other airports.

Figure 2-2
Domestic O&D Passengers per Capita at New England Airports
with Low Cost Carrier Service



¹ The domestic O&D passenger per capita statistic for the New England airports uses their respective MSAs. Therefore, for comparative purposes, the domestic O&D passenger per capita statistic for Portland uses the Portland-South Portland-Biddeford MSA instead of the Air Trade Area.

Sources: United States Department of Transportation O&D Passenger Survey calendar year 2004 and the year-ended September 30, 2009
Woods & Poole Economics, Inc., *The 2010 Complete Economic and Demographic Data Source*
Compiled by InterVISTAS Consulting, LLC

The Jetport generated 2.4 domestic O&D passengers per capita in 2004, which was prior to the existence of low cost carrier service at the Jetport. In 2009, the Jetport generated 3.2 domestic O&D passengers per capita, reflecting a 6.3% compound annual growth rate from 2004 to 2009. This illustrates that as low cost carrier service has become available at the Jetport, passengers travelling to and from the Air Trade Area will choose the Jetport over an alternate facility in the Region. Since AirTran and JetBlue have served the Jetport, the propensity to travel from the Jetport has steadily increased toward the average in New England as the Jetport continues to

recover traffic diversion from other airports within the Region. This trend is expected to continue as airlines offer new services at competitive fares at the Jetport.

2.3. AIRLINES SERVING THE JETPORT

Airlines serving the Jetport in December 2009 are shown on **Table 2-4** and include two low cost carriers, 11 regional affiliates of four legacy carriers, and two all-cargo carriers. This diverse group of airlines provides a stable base of scheduled service to the Jetport. Low cost carriers AirTran and JetBlue have begun providing scheduled service at the Jetport over the last four years, which has accommodated additional passenger traffic as a result of increased seat capacity and lower airfares. The two low cost carriers at the Jetport provide service to business and leisure destinations in the northeastern U.S., as well as Atlanta and Florida. Legacy carriers including Continental, Delta, United, and US Airways serve the Jetport with regional jet and turbo-prop flights provided by their regional affiliate airlines; a regional affiliate of Air Canada will provide seasonal non-stop service to Toronto beginning in May 2010. FedEx provides all-cargo service to the Jetport. The Jetport serves as FedEx’s Maine hub in which its own service is supplemented by Wiggins’ service between the Jetport and smaller airports in Maine.

Table 2-4
Airlines Serving the Jetport
December 2009

Low-Cost Carriers	Regional Affiliates of Legacy Carriers	All Cargo Carriers
AirTran JetBlue	Continental Colgan Air ExpressJet Delta Atlantic Southeast Airlines (ASA) Comair Pinnacle United Mesa Air Trans States/GoJet US Airways Air Wisconsin Piedmont PSA Republic	FedEx FedEx Wiggins

Sources: The Jetport
Compiled by InterVISTAS Consulting, LLC

This diverse set of airlines also provides a competitive environment at the Jetport. Regional affiliates of legacy carriers provide access to large hubs where Air Trade Area passengers can make connections to hundreds of markets throughout the U.S. and around the world. Low cost carriers provide quality services to popular destinations at competitive fares at the Jetport. A

regional affiliate of Air Canada will provide non-stop service to Toronto, Canada beginning in May 2010. All-cargo carriers offer shippers of time-sensitive materials quality access to the Air Trade Area. Together, the diversity of airline service provides Air Trade Area passengers and shippers with a wide range of air service options.

2.4. HISTORICAL AIR SERVICE

Passenger traffic at the Jetport was comprised of approximately 100% O&D passengers. **Table 2-5** displays the 25 largest O&D passenger markets at the Jetport for the year-ended September 30, 2009, the most recent period for which data is available. Each of these markets represents at least 1.0% of total O&D traffic at the Jetport. Collectively, the largest 25 markets represent 72.2% of total O&D traffic at the Jetport.

**Table 2-5
Largest O&D Passenger Markets**

Rank	Market	Passengers	Market Share
1	Washington, D.C./Baltimore ^(a)	185,880	10.8%
2	New York City ^(b)	178,840	10.4%
3	Orlando ^(c)	127,590	7.4%
4	Tampa Bay Area ^(d)	68,550	4.0%
5	Miami/Fort Lauderdale/Palm Beach ^(e)	65,160	3.8%
6	Atlanta	62,540	3.6%
7	Chicago ^(f)	54,320	3.2%
8	Philadelphia	52,860	3.1%
9	Charlotte	41,730	2.4%
10	Los Angeles Basin ^(g)	37,810	2.2%
11	San Francisco Bay Area ^(h)	36,680	2.1%
12	Denver	33,310	1.9%
13	Richmond/Norfolk/Newport News ⁽ⁱ⁾	31,750	1.8%
14	Fort Myers/Naples ^(j)	28,950	1.7%
15	Raleigh/Durham	26,760	1.6%
16	Jacksonville, Florida	25,500	1.5%
17	Seattle/Tacoma	24,610	1.4%
18	San Diego/Carlsbad ^(k)	23,570	1.4%
19	Las Vegas	22,680	1.3%
20	Phoenix	20,820	1.2%
21	Houston ^(l)	20,440	1.2%
22	Pittsburgh	19,820	1.2%
23	Dallas/Fort Worth ^(m)	19,000	1.1%
24	Minneapolis/Saint Paul	17,610	1.0%
25	Detroit	17,030	1.0%
	Subtotal	1,243,810	72.2%
	Others	478,110	27.8%
	Total	1,721,920	100.0%

^(a) Baltimore Washington International Thurgood Marshall, Ronald Reagan Washington National, and Washington Dulles International airports

^(b) John F. Kennedy International, LaGuardia, Long Island Macarthur, Newark Liberty International, Stewart International, and Westchester County airports

^(c) Orlando and Orlando Sanford international airports

^(d) Saint Petersburg Clearwater, Sarasota Bradenton, and Tampa international airports

^(e) Fort Lauderdale/Hollywood, Miami, and Palm Beach international airports

^(f) Midway and O'Hare international airports.

^(g) Bob Hope, John Wayne, Long Beach, Los Angeles International, and LA/Ontario International airports

^(h) Norman Y. Mineta San Jose, Oakland, and San Francisco international airports

⁽ⁱ⁾ Newport News/Williamsburg, Norfolk, and Richmond international airports

^(j) Naples Municipal and Southwest Florida International airports

^(k) McClellan - Palomar and San Diego International airports

^(l) George Bush Intercontinental and William P. Hobby airports

^(m) Dallas Love Field and Dallas/Fort Worth International Airport

Sources: United States Department of Transportation O&D Passenger Survey
for the year-ended September 30, 2009
Compiled by InterVISTAS Consulting, LLC

O&D traffic patterns at the Jetport are relatively diversified as none of the largest markets represents more than 10.8% of the total traffic base. Most of the largest markets correspond to large metropolitan areas in the U.S. located far enough from the Air Trade Area to make air travel an efficient option in terms of total trip time.

Table 2-6 summarizes non-stop scheduled passenger service at the Jetport in March 2010. Eight markets are served from the Jetport on a non-stop basis.² All eight of the markets with non-stop service from the Jetport are among the Jetport's 25 largest O&D markets. Three markets have non-stop service on multiple airlines and are served by low cost carriers.

Table 2-6
Non-stop Markets
March 2010

Market	Average Daily Nonstop Flights	Number of Carriers Serving Nonstop	Published Carriers
New York City	15	4	Continental Express, Delta Connection, JetBlue, US Airways Express
Washington, D.C./ Baltimore	8	3	AirTran, US Airways Express, United Express
Philadelphia	5	1	US Airways Express
Chicago	3	1	United Express
Detroit	3	1	Delta Connection
Atlanta	2	1	Delta Connection
Charlotte	1	1	US Airways Express
Orlando	1	2	AirTran, JetBlue
Total	38		

Sources: Official Airline Guide Schedules
Compiled by InterVISTAS Consulting, LLC

2.5. HISTORICAL PASSENGER ACTIVITY

Table 2-7 presents historical enplanements at the Jetport from FY 1998 through FY 2009. Enplanements at the Jetport have grown at a compound annual growth rate of 3.0% from FY 1998 to FY 2009 (625,336 to 861,570, respectively).³ From FY 2002 to FY 2009, enplanements have grown considerably faster at a compound annual growth rate of 5.1%. The introduction of low cost carrier service at the Jetport over the last four years has increased seat capacity and lowered fares at the Jetport, which has attracted additional demand generated by the Air Trade Area to fly from the Jetport rather than other airports in the Region.

² The eight non-stop markets served are consistent with the twelve unique destinations presented on Table 2-1 because the New York City and Washington, D.C./Baltimore markets are comprised of three destination airports each.

³ For the remainder of this chapter, major/national is defined as activity on legacy and low cost carriers, while regional/commuter is defined as activity on flights operated by regional affiliates of legacy carriers.

**Table 2-7
Historical Enplanements**

Fiscal Year	Major/ National	Regional/ Commuter	Total	Annual Growth
1998	303,320	322,016	625,336	--
1999	337,213	329,933	667,146	6.7%
2000	374,600	300,007	674,607	1.1%
2001	391,039	286,441	677,480	0.4%
2002	326,344	283,664	610,008	-10.0%
2003	321,364	305,062	626,426	2.7%
2004	288,849	349,825	638,674	2.0%
2005	280,120	464,393	744,513	16.6%
2006	116,902	562,556	679,458	-8.7%
2007	180,922	600,263	781,185	15.0%
2008	264,836	604,790	869,626	11.3%
2009	252,768	608,802	861,570	-0.9%
Compound Annual Growth Rate				
1998-2009	-1.6%	6.0%	3.0%	
2002-2009	-3.6%	11.5%	5.1%	

Sources: The Jetport
Compiled by InterVISTAS Consulting, LLC

Enplanements have increased in eight of the last 11 years. For each of the first two years in which enplanements declined, passenger traffic at the Jetport recovered quickly:

- As a result of the events of September 11, 2001, enplanements declined 10.0% in FY 2002, but traffic immediately began to recover in FY 2003 and FY 2004, and reached then record levels in FY 2005.
- Following the termination of service by and liquidation of Independence Air in FY 2006, enplanements declined 8.7% followed by an increase in enplanements of 15.0% in FY 2007 primarily due to the new service provided by AirTran and JetBlue. Continued enplanement growth in FY 2008 of 11.3% resulted in two consecutive years of record enplanement levels.

The fluctuations in enplanements from FY 2005 through FY 2008 illustrate the fact that when capacity is available at the Jetport at competitive fares, passengers choose to travel from the Jetport rather than use an alternate airport in the Region.

In FY 2009, enplanements declined 0.9% as a result of national and global economic weakness. This decrease in activity is very modest when compared to other airports in the Region and throughout the nation. It is expected that Jetport traffic will recover over the course of FY 2010 and FY 2011.

Passenger activity at the Jetport has shifted toward regional/commuter airlines from major/national airlines over the past decade. From FY 1998 to FY 2009, passenger traffic on regional/commuter airlines increased at a compound annual growth rate of 6.0%, while passenger traffic on major/national airlines decreased at a compound annual rate of 1.6%. Over this period, major/national airlines transferred many routes to regional affiliates to better match capacity with demand. This trend is even more pronounced between FY 2002 and FY 2009 when regional/commuter airline traffic increased at a compound annual growth rate of 11.5% while major/national airline traffic decreased at a compound annual rate of 3.6%.

From FY 2007 through FY 2009, major/national airline passenger traffic has increased rapidly due to the inauguration of service by low cost carriers AirTran and JetBlue, while regional/commuter passenger traffic has increased modestly. Because legacy carriers have now replaced all mainline flying to the Jetport with regional/commuter affiliates and low cost carriers have a market share at the Jetport similar to their share of the U.S. domestic market as a whole, major/national airline traffic and regional/commuter traffic are expected to maintain their relative shares of total traffic for the foreseeable future.

Table 2-8 presents monthly enplanements at the Jetport for FY 2008, FY 2009, and fiscal year-to-date 2010. Monthly enplanements at the Jetport in FY 2009 and FY 2010 have increased in some months and decreased in others as a result of an uncertain national and global economy. Over this period, the airlines serving the Jetport have offered new capacity at competitive fares that caused Air Trade Area passengers to use the Jetport rather than one of the other airports in the Region. For the year as a whole, enplanements at the Jetport decreased a very modest 0.9% in FY 2009, when compared to FY 2008.

**Table 2-8
Monthly Enplanements**

Month	FY 2008	FY 2009	Annual Growth	FY 2010	Annual Growth
July	89,560	95,995	7.2%	98,752	2.9%
August	95,649	104,597	9.4%	107,641	2.9%
September	81,053	79,513	-1.9%	79,741	0.3%
October	82,937	82,629	-0.4%	83,966	1.6%
November	63,582	60,431	-5.0%	61,781	2.2%
December	55,026	57,681	4.8%	56,414	-2.2%
January	56,664	53,194	-6.1%	51,624	-3.0%
February	60,370	56,555	-6.3%	49,253	-12.9%
March	66,374	65,728	-1.0%	n.a.	
April	69,202	60,313	-12.8%	n.a.	
May	68,930	66,537	-3.5%	n.a.	
June	80,279	78,397	-2.3%	n.a.	
Total	869,626	861,570	-0.9%	n.a.	
July - February	584,841	590,595	1.0%	589,172	-0.2%

Note: n.a. - not available

Sources: The Jetport

Compiled by InterVISTAS Consulting, LLC

In the first eight months of FY 2010, enplanements at the Jetport decreased 0.2% over the corresponding period in FY 2009. Enplanements increased year-over-year each month July through November of FY 2010. From December through February, enplanements have trailed those of the prior year due to bad weather in the northeast causing several airline cancellations at the Jetport. That notwithstanding, airlines continue to add new capacity to the market to take advantage of the favorable operating environment:

- AirTran has recently announced seasonal service to its hub at Atlanta.
- Air Canada announced the commencement of non-stop seasonal service to its hub at Toronto on its regional affiliate, Air Georgian, scheduled to begin in May.

In addition to the new service in the past year, Continental Express plans to operate its seasonal service to Cleveland this summer. Delta Connection has indicated that they may reinstate their seasonal service to Minneapolis/Saint Paul over the summer.

The new seat capacity on these new and existing routes will continue to help meet growing demand in the Air Trade Area.

2.5.1. Potential Impact of the Proposed Slot Swap by Delta and US Airways

Delta and US Airways announced a proposal to exchange slots and gates at New York's LaGuardia Airport and Ronald Reagan Washington National Airport, whereby Delta would acquire additional assets in New York City and US Airways would acquire additional assets in Washington, D.C. The Federal Aviation Administration (FAA) published for public comment its intention to require these two airlines to divest a certain number of slots at each airport to avoid an anti-competitive outcome as a result of the greater market share that would be achieved by each airline should the transaction be completed. In response to the FAA's comments, Delta and US Airways have revised their proposal to divest a number of slots at each airport to low cost carriers AirTran, JetBlue, Spirit, and WestJet. Delta and US Airways' revised agreement proposes to divest fewer slots than required by the FAA. As such, it is unknown whether it will be acceptable to the FAA.

Should the proposed transaction be consummated, it would impact capacity at the Jetport. Delta has indicated that it would move its thrice-daily round-trips from New York's John F. Kennedy International Airport to LaGuardia Airport. At the same time, US Airways would discontinue service between the Jetport and LaGuardia Airport, while increasing capacity between the Jetport and Ronald Reagan Washington National Airport. The result of these two actions would be a decrease in capacity to New York City, and an increase in capacity to Washington, D.C. Because US Airways' services to LaGuardia Airport have historically operated at low load factors, it is expected that the loss of capacity to New York City would not materially impact traffic in the market. The additional capacity to Washington, D.C. may attract additional traffic in that market as a result of improved flight options and the greater availability of connections on US Airways' network beyond its Washington, D.C. focus city.

While the slot swap transaction proposed by Delta and US Airways would impact seat capacity at the Jetport, it will not materially impact traffic or air service patterns at the Jetport. All of the airports served prior to the transaction will continue to be served from the Jetport after the transaction is consummated. There will be more capacity to Washington, D.C., and less capacity to New York City, but there will be sufficient capacity to accommodate demand in those markets, with capacity to spare for traffic connecting beyond New York City and Washington, D.C.

2.5.2. Airline Passenger Market Share

Table 2-9 presents the Jetport's historical enplanement market share for FY 2004 through FY 2009.⁴ As evidenced by the data presented in this table, the Jetport's market has become more competitive over the past several years. Low cost carrier market share has become significant as these airlines continue to add flights and destinations at the Jetport. In general, the broader base of airlines serving the Jetport and relative balance in market share among the airlines has

⁴ Regional affiliates of legacy carriers listed on Table 2-4 are subtotaled by legacy carrier on Table 2-9 under their "Doing Business As" identity.

made the Jetport a more stable market capable of sustaining consistent growth in enplanements experienced in recent years enhanced by new capacity, greater frequency, and lower fares.

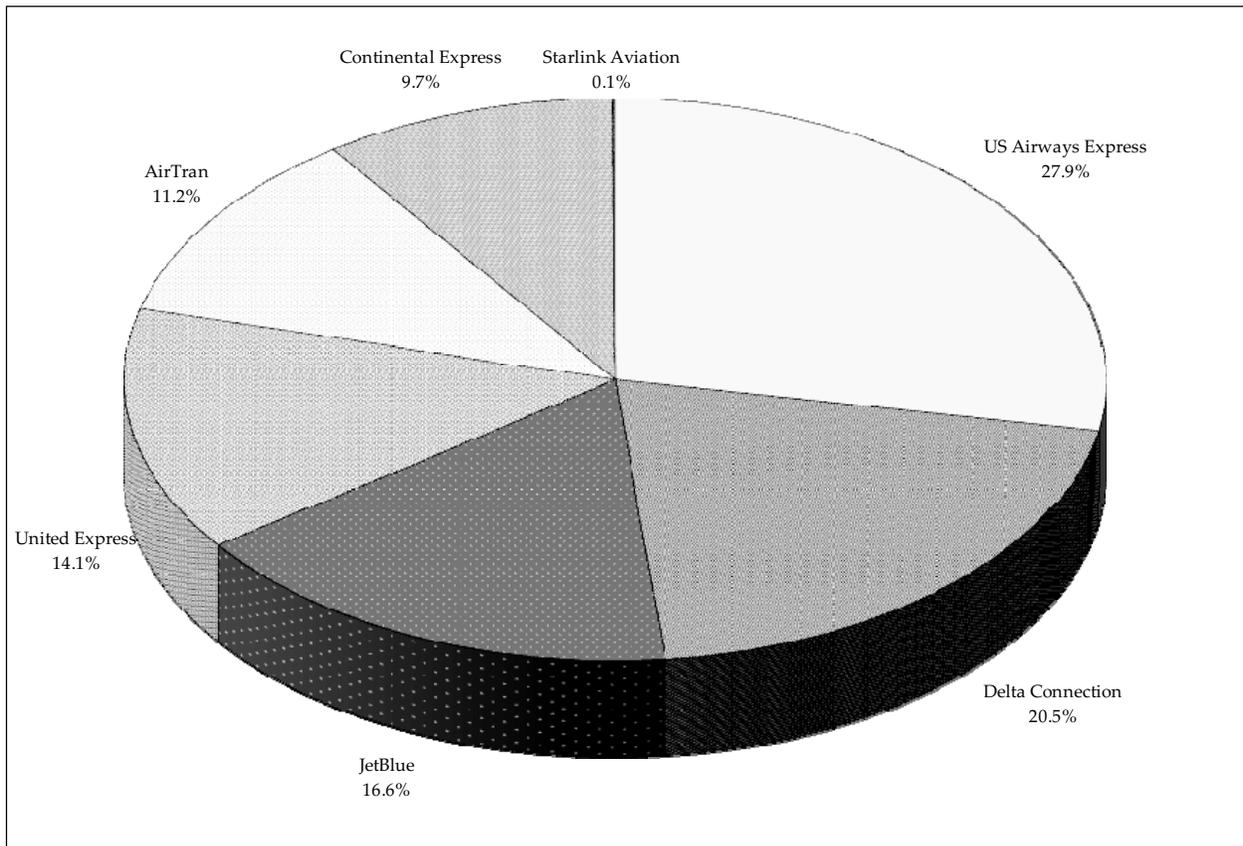
Table 2-9
Historical Enplanement Market Share

Airline	FY 2004	% Share	FY 2005	% Share	FY 2006	% Share	FY 2007	% Share	FY 2008	% Share	FY 2009	% Share
US Airways	70,530	11.0%	68,682	9.2%	36,448	5.4%	-	0.0%	-	0.0%	-	0.0%
US Airways Express	94,726	14.8%	109,706	14.7%	168,842	24.8%	230,622	29.5%	229,747	26.4%	240,299	27.9%
Subtotal	165,256	25.9%	178,388	24.0%	205,290	30.2%	230,622	29.5%	229,747	26.4%	240,299	27.9%
Delta	147,834	23.1%	150,515	20.2%	29,550	4.3%	5,031	0.6%	-	0.0%	12,850	1.5%
Delta Connection	56,909	8.9%	72,494	9.7%	139,576	20.5%	165,602	21.2%	148,118	17.0%	108,192	12.6%
Northwest	66,887	10.5%	60,923	8.2%	36,610	5.4%	33,602	4.3%	14,678	1.7%	65	0.0%
Northwest Airlink	-	0.0%	24,525	3.3%	34,258	5.0%	19,336	2.5%	39,300	4.5%	55,123	6.4%
Subtotal	271,630	42.5%	308,457	41.4%	239,994	35.3%	223,571	28.6%	202,096	23.2%	176,230	20.5%
JetBlue	-	0.0%	-	0.0%	14,294	2.1%	135,836	17.4%	147,971	17.0%	143,235	16.6%
United Express	97,929	15.3%	105,973	14.2%	120,396	17.7%	119,602	15.3%	119,479	13.7%	121,259	14.1%
AirTran	-	0.0%	-	0.0%	-	0.0%	6,453	0.8%	102,187	11.8%	96,618	11.2%
Continental	3,598	0.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Continental Express	48,800	7.6%	52,701	7.1%	58,385	8.6%	65,101	8.3%	66,843	7.7%	13,465	1.6%
Continental Connection	9,341	1.5%	7,349	1.0%	1,182	0.2%	-	0.0%	1,303	0.1%	69,913	8.1%
Subtotal	61,739	9.7%	60,050	8.1%	59,567	8.8%	65,101	8.3%	68,146	7.8%	83,378	9.7%
Starlink Aviation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	551	0.1%
Independence Air	1,169	0.2%	65,640	8.8%	39,917	5.9%	-	0.0%	-	0.0%	-	0.0%
American Eagle	40,951	6.4%	26,005	3.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	638,674	100.0%	744,513	100.0%	679,458	100.0%	781,185	100.0%	869,626	100.0%	861,570	100.0%

Sources: The Jetport
Compiled by InterVISTAS Consulting, LLC

Figure 2-3 illustrates the relative market share of airlines at the Jetport for FY 2009. The market for passenger traffic at the Jetport is competitive as no one airline (including code-share partners) has more than a 28% share of passengers. US Airways Express is the largest airline at the Jetport with an enplaned passenger market share of 27.9%. Delta Connection and JetBlue, the second and third largest airlines at the Jetport, have enplaned passenger market shares of 20.5% and 16.6%, respectively. United Express and AirTran have enplaned passenger market shares of 14.1% and 11.2%, respectively, while Continental Express has a more limited presence with 9.7% market share of enplanements. Low cost carriers have successfully penetrated the Air Trade Area market and collectively enplaned 27.8% of passengers at the Jetport in FY 2009; a market share that is similar to low cost carrier market share in the U.S. domestic market as a whole.

Figure 2-3
Enplanement Market Share by Carrier
FY 2009



Source: The Jetport
Compiled by InterVISTAS Consulting, LLC

2.6. HISTORICAL AIRCRAFT OPERATIONS AND LANDED WEIGHT

Table 2-10 presents historical aircraft operations at the Jetport between FY 1998 and FY 2009. From FY 1998 to FY 2009, aircraft operations decreased at a compound annual rate of 2.5%. Over the more recent period from FY 2002 to FY 2009, aircraft operations decreased at a compound annual rate of 1.9%. Decreases in operations have been most pronounced by the major/national airlines as they shifted service at the Jetport to regional/commuter affiliates.

Table 2-10
Historical Aircraft Operations

Fiscal Year	Major/ National	Regional/ Commuter	Cargo	Total	Annual Growth
1998	12,870	31,678	3,902	48,450	--
1999	11,830	28,640	3,962	44,432	-8.3%
2000	13,298	25,846	3,728	42,872	-3.5%
2001	12,904	26,262	3,776	42,942	0.2%
2002	9,736	28,218	3,742	41,696	-2.9%
2003	7,120	27,120	3,754	37,994	-8.9%
2004	5,598	28,120	4,340	38,058	0.2%
2005	6,104	31,154	4,426	41,684	9.5%
2006	2,962	27,758	5,008	35,728	-14.3%
2007	4,112	27,848	5,152	37,112	3.9%
2008	5,920	26,388	4,844	37,152	0.1%
2009	6,304	26,310	3,892	36,506	-1.7%
Compound Annual Growth Rate					
1998-2009	-6.3%	-1.7%	-0.02%	-2.5%	
2002-2009	-6.0%	-1.0%	0.6%	-1.9%	

Sources: The Jetport
Compiled by InterVISTAS Consulting, LLC

Over the period FY 1998 to FY 2009, major/national carrier operations decreased at a compound annual rate of 6.3% as regional/commuter operations decreased at a compound annual rate of 1.7%. A similar rate of decline occurred between FY 2002 and FY 2009 as airlines aggressively sought efficiency gains following the events of September 11, 2001. From FY 2007 through FY 2009, major/national operations began to increase rapidly and regional/commuter operations decreased moderately. This can be attributed to both the inauguration of narrow-body service by low cost carriers and the introduction of larger 70-100 seat regional jets by regional/commuter airlines.

Cargo airline operations remained relatively stable, decreasing slightly at a compound annual rate of 0.02% from FY 1998 through FY 2009 and increasing at a compound annual growth rate of 0.6% from FY 2002 through FY 2009. FedEx has served the Jetport consistently over the entire period and provides dependable shipping options for time sensitive cargo to and from the Air

Trade Area. Wiggins operates flights at the Jetport that connect cargo from smaller airports in Maine to FedEx's flights at the Jetport. Decreases in cargo operations since FY 2007 are the result of the elimination of service by DHL following its acquisition by ABX. Because many cargo flights at the Jetport are operated on small aircraft, cargo landed weight exhibits a distinct growth pattern over the periods, as discussed in the following section.

Table 2-11 presents historical landed weight at the Jetport from FY 1998 to FY 2009. During this time period, landed weight decreased at a compound annual rate of 0.9%, and from FY 2002 to FY 2009 it decreased at a compound annual rate of 0.1%. This decrease is largely the result of legacy airlines replacing mainline narrow-body aircraft with regional jet aircraft and suspending certain routes over the period. Major/national airline landed weight decreased while regional/commuter landed weight increased over the period. Cargo landed weight increased for much of the period, but has decreased in recent years as a result of the elimination of service by DHL.

**Table 2-11
Historical Landed Weight (000 lbs)**

Fiscal Year	Major/ National	Regional/ Commuter	Cargo	Total	Annual Growth
1998	756,878	388,980	116,644	1,262,502	--
1999	770,222	404,463	115,745	1,290,430	2.2%
2000	748,341	358,818	115,695	1,222,854	-5.2%
2001	722,189	329,393	114,718	1,166,300	-4.6%
2002	571,316	465,395	118,402	1,155,113	-1.0%
2003	424,883	496,283	118,473	1,039,639	-10.0%
2004	335,869	583,728	121,445	1,041,042	0.1%
2005	321,897	689,932	131,499	1,143,328	9.8%
2006	149,009	740,093	142,423	1,031,525	-9.8%
2007	150,031	725,676	146,196	1,021,903	-0.9%
2008	259,318	731,079	131,577	1,121,974	9.8%
2009	313,003	732,428	101,576	1,147,007	2.2%
Compound Annual Growth Rate					
1998-2009	-7.7%	5.9%	-1.2%	-0.9%	
2002-2009	-8.2%	6.7%	-2.2%	-0.1%	

Sources: The Jetport
Compiled by InterVISTAS Consulting, LLC

From FY 1998 through FY 2009, major/national airline landed weight decreased at a compound annual rate of 7.7% while regional/commuter airline landed weight increased 5.9%. From FY 2002 through FY 2009, major/national airline landed weight decreased at a compound annual rate of 8.2% while regional/commuter landed weight increased 6.7%. Because legacy airlines now serve the Jetport exclusively with regional affiliates, the shift of landed weight from major/national airlines to regional/commuter airlines is likely complete. Since FY 2007,

major/national landed weight has increased as a result of increases in service by low cost carriers. Regional/commuter landed weight has remained relatively flat since FY 2007. In the future, increases in landed weight can be expected as a result of new service by low cost carriers and the replacement of smaller regional jets with larger regional jets by legacy carriers. The relative distribution of landed weight between major/national and regional/commuter carriers will likely remain consistent over the forecast period.

Cargo landed weight decreased at a compound annual rate of 1.2% from FY 1998 through FY 2009 and decreased at a compound annual rate of 2.2% from FY 2002 through FY 2009. The decreases in cargo landed weight correspond to the elimination of DHL's operations.

FedEx cargo activity increased each year from FY 1998 through FY 2009. FedEx bases two of its own aircraft at the Jetport. These aircraft serve demand generated in the Air Trade Area and also cargo that arrives at the Jetport from other airports in Maine on smaller aircraft operated by Wiggins. Increases in activity by Wiggins as well as increases in aircraft size operated by FedEx have been responsible for increases in landed weight over the period.

2.7. FORECASTS OF AVIATION DEMAND

Forecasts of aviation demand were prepared on the basis of socio-economic and demographic factors in the Air Trade Area, the Jetport's traffic performance over the long-term as well as during the most recent five-year period, and anticipated airline activity at the Jetport. These forecasts are based on a number of assumptions, discussed below.

The forecasts anticipate that the Jetport will continue to attract O&D travelers to and from the Air Trade Area with air service to both major markets and airline connecting hubs provided by both legacy and low cost carriers.

- Traffic diversion to other airports in the Region is forecast to be recovered at the Jetport over the forecast period as a result of more capacity at the Jetport and fares that are consistent with those found at other airports in the Region. It is further anticipated that both legacy and low cost carriers will increase capacity at the Jetport by adding new markets as well as by increasing the aircraft size on existing routes.
- Forecasts of aviation demand anticipate that the balance of major/national operations and regional/commuter operations will be relatively consistent over the forecast period. As discussed in previous sections, airlines have matched capacity and demand, and are now beginning to increase capacity and add new markets where appropriate. Cargo operations will increase incrementally over the forecast period.
- Increases in future enplanements at the Jetport can be expected as airlines continue to match capacity to demand and operate flights at record load factors. Many of the smaller 37-50

seat regional jets that operate at the Jetport will likely be replaced with larger 70-100 seat regional jets.

- The forecasts do not account for the occurrence of unforeseen external events including, but not limited to, labor disruptions, airline mergers, extraordinary increases in airfares, political instability, military or terrorist action, or extraordinary increases in aviation fuel costs.

2.7.1. Enplanement Forecasts

The enplanement forecast has been developed using a macro-economic analysis of the relationship between economic growth in the Air Trade Area combined with a micro-economic analysis of likely capacity deployment of airlines currently serving the market as well as those likely to serve the market over the forecast period. **Table 2-12** presents historical and forecast enplanements at the Jetport for major/national airlines as well as regional/commuter airlines. Total enplanements are forecast to increase at a compound annual growth rate of 2.2% from FY 2009 to FY 2018 from approximately 861,570 in FY 2009 to 1,050,000 in FY 2018. This increase is more modest than growth rates experienced over the past five years and the long-term growth trend discussed previously from FY 1998 to FY 2009 because airfares are now consistent with those found at other airports in the Region, and further traffic recovery from those airports will be more modest.

**Table 2-12
Forecast Enplanements**

Fiscal Year	Major/ National	Regional/ Commuter	Total	Annual Growth
<u>Historical</u>				
2005	280,120	464,393	744,513	--
2006	116,902	562,556	679,458	-8.7%
2007	180,922	600,263	781,185	15.0%
2008	264,836	604,790	869,626	11.3%
2009	252,768	608,802	861,570	-0.9%
<u>Forecast</u>				
2010	267,000	600,000	867,000	0.6%
2011	270,000	605,000	875,000	0.9%
2012	280,000	620,000	900,000	2.9%
2013	290,000	635,000	925,000	2.8%
2014	300,000	650,000	950,000	2.7%
2015	310,000	665,000	975,000	2.6%
2016	320,000	680,000	1,000,000	2.6%
2017	330,000	695,000	1,025,000	2.5%
2018	340,000	710,000	1,050,000	2.4%
Compound Annual Growth Rate				
2005-2009	-2.5%	7.0%	3.7%	
2009-2018	3.3%	1.7%	2.2%	

Sources: The Jetport, 2002 to 2009
InterVISTAS Consulting, LLC, 2010 - 2018

Major/national airlines are forecast to increase enplanements at a compound annual growth rate of 3.3% from FY 2009 to FY 2018 while regional/commuter airlines are forecast to increase at a compound annual growth rate of approximately 1.7%. The difference in growth rates anticipates that the relative share of operations between the two groups remain fairly consistent over the forecast period. Enplanements on major/national airlines and regional/commuter airlines are forecast to increase at rates that maintain the relative share of enplanements between the two existing at the Jetport today. It is expected that both groups will gradually increase the average aircraft size over the period. This forecast corresponds to an increase in enplaned passengers per operation from 53 in FY 2009 to 61 in FY 2018.

For FY 2010, enplanements are estimated based on a review of year-to-date enplanement data as well as increases in capacity in published schedules. As noted previously, year-to-date enplanements at the Jetport have decreased 0.2% over the same period in FY 2009. This decrease was the result of poor weather conditions in the northeast that caused flight cancellations at the Jetport from December through February. For the balance of FY 2010, monthly enplanements when compared to FY 2009 are expected to exhibit modest growth.

For the purposes of estimating enplanements for the balance of FY 2010, the percentage of seats filled on published capacity has been held constant at FY 2009 levels. When fiscal year-to-date enplanements are added to scheduled seat capacity at constant load factors for the balance of the fiscal year, FY 2010 passenger enplanements are forecast to be 0.6% higher than FY 2009.

Enplanements in FY 2011 are expected to increase a modest 0.9% over FY 2010 forecast levels. This modest increase is based on both airline capacity deployment plans and the general economic outlook for that period. Airlines are not planning to increase capacity significantly in the U.S. domestic market generally or at the Jetport specifically between July 2010 and June 2011. Leading economists are currently calling for modest economic growth over that period, followed by a more robust economic recovery in the years that follow.

After FY 2011, passenger traffic is forecast to grow in a linear fashion. Therefore, the increment of passenger growth is assumed to be constant while the growth rate is assumed to diminish over time due to the higher base of each successive year. This is consistent with the trend of historical linear growth in passenger traffic at the Jetport and in the U.S. Enplanement growth has been forecast based on growth in the economy of the Air Trade Area and the availability of competitive air service at the Jetport. Enplanement growth at the Jetport is positively impacted by growth in economic activity and decreases in average airfares, and negatively impacted by increases in average airfares.

Economic and demographic growth of the Air Trade Area trailed passenger enplanement growth at the Jetport over the historical period due to the decrease in airfares at the Jetport following the introduction of low cost carrier service. Passenger enplanement growth from FY 1998 to FY 2009 was tempered by persistently higher airfares at the Jetport in the early years of that period. However, when passenger airfares decreased later in the period, they became largely in-line with fares offered at Boston Logan International Airport, and slightly higher than airfares at Manchester-Boston Regional Airport. Because the gap in the Jetport's relative "fare disadvantage" vis-à-vis other airports in the Region has been substantially closed, fewer passengers bound to and from the Air Trade Area use alternative airports in the Region.

Over the forecast period, passenger enplanement growth is expected to be similar to the economic and demographic growth of the Air Trade Area. The presence of low cost carriers at the Jetport provides Air Trade Area passengers with flights to popular destinations at airfares that are competitive with those found at surrounding airports. The forecast assumes that average airfares at the Jetport will remain consistent with those prevailing at other airports in the Region. The economic growth of the Air Trade Area along with competitive airfares and additional low cost carrier capacity at the Jetport are forecast to generate a compound annual growth rate in passenger traffic of 2.2% over the forecast period, which is consistent with forecasts of economic growth discussed in Chapter 1.

To further validate the reasonableness of the enplanement forecast resulting in a compound annual growth rate of 2.2%, the propensity to travel from the Jetport included in Figure 2-2 was recalculated for FY 2018. This resulted in a propensity to travel from the Jetport of 3.6 domestic O&D passengers per capita, up from 3.2 domestic O&D passengers per capita in FY 2009. This level remains below the average of New England airports of 4.0 domestic O&D passengers per capita shown on Figure 2-2. Since the increase in propensity to travel from the Jetport still lags the New England airport average over the forecast period, it is offered as evidence that the forecast is reasonable.

The diverse and competitive mix of airlines serving the Jetport, including most of the legacy airlines, two low cost carriers, and one Canadian carrier, are expected to have new aircraft available to support expansion at the Jetport in the future. AirTran and JetBlue are taking deliveries of new aircraft that will likely be deployed in domestic markets, including the Jetport. While the legacy airlines are not adding significant domestic capacity, nor do they have many aircraft on order for fleet growth, they are replacing smaller regional jet aircraft with larger regional jets.

The forecasts presented herein are higher than those prepared in the FAA's December 2009 Terminal Area Forecast (TAF) for the Jetport because the TAF was prepared without adequately accounting for traffic generated by new and existing airlines' increased capacity. For federal fiscal year-ended September 30, 2009, the TAF anticipated approximately 843,391 enplanements at the Jetport. In FY 2009, the Jetport enplaned 861,570 passengers. Therefore, the base year of the TAF underestimated enplanements by at least 18,000 annual passengers. Through 2018, the TAF anticipated growth of 156,008 enplanements, or at a compound annual growth rate of 1.9%. The forecast in Table 2-12 anticipates a compound annual growth rate of 2.2%, or 188,430 enplanements, to arrive at a forecast of 1,050,000 enplanements by FY 2018. The higher annual enplanement growth rate presented in Table 2-12 compared to the TAF is reasonable given the amount of new competition and additional capacity from low cost carriers at the Jetport.

2.7.2. Operations Projections

Table 2-13 presents historical and projected aircraft operations by major category. As shown, total operations are expected to increase from 36,506 in FY 2009 to 38,500 in FY 2018, which corresponds to a compound annual growth rate of 0.6%.

**Table 2-13
Forecast Aircraft Operations**

Fiscal Year	Major/ National	Regional/ Commuter	Cargo	Total	Annual Growth
<u>Historical</u>					
2005	6,104	31,154	4,426	41,684	--
2006	2,962	27,758	5,008	35,728	-14.3%
2007	4,112	27,848	5,152	37,112	3.9%
2008	5,920	26,388	4,844	37,152	0.1%
2009	6,304	26,310	3,892	36,506	-1.7%
<u>Forecast</u>					
2010	6,100	24,300	3,600	34,000	-6.9%
2011	6,200	25,200	3,600	35,000	2.9%
2012	6,400	25,450	3,650	35,500	1.4%
2013	6,600	25,700	3,700	36,000	1.4%
2014	6,800	25,950	3,750	36,500	1.4%
2015	7,000	26,200	3,800	37,000	1.4%
2016	7,200	26,450	3,850	37,500	1.4%
2017	7,400	26,700	3,900	38,000	1.3%
2018	7,600	26,950	3,950	38,500	1.3%
Compound Annual Growth Rate					
2005-2009	0.8%	-4.1%	-3.2%	-3.3%	
2009-2018	2.1%	0.3%	0.2%	0.6%	

Sources: The Jetport, 2002 to 2009
InterVISTAS Consulting, LLC, 2010 - 2018

Passenger airline operations forecasts were developed based on recent relationships between enplanements, load factors, and average seating capacity of aircraft utilized at the Jetport. Specifically, enplaned passengers per operation are expected to rise from 53 to 61 over the forecast period. This assumption is based on the continued increase in narrow-body and larger regional jet activity experienced over the last several years as airlines optimize efficiency both at the Jetport and nationally. Major/national airline operations are forecast to increase at a compound annual growth rate of 2.1% while regional/commuter airline operations are forecast to increase at a compound annual growth rate of 0.3% to reflect the gradual replacement of existing aircraft with incrementally larger aircraft between FY 2009 and FY 2018.

Cargo operations are forecast to increase at a compound annual growth rate of 0.2% from FY 2009 to FY 2018. While the forecast rate of growth is higher than historical rates of growth in cargo operations, the number of incremental cargo operations over the forecast period is consistent with historical development of cargo operations at the Jetport in recent years by FedEx and Wiggins.

2.7.3. Landed Weight Projections

Table 2-14 presents historical and forecast airline landed weight at the Jetport. As shown, landed weight is forecast to increase from approximately 1.15 billion pounds in FY 2009 to approximately 1.24 billion pounds in FY 2018. This corresponds to a compound annual growth rate of 0.9%.

Major/national airline landed weight is forecast to increase at a compound annual growth rate of 2.5%, while regional/commuter airline landed weight is forecast to increase at a compound annual growth rate 0.5%. Both major/national and regional/commuter landed weight are forecast to grow more modestly than operations due to the replacement of smaller aircraft with larger aircraft along with the inauguration of new frequencies.

Landed weight generated by cargo aircraft activity is forecast to decrease as a result of DHL suspending service in 2009. The loss of DHL service at the Jetport is estimated to result in a 40% decrease in cargo landed weight from FY 2008 through FY 2010. From FY 2011 through FY 2018, cargo landed weight is forecast to increase an average of 1.2% per year reflecting incremental growth over time that is consistent with the growth of FedEx and Wiggins landed weight over the historical period.

**Table 2-14
Forecast Landed Weight (000 lbs)**

Fiscal Year	Major/ National	Regional/ Commuter	Cargo	Total	Annual Growth
<u>Historical</u>					
2005	321,897	689,932	131,499	1,143,328	--
2006	149,009	740,093	142,423	1,031,525	-9.8%
2007	150,031	725,676	146,196	1,021,903	-0.9%
2008	259,318	731,079	131,577	1,121,974	9.8%
2009	313,003	732,428	101,576	1,147,007	2.2%
<u>Forecast</u>					
2010	315,000	685,000	80,000	1,080,000	-5.8%
2011	320,000	700,000	80,000	1,100,000	1.9%
2012	330,000	709,000	81,000	1,120,000	1.8%
2013	340,000	718,000	82,000	1,140,000	1.8%
2014	350,000	727,000	83,000	1,160,000	1.8%
2015	360,000	736,000	84,000	1,180,000	1.7%
2016	370,000	745,000	85,000	1,200,000	1.7%
2017	380,000	754,000	86,000	1,220,000	1.7%
2018	390,000	763,000	87,000	1,240,000	1.6%
Compound Annual Growth Rate					
2005-2009	-0.7%	1.5%	-6.3%	0.1%	
2009-2018	2.5%	0.5%	-1.7%	0.9%	

Sources: The Jetport, 2002 to 2009
InterVISTAS Consulting, LLC, 2010 - 2018

2.8. SUMMARY

Since 1998, enplanements at the Jetport have increased at a compound annual growth rate of 3.0% as a result of economic growth in the Air Trade Area and the expansion of competitive airline service. The Jetport is served by a diverse set of airlines including two low cost carriers. Over the forecast period, enplanements are forecast to increase at a compound annual growth rate of 2.2% as economic activity in the Air Trade Area continues to grow, competitive air service continues to be available at the Jetport, and average airfares available at the Jetport remain consistent with those found at other airports in the Region. To support that growth, the next chapter of this report describes the CIP at the Jetport.

3. CAPITAL IMPROVEMENT PROGRAM

This chapter contains a review of existing Jetport facilities, a summary of the Jetport's CIP, of which the Series 2010 Project is a subset, and describes the funding sources for the Series 2010 Project.

3.1. EXISTING JETPORT FACILITIES

The Jetport occupies approximately 840 acres and is located three miles west of downtown Portland. It is situated within the cities of Portland and South Portland. The existing Jetport facilities are described below.

3.1.1. Airfield Facilities

The Jetport's major airfield facilities consist of two air carrier runways (11/29 and 18/36) and associated taxiways, which provide access to the air carrier apron to the north and west, the cargo area to the north and east, and general aviation facilities to the east. The primary runway is Runway 11/29, which is 7,200 feet in length. The runway is served at both ends by an instrument landing system precision approach, which allows access to the Jetport in virtually all weather conditions. The secondary runway is Runway 18/36, which is 5,001 feet in length and used primarily for crosswind operations. While capable of handling larger aircraft on an infrequent basis, it primarily serves general aviation and commuter aircraft, particularly during high wind conditions, and when advantageous to both air traffic control and pilots.

The taxiway system at the Jetport consists of two full-length taxiways parallel to the two air carrier runways and five exit taxiways. Taxiway A is a full-length taxiway located on the north side of Runway 11/29 and provides access to the holding aprons as well as ingress and egress on both ends of Runway 11/29. Taxiway C is a full-length taxiway parallel to the west side of Runway 18/36. The north end of Taxiway C provides ingress and egress to Runway 18. The south end of Taxiway C intersects with and provides an exit to Runway 11/29 as well as provides ingress and egress to Runway 36. The five exit taxiways include Taxiway D, Taxiway E, Taxiway F, Taxiway G, and Taxiway J.

3.1.2. Passenger Terminal Facilities

The passenger terminal is located near the midfield in an east-west orientation on the north side of Runway 11/29. In 2006, an expansion of the east end of the terminal was completed which doubled the capacity of the baggage claim area, while providing additional office space on the second level of the terminal, and a new partial third level that houses a mechanical penthouse with a generator room. The expansion added 26,000 square feet to the existing 131,000 square feet, for a total area of approximately 157,000 square feet.

The terminal is divided into two levels for passenger processing. The lower level includes ticketing, baggage make-up, baggage claim, and surface transportation services. There are

seven ticket counters and three baggage carousels, which are used by the passenger airlines. The upper level includes passenger screening and holdrooms, restaurants, shops, Jetport administration offices, meeting rooms, and other offices. The Transportation Security Administration's (TSA) administrative space is also located on the second floor of the terminal. The terminal has 12 passenger gates, nine of which contain passenger loading bridges. The terminal apron is located south of the terminal and provides aircraft parking, access, and circulation for the air carrier gate positions. Several gates have multiple aircraft parking positions and can be utilized by all aircraft types from regional jets to wide-body jets.

3.1.3. Parking Facilities and Roadways

The parking facilities at the Jetport include a short-term parking area, long-term garage, and long-term surface lot, all located north of the terminal. The parking facilities at the Jetport include a 2,181-space parking garage, completed in phases in March 2003 and January 2009 and a 502-space surface lot with a total of 2,683 public parking spaces at the Jetport. In addition, the Jetport has a remote lot located approximately two miles west of the terminal and an overflow lot located just north of the long-term garage. These surface lots contain 548 spaces and are only used to accommodate overflow parkers during peak periods. Finally, the Jetport has a 275-space employee lot and a 238-space rental car ready/return lot.

3.1.4. Other Facilities

Other facilities on the Jetport include general aviation, cargo, snow removal equipment and maintenance building, aircraft rescue and fire fighting (ARFF) station, and the air traffic control tower (ATCT).

The general aviation area includes an apron, fueling facilities, hangars, and buildings. This area is located to the north of the terminal and west of Runway 18/36. While designated a commercial service airport, the Jetport remains a vital link to general aviation in the Air Trade Area. Northeast Airmotive, a fixed-base operator (FBO), operates on the field, providing typical general aviation services. There are also two specialized aviation service operators, Maine Aviation and Maine Aviation Sales, at the Jetport. Several hangar facilities offer space for aircraft storage and maintenance.

The primary air cargo facility is located east of Runway 18/36. FedEx operates from the cargo area and leases three ramp positions totaling 55,000 square feet. The ARFF building and ATCT are located to the west of Runway 18/36 and to the east of the terminal.

3.2. CAPITAL IMPROVEMENT PROGRAM

In 2007, the Jetport, in conjunction with Coffman Associates, Inc., completed the Master Plan. The Master Plan cites priorities for capital projects at the Jetport and each year, the City re-examines these priorities for project funding and need. Since the completion of the Master Plan, certain projects have been added or deleted to better reflect the needs of the Jetport based on recommendations by the Jetport staff and consultants. While most projects are demand-based, others are dictated by design standards, safety, federal requirements, or rehabilitation needs. There is a higher level of uncertainty as to the estimated cost and schedule of projects in the later years of the CIP, as compared to those scheduled to be undertaken within the next several years. **Table 3-1** presents the estimated cost of the Jetport’s existing CIP, of which the Series 2010 Project is a component. As shown in the table, the Jetport’s total CIP for FY 2010 through FY 2017 is estimated to be approximately \$124.8 million.

**Table 3-1
Capital Improvement Program**

Project	2010	2011	2012	2013	2014	2015	2016	2017	Total
Series 2010 Project									
Terminal Expansion	\$15,914,254	\$33,321,756	\$8,400,629	\$0	\$0	\$0	\$0	\$0	\$57,636,639
Roadway	1,750,000	1,500,000	335,195	0	0	0	0	0	3,585,195
Passenger Loading Bridges	60,000	30,000	1,260,000	0	0	0	0	0	1,350,000
In-line EDS Baggage System	531,000	7,329,000	1,240,000	0	0	0	0	0	9,100,000
Surface Parking Lot	1,420,000	1,460,000	448,166	0	0	0	0	0	3,328,166
	\$19,675,254	\$43,640,756	\$11,683,990	\$0	\$0	\$0	\$0	\$0	\$75,000,000
Other CIP Projects									
Airfield	\$7,744,267	\$7,904,458	\$14,500,370	\$3,883,333	\$3,883,333	\$3,883,333	\$3,769,658	\$1,761,031	\$47,329,783
Terminal Geothermal System	0	2,499,000	0	0	0	0	0	0	2,499,000
	\$7,744,267	\$10,403,458	\$14,500,370	\$3,883,333	\$3,883,333	\$3,883,333	\$3,769,658	\$1,761,031	\$49,828,783
Total	\$27,419,521	\$54,044,214	\$26,184,360	\$3,883,333	\$3,883,333	\$3,883,333	\$3,769,658	\$1,761,031	\$124,828,783

Sources: Turner Construction
DeLuca-Hoffman Associates, Inc.
Jetport
Compiled by MAC Consulting, LLC

The following provides a description of the projects contained in the CIP, with the exception of the Series 2010 Project, which is discussed in the next section.

- **Airfield Facilities.** The improvements to the airfield for the Jetport focus on meeting FAA design and safety standards, new taxiways for efficiency, and upgrading Runway 18/36 so that it can more fully serve as a back-up to Runway 11/29. In addition to these airfield projects, the Jetport is undertaking an aircraft deicing fluid recovery system program of approximately \$12 million, making it the second largest project at the Jetport behind the terminal expansion. The need for this project resulted from the findings presented in a water quality study prepared by Deluca-Hoffman and Associates, Inc. in 2007. After

reviewing the various options for constructing the system, the Jetport agreed with the Maine Department of Environmental Protection to have a deicing fluid recovery system operational by November 2010. This deicing project includes the construction of a deicing facility and apron. The building is scheduled to be constructed in 2010 with the apron work being constructed in phases. The first phase of apron construction is scheduled to be completed by November 2010.

- **Terminal Geothermal System.** The Jetport is contemplating the construction of a terminal geothermal system that is estimated to cost approximately \$2.5 million. This system will serve only the terminal addition, and an extension to the existing terminal is not contemplated at this time. In February 2010, the Jetport applied to the FAA for acceptance into the Voluntary Airport Low Emission Program. Once accepted, the Jetport will begin the process of applying for grant money from the program. This project will not be undertaken if the Jetport is not awarded the grant.

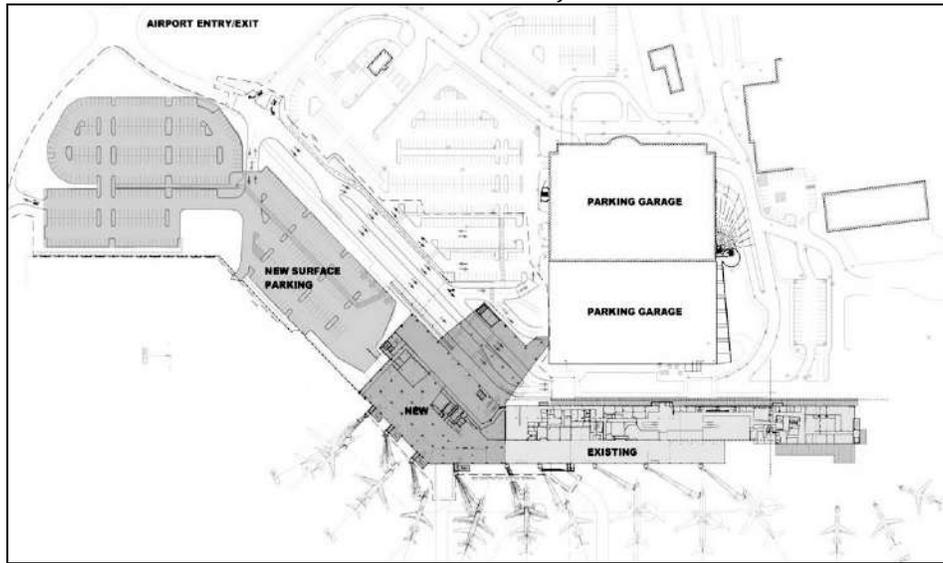
3.3. SERIES 2010 PROJECT

The Master Plan describes a terminal redevelopment plan that was prepared for the Jetport in 2006. A primary conclusion of this process was that the existing terminal building capacity and circulation deficiencies needed to be addressed and could not be resolved without expanding the facility. Chapter 3 of the Master Plan presents the required facility requirements based on a 2015 enplanement forecast of 960,000. This analysis concluded that the Jetport would need a 250,000 to 387,000 square foot terminal to adequately accommodate the 960,000 enplanements. This compares to the existing terminal square footage at the Jetport of approximately 157,000 square feet. Table 2-12 of this report presents enplanement forecasts for 2015 of 975,000, further constraining the existing terminal's capacity according to the Master Plan's conclusions.

Due to the Master Plan recommendations, the City Council, through two separate motions in October 2007 and June 2008, appropriated a total of \$6 million for the design of the proposed terminal expansion. On March 31, 2008, M. Arthur Gensler, Jr. & Associates, Inc. (Gensler) was awarded the design contract for the proposed terminal expansion project, which was completed in February 2009. On February 1, 2010, the City Council appropriated an additional \$1.4 million to fund the initial stages of construction of the terminal expansion for a total appropriation for design and construction of \$7.4 million. Any amounts expended up to the \$7.4 million appropriated to fund the upfront costs of the terminal expansion are expected to be reimbursed to the Jetport from a portion of the proceeds of the Series 2010 Bonds.

On July 20, 2009, Turner was awarded the construction management contract for the Series 2010 Project. On January 12, 2010, the Jetport received the guaranteed maximum price in the amount of approximately \$75 million from Turner for the Series 2010 Project. This amount includes costs for construction, design, administration, and contingencies. Construction of the Series 2010 Project began in March 2010 with completion estimated by February 2012. **Figure 3-1** graphically depicts the Series 2010 Project.

Figure 3-1
Series 2010 Project



A description of the Series 2010 Project is as follows:

- **Terminal Expansion.** The proposed terminal expansion is a demand driven project that directly relates to the movement of passengers and baggage within the Jetport and will enhance the safety and security of passengers. The proposed terminal expansion will result in approximately 145,000 of additional and renovated useable square feet including a new airline ticketing area, a bridge connecting the parking garage and the terminal, three additional airline gates, refurbishment of the existing airline gate area, additional security lanes, and additional concession areas.
- **Terminal Access Roadway.** The site changes that will occur as part of the terminal expansion include a realignment of International Parkway, including the relocation of utilities. International Parkway will be re-aligned and extended to the terminal with a four-lane section along the proposed expansion. In addition, new electrical, storm water, sewer, gas, and water utilities will be installed under this new entrance road. One of the four lanes connects to the parking garage access road and all four lanes merge into two lanes at the existing passenger terminal. Once complete, this will give the Jetport an additional 250 feet of curbside check-in.
- **Passenger Loading Bridges.** Three new loading bridges will be purchased to equip the additional airline gates resulting from the expansion.
- **In-Line EDS Outbound Baggage System.** The Series 2010 Project also includes an in-line EDS outbound baggage system. The Jetport is currently in compliance with the checked baggage screening requirement imposed by the federal Aviation and Transportation Security Act (ATSA); however, the equipment resides in the ticket lobby. Upon completion

of this project, the Jetport will have the ability to screen all checked baggage for explosives behind the ticket counters through this more efficient EDS integrated outbound baggage system.

- **Surface Parking Lot.** The site changes that will occur as part of the terminal expansion also include the reconfiguration of the surface parking areas at the Jetport. The expanded terminal will be built in the same location as the current employee parking lot, consisting of 275 parking spaces, and a portion of a public surface lot, consisting of 214 spaces. In sum, 489 spaces to the west of the terminal will be removed, and 1.72 acres will be cleared to allow for the construction of 497 new surface parking spaces, for a net increase of eight total spaces. The new surface parking areas will be created to the west of the expanded terminal, with an exit only onto Jetport Boulevard, and a two-way access/entry point from the re-aligned International Parkway.

3.4. PLAN OF FINANCE

The City estimates that the majority of the cost of the CIP will be funded from a combination of federal grants, MaineDOT grants, PFCs, and additional Bonds, the debt service on which will be paid with a combination of PFC revenues and other Revenues. **Table 3-2** presents the sources of funding for the project costs of the CIP.

**Table 3-2
Funding Sources of the CIP**

Project	Project Costs	Funding Sources						
		Federal Grants	TSA	MaineDOT Grants	Jetport Funds	Series 2010 Bonds		
						PFCs	Airport Revenue	Total
Series 2010 Project								
Terminal Expansion	\$57,636,639	\$0	\$0	\$0	\$1,912,940	\$49,594,740	\$6,128,959	\$55,723,699
Roadway	3,585,195	0	0	0	370,608	3,214,587	0	3,214,587
Passenger Loading Bridges	1,350,000	0	0	0	139,486	1,210,514	0	1,210,514
In-line EDS Baggage System	9,100,000	0	9,100,000	0	0	0	0	0
Surface Parking Lot	3,328,166	0	0	0	3,328,166	0	0	0
	\$75,000,000	\$0	\$9,100,000	\$0	\$5,751,199	\$54,019,841	\$6,128,959	\$60,148,801
Other CIP Projects								
Airfield	\$47,329,783	\$45,070,195	\$0	\$1,129,794	\$1,129,794	\$0	\$0	\$0
Terminal Geothermal System	2,499,000	2,374,050	0	62,475	62,475	0	0	0
	\$49,828,783	\$47,444,245	\$0	\$1,192,269	\$1,192,269	\$0	\$0	\$0
Total	\$124,828,783	\$47,444,245	\$9,100,000	\$1,192,269	\$6,943,469	\$54,019,841	\$6,128,959	\$60,148,801

Sources: Turner Construction
DeLuca-Hoffman Associates, Inc.
Jetport
Compiled by MAC Consulting, LLC

The funding sources presented in the table are described in greater detail as follows:

- **Federal Grants.** The FAA's Airport Improvement Program (AIP) consists of entitlement funds and discretionary funds. Entitlement funds are distributed through grants by a formula currently based on the number of enplanements and the amount of landed weight of arriving cargo at individual airports. Since the Jetport is a small-hub airport, the AIP formula stipulates that they are entitled to receive 95% in federal funding for AIP eligible projects. The current AIP legislation expired on September 30, 2007 and legislation to reauthorize and fund the AIP beyond such date has been under consideration by Congress but has not been enacted. Congress has approved several short-term extensions of the AIP, the most recent of which was on March 31, 2010 when the President signed the legislation that gives the FAA the authority to make new obligations under the AIP program through April 30, 2010. No assurance can be given that enactment of reauthorization legislation will occur after April 30, 2010, or at what levels the AIP program may be funded in the future. The Jetport anticipates that federal grants will fund the CIP in the amount of approximately \$47.4 million; however, none of those funds are dedicated to the Series 2010 Project.
- **Transportation Security Administration Grant.** On September 9, 2009, the Jetport received approval from the Transportation Security Administration (TSA) to fund the in-line EDS outbound baggage system under the American Recovery and Reinvestment Act of 2009, in the amount of \$9.1 million.
- **MaineDOT Grants.** The MaineDOT has a grant program that funds half of the local share for eligible projects in an airport's capital program. Since the Jetport is a small-hub airport, the formula for grants is 95% federal and 5% local. As a result, it is assumed that the MaineDOT will fund 2.5% of the eligible projects in the CIP. The City anticipates that MaineDOT grants in the amount of approximately \$1.2 million will be available to pay a portion of the costs of CIP projects.
- **Jetport Funds.** It is the Jetport's intent that the Series 2010 Bonds be sized based on the amount of annual PFC revenue projected to be available to pay the PFC-eligible portion of the Series 2010 Bond debt service together with a fixed annual amount of Revenues. To limit the impact on airline rates and charges, it is the Jetport's intention that the portion of the Series 2010 Bonds payable by Revenues be sized to an amount that would produce maximum annual debt service of \$500,000. Based on the assumptions used in this analysis, the Jetport anticipates that it would need to contribute approximately \$5.8 million to pay a portion of the costs of Series 2010 Projects and approximately \$1.2 million to fund the local share of the remaining projects in the CIP.
- **Series 2010 Bonds.** On February 1, 2010, the City Council authorized and on March 1, 2010 ratified and confirmed the issuance of the Series 2010 Bonds in a par amount not to exceed \$72,605,000. For this analysis, the Series 2010 Bonds are estimated to be issued at a par amount of \$70,120,000. The proceeds of the Series 2010 Bonds will be used to fund and

reimburse the Jetport for approximately \$60.1 million in project costs and contingencies for the Series 2010 Project and fund capitalized interest, a debt service reserve, and costs of issuance of the Series 2010 Bonds.

Of the \$60.1 million in project costs to be bonded, approximately \$54.0 million is estimated to be paid from PFC revenues, and approximately \$6.1 million is estimated to be paid from Revenues. A description of the Jetport’s PFC program is as follows:

- In August 2005, the Jetport received the FAA’s authorization to collect up to \$34,389,032 through a \$3.00 PFC primarily to fund terminal and roadway improvements, an upgrade to Runway 11/29, the extension of taxiway A, the purchase of snow removal equipment, and other miscellaneous projects at the Jetport, as well as financing costs. In May 2006, this approval amount was increased by \$1,190,731 to \$35,579,763 with an expiration date of September 1, 2012. In December 2008, the Jetport received approval to increase the collection amount from \$3.00 per passenger to \$4.50, which shortened the expiration date to September 30, 2010. **Table 3-3** presents a summary of the PFC applications approved by the FAA to date.

Table 3-3
Approved PFC Applications

Application #	Initial Approved Collections	Amended Collections	Amended Collection Approval	Initial Approved Use	Amended Use	Amended Use Approval	PFC-Related Expenses as of 12/31/09	PFC Revenue as of 12/31/09
PFC #1	\$12,233,751	(\$4,564,884)	\$7,668,867	\$11,983,751	(\$4,314,884)	\$7,668,867	\$7,611,415	\$7,611,415
PFC #2	6,887,241	1,598,238	8,485,479	6,887,241	1,598,238	8,485,479	6,986,461	6,986,461
PFC #3 & #4	14,214,483	5,210,934	19,425,417	10,071,183	9,354,234	19,425,417	18,302,079	15,590,444
	\$33,335,475	\$2,244,288	\$35,579,763	\$28,942,175	\$6,637,588	\$35,579,763	\$32,899,955	\$30,188,320

Source: Jetport

As of December 31, 2009, the Jetport has collected approximately \$30.2 million in PFC revenue. While the Jetport has a total FAA approved PFC amount of \$35,579,763, all of the projects have been completed, and actual project costs are below the estimates presented in the applications decreasing the PFC revenues required to fund the eligible project costs to approximately \$33 million plus financing costs. Therefore, it is estimated that the Jetport has between \$2.8 million and \$3.0 million in PFC revenue remaining to collect by the September 30, 2010 expiration date. According to Chapter 2 of this report, FY 2010 enplanements are forecast to be 867,000, which equates to approximately \$3.6 million in PFC revenues. Ten months of this amount is approximately \$3.0 million, which should sufficiently cover the additional PFC revenues needed to fund the remainder of the projects.

- On April 12, 2010, the Jetport received approval for PFC Application #5 (PFC #5) from the FAA to fund the principal, interest, and financing costs associated with the PFC-eligible portion of the Series 2010 Project. According to PFC #5, approximately 89% of

the terminal expansion and 100% of the roadway and passenger loading bridge projects are PFC eligible. Therefore, of the \$57.6 million in terminal expansion costs, approximately \$51.2 million is PFC-eligible, and approximately \$3.6 million of the roadway and approximately \$1.4 million of the passenger loading bridge projects are PFC-eligible for a total of \$56.1 million in PFC-eligible project costs. However, the projected PFC revenue stream presented in the next chapter is not projected to support a financing for the entire amount of PFC-eligible project costs. At this time, the Jetport's projected PFC revenue stream allows for project costs of approximately \$54.0 million. The remaining \$2.1 million of PFC-eligible Series 2010 Project costs is expected to be funded from the Jetport's General Fund.

- ***Lines of Credit.*** On June 26, 2003, the City entered into a line of credit (LOC) with Bank of America, N.A. in a maximum principal amount of \$14,214,483 to provide financing for a portion of the capital projects approved in the existing PFC applications. As of February 28, 2010, \$2,090,000 had been borrowed pursuant to the LOC. The LOC is secured by a pledge of the Jetport's PFC revenue and matures on or before October 1, 2011. The City expects to pay the balance of the LOC with PFC revenues before November 1, 2010. Once the LOC is reimbursed, all future PFCs at the \$4.50 level will be dedicated to the extent required to pay the PFC-eligible debt service of the Series 2010 Bonds.

In addition on February 1, 2010, the City authorized the Jetport to enter into a LOC agreement in the amount of \$12,000,000 to provide financing for an aircraft deicing fluid recovery system and terminal aircraft parking apron. The Jetport expects to repay borrowed amounts from AIP grants and to pay interest on the borrowed amounts from moneys in the General Fund. This LOC will be secured by the revenues of the Jetport but will be subordinate to the Bonds.

3.5. SUMMARY

The Master Plan concluded that the Jetport would need a 250,000 to 387,000 square foot terminal facility to adequately accommodate 960,000 enplanements. Chapter 2 presents the enplanement forecasts, which are projected to be approximately 975,000 in 2015 and increasing to 1.1 million in FY 2018. The existing terminal square footage at the Jetport is approximately 157,000 square feet, about half of what is needed to accommodate the forecasted enplanement levels. The need for additional terminal space prompted the City to undertake the Series 2010 Project, which will result in approximately 302,000 square feet of terminal space following project completion, and to authorize the issuance of the Series 2010 Bonds, which are described in greater detail in the next chapter.

(THIS PAGE INTENTIONALLY LEFT BLANK)

4. FINANCIAL ANALYSIS

This chapter examines the financial structure of the City, as well as the cost and financial implications of constructing the Series 2010 Project. Also included in this chapter are estimates of Net Revenues and a discussion of compliance with the Rate Covenant requirement established by the Certificate.

4.1. FINANCIAL STRUCTURE

This section discusses City accounting practices, including the cost center structure utilized for airline rate-setting purposes and the requirements and provisions of the Certificate and proposed airline agreements.

4.1.1. Jetport Accounting

The Jetport is owned by and is a department of the City and is operated as a financially self-sufficient enterprise fund of the City. The City's elected officials include the Mayor and the City Council, which consists of five members that are elected by voters in five separate districts of the City and four members elected at-large. The Jetport's operating budget is approved by the City Council. In addition, the City has a City Manager, who is the administrative head of the City and is responsible to the City Council for the administration of all departments, including the Jetport.

The accounting and financial reporting policies of the City conform to accounting principles for local government units as set forth by the Governmental Accounting Standards Board. Ten divisions are included in the City's financial structure for the Jetport, of which five are direct cost centers (Jetport field, general aviation, terminal, parking, and airfield deicing facility), and five are indirect cost centers (Jetport administration, fringe and indirect costs, security, Jetport surplus, and marketing).

4.1.2. Certificate

The Certificate authorizes the issuance of General Airport Revenue Bonds by the City. Certain provisions of the Certificate, as well as the rate-making methodology contained in the proposed airline agreements (discussed in subsequent subsections), were utilized to develop the financial analysis contained in this report. Sections of the Certificate as they pertain to this report are summarized in the following paragraphs.

- The Certificate defines Revenues as all receipts, revenues, fees, rentals, investment earnings, income, and other monies received by or on behalf of the City from or in connection with the ownership or operation of all or any part of the Jetport including without limitation all tolls and charges, landing fees, terminal rentals, real property rentals, concession fees, parking receipts, interest income, proceeds of business interruption insurance and condemnation awards from temporary takings, but not including proceeds of insurance (except business interruption insurance, if any) and of

condemnation awards (except awards for temporary takings); proceeds of the sale of any Indebtedness; Grant Receipts; Passenger Facility Charges (PFC) Revenues; proceeds of any permitted sale of any portion of the Jetport; monies derived from facilities financed with the proceeds of certain Indebtedness; interest income or other investment earnings on the Project Fund; any Swap Termination Payments paid to the City; or any other amounts which are not deemed to be Revenues in accordance with generally accepted accounting principles or that are restricted as to their use.

- Under the Certificate, Net Revenues means with respect to a period of time, an amount equal to Revenues minus Maintenance and Operating (M&O) Expenses both accrued and payable during such period in accordance with generally accepted accounting principles.
- Under the Certificate, M&O Expenses shall mean the City's expenses, whether or not annually recurring, of maintaining, repairing and operating the Jetport including, without limiting the generality of the foregoing, amounts for administrative expenses including costs of salaries and benefits and amounts required to finance pension benefits earned by employees; cost of insurance; payments for engineering, financial, accounting, legal and other services; any lawfully imposed taxes or other assessments on the Jetport or income from or operations at the Jetport and reserves for such taxes or assessments, any payments in lieu of taxes for the Jetport or income from or operations at the Jetport and reserves for such in lieu of taxes; any administration or service fees; costs of issuance not financed in the Costs of a Project paid by the City; and payments of interest on (but not the principal of) revenue anticipation notes and other current expenses; but not including any allowance for amortization or depreciation; any other expense for which (or to the extent to which) the City is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; any extraordinary items arising from the early extinguishment of debt; depreciation, recognition upon disposal or other retirement of a capital asset, reserves for unusual and extraordinary maintenance or repair, Debt Service payable from any Fund or Account established under the General Certificate, and expenses described in Section 709(c)(i) of the General Certificate.
- In Section 705 of the General Certificate, the City covenants that for each Fiscal Year, it will fix and adjust rates and charges with respect to the Jetport for the services and facilities furnished by the Jetport so that Net Revenues in each Fiscal Year will equal at least 125% of the Required Debt Service Fund Deposits. The City also covenants to comply with the required fund deposits specified in the General Certificate.
- A substantial portion of the Series 2010 Project is eligible to be paid from PFC revenues. While the Series 2010 Bonds remain outstanding, the City will deposit PFC revenues available to pay eligible costs of the Series 2010 Project into the Series 2010 Subaccounts of the Principal Account and the Interest Account established in the Debt Service Fund

to pay debt service on the Series 2010 Bonds. Thus, in calculating the Rate Covenant and the Debt Service Coverage Ratio as required by the Certificate, the Required Debt Service Fund Deposits are reduced by the amount of PFC revenues deposited or expected to be so deposited in such Series 2010 Subaccounts.

- Article V of the Certificate creates certain funds and accounts and establishes the principal function and uses of each fund and account. These funds are described in detail in Section 503 through Section 513 of the General Certificate and the purpose of the funds used in the financial analysis is summarized below:
 - Revenue Fund – The purpose of this fund is to provide an account for the deposit of all Revenues as well as transfers to the Operating Fund, Debt Service Fund, M&O Reserve Fund, Renewal and Replacement Reserve Fund, and Rebate Fund.
 - Project Fund – This fund is for the deposit of all proceeds of Bonds, as defined in the Certificate, other than deposits in the Debt Service Reserve Fund and the Capitalized Interest Account of the Debt Service Fund and certain other monies for the payment of Costs of a Project.
 - Operating Fund – Transfers to this fund include the amount equal to M&O Expenses as shown in the Operating Budget.
 - Debt Service Fund – This fund contains sub-accounts for principal, interest, redemption, and capitalized interest associated with Debt Service for each Series of Bonds.
 - Debt Service Reserve Fund – This fund includes deposits in an amount equal to the Series Debt Service Reserve Fund Requirement, if any, established with respect to each Series of Bonds. Investment earnings for this fund are considered Revenues.
 - M&O Reserve Fund – Each Fiscal Year, the deposit in this fund shall equal the amount necessary to make the fund balance equal to M&O Expenses, as provided in the Operating Budget, for three consecutive months. Investment earnings for this fund are considered Revenues.

4.1.3. Airline Agreements

The Jetport's airline agreements expired on December 31, 2009. The Jetport is currently operating on a month-to-month basis with its airline tenants under the terms of the expired agreements until the proposed airline agreements are executed. The City Council approved the proposed airline agreements on February 18, 2010, and the Jetport anticipates having executed agreements in May 2010.

The current rate-making methodologies outlined in the expired airline agreements largely remain in place in the proposed airline agreements, with primary differences relating to the approval of the terminal expansion project, a provision for extraordinary coverage, the approval of the in-line EDS outbound baggage system, and the reallocation of space resulting from the terminal expansion. If the proposed airline agreements are not signed, the City has the legal authority to set rates. Key provisions of the proposed airline agreements include the following:

- Rates for rentals, charges, and fees are calculated on an annual basis using a compensatory rate-making methodology. The landing fee recovers 50% of the requirements of the Jetport field divided by total airport landed weight. The terminal building rental rate for each terminal sub-center (Common Use, Exclusive Use, and Public/Concessions) is based on requirements of the terminal divided by the square footage of those respective areas.
- Rentals, charges, and fees for the current rate setting period are adjusted for the variance of budget to actual M&O Expenses from the prior rate setting period.
- The proposed airline agreements provide that for each rate adjustment period, the City will provide the budget and actual financial information for the prior rate setting period and a budget for the current rate setting period; the adjustment of rates for the prior Fiscal Year that is carried over to the current rate setting period; and the calculation of proposed rentals, charges, and fees for the current rate setting period to the signatory airlines. A meeting is also held between the Airport Director and the signatory airlines for the purpose of discussing the proposed rentals, charges, and fees. The Airport Director may give consideration to signatory airlines' comments and suggestions prior to the adoption and finalization of the proposed rentals, charges, and fees.
- The Jetport's premises are leased by the signatory airlines exclusively, preferentially, and jointly. Any unleased areas are under the direct control of the City. According to the proposed airline agreements, the in-line EDS outbound baggage system is common space versus exclusive, and the ticket counters are redefined as preferential.
- A Majority-In-Interest (MII) provision is included in the proposed airline agreements for the Jetport field and terminal capital improvements that are not included as part of Exhibit B of the proposed airline agreements. MII is defined as 50% in number of all signatory airlines, which in aggregate paid 50% or more of landing fees or terminal building rentals in the preceding Fiscal Year for the Jetport field and the terminal, respectively.
- In addition to all other rentals, fees and charges in the lease, the proposed airline agreements contain a provision for extraordinary coverage, which requires that the airlines shall make payment in the rates for rentals, fees and charges of the Jetport in any

fiscal year in which the amount in which the revenues less operating and maintenance expenses and the operating and maintenance reserve requirement are projected to be less than 125% of the debt service coverage (Extraordinary Coverage Protection). Should Extraordinary Coverage Protection payments be made, the Airport will refund such payments to the signatory airlines as soon as uncommitted funds become available in the General Fund.

4.2. DEBT SERVICE REQUIREMENTS

As of February 28, 2010, the City had \$57,690,000 in outstanding Bonds and \$77,738 in outstanding Jetport-related General Obligation Bonds (the Prior General Obligation Bonds).

The sources and uses of funds used to determine the debt service associated with the issuance of the Series 2010 Bonds are presented in **Table 4-1**. As shown in the table, it is assumed that the Series 2010 Bonds will be issued in a par amount of \$70,120,000. The proceeds of the Series 2010 Bonds, together with interest earnings during construction are expected to be used to fund approximately \$60.1 million in project costs. This includes approximately \$54 million in PFC-eligible project costs of which the resulting debt service is expected to be funded with PFC revenues. The remaining \$6.1 million in project costs will be included in the airlines' rates and charges according to the proposed airline agreements. No additional revenue bond issuances to support the future CIP are assumed in this analysis.

Table 4-1
Sources and Uses of Funds
Series 2010 Bonds

	Airport		
	PFCs	Revenue	Total
Sources			
Par Amount of Bonds	\$62,875,000	\$7,245,000	\$70,120,000
Interest on the Project Fund	156,077	17,985	174,062
Offering Discount	(1,113,148)	(103,208)	(1,216,356)
	\$61,917,929	\$7,159,777	\$69,077,706
Uses			
Project Costs	\$54,019,841	\$6,128,959	\$60,148,801
Debt Service Reserve Fund	5,960,895	686,866	6,647,761
Capitalized Interest	1,322,377	273,108	1,595,485
Costs of Issuance ¹	614,816	70,844	685,660
	\$61,917,929	\$7,159,777	\$69,077,706

¹ Costs of issuance include bond issuance costs and underwriter's discount.

Sources: J.P. Morgan Securities Inc.
Compiled by MAC Consulting, LLC

Table 4-2 presents the debt service amounts associated with the City’s outstanding Bonds and the Prior General Obligation Bonds, as well as the projected debt service requirements for the Series 2010 Bonds.

**Table 4-2
Debt Service Requirements**

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Prior General Obligation Bonds	\$178,596	\$167,794	\$80,267	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outstanding Bonds										
Series 2003 Bonds	\$2,255,119	\$2,253,241	\$2,255,175	\$2,255,723	\$2,253,723	\$2,252,400	\$2,253,625	\$2,253,625	\$2,257,025	\$2,253,625
Series 2008 Bonds	1,281,719	1,237,048	1,717,248	1,717,248	1,716,448	1,719,748	1,717,148	1,718,648	1,718,757	1,717,054
Subtotal	\$3,536,838	\$3,490,289	\$3,972,423	\$3,972,971	\$3,970,171	\$3,972,148	\$3,970,773	\$3,972,273	\$3,975,782	\$3,970,679
Series 2010 Bonds ¹	0	0	1,000,000	4,146,557	4,250,357	4,349,557	4,454,157	4,557,407	4,668,907	4,767,907
Total Bonds	\$3,536,838	\$3,490,289	\$4,972,423	\$8,119,528	\$8,220,528	\$8,321,705	\$8,424,930	\$8,529,680	\$8,644,689	\$8,738,586

¹ Debt service for the Series 2010 Bonds is presented net of capitalized interest at an assumed interest rate of 6% per annum.

Sources: City records, Prior General Obligation Bonds, Series 2003 Bonds, and Series 2008 Bonds
J.P. Morgan Securities Inc., Series 2010 Bonds
Compiled by MAC Consulting, LLC

As shown in the table, outstanding Bond debt service was approximately \$3.5 million in FY 2009, increasing to approximately \$4.0 million in FY 2018. Debt service associated with the Series 2010 Bonds net of capitalized interest is estimated to be \$1.0 million beginning in FY 2011 increasing to approximately \$4.8 million in FY 2018. All of the outstanding Bond debt service is allocated to the parking cost center and the Revenue share of the Series 2010 Bond debt service is allocated to the terminal cost center.

4.3. M&O EXPENSES

M&O Expenses represent the day-to-day expenditures for the operation of the Jetport, including the administrative functions. M&O Expenses are assigned by division and then allocated to the cost centers described in Section 4.1. Within each division, there are line items to which the M&O Expenses are assigned, including but not limited to payroll, benefits, administrative services, contractual services, maintenance and repairs, rentals, insurance, supplies, utilities, contributions, and capital outlay.

Table 4-3 presents M&O Expenses for actual FY 2009, estimated FY 2010, budget FY 2011, and projected FY 2012 through FY 2018. As shown, M&O Expenses were approximately \$10.3 million in FY 2009, are estimated to be approximately \$11.3 million in FY 2010, and are budgeted to be approximately \$12.5 million in FY 2011.

**Table 4-3
M&O Expense Projections**

	Actual 2009	Estimated 2010	Budget 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
<u>Summary by Line Item</u>										
Payroll	\$2,039,809	\$2,255,481	\$2,292,454	\$2,384,000	\$2,478,000	\$2,576,000	\$2,679,000	\$2,785,000	\$2,896,000	\$3,012,000
Benefits	1,070,198	1,134,840	1,188,583	1,236,000	1,286,000	1,337,000	1,390,000	1,446,000	1,503,000	1,562,000
Administrative Services	474,465	541,871	536,621	561,430	583,000	605,000	627,000	652,000	678,000	705,000
Contractual Services	2,359,083	2,503,519	3,401,152	3,767,000	3,930,000	4,087,000	4,250,000	4,421,000	4,597,000	4,782,000
Maintenance & Repairs	881,123	975,872	999,214	1,440,000	1,552,720	1,614,000	1,678,000	1,744,000	1,812,000	1,884,000
Rentals	11,168	18,882	16,129	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Insurance	140,659	138,348	150,084	156,000	162,000	168,000	175,000	182,000	189,000	197,000
Supplies	615,756	873,447	880,333	916,000	953,000	991,000	1,030,000	1,070,000	1,113,000	1,157,000
Utilities	843,498	822,326	913,983	1,360,650	1,415,000	1,472,000	1,531,000	1,593,000	1,657,000	1,723,000
Contributions	1,822,962	2,014,746	2,118,641	2,203,000	2,291,000	2,382,000	2,477,000	2,576,000	2,679,000	2,786,000
Total	\$10,258,721	\$11,279,332	\$12,497,195	\$14,042,080	\$14,668,720	\$15,250,000	\$15,855,000	\$16,487,000	\$17,142,000	\$17,826,000
<u>Summary by Cost Center</u>										
Jetport Administration	\$1,494,869	\$1,620,846	\$1,646,561	\$1,712,000	\$1,780,000	\$1,851,000	\$1,925,000	\$2,003,000	\$2,083,000	\$2,167,000
Jetport Field	1,899,019	2,514,689	2,475,779	2,576,000	2,679,000	2,786,000	2,896,000	3,011,000	3,131,000	3,255,000
General Aviation	2,619	25,348	33,828	35,000	36,000	37,000	38,000	39,000	40,000	41,000
Security	1,726,007	1,833,716	1,879,677	1,953,000	2,031,000	2,112,000	2,196,000	2,284,000	2,375,000	2,470,000
Terminal	2,934,975	2,857,117	2,928,305	4,091,080	4,321,720	4,493,000	4,672,000	4,858,000	5,052,000	5,254,000
Marketing	247,299	435,036	436,331	454,000	472,000	490,000	509,000	529,000	550,000	572,000
Parking	364,908	270,947	257,998	269,000	279,000	289,000	299,000	310,000	321,000	334,000
Airfield Deicing Facility	0	0	1,023,191	1,064,000	1,106,000	1,150,000	1,196,000	1,244,000	1,293,000	1,344,000
ARFF	1,589,025	1,721,634	1,815,524	1,888,000	1,964,000	2,042,000	2,124,000	2,209,000	2,297,000	2,389,000
Total	\$10,258,721	\$11,279,332	\$12,497,195	\$14,042,080	\$14,668,720	\$15,250,000	\$15,855,000	\$16,487,000	\$17,142,000	\$17,826,000

Sources: Jetport, FY 2009-FY 2011

MAC Consulting, LLC, FY 2012-FY 2018

The FY 2009 M&O Expenses reflect the actual expenditures presented in the 2009 Financial Statements for the Jetport. The FY 2010 M&O Expenses reflect the Jetport's estimate for the year based on M&O Expenses as of February 2010. The FY 2011 M&O Expenses reflect the amounts presented in the City's FY 2011 Annual Operating Budget that is anticipated to be approved in May 2010 (FY 2011 Budget). The following paragraphs describe the FY 2010 and FY 2011 M&O Expenses in more detail.

- As shown in the table, FY 2010 M&O Expenses are estimated to be approximately \$11.3 million. Actual M&O Expenses from July 2009 through February 2010 were approximately \$6.6 million compared to the budget of \$8.2 million for the same time period.
- FY 2010 M&O Expenses are estimated to be approximately \$1.0 million higher than FY 2009 primarily as a result of the increased costs associated with payroll and supplies expenses in the Jetport field. FY 2010 payroll increased resulting from the hiring of a second assistant operations manager. The increase in supplies was the result of a settlement related to a strike at the companies who produce the snow control chemicals. After the strike was resolved, the cost of these chemicals increased from \$2.99 per gallon to \$10.99 per gallon.

- FY 2011 M&O Expenses are budgeted to be approximately \$1.2 million higher than FY 2010 primarily as a result of the deicing fluid recovery system program that the Jetport is undertaking. As previously described, the first phase of this program is scheduled to be complete by November 2010. As a result, a new cost center was created in the FY 2011 Budget to account for the costs of this facility.

As also shown in the table, M&O Expenses are forecast to be approximately \$17.8 million in FY 2018, reflecting a compound annual growth rate of 6.3% from FY 2009 through FY 2018. The assumptions used to project M&O Expenses are as follows:

- Estimates of future M&O Expenses at the Jetport are based on a review of historical trends, the anticipated effects of inflation (assumed at 4% annually beginning in FY 2012), staffing requirements, and projected increases in aviation activity.
- Terminal M&O Expenses were increased beginning in FY 2012 by approximately \$800,000 to reflect the addition of approximately 145,000 square feet resulting from the completion of the Series 2010 Project. M&O Expenses were increased another \$340,000 in FY 2012 to account for the cost to operate the in-line EDS outbound baggage system. These increases were based on an analysis prepared by the Jetport in connection to the preparation of PFC #5.
- Indirect M&O Expenses are allocated according to Section 7.07 of the proposed airline agreements as follows:

Indirect Cost Center	Jetport Field	Terminal Building
Jetport Administration	50%	50%
Security	10%	90%
Marketing	50%	50%
ARFF	95%	5%
Roadways	50%	50%

4.4. REVENUES

Major sources of Revenue at the Jetport include:

- *Non-airline Revenues* – Non-airline revenues accounted for approximately 66% of the Jetport’s Revenues in FY 2009 and include the operation of public parking facilities and other parking services at the Jetport; terminal concession revenues generated from fees paid by concessionaires at the Jetport such as rental car, restaurant, news/gift shop, and advertising; cargo landing fees, ground rentals; and cargo and hangar rentals.

- **Airline Revenues** – Airline revenues accounted for approximately 33% of the Jetport’s Revenues in FY 2009 and include revenues generated from passenger airline landing fees and terminal rentals.

Table 4-4 presents Revenues for actual FY 2009, estimated FY 2010, budget FY 2011, and projected FY 2012 through FY 2018. As shown, Revenues were approximately \$16.5 million in FY 2009 increasing to approximately \$25.6 million in FY 2018, reflecting a compound annual growth rate of 5.0% during that time period.

Table 4-4
Revenue Projections

	Actual 2009	Estimated 2010	Budget 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Airline Revenues										
Terminal Areas	\$3,102,469	\$2,959,139	\$2,938,116	\$4,325,000	\$4,445,000	\$4,596,000	\$4,762,000	\$4,937,000	\$5,106,000	\$5,288,000
Landing Fees-Passenger	2,355,973	2,176,000	2,035,008	2,601,300	2,683,080	2,785,740	2,895,360	3,006,720	3,125,910	3,236,400
	\$5,458,442	\$5,135,139	\$4,973,124	\$6,926,300	\$7,128,080	\$7,381,740	\$7,657,360	\$7,943,720	\$8,231,910	\$8,524,400
Parking										
Garage & Surface Lots	\$5,474,841	\$6,000,000	\$6,386,058	\$7,169,000	\$7,368,000	\$7,567,000	\$7,766,000	\$7,965,000	\$8,164,000	\$8,363,000
Rental Car Parking	214,350	0	0	0	0	0	0	0	0	0
Rental Car-CFC	0	425,000	425,000	434,000	443,000	452,000	461,000	470,000	479,000	489,000
Rental Car Terminal Use	122,065	123,239	123,238	123,000	123,000	123,000	123,000	123,000	123,000	123,000
Employee Lot & Other	118,377	102,732	113,950	115,000	116,000	117,000	118,000	119,000	120,000	121,000
	\$5,929,633	\$6,650,971	\$7,048,246	\$7,841,000	\$8,050,000	\$8,259,000	\$8,468,000	\$8,677,000	\$8,886,000	\$9,096,000
De-Icing Facility Reimb	\$0	\$0	\$937,136	\$937,136	\$937,136	\$947,000	\$956,000	\$966,000	\$976,000	\$986,000
Other										
Rental Car	\$2,622,482	\$2,995,458	\$2,806,950	\$2,945,000	\$3,087,000	\$3,234,000	\$3,385,000	\$3,541,000	\$3,702,000	\$3,868,000
Restaurant	496,545	440,000	478,225	502,000	526,000	551,000	577,000	604,000	631,000	659,000
News/Gift Shop	282,032	300,000	295,630	310,000	325,000	340,000	356,000	372,000	389,000	406,000
Advertising	73,676	85,000	85,000	89,000	93,000	97,000	102,000	107,000	112,000	117,000
Other Concessions	43,074	38,000	41,414	44,000	46,000	48,000	50,000	52,000	55,000	58,000
Ground Rent	501,648	467,216	475,264	494,241	513,930	534,687	556,515	578,416	601,392	625,448
Landing Fees-Cargo	225,170	210,000	200,702	269,100	277,560	288,180	299,520	311,040	323,370	334,800
TSA	227,821	264,840	272,766	172,000	175,000	181,000	188,000	195,000	201,000	208,000
Cargo Rentals	64,301	75,000	66,714	68,048	69,409	70,797	72,213	73,658	75,131	76,633
Miscellaneous	364,098	332,638	409,476	413,600	419,360	426,080	433,120	440,240	447,720	454,800
	\$4,900,848	\$5,208,152	\$5,132,141	\$5,306,989	\$5,532,260	\$5,770,745	\$6,019,368	\$6,274,353	\$6,537,613	\$6,807,681
Total Operating Revenues	\$16,288,923	\$16,994,262	\$18,090,647	\$21,011,425	\$21,647,476	\$22,358,485	\$23,100,728	\$23,861,073	\$24,631,523	\$25,414,081
Investment Earnings	\$190,627	\$200,000	\$200,000	\$204,000	\$208,000	\$212,000	\$216,000	\$220,000	\$224,000	\$228,000
Total Revenues	\$16,479,550	\$17,194,262	\$18,290,647	\$21,215,425	\$21,855,476	\$22,570,485	\$23,316,728	\$24,081,073	\$24,855,523	\$25,642,081

Sources: Jetport, FY 2009-FY 2011
MAC Consulting, LLC, FY 2012-FY 2018

As with M&O Expenses, FY 2009 Revenues reflect the Revenues presented in the 2009 Financial Statements, FY 2010 Revenues reflect the Jetport’s estimate for the year based on Revenues as of February 2010, and FY 2011 Revenues reflect the Revenues presented in the FY 2011 Budget. The following paragraphs describe the FY 2009, FY 2010, and FY 2011 Revenues in more detail.

- As shown in the table, FY 2010 revenues are estimated to be approximately \$17.2 million. Actual revenues from July 2009 through February 2010 were approximately \$10.6 million compared to the budget of \$11.1 million for the same time period.
- FY 2010 revenues are estimated to be approximately \$700,000 higher than FY 2009 primarily as a result of a renegotiated rental car contract and Enterprise becoming a signatory to the new lease. In 2009, Enterprise was an off-airport operator and decided to operate on-airport when the bid became open. Under the new lease, a customer facility charge (CFC) of a \$1.00 per day, for up to five days, was instituted, increasing rental car revenues by \$425,000 in FY 2011. According to the lease, the CFC is to be used exclusively to fund the car rental portion of Bonds related to the parking garage. The revised terms of this contract are discussed in greater detail in the next section.

While total revenues are estimated to increase from FY 2009 to FY 2010, airline revenues are estimated to decrease based on the approved FY 2010 airline rates and charges. This difference between budget and estimates results from the City's accounting cycle. The Jetport FY 2010 budget is approved in May 2009; however, airline rates and charges for FY 2010 were not finalized until September 2009.

- FY 2011 revenues are budgeted to be approximately \$1.1 million higher than FY 2010 primarily as a result of the following:
 - On February 24, 2010, the Jetport contracted with Inland Technologies Inc. (Inland) to provide the deicing services for three years. As part of the proposal process, Inland was required to provide a pricing schedule. This pricing schedule included costs for the mobilization and setup of the facility, management of spent deicing fluid and removal of glycol from Jetport waste water, monthly operations, labor and equipment to clean storage tanks, disposal of waste, and providing a temporary storage tank. Inland estimated these costs would total approximately \$2.6 million over a three-year period. The airlines are responsible for paying for these costs, which will be reimbursed to the Jetport over a three-year period as well as the administrative costs incurred by the Jetport to administer the facility. Therefore, beginning in FY 2011, the revenues were increased by approximately \$937,000.
 - Parking revenues are anticipated to increase in FY 2011 as a result of the new garage being fully operational in FY 2011.
 - Since the existing terminal concession areas will not be impacted during the construction of the terminal expansion project, FY 2011 concession revenues are not expected to be negatively impacted as a result of construction.

Revenues are discussed in greater detail in the following sections.

4.4.1. Non-airline Revenues

A summary of the key concession lease provisions for the non-airline revenues are discussed in greater detail as follows:

- The Jetport has a management agreement with Standard Parking Corporation. This agreement had an original term of August 1, 2001 through December 31, 2004 with two automatic and successive five-year term extensions, unless written notice of non-renewal is given by the City. Therefore, the Jetport is in the second five-year extension period, which expires on December 31, 2014. Standard Parking's responsibilities include the management and operation of the parking facilities and any shuttle services, general maintenance of revenue controls and parking facilities, hiring and supervising qualified personnel, promotion of use/growth of the Jetport parking facilities, collection of parking fees from users, and preparation of annual budgets of parking revenue and expenses. Under the contract, the City reimburses Standard Parking for all costs associated with the management and operation of the parking facilities and receives net parking revenue. Standard Parking receives a fixed management fee that is adjusted on August 1 of each year by the consumer price index for urban consumers.
- The on-airport rental car operators at the Jetport include Avis Budget Group, Inc., Hertz Corporation, and Vanguard Car Rental USA, Inc. (Enterprise/National/Alamo). In 2009, the Jetport re-negotiated its rental car concession agreement with these operators. On June 1, 2009 these agreements were executed and will expire on June 30, 2014. According to these agreements, each rental car company is obligated to pay a concession fee of the greater of a specified minimum annual guarantee, or 10% of the gross receipts of each on-airport rental car operator. The rental car companies also pay terminal rental for the premises occupied in the terminal; and a CFC of a \$1.00 per day for up to five days on any rental.
- The restaurant concession at the Jetport is operated by HMS Host, Inc. (Host) pursuant to a current agreement with a subsidiary of Host, which terminates on May 31, 2015, provided that the City has the right to terminate the agreement at any time on 30 days notice. Host is required to pay the greater of 10.5% of its annual gross receipts (excluding any sales taxes collected) at the Jetport or a minimum amount, which is adjusted based on the prior year's payment. This rate increases to 14% of its gross receipts above \$1 million at its lower level restaurant and for gross receipts above \$1.5 million at its second level hold room restaurant. In addition, Host must pay for janitorial services, repairs, electricity charges and taxes and assessments with respect to its premises. The City reserves the right to bid at any time on a 30 day notice. The Jetport intends to rebid this concession lease prior to the completion of the terminal expansion.

- The news/gift shop concession at the Jetport is operated by Paradies Shops, L.L.C. (Paradies) pursuant to an agreement which terminated on February 28, 2006. Pursuant to the agreement, Paradies is required to pay to the City 10% of annual gross revenues less than \$600,000, 11% of annual gross revenues between \$600,000 and \$800,000, 11.5% of annual gross revenues between \$800,000 and \$1,000,000, and 12% of its annual gross revenues over \$1,000,000 or 80% of the prior year's payment if it is higher than the percentage of gross revenues calculation for the current year. In addition, Paradies must pay for janitorial services and repairs and for its share of any terminal costs for heat, water, sewer, air conditioning, and electric service. The City is continuing this agreement on a month to month basis and intends to rebid this concession lease prior to the completion of the terminal expansion.

As also shown in the table, non-airline revenues are forecast to be approximately \$16.9 million in FY 2018, reflecting a compound annual growth rate of 5.1% from FY 2009 through FY 2018. The assumptions used to project non-airline revenues are as follows:

- Non-airline revenues are anticipated to grow between FY 2012 and FY 2018 based on historical trends, lease provisions, and inflation.
- In addition to inflation, revenues from parking, terminal concessions, and rental cars are projected to increase with prospective enplanement growth. Terminal concession revenues are anticipated to increase by more than enplanement growth in FY 2012 due to additional concession space resulting from the terminal expansion and the renegotiated restaurant and news/gift shop concession leases. However, the projections presented in this analysis do not account for any additional increases in terminal concession revenues related to the terminal expansion.
- The Jetport intends to increase parking rates by \$2.00 per hour on surface parking and \$1.00 per hour on garage parking in FY 2012. This increase is estimated to generate an additional \$600,000 in revenue beginning in FY 2012. After the increase, the Jetport's parking rates will still be lower than those currently being charged at the closest competing airport.

4.4.2. Airline Revenues

The balance of the revenues annually generated by the Jetport is comprised of landing fees and terminal rentals payable by the airlines. Airline revenues are projected based on the rate provisions provided in the proposed airline agreements that are anticipated to be executed by April 2010.

The landing fee is a compensatory-based formula that recovers 50% of the Jetport field's requirements divided by total airport landed weight. The terminal building rental rate is a compensatory-based formula, based on requirements of the terminal divided by the square

footage of each terminal sub-center. The rate-base items that comprise the total requirement for the rate calculations include the following items:

- M&O Expenses
- Equipment and Capital Outlays under \$10,000
- Amortization
- Debt Service
- Debt Service Coverage

The rates and charges to the signatory airlines are determined prospectively pursuant to the ratemaking procedures of the proposed airline agreements. After the end of a Fiscal Year, the amounts actually collected from the signatory airlines are reconciled to the amounts actually required under the proposed airline agreements to be paid for such Fiscal Year, and the amount of any overpayment or underpayment is established. The signatory airlines' rates and charges are adjusted for any underpayments and overpayments in the next Fiscal Year's calculations.

Table 4-5 presents the airline rates and charges for the Jetport. Only the portion of the Series 2010 Bond debt service that is not PFC-eligible is included in the airlines' rates and charges. As shown in the table, the sum of the rate-base items listed above for each airline cost center is divided by total estimated landed weight in 1,000 pounds for the landing fee and exclusive use and common use space for the terminal rental rate.

**Table 4-5
Airline Rates and Charges**

	Budget 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Exclusive Use Tml Rental Rate								
Direct Expenses	\$376,270	\$641,734	\$674,594	\$701,304	\$729,213	\$758,148	\$788,454	\$819,957
Indirect Expenses	650,559	502,539	522,571	543,340	564,947	587,625	611,047	635,548
Equipment & Capital Outlays	0	2,074	2,074	2,074	2,074	2,074	2,074	2,074
Amortization	46,021	21,566	16,570	13,793	12,861	12,861	7,744	5,390
Debt Service	0	85,376	85,513	84,760	84,863	84,734	85,419	85,162
Debt Service Coverage	0	21,344	34	(188)	26	(32)	171	(64)
Total Requirement	\$1,072,850	\$1,274,633	\$1,301,357	\$1,345,082	\$1,393,983	\$1,445,410	\$1,494,909	\$1,548,068
Exclusive Use Space	30,133	49,401	49,401	49,401	49,401	49,401	49,401	49,401
Exclusive Use Tml Rental Rate ¹	\$35.60	\$25.80	\$26.34	\$27.23	\$28.22	\$29.26	\$30.26	\$31.34
Leased Exclusive Use Space	30,046	6,747	6,747	6,747	6,747	6,747	6,747	6,747
Exclusive Use Terminal Rentals	\$1,069,635	\$174,000	\$178,000	\$184,000	\$190,000	\$197,000	\$204,000	\$211,000
Common Use Tml Rental Rate								
Direct Expenses	\$1,086,525	\$1,353,332	\$1,422,630	\$1,478,957	\$1,537,812	\$1,598,833	\$1,662,743	\$1,729,181
Indirect Expenses	925,310	1,059,787	1,102,032	1,145,831	1,191,398	1,239,222	1,288,617	1,340,287
Equipment & Capital Outlays	0	4,374	4,374	4,374	4,374	4,374	4,374	4,374
Amortization	65,457	45,479	34,945	29,087	27,121	27,121	16,331	11,368
Debt Service	0	180,047	180,336	178,747	178,964	178,693	180,137	179,596
Debt Service Coverage	0	45,012	72	(397)	54	(68)	361	(135)
Total Requirement	\$2,077,292	\$2,688,031	\$2,744,389	\$2,836,599	\$2,939,724	\$3,048,177	\$3,152,564	\$3,264,670
Common Use Space	42,859	104,180	104,180	104,180	104,180	104,180	104,180	104,180
Common Use Tml Rental Rate ¹	\$48.47	\$25.80	\$26.34	\$27.23	\$28.22	\$29.26	\$30.26	\$31.34
Leased Common Use Space	38,549	104,180	104,180	104,180	104,180	104,180	104,180	104,180
Common Use Terminal Rentals	\$1,868,481	\$2,688,000	\$2,744,000	\$2,837,000	\$2,940,000	\$3,048,000	\$3,152,000	\$3,265,000
Outbound Baggage Tml Rental Rate								
Direct Expenses	\$0	\$876,005	\$942,018	\$979,482	\$1,018,662	\$1,059,695	\$1,101,865	\$1,146,032
Indirect Expenses	0	417,393	434,031	451,281	469,228	488,063	507,517	527,867
Equipment & Capital Outlays	0	1,723	1,723	1,723	1,723	1,723	1,723	1,723
Amortization	0	78,941	74,792	72,485	71,711	71,711	67,461	65,506
Debt Service	0	70,911	71,025	70,399	70,484	70,378	70,946	70,733
Debt Service Coverage	0	17,728	28	(156)	21	(27)	142	(53)
Total Requirement	\$0	\$1,462,701	\$1,523,617	\$1,575,213	\$1,631,829	\$1,691,542	\$1,749,655	\$1,811,807
Outbound Baggage Space	0	41,031	41,031	41,031	41,031	41,031	41,031	41,031
Outbound Baggage Tml Rental Rate ¹	\$0.00	\$35.65	\$37.13	\$38.39	\$39.77	\$41.23	\$42.64	\$44.16
Leased Outbound Baggage Space	0	41,031	41,031	41,031	41,031	41,031	41,031	41,031
Outbound Baggage Terminal Rentals	\$0	\$1,463,000	\$1,523,000	\$1,575,000	\$1,632,000	\$1,692,000	\$1,750,000	\$1,812,000
Landing Fee Rate								
Direct Expenses	\$2,475,779	\$2,576,000	\$2,679,000	\$2,786,000	\$2,896,000	\$3,011,000	\$3,131,000	\$3,255,000
Indirect Expenses	2,954,162	3,071,900	3,194,900	3,321,600	3,454,400	3,592,950	3,736,150	3,886,050
Equipment & Capital Outlays	0	10,610	10,610	10,610	10,610	10,610	10,610	10,610
Amortization	294,892	318,177	286,216	289,489	292,303	300,520	304,358	283,968
Debt Service	0	0	0	0	0	0	0	0
Debt Service Coverage	0	0	0	0	0	0	0	0
Total Requirement	\$5,724,832	\$5,976,687	\$6,170,726	\$6,407,699	\$6,653,313	\$6,915,080	\$7,182,118	\$7,435,628
Landed Weight (000's lbs.)	1,100,000	1,120,000	1,140,000	1,160,000	1,180,000	1,200,000	1,220,000	1,240,000
Rate Prior to Adjustments	\$5.20	\$5.34	\$5.41	\$5.52	\$5.64	\$5.76	\$5.89	\$6.00
Landing Fee Reduction (50%) ¹	\$2.60	\$2.67	\$2.71	\$2.76	\$2.82	\$2.88	\$2.95	\$3.00
Passenger Lnd Wght (000's lbs.)	782,695	974,270	991,896	1,009,326	1,026,723	1,044,000	1,061,430	1,078,800
Landing Fee Revenue-Passenger	\$2,035,008	\$2,601,300	\$2,683,080	\$2,785,740	\$2,895,360	\$3,006,720	\$3,125,910	\$3,236,400

¹ FY 2011 rates and charges include a settlement adjustment to the airlines for the difference between the previous year's estimate to budget.

Sources: Airline Agreements
MAC Consulting, LLC

The airline cost per enplanement is shown in **Table 4-6**. In FY 2009, the airline cost per enplanement was \$6.34. As shown in the table, the airline cost per enplanement is budgeted to be \$5.68 in FY 2011 and is then projected to increase to \$7.70 in FY 2012 primarily due to the completion of the Series 2010 Project.

Table 4-6
Airline Cost per Enplanement

	Budget 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
<u>Airline Revenues</u>								
Exclusive Use Terminal Rentals	\$1,069,635	\$174,000	\$178,000	\$184,000	\$190,000	\$197,000	\$204,000	\$211,000
Common Use Terminal Rentals	1,868,481	2,688,000	2,744,000	2,837,000	2,940,000	3,048,000	3,152,000	3,265,000
Outbound Baggage Terminal Rentals	0	1,463,000	1,523,000	1,575,000	1,632,000	1,692,000	1,750,000	1,812,000
Landing Fee Revenue-Passenger	2,035,008	2,601,300	2,683,080	2,785,740	2,895,360	3,006,720	3,125,910	3,236,400
Total Airline Revenues	\$4,973,124	\$6,926,300	\$7,128,080	\$7,381,740	\$7,657,360	\$7,943,720	\$8,231,910	\$8,524,400
Enplanements	875,000	900,000	925,000	950,000	975,000	1,000,000	1,025,000	1,050,000
Signatory Airline Cost per Enpl	\$5.68	\$7.70	\$7.71	\$7.77	\$7.85	\$7.94	\$8.03	\$8.12

Sources: Airline Agreements
MAC Consulting, LLC

4.5. PFC REVENUES

As previously mentioned, a portion of the Series 2010 Bonds are being used to fund the PFC-eligible portion of the Series 2010 Project. Pursuant to PFC #5, PFCs in the amount of approximately \$132.6 million will be available to pay the corresponding debt service. Approximately \$54 million in PFC-eligible projects costs are being funded with the Series 2010 Bonds, translating into approximately \$62.9 million of par amount paid from PFC revenues. The expiration of PFC #5 will be April 1, 2040, coinciding with the maturity of the Series 2010 Bonds.

Table 4-7 presents the calculation of the annual PFC revenues anticipated to be collected by the City in accordance with Section 158.23(b)(3)(ii) of the PFC regulations. These PFC revenues are projected to be available to fund the debt service associated with the PFC-eligible portion of the Series 2010 Bonds. .

**Table 4-7
Annual PFC Revenue**

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Total Enplanements	875,000	900,000	925,000	950,000	975,000	1,000,000	1,025,000	1,050,000
Enplanements for PFCs	831,250	855,000	878,750	902,500	926,250	950,000	973,750	997,500
Amount to be Charged	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
PFC Amount	\$3,740,625	\$3,847,500	\$3,954,375	\$4,061,250	\$4,168,125	\$4,275,000	\$4,381,875	\$4,488,750
LESS: Carrier Compensation	(91,438)	(94,050)	(96,663)	(99,275)	(101,888)	(104,500)	(107,113)	(109,725)
Annual PFC Revenue	\$3,649,188	\$3,753,450	\$3,857,713	\$3,961,975	\$4,066,238	\$4,170,500	\$4,274,763	\$4,379,025
LESS: Balance of LOC	(\$2,090,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual PFC Revenue Available to Pay Series 2010 Bond Debt Svc	\$1,559,188	\$3,753,450	\$3,857,713	\$3,961,975	\$4,066,238	\$4,170,500	\$4,274,763	\$4,379,025

Sources: J.P. Morgan Securities Inc., Series 2010 Bonds
MAC Consulting, LLC

As shown, PFC revenues are estimated to be approximately \$3.6 million in FY 2011 increasing to \$4.4 million in FY 2018. The assumptions used to prepare the net PFC revenue are as follows:

- The Jetport's current PFC application (PFC#3 and PFC #4) is not estimated to expire until September 2010; therefore, the collection rate of \$4.50 per enplaned passenger for PFC#5 is not estimated to begin until FY 2011 to allow for adjustments for actual versus forecasts.
- The air carrier collection compensation fee for the years projected in Table 4-7 is assumed to be \$0.11 per qualifying passenger.
- Based on historical results, it is estimated that 95% of projected enplaned passengers will be required to pay the PFC.

The City intends to pay the balance of the LOC with PFC revenues prior to the issuance of the Series 2010 Bonds. As a result, a portion of the PFC revenue in FY 2011 will be used to pay this balance. Once the LOC is reimbursed, all future PFCs at the \$4.50 level will be dedicated to the extent required to pay the PFC-eligible debt service of the Series 2010 Bonds.

4.6. CASH POSITION

Table 4-8 presents the cash reserves of the Jetport, which were \$15.7 million as of February 28, 2010. Amounts in the Debt Service Reserve Fund are pledged to Bondholders and may only be used to pay debt service on Bonds. Amounts in the Operating Fund are not pledged to Bondholders and may only be used to pay M&O Expenses. Amounts in the Renewal and Replacement Reserve Fund are not pledged to Bondholders and may only be used to pay emergency repairs and maintenance to the Jetport. The amounts in the General Fund are available for any lawful purpose. As shown in the table, the Jetport has approximately \$9.1 in unrestricted cash as of February 28, 2010. This translates into 296 days of cash on hand when divided by FY 2010 estimated M&O Expenses of approximately \$11.3 and multiplied by 365 days.

**Table 4-8
Cash Position
February 28, 2010**

Restricted Cash Accounts:	
M & O Reserve Fund	\$2,864,760
Debt Service Reserve Fund	4,365,684
Debt Service Fund	3,853,037
Renewal & Replacement Reserve Fund	250,000
Capital Project Reimbursements	(4,747,967)
Total Restricted Cash	\$6,585,514
Unrestricted Cash Accounts:	
General Fund	\$11,057,560
Revenue Fund	1,711,637
Operating Fund	(697,139)
Cash Advanced for AIP & PFC Projects	(2,922,920)
Total Unrestricted Cash	\$9,149,138
Total Cash	\$15,734,652

Sources: Jetport

Compiled by MAC Consulting, LLC

4.7. DEBT SERVICE COVERAGE RATIO

In Section 705(a) of the General Certificate, the City covenants that for each Fiscal Year, it will fix and adjust Rates and Charges with respect to the Jetport for the services and facilities furnished by the Jetport so that Net Revenues in each Fiscal Year will equal at least 125% of the Required Debt Service Fund Deposits. Also according to the Supplemental Certificate, the City will deposit PFC revenues available to pay eligible costs of the Series 2010 Project into the Series 2010 Subaccounts of the Principal Account and the Interest Account established in the Debt Service Fund to pay debt service on the Series 2010 Bonds. Thus, in calculating the Rate Covenant and the Debt Service Coverage Ratio, the Required Debt Service Fund Deposits are reduced by the amount of PFC revenues deposited in such Series 2010 Subaccounts.

The proposed airline agreements include an Extraordinary Coverage Provision, which states that if in any year there is a shortage in debt service coverage, the portion of this shortfall related to the Series 2010 Bonds can be included in airlines' rates and charges. Such amounts will be refunded as soon as uncommitted funds become available in the General Fund.

Table 4-9 presents estimated debt service coverage for the Jetport. As shown, estimated debt service coverage exceeds the 1.25 times Rate Covenant requirement during the projection period ranging from a minimum of 1.46 times in FY 2011 to a maximum of 1.81 times in FY 2018.

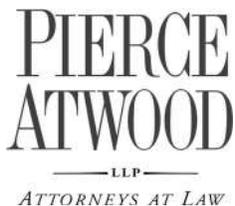
Table 4-9
Debt Service Coverage Ratio

	Actual 2009	Estimated 2010	Budget 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Net Revenues										
Revenues	\$16,479,550	\$17,194,262	\$18,290,647	\$21,215,425	\$21,855,476	\$22,570,485	\$23,316,728	\$24,081,073	\$24,855,523	\$25,642,081
PLUS: Rolling Coverage	0	0	0	66,356	66,462	65,877	65,957	65,857	66,389	66,189
LESS: M&O Expenses	(10,258,721)	(11,279,332)	(12,497,195)	(14,042,080)	(14,668,720)	(15,250,000)	(15,855,000)	(16,487,000)	(17,142,000)	(17,826,000)
Net Revenues	\$6,220,829	\$5,914,930	\$5,793,452	\$7,239,701	\$7,253,218	\$7,386,362	\$7,527,685	\$7,659,930	\$7,779,912	\$7,882,271
Required Debt Service Fund Deposits										
Outstanding Bonds	\$3,536,838	\$3,490,289	\$3,972,423	\$3,972,971	\$3,970,171	\$3,972,148	\$3,970,773	\$3,972,273	\$3,975,782	\$3,970,679
Series 2010 Bonds	0	0	1,000,000	4,146,557	4,250,357	4,349,557	4,454,157	4,557,407	4,668,907	4,767,907
LESS: PFCs Applied to Series 2010 Bond Debt Service	0	0	(1,000,000)	(3,753,450)	(3,857,713)	(3,961,975)	(4,066,238)	(4,170,500)	(4,274,763)	(4,379,025)
Required Debt Service Fund Deposits	\$3,536,838	\$3,490,289	\$3,972,423	\$4,366,078	\$4,362,815	\$4,359,730	\$4,358,693	\$4,359,180	\$4,369,927	\$4,359,561
Debt Service Coverage Ratio	1.76	1.69	1.46	1.66	1.66	1.69	1.73	1.76	1.78	1.81
Required Fund Deposits										
Revenues	\$16,479,550	\$17,194,262	\$18,290,647	\$21,215,425	\$21,855,476	\$22,570,485	\$23,316,728	\$24,081,073	\$24,855,523	\$25,642,081
Required Operating Fund Deposits	(10,258,721)	(11,279,332)	(12,497,195)	(14,042,080)	(14,668,720)	(15,250,000)	(15,855,000)	(16,487,000)	(17,142,000)	(17,826,000)
Required Debt Service Fund Deposits	(3,536,838)	(3,490,289)	(3,972,423)	(4,366,078)	(4,362,815)	(4,359,730)	(4,358,693)	(4,359,180)	(4,369,927)	(4,359,561)
Required Debt Service Reserve Fund Deposits	0	0	0	0	0	0	0	0	0	0
Required Subordinated Debt Service Fund Deposits	0	0	0	0	0	0	0	0	0	0
Required Subordinated Debt Service Reserve Fund Deposits	0	0	0	0	0	0	0	0	0	0
Required M&O Reserve Fund Deposits	58,469	(255,153)	(259,538)	(386,221)	(156,660)	(145,320)	(151,250)	(158,000)	(163,750)	(171,000)
Required Renewal and Replacement Reserve Fund Deposits	0	0	0	0	0	0	0	0	0	0
Required Rebate Fund Deposits	0	0	0	0	0	0	0	0	0	0
Net Surplus/(Deficit)	\$2,742,460	\$2,169,488	\$1,561,491	\$2,421,046	\$2,667,281	\$2,815,435	\$2,951,786	\$3,076,893	\$3,179,846	\$3,285,520

Sources: Certificate
MAC Consulting, LLC

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]



One Monument Square
Portland, ME 04101

207-791-1100
207-791-1350 fax
info@pierceatwood.com
www.pierceatwood.com

Upon issuance and delivery of the Series 2010 Bonds described herein, Pierce Atwood LLP, Portland, Maine, Bond Counsel, proposes to issue its opinion in substantially the following form:

April __, 2010

City of Portland, Maine
389 Congress Street
Portland, Maine 04101

RE: \$72,310,000 City of Portland, Maine General Airport Revenue Bonds
Series 2010

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Portland, as issuer (the “City”) in connection with the issuance of the City’s \$72,310,000 General Airport Revenue Bonds, Series 2010 dated April __, 2010 (the “Series 2010 Bonds”). The Series 2010 Bonds are being issued pursuant to a General Certificate of Terms of Issuance of General Airport Revenue Bonds – Portland International Jetport dated as of July 1, 2003 (the “General Certificate”) and a Third Supplemental Certificate thereto dated as of April 28, 2010 (the “Third Supplement”).

Capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the General Certificate and the Third Supplement.

The proceeds of the Series 2010 Bonds will be used to finance the expansion, renovation and equipping of the Portland International Jetport (the “Jetport”) terminal, which expansion and renovation includes but is not limited to a new ticketing concourse, a new security screening checkpoint, a new baggage handling system with an in-line explosives detection system, an over-roadway connection to the Jetport parking facilities, additional aircraft gates with passenger boarding bridges, enlarged concessions space, a new multilane terminal roadway, additional surface parking spaces, and other related improvements to the Jetport (the “Series 2010 Project”).

The Series 2010 Bonds are limited obligations of the City, payable solely from certain revenues of the Portland International Jetport pledged therefor as specified in and pursuant to the General Certificate (the "Revenues") on a parity with the City's \$29,165,000 General Airport Revenue Bond Series 2003A (Non-AMT) and \$5,835,000 General Airport Revenue Bonds Series 2003B (Taxable), both dated July 10, 2003, and its \$26,420,000 General Airport Revenue Bonds, Series 2008 (Non-AMT) dated June 18, 2008, together with any additional bonds that may hereafter be issued by the City for Jetport purposes pursuant to the General Certificate. The Series 2010 Bonds do not constitute a debt or liability of the City or a pledge of the faith and credit of the City and the City is not obligated to levy or pledge any form of taxation whatever therefor or to make any appropriation for payment thereof except from the foregoing Revenues pledged therefor.

The Series 2010 Bonds should be signed by the Director of Finance of the City and the Mayor, sealed with the seal of the City attested by its Clerk, and should bear the signed certificate of the certifying agent identified thereon.

We understand the Series 2010 Bonds are dated as of April ___, 2010 and have been issued as serial bonds (the "Serial Bonds") and term bonds (the "Term Bonds") in the denominations, bearing interest and maturing as of January 1 of each year as reflected below:

<u>Serial Bonds</u>					
<u>Maturity</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2012			2022		
2013			2023		
2014			2024		
2015			2025		
2016			2026		
2017			2027		
2018			2028		
2019			2029		
2020			2030		
2021					

Term Bonds

\$ _____ Term Bonds due January 1, 20__; Interest Rate _____%

\$ _____ Term Bonds due January 1, 20__; Interest Rate _____%

The Term Bonds are subject to mandatory redemption in part on January 1 of the respective years shown below at the principal amount of such Term Bond being redeemed plus accrued interest to the date of redemption thereof, without premium, from sinking fund installments which are required to be made in amounts sufficient to redeem (or pay at maturity in the case of the final sinking fund installment) such Term Bond in the principal amounts (or in such lesser principal amount as may result from prior redemption or purchase by the City) shown below.

<u>Term Bond Maturing January 1, 20__</u>	
<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
20__	
20__	
20__	
20__	
20__*	
20__	

<u>Term Bond Maturing January 1, 20__</u>	
<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
20__	
20__	
20__	
20__	
20__*	
20__	

The Series 2010 Bonds maturing before January 1, 20__ are not subject to optional redemption prior to maturity. The Series 2010 Bonds maturing on or after January 1, 20__ are subject to redemption from any source, at the option of the City, in whole or in part, at any time on and after January 1, 20__, upon notice as provided in the Certificate, at the redemption price of one hundred percent (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption.

In our capacity as Bond Counsel, we have examined the law, including the Revenue Producing Municipal Facilities Act, Title 30-A, c. 213 of the Maine Revised Statutes, as amended, and the record of proceedings certified to us by the City of Portland, Maine (the "City") in connection with the execution and delivery of the Series 2010 Bonds, including among other documents, certified copies of Orders 150-09/10 and 170-09/10 (the "Bond Orders") duly adopted by the City Council at meetings thereof duly called and held on February 1, 2010 and March 1, 2010, respectively, authorizing the execution, issuance and delivery of the Series 2010 Bonds. In such capacity, we have also examined such documents, records of the City and other instruments as we deemed necessary to enable us to express the opinions set forth below in connection with the issuance of the Series 2010 Bonds, including the original counterparts or certified copies of the following (the "Financing Documents"):

- a. the General Certificate;
- b. the Third Supplement;
- c. a Net Revenue Certificate dated as of April ___, 2010;
- d. an Airport Consultant Net Revenue Certificate dated as of April ___, 2010;

* Final Maturity

- e. a Tax Matters Certificate (the “Tax Certificate”) dated as of April ___, 2010;
- f. the Series 2010 Bonds; and
- g. Such other agreements, documents and certificates as we deemed relevant and necessary in rendering this opinion as identified in the Closing Agenda dated April ___, 2010 prepared with respect to the issuance of the Series 2010 Bonds.

In expressing the opinion set forth in paragraph 6 below, we have examined and relied upon the Tax Certificate, which contain representations, certifications, provisions and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The City, in executing such Tax Certificate, (i) has set forth facts, estimates, circumstances and reasonable expectations of the City as of the date hereof as to future events regarding the amount, use and investment of the proceeds of the Series 2010 Bonds and the use of the Series 2010 Project that are material for purposes of Section 142 and 148 of the Code, and (ii) has certified that the information therein is true and accurate and that the City will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2010 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. In rendering the opinion set forth in paragraph 6 below, we have relied upon the representations and certifications of the City set forth in such Tax Certificate, and we have assumed that the City will comply with the provisions and procedures set forth therein.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the Series 2010 Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Series 2010 Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2010 Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance thereof, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Owners of the Series 2010 Bonds should consult their tax advisors regarding the applicability of any such collateral tax consequences of owning the Series 2010 Bonds.

On the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of Portland with lawful power and authority to adopt the Bond Orders and to

- execute, issue and deliver the General Certificate, the Third Supplement and the Series 2010 Bonds.
2. The General Certificate and the Third Supplement have been duly authorized, are in full force and effect, and are valid and binding upon the City, enforceable in accordance with their respective terms.
 3. The General Certificate and the Third Supplement create a valid pledge of the Revenues, proceeds of Series 2010 Bonds and amounts on deposit in certain of the Funds established in the General Certificate, subject to the application thereof to the purposes and on the conditions permitted by the General Certificate and the Third Supplement.
 4. All conditions required by the General Certificate and the Third Supplement authorizing the Series 2010 Bonds precedent to the issuance of the Series 2010 Bonds have been met.
 5. The Series 2010 Bonds, executed as above described and subject to due authentication are in proper form, have been duly authorized and issued and are valid and binding limited obligations of the City, payable as to principal, premium, if any, and interest solely from the Revenues pledged therefor, enforceable in accordance with their terms.
 6. Based on existing statutes, regulations and court decisions, interest payable on the Series 2010 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code except for interest on any Series 2010 Bond during any period in which it is held by a person who is a “substantial user” of the Series 2010 Project financed by the Series 2010 Bonds or a “related person” within the meaning of Section 147(a) of the Code. In addition, such interest will not, under the Code, be treated as a preference item in calculating the alternative minimum taxable income of individuals or corporations and is not included in “adjusted current earnings” for purposes of computing the alternative minimum tax that may be imposed on corporations.
 7. Interest payable on the Series 2010 Bonds is not subject to Maine income taxes under existing statutes, regulations, and decisions; provided that no opinion is expressed as to taxation of interest on the Series 2010 Bonds as a tax preference subject to the minimum tax or franchise tax imposed under Chapters 818 and 819, respectively, of Title 36 of the Maine Revised Statutes, as amended. This exemption does not extend to any gift, estate, succession or inheritance tax or other tax not levied or assessed directly on the Bond or the income therefrom.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the City, including the Series 2010 Bonds, may be limited by bankruptcy, moratorium, or insolvency or other laws affecting creditors’ rights and remedies generally and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the City or the Portland International Jetport and nothing set forth herein shall be construed as assurance as to the City's or the Portland International Jetport's financial condition or ability to make required debt service payments on the Series 2010 Bonds.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequence of acquiring, carrying, owning or disposing of the Series 2010 Bonds.

The opinions rendered herein are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PIERCE ATWOOD LLP

By: _____
James M. Saffian
A Partner

SUMMARY OF CERTAIN PROVISIONS OF THE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF PORTLAND, MAINE
GENERAL AIRPORT REVENUE BONDS, SERIES 2010
SUMMARY OF CERTAIN PROVISIONS OF THE CERTIFICATE

SUMMARY OF CERTAIN TERMS OF THE CERTIFICATE

The following is a brief summary of certain provisions of the General Certificate including certain terms used in the General Certificate and used but not elsewhere defined in the Official Statement. This summary does not purport to be complete and reference is made to the General Certificate for full and complete statements of its terms and provisions.

Definitions

"Account" shall mean any account established pursuant to Section 502 of the General Certificate.

"Accountant" shall mean Runyon, Kersteen & Ouellette or any other independent certified public accountant (or a firm thereof) selected by the City, which may be the accountant regularly auditing the books of the City.

"Accreted Value" shall mean (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Certificate as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Certificate authorizing the issuance of such Capital Appreciation Bonds or Original Issue Discount Bonds.

"Advance-Refunded Municipal Bonds" means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and are fully and irrevocably secured as to principal and interest by Government Obligations, or Government Obligations that have been stripped of their unmatured interest coupons or interest coupons stripped from Government Obligations, held in trust for the payment thereof and which obligations are rated in the highest rating category by each Rating Agency.

"Airport Consultant" initially shall mean PB Aviation, Inc., and thereafter shall mean a firm or firms of national recognition experienced in the field of planning the development, operation and management of airports and aviation facilities, selected and employed by the City pursuant to Section 711 of the General Certificate from time to time.

"Authorized Newspaper" shall mean "The Bond Buyer," "The Wall Street Journal" or any newspaper or financial journal which is customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, printed in the English language, containing financial news, and of general circulation in the City of Portland and the City of New York.

"Authorized Representative" shall mean, with respect to the City, the Director of Finance of the City and, when used in reference to an act or document, shall also mean any other person authorized by the Governing Body to perform such act or sign such document.

"Average Annual Debt Service" shall mean, with respect to any Series of Bonds, the sum of Debt Service for each year in which such Bonds will be Outstanding divided by the number of years that such Bonds will be Outstanding.

"Balloon Maturities" shall mean, with respect to any Series of Bonds, 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date, including the amount of any Sinking Fund Installment. Commercial paper, Parity Bond Anticipation Notes or other Short-Term/Demand Obligations shall not be Balloon Maturities.

"Bond" or "Bonds" shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered pursuant to Sections 206 or 207 of the General Certificate and shall include Parity Bond Anticipation Notes, Short-Term/Demand Obligations, Regularly Scheduled Swap Payments, Parity Reimbursement Obligations, and other securities, contracts or obligations incurred through lease, installment purchase or other agreements or certificates of participation therein, in each case to the extent secured as described in the General Certificate; but shall not mean Special Indebtedness or any other bonds, notes or other evidence of indebtedness, that is secured by a pledge of the Revenues that is in all respects subordinate to the provisions of the General Certificate and the lien and pledge created thereby.

"Bond Counsel's Opinion" shall mean an opinion signed by Pierce Atwood or any attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of public instrumentalities, selected by the City and satisfactory to the Trustee and may be an attorney or firm regularly providing services to the City.

"Bond Year" shall mean, with respect to any Series of Bonds, the twelve-month period, if any, set forth in the Supplemental Certificate authorizing any such Series.

"Business Day" shall mean unless specified otherwise in the applicable Supplemental Certificate, any day other than a Saturday, a Sunday or a day which shall be in the State of Maine, the State of New York or in the jurisdiction in which the Office of the Trustee or the designated office of the Registrar is located, a legal holiday or any other day on which any Trustee is authorized or required by law to be closed for business.

"Capital Appreciation Bonds" shall mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Certificate and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"Capital Expenditures" shall mean any amount expended on extensions, improvements, enlargements, betterments, alterations, renewals, repairs and replacements of the Jetport (including land, equipment and other real or personal property) that, (i) are used or useful in connection with the Jetport or any part thereof, (ii) are constructed, acquired, or made by or on behalf of the City subsequent to the date of the General Certificate, and (iii) are properly chargeable (whether or not so charged by the City) according to generally accepted accounting principles, as additions to property or plant accounts.

"Capitalized Interest" shall mean, for any particular Series of Bonds, that portion of the proceeds of such Series, if any, required by the Supplemental Certificate authorizing such Series to be deposited in a Subaccount established by such Supplemental Certificate for such Series in the Capitalized Interest Account for the purpose of funding the payment of a portion of the interest to come due on such Series.

"Capitalized Interest Account" shall mean the Account by that name established in the Debt Service Fund pursuant to Section 502 of the General Certificate.

"City" shall mean the City of Portland, Maine, a Maine municipal corporation, or any other political subdivision or public instrumentality of the State which shall hereafter succeed to the powers of the City relating to the Jetport.

"City Charter" shall mean the Charter of the City enacted on November 4, 1986, as amended from time to time.

"City Council" shall mean the City Council of the City.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including applicable Treasury Regulations, rulings and procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Completion Bond" shall mean any Bond authenticated and delivered on original issuance pursuant to Section 206 of the General Certificate for the purpose of paying costs of completing a Project for which Bonds have previously been issued, or thereafter authenticated and delivered in lieu of or substitution for such Bond pursuant to the terms of the General Certificate.

"Consultant" shall mean the Accountant, the Airport Consultant, the Independent Engineer or any other independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, underwriter, financial adviser, financial institution or other expert recognized to be well-qualified for work of the character required and retained by the Governing Body to perform acts and carry out duties provided for such Consultant in the General Certificate.

"Consultant Certificate" shall mean, when used with respect to the City or any Consultant, a signed document or report, as the context indicates, of such person or firm, which in the case of the City shall be signed by an Authorized Representative, attesting to or acknowledging the matters therein stated or setting forth matters to be determined pursuant hereto.

"Costs" as applied to any Project, shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the City, of undertaking and carrying out such Project.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of Bonds, including but not limited to the costs or fees incurred to obtain a Credit Facility or a Financial Guaranty with respect to such Series of Bonds.

"Credit Facility" shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, or other form of credit enhancement and/or liquidity support, if any, provided for in the applicable Supplemental Certificate, including any alternate Credit Facility delivered in accordance with provisions of such Supplemental Certificate, that provides for payment of all or a portion of the Principal Installments or interest due on any Series of Bonds or provides funds for (i) the direct payment of the Principal Installments of and interest on such Bonds when due or (ii) the payment of the Principal Installments of and interest on such Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the City for purchase or payment in accordance with the Supplemental Certificate authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose). Any reference in a Supplemental Certificate to a "Letter of Credit" shall be deemed to mean a Credit Facility.

"Credit Provider" shall mean, with respect to a Series of Bonds, the provider of a Credit Facility, including municipal bond insurance, letter of credit, or liquidity support, if any, for such Series of Bonds specified in the applicable Supplemental Certificate.

"Debt Service" for any period of time shall mean, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the amount of payments required to be made for principal of and interest on all Bonds Outstanding of such Series, including Principal Installments, Sinking Fund Installments and Regularly Scheduled Swap Payments to be made by the City, and City payments pursuant to Reimbursement Agreements with Credit Providers to reimburse such Credit Providers for debt service payments made, and to pay credit enhancement

or liquidity support fees, in each case to the extent secured by the General Certificate, scheduled to come due within a specified Fiscal Year, computed as follows:

(a) In determining the amount of principal to be funded in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Bonds Outstanding (other than Short-Term/Demand Obligations) in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; and in determining the amount of interest to be funded in each year, interest payable at a fixed rate shall (except to the extent any other subsection of this definition applies) be assumed to be made at such fixed rate and on the required funding dates.

(b) Except for any historical period for which the actual rate or rates are determinable and except as otherwise provided in the General Certificate, Bonds that bear interest at a variable rate shall be deemed to bear interest at a fixed annual rate equal to (i) the average of the daily rates of such Bonds during the 365 consecutive days (or any lesser period such Bonds have been Outstanding) next preceding the date of computation; or (ii) with respect to any Bonds bearing interest at a variable rate which are being issued on the date of computation, the initial rate of such Bonds upon such issuance.

(c) Any Bonds that bear interest at a variable rate and with respect to which there exists a Swap that obligates the City to pay a fixed interest rate or a different variable interest rate shall (for the period during which such Swap is reasonably expected to remain in effect) be deemed to bear interest at the effective fixed annual rate or different variable rate thereon as a result of such Swap. In the case of any Bonds that bear interest at a fixed rate and with respect to which there exists a Swap that obligates the City to pay a variable rate, Annual Debt Service shall (for the period during which such Swap is reasonably expected to remain in effect) be deemed to include the interest payable on such Bonds, less the fixed amounts received by the City under the Swap, plus the amount of the variable payments (using the convention described in (b) above) to be made by the City under the Swap.

(d) If all or any portion of an Outstanding Series of Bonds constitute Balloon Maturities, authorized but unissued Bonds under a Program, Parity Bond Anticipation Notes or Short-Term/Demand Obligations, then, for purposes of determining Debt Service, each maturity that constitutes a Balloon Maturity, authorized but unissued Bonds under a Program, Parity Bond Anticipation Notes or Short-Term/Demand Obligations shall, unless otherwise provided in the Supplemental Certificate pursuant to which such Bonds are authorized or unless provision (e) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Maturity, authorized but unissued Bonds under a Program, Parity Bond Anticipation Notes or Short-Term/Demand Obligations were issued, and extending not later than 30 years from the date such Balloon Maturity, authorized but unissued Bonds under a Program, Parity Bond Anticipation Notes or Short-Term/Demand Obligations were originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date of calculation as published by "The Bond Buyer", or if that index is no longer published, another similar index designated by an Authorized Representative, taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Bonds only a portion of which constitutes Balloon Maturities, authorized but unissued Bonds under a Program, Parity Bond Anticipation Notes or Short-Term/Demand Obligations, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable, and with respect to that portion of a Series of Bonds that constitutes Balloon Maturities, all funding requirements of principal and interest becoming due in any year other than the stated maturity of the Balloon Maturities shall be treated as described in (a) above or such other provision of this definition as shall be applicable.

(e) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (d) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Debt Service is made, shall be assumed to become due and payable on the stated maturity date, and provision (d) above shall not apply thereto, unless an Authorized Representative certifies in writing (i) that the City intends to refinance such maturity, (ii) a reasonable estimate of the terms of such refinancing and (iii) that the debt capacity of

the City is sufficient to successfully complete such refinancing (which may be based entirely on information provided by a Consultant), whereupon such Balloon Maturity shall be assumed to be refinanced in accordance with the terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (d) above and provided further that principal shall be assumed to amortize over a term of not more than 30 years from the expected date of refinancing.

(f) In any computation relating to the issuance of a Series of Bonds required by Section 206 of the General Certificate, there shall be excluded from the computation of Debt Service principal of and interest on Bonds for which funds are, or are reasonably expected to be, available for payment of debt service, provided that such funds are irrevocably committed to make such payments, including without limitation any such funds in an escrow account or any such funds constituting capitalized interest held in any fund or account created by the General Certificate.

"Debt Service Coverage Ratio" shall mean the requirement of Section 705(a)(2) of the General Certificate that in each Fiscal Year, Net Revenues for such Fiscal Year shall equal or exceed 125% of Required Debt Service Fund Deposits.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to Section 502 of the General Certificate.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established pursuant to Section 502 of the General Certificate.

"Defeasance Obligations" shall mean the obligations described in clause (a), (b) or (h) of the definition of Investment Securities in the General Certificate; provided that such obligations shall not be redeemable prior to the maturity date or stated redemption date relied upon in satisfying the conditions of Section 1201 of the General Certificate.

"Designated Debt" shall mean any Bonds with respect to which there shall be in effect a Swap.

"Enabling Act" shall have the meaning given such term in the recitals hereto, as amended from time to time, unless expressly stated to refer to the Enabling Act as in effect on a specific date.

"Event of Default" shall mean any event specified in Section 1001 of the General Certificate.

"Financial Guaranties" shall mean one or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or the holding company of any such banking institution) have (at the time of issue of such letter of credit) a rating in either of the two highest categories from each of S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, a rating in either of the two highest categories of such Rating Agency; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers or multiline insurers the obligations insured by which are eligible for a rating in either of the two highest categories from each of S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, a rating in either of the two highest categories of such Rating Agency; in each case providing for the payment of sums for the payment of Principal Installments of and interest on Bonds in the manner provided in Sections 508 of the General Certificate; and providing further that any such Financial Guaranty must be drawn upon on a date which is at least seven days prior to the expiration date of such Financial Guaranty in an amount equal to the deficiency which would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration date as provided in a related Supplemental Resolution.

"Fiscal Year" shall mean the twelve-month period commencing July 1 of any calendar year and ending June 30 of the succeeding calendar year or such other twelve month period as may be authorized by the City. In the event that a different fiscal year is authorized, references in the General Certificate to July 1 or June 30 shall refer, respectively, to the first and last day of such fiscal year.

"Fixed Rate Bonds" shall mean, as of any date of determination, any Bonds bearing interest at a fixed rate for the remainder of their term.

"Fund" shall mean any fund established or maintained pursuant to Section 502 of the General Certificate.

"General Certificate" shall mean the General Certificate of Terms of Issuance of General Airport Revenue Bonds - Portland International Jetport dated as of July 1, 2003.

"General Fund" shall mean the General Fund established pursuant to Section 502 of the General Certificate.

"Governing Body" shall mean the Department of Transportation of the City or other City office or department or delegee duly and lawfully charged with the supervision of the operation of the Jetport or any other matter relating hereto and, where applicable, shall mean the City Council; and in the event that the ownership or operation of the Jetport shall be transferred as provided by law to any public entity other than the City, the duly authorized governing body of such public entity.

"Government Obligations" shall mean direct general obligations of the United States of America.

"Grant Agreements" shall mean any and all agreements between the City and the United States of America or the State, or any agency, department, bureau, commission or other instrumentality of either thereof, all as the same may be amended or supplemented from time to time, providing for or relating to the provision of Grant Receipts to the City.

"Grant Receipts" shall mean any money received by or on behalf of the City under or pursuant to a Grant Agreement as or on account of a grant or contribution, heretofore or hereafter made, in aid of or with respect to any Project.

"Indebtedness" shall mean any indebtedness for borrowed money of the City relating to the Jetport.

"Independent Engineer" shall mean any independent architect or engineer or firm of architects or engineers employed by the City pursuant to Section 710 of the General Certificate.

"Interest Account" shall mean, as the context indicates, the Account of that name established within the Debt Service Fund or the Subordinated Debt Service Fund pursuant to Section 502 of the General Certificate.

"Investment Securities" shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the City of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the City or by a duly appointed committee of the Governing Body and in effect at the time of the making of such investment:

- (a) Government Obligations;
- (b) Certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States, which certificates or receipts are issued directly by the United States Department of Treasury or by the agency or instrumentality issuing such obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Mortgage Corporation; Student Loan Marketing Association; Federal Home Loan Banks; Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; Federal Land Banks; or any other agency or instrumentality of the United States of America; or the International Reconstruction Development Bank;

(d) All other obligations issued by an agency, association, authority or an instrumentality of the United States of America pursuant to authority granted by Congress, or any executive order;

(e) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee or its affiliates), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation;

(f) Repurchase agreements collateralized by securities described in subparagraph (a), (b) or (c) above with any primary dealer recognized by a Federal Reserve Bank or any commercial bank the long-term unsecured debt of which (or of the corporate parent of which), in either case, is rated in one of the three highest long-term rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in any of the three highest rating categories of such Rating Agency; provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the City or the Trustee, as the case may be, or an independent third party acting solely as agent for the City or the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the City or the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the City or the Trustee, (3) if the repurchase agreement has a term of more than 30 days then the City or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation, (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%, and (5) the City's security entitlement with respect to the underlying investment is created pursuant to Title 11, Article 8-A or perfected pursuant to Title 11, Article 9-A;

(g) Money market funds registered under the federal Investment Company Act of 1940 whose shares are registered under the United States Securities Act of 1933 and rated in the highest rating category by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest category of such Rating Agency provided that the investment of the funds are limited to investments described in paragraphs (a) – (c) above or in repurchase agreements secured by investments described in paragraphs (a) – (c) above;

(h) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b) and (c) above including, without limitation, the JP Morgan Funds or any other mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (b) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are, separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the General Certificate may at time duplicate those provided to such funds by the Trustee or its affiliates;

(i) Advance-Refunded Municipal Bonds;

(j) Short-term or long-term obligations the interest on which is excludable from gross income for Federal income tax purposes and that are rated in any of the two highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and if rated by any other Rating Agency, rated in any of the two highest rating categories of such Rating Agency, or shares of investment companies or cash equivalents which are authorized to invest primarily in such obligations; and

(k) any other investment authorized pursuant to an amendment or supplement hereto pursuant to Section 801(h) of the General Certificate.

Obligations of any Trustee or an affiliate thereof may be Investment Securities, provided that they otherwise qualify.

"Jetport" shall mean the airport facilities of the City presently known as Portland International Jetport and presently located within the corporate boundaries of the City and the City of South Portland, together with all buildings, facilities, runways, hangars, parking areas for aircraft or vehicles, access roads, control towers, terminal facilities for aircraft and land vehicles, facilities for servicing aircraft and all equipment, appurtenances, property, rights, easements and interests acquired or leased by the City in connection with the construction or the operation thereof, and all extensions, improvements, enlargements, betterments, attractions, improvements, renewals, repairs and replacements thereof hereafter made.

"M&O Expenses" shall mean the City's expenses, whether or not annually recurring, of maintaining, repairing and operating the Jetport including, without limiting the generality of the foregoing, amounts for administrative expenses including costs of salaries and benefits and amounts required to finance pension benefits earned by employees; cost of insurance; payments for engineering, financial, accounting, legal and other services; any lawfully imposed taxes or other assessments on the Jetport or income from or operations at the Jetport and reserves for such taxes or assessments, any payments in lieu of taxes for the Jetport or income from or operations at the Jetport and reserves for such in lieu of taxes; any administration or service fees; costs of issuance not financed in the Costs of a Project paid by the City; and payments of interest on (but not the principal of) revenue anticipation notes and other current expenses; but not including any allowance for amortization or depreciation; any other expense for which (or to the extent to which) the City is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; any extraordinary items arising from the early extinguishment of debt; depreciation, recognition upon disposal or other retirement of a capital asset, reserves for unusual and extraordinary maintenance or repair, Debt Service payable from any Fund or Account established hereunder, and expenses described in Section 709(c)(i) of the General Certificate.

"M&O Reserve Fund" shall mean the M&O Reserve Fund established pursuant to Section 502 of the General Certificate.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Moody's shall mean any other nationally recognized securities rating agency designated by an Authorized Representative.

"Net Revenues" shall mean, with respect to a period of time, an amount equal to all Revenues accrued in such period in accordance with generally accepted accounting principles minus the M&O Expenses incurred or payable during such period in accordance with generally accepted accounting principles.

"Office of the Trustee" means the designated corporate trust agency office of the Trustee or at such other address as Trustee shall designate.

"Operating Budget" shall mean the Operating Budget with respect to the operations of the Jetport duly adopted by the City as provided in Section 712 of the General Certificate, as amended from time to time in accordance with Section 712 of the General Certificate.

"Operating Fund" shall mean the Operating Fund established pursuant to Section 502 of the General Certificate.

"Option Bonds" shall mean Bonds that by their terms may be tendered by and at the option of the owner thereof for purchase or payment by the City prior to the stated maturity thereof.

"Original Issue Discount Bonds" shall mean Bonds that are sold at an initial public offering price of less than face value and that are specifically designated as Original Issue Discount Bonds by the Supplemental Certificate under which such Bonds are issued.

"Outstanding", when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated and delivered hereunder but shall not include:

- (a) any Bonds canceled by the Trustee (or otherwise) at or prior to such date;
- (b) any Bonds (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust hereunder either:
 - (i) moneys in an amount sufficient to pay when due (after taking into account investment earnings thereon) the Principal Installments or Redemption Price thereof, together with all accrued and unpaid interest thereon to the principal payment date(s) or the date of redemption,
 - (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued and unpaid interest thereon to the principal payment date(s) or the date of redemption, or
 - (iii) any combination of (i) and (ii) above,

and, if such Bonds (or portion thereof) are to be redeemed, for which notice of redemption has been given as provided in Article VI, or the applicable Supplemental Certificate, or provision satisfactory to the Trustee has been made for the giving of such notice;

- (c) any Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered; and
- (d) any Bonds deemed to have been paid as provided in Section 1201(b) of the General Certificate.

"Owner" or "holder" or words of similar import shall mean, when used with reference to Indebtedness, the person in whose name the Indebtedness is registered.

"Parity Bond Anticipation Notes" shall mean any of the notes issued pursuant to Section 208 of the General Certificate, the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by Section 501 of the General Certificate.

"Parity Reimbursement Obligation" shall mean a Reimbursement Obligation so described in Section 209(b) of the General Certificate.

"Paying Agent" shall mean any paying agent for the Bonds of any Series, and its successor or successors and any other person which may at any time be substituted in its place pursuant hereto.

"Payment Date" shall mean, with respect to any Series of Bonds, each date on which interest or a Principal Installment or both shall be due and payable on any of such Outstanding Bonds according to their respective terms.

"PFC Revenues" shall mean any passenger facility charges or similar charges levied by or on behalf of the City pursuant to the Federal Aviation Safety and Capacity Expansion Act of 1990, as from time to time amended, and any successor thereto, and all investment earnings thereon.

"Principal Account" shall mean the Account of that name established within the Debt Service Fund or the Subordinated Debt Service Fund, as the case may be, pursuant to Section 502 of the General Certificate.

"Principal Installment" shall mean, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds of such Series are Outstanding, (i) the principal amount of such Series due on a certain future date for which no Sinking Fund Installments have been established or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series. For the purposes of the preceding sentence, "principal amount" shall include (x) any amount designated in, or determined pursuant to, the applicable Supplemental Certificate, as the "principal amount" with respect to any Bonds which do not pay full current interest

for all or any part of their term, (y) the Tender Option Price of any Option Bonds which may be tendered to the City for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Certificate authorizing such Option Bonds, unless such amount is secured by a Credit Facility that is not in default, and (z) the principal amount of any Parity Reimbursement Obligation. Principal Installment shall, however, not include the principal of Parity Bond Anticipation Notes.

"Prior General Obligation Bonds" shall mean the following general obligation bonds of the City:

<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>
11/1/84	\$265,000	\$4,963
10/1/89	\$1,600,000	\$557,104
10/1/90	\$1,600,000	\$621,904
10/1/91	\$119,700	\$9,451

"Pro Forma Bond Issue" shall mean, when used with reference to any Series Debt Service Reserve Fund Requirement in connection with a Series of Variable Rate Bonds, the hypothetical fixed rate long-term bond issue set forth in the Supplemental Certificate authorizing such Series, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Variable Rate Bonds to which it relates and (ii) such interest rate or rates as the City shall reasonably deem to be the equivalent of the rates which would have been borne by such Series of Variable Rate Bonds if such Series had been issued as a Series of Fixed Rate Bonds; provided that such interest rate shall be not less than 80% of the "30-year revenue bond index" then most recently published by The Bond Buyer or, if such index is no longer published, such other substantially comparable index as determined by the City with the approval of the Trustee.

"Program" shall mean a financing program identified in a Supplemental Certificate, (a) that is authorized and the terms thereof approved by a resolution adopted by the City and the items required under Section 206 of the General Certificate have been filed with the Trustee, (b) wherein the City has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an authorized amount, and (c) the authorized amount of which has met the test for an additional Series of Bonds set forth in Section 206 of the General Certificate and the Outstanding amount of which may vary from time to time, but may not exceed the authorized amount.

"Project" shall mean any undertaking or other activity including a Capital Expenditure by or on behalf of the City to maintain, equip, improve or enlarge the Jetport as more specifically described in a Supplemental Certificate.

"Project Fund" shall mean the Project Fund established pursuant to Section 502 of the General Certificate.

"Qualified Swap" shall mean any Swap (a) the Designated Debt of which is all or part of a particular Series of Bonds; (b) the Swap Provider of which is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60-day period preceding the date on which a calculation of Debt Service or Required Debt Service Fund Deposits is being made; (c) which has a term not greater than the term of the Designated Debt or a specified mandatory tender date or redemption date of such Designated Debt; and (d) which has been designated in writing to the Trustee by the City as a Qualified Swap with respect to such Bonds.

"Qualified Swap Provider" shall mean a financial institution, the senior long-term debt obligations of which, or the obligations of which under any Qualified Swap, are (i) guaranteed by a financial institution, or subsidiary of a financial institution, the senior long-term debt obligations of which, are rated by each of S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, by such Rating Agency in one of the three highest rating categories of each such Rating Agency, respectively, or (ii) fully secured by obligations described in clause (a) or (c) of the definition of Investment Securities that are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% (or such lower percentage as shall be acceptable to the Rating Agencies) of the notional amount of the Swap, together with the interest accrued and unpaid thereon, (B) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien on behalf of the Trustee, and (D) free and clear from all third-party liens.

"Rate Covenant" shall mean the requirement of Section 705(a)(1) of the General Certificate that in each Fiscal Year, Net Revenues shall equal or exceed the sum of Required Debt Service Fund Deposits plus deposits required to be made under Sections 505(a)(iii) through (viii) of the General Certificate (excluding interest or other earnings on the Project Fund and amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established hereunder).

"Rates and Charges" shall mean all charges, whether denominated as charges, fees, rates, rentals, assessments or otherwise, established by the Governing Body for the services provided for the use, lease or license of any portion of the Jetport, including without limitation landing and parking fees and terminal and concession rents and charges.

"Rating Agencies" shall mean Moody's and S&P and their respective successors and assigns if such rating agencies are maintaining a rating on the Bonds at the request of the City, and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Bonds and which is maintaining a rating on the Bonds at the request of the City.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 502 of the General Certificate.

"Rebate Fund Requirement" means, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Supplemental Certificate authorizing the issuance of a Series of Bonds as the amount required to be maintained in the Rebate Fund with respect to such Bonds.

"Record Date" shall mean, unless otherwise determined by a Supplemental Certificate for a particular Series of Bonds, the fifteenth day of the month immediately preceding any month in which there occurs a Payment Date.

"Redemption Account" shall mean, as the context indicates, the Account of that name established within the Debt Service Fund or the Subordinated Debt Service Fund pursuant to Section 502 of the General Certificate.

"Redemption Price" shall mean, when used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the General Certificate.

"Refunding Bond" shall mean any Bond authenticated and delivered on original issuance pursuant to Section 206 and Section 207 of the General Certificate for the purpose of refunding any Prior General Obligation Bonds or any Bonds Outstanding, or thereafter authenticated and delivered in lieu of or substitution for such Bond pursuant to the General Certificate.

"Registrar" means the Trustee as bond registrar with respect to the Bonds and its successors and assigns in such capacity.

"Regularly Scheduled Swap Payments" shall mean the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"Reimbursement Obligation" shall mean the obligation of the City so described in Section 209(b) of the General Certificate, whether or not such obligation to so reimburse is evidenced by a promissory note or other instrument.

"Renewal and Replacement Reserve Fund" shall mean the Renewal and Replacement Reserve Fund established pursuant to Section 502 of the General Certificate.

"Renewal and Replacement Reserve Fund Requirement" shall mean \$250,000 for each Fiscal Year through the Fiscal Year ending June 30, 2004 and thereafter shall mean the amount shown on the Operating Budget then in effect as required to be the balance of the Renewal and Replacement Reserve Fund for the Fiscal Year.

"Required Debt Service Fund Deposits" shall mean for, any period of time, all deposits required to be made to the Principal and Interest Accounts of the Debt Service Fund for such period whether pursuant to Section 505(a)(ii), 519(b) of the General Certificate (including earnings retained in the Debt Service Fund pursuant to such Section) or any other provision thereof, reduced by amounts transferred or expected to be transferred from the Capitalized Interest Account, from interest or other investment earnings on the Project Fund (as provided pursuant to Section 519(b) of the General Certificate) or from amounts paid from other funds of the City that are not Revenues and that are not transferred from other Funds or Accounts established hereunder.

Notwithstanding the foregoing, (a) for purposes of computing the Required Debt Service Fund Deposits of Bonds that constitute Synthetic Fixed Rate Debt, the interest rate payable thereon shall, if the City so elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, and (b) for purposes of computing the Required Debt Service Fund Deposits of Bonds with respect to which a Qualified Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, if the City so elects, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included and the interest rate payable thereon shall be that rate as provided by the terms of the Swap, except that for any future period such rate shall be estimated in the manner provided for estimating interest on Variable Rate Bonds in the definition of "Debt Service" in the General Certificate.

In addition, for purposes of computing the Required Debt Service Fund Deposits of any Series of Bonds, including Capital Appreciation Bonds, as to which interest is deferred and compounded rather than being paid currently during any period of calculation required by the General Certificate, such calculation shall be made as if interest on such Bonds accrued and was deemed paid at a rate determined on the date of such calculation by a nationally known investment banking firm selected by the City (which firm may be an owner or underwriter of any Bonds) to be the rate which, if earnings at such rate were compounded on the initial public sale price as set forth in the Supplemental Certificate authorizing such Bonds in the manner required by the terms of such Bonds through the maturity date or earlier date on which such compounding is scheduled to cease, would produce the amount of such Bonds scheduled to mature on such maturity date or the Accreted Value of such Bonds scheduled to exist on such earlier date, as the case may be. For purposes of computing Required Debt Service Fund Deposits at any time with respect to any such Series of Bonds then outstanding, such calculation shall be made in accordance with the provisions of the Supplemental Certificate authorizing the issuance of such Series of Bonds.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 502 of the General Certificate.

"Revenues" shall mean and include all receipts, revenues, fees, rentals, investment earnings, income and other moneys received by or on behalf of the City from or in connection with the ownership or operation of all or any part of the Jetport, whether existing at the date of the General Certificate or thereafter coming into existence and whether held by the City at such date or thereafter acquired, including, without limitation, all tolls and charges, landing fees, terminal rentals, real property rentals, concession fees, parking receipts, interest income, proceeds of business interruption insurance and condemnation awards from temporary takings, but not including (i) proceeds of insurance (except business interruption insurance, if any) and of condemnation awards (except awards for temporary takings), (ii) proceeds of the sale of any Indebtedness, (iii) Grant Receipts or PFC Revenues, (iv) proceeds of the sale of any portion of the Jetport permitted by Section 706 of the General Certificate, (v) moneys derived from facilities hereafter financed with the proceeds of Indebtedness permitted under Section 709(b) or 709(c) of the General Certificate to finance a facility for a particular person to the extent that such moneys are pledged to the payment of such Indebtedness under a separate resolution, indenture or other agreement of the City, (vi) interest income or other investment earnings on the Project Fund, (vii) any Swap Termination Payment paid to the City or, (viii) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or that are restricted as to their use.

"S&P" shall mean Standard & Poor's Rating Group, a corporation organized and existing under the laws of the State of New York, and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Standard & Poor's shall mean any other nationally recognized securities rating agency designated by an Authorized Representative.

"Series" or "Series of Bonds" shall mean all of the Bonds authenticated and delivered on original issuance identified pursuant to the Supplemental Certificate authorizing such Bonds as a separate Series of Bonds and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor regardless of variations in maturity, interest rate or other provisions.

"Series 2003 Bonds" shall mean the City of Portland, Maine, General Airport Revenue Bonds, Series 2003-A (Non-AMT), and Series 2003-B (Federally Taxable) issued by the City pursuant to the terms of the General Certificate and a Supplemental Certificate dated as of July 1, 2003 and Order No. 33-01/02 duly adopted by the City Council on August 20, 2001.

"Series Debt Service Reserve Fund Requirement" shall mean the amount, if any, required to be on deposit in a Series Account in the Debt Service Reserve Fund specified in the Supplemental Certificate governing the issuance of and securing the related Series of Bonds.

"Short-Term/Demand Obligations" shall mean each Series of Bonds issued pursuant to the General Certificate, the payment of principal of which is either (a) payable on demand at the option of the holder at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Debt Service, or (b) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term either (i) through the issuance of additional Short-Term/Demand Obligations pursuant to a Program, or (ii) through the issuance of long-term Bonds.

"Sinking Fund Installment" shall mean, as of any particular date of calculation, the amount required by the General Certificate or any Supplemental Certificate to be paid by the City on a future date for the retirement of the principal amount of Outstanding Bonds that are stated to mature subsequent to such future date, but does not include any amount payable by the City by reason only of the maturity of a Bond.

"Special Account" shall mean, with respect to the Debt Service Reserve Fund, one or more of the Special Accounts established by a Supplemental Certificate pursuant to Section 502(c) of the General Certificate.

"Special Indebtedness" shall mean Indebtedness incurred pursuant to Section 709 of the General Certificate.

"State" shall mean the State of Maine.

"Subaccount" shall mean one of the separate Subaccounts established within an Account or Fund, with respect to a particular Series of Bonds.

"Subordinated Bonds" shall mean bonds, notes or other evidence of indebtedness issued or incurred by the City with respect to the Jetport that is secured by a pledge of the Revenues that is in all respects subordinate to the provisions of the General Certificate and the lien and pledge created the General Certificate.

"Subordinated Debt Service Fund" shall mean the Subordinated Debt Service Fund, if any, established with respect to the issuance of a Series of Subordinated Bonds.

"Subordinated Debt Service Reserve Fund" shall mean the Subordinated Debt Service Reserve Fund, if any, established with respect to the issuance of a Series of Subordinated Bonds.

"Supplemental Certificate" shall mean a Supplemental Certificate of the City authorizing the issuance of a Series of Bonds or otherwise amending or supplementing the General Certificate, adopted in accordance with Article VI.

"Swap" shall mean any financial arrangement between the City and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on the principal amount of a Designated Debt, and payable from time to time or at a designated

time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such amount; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

"Swap Provider" shall mean a party to a Swap with the City.

"Swap Termination Payment" shall mean an amount payable to the City or a Swap Provider, in accordance with a Swap, to compensate the other party to the Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Swap; provided that any Swap Termination Payment to be made by the City shall not be secured by the General Certificate on a parity with Bonds.

"Synthetic Fixed Rate Debt" shall mean Bonds that (a) are combined, as Designated Debt, with a Qualified Swap and create, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consist of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on offsetting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"Tax Exempt Bonds" shall mean Bonds the interest on which is excluded from gross income of the holder thereof for federal income tax purposes which was accompanied by a favorable Bond Counsel's Opinion regarding such exclusion on the date of such Bonds.

"Tender Option Price" shall mean, with respect to any Option Bond tendered for purchase or payment in accordance with the Supplemental Certificate authorizing such Option Bond, an amount equal to the principal amount of such Option Bond.

"Trustee" shall mean J.P. Morgan Trust Company, National Association of its successor or successors and any other person which may at any time be substituted in its place pursuant hereto.

"Variable Rate Bonds" shall mean, as of any date of determination, any Bonds on which the interest rate borne thereby may vary during any part of its remaining term. (Section 101)

Terms and Conditions of the General Certificate to Constitute Contract

In consideration of the purchase and acceptance of any series of Bonds by those who shall hold the same from time to time, the provisions of the General Certificate shall be a part of the contract of the City with the holders of such Bonds and shall be deemed to be and shall constitute a contract between the City, the Trustee and the holders from time to time of the Bonds. The pledge of the General Certificate and the provisions, covenants and agreements set forth in the General Certificate to be performed by or on behalf of the City with respect to the Bonds shall be for the equal benefit, protection and security of the holders of any and all Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank with that of any of the other holders of Bonds, without preference, priority or distinction over any other of the General Certificate except as expressly provided in the General Certificate. (Section 202)

Obligation of Bonds

The Bonds shall not be general obligations of the City and the full faith and credit of the City are not pledged for the payment of the Bonds. The Bonds shall be payable solely from the Revenues pledged therefor under the General Certificate. Neither the State nor any other political subdivision thereof shall be obligated to pay the principal of, premium or interest on any Bond and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of, premium or interest on any Bond. (Section 203)

Authorization of Bonds in Series

In order to provide sufficient funds for the Costs of Projects or for the purpose of refunding any Indebtedness issued by the City to pay the Costs of Projects, Series of Bonds of the City, upon due authorization of the City Council, are authorized to be issued from time to time without limitation as to amount except as provided in the General Certificate or as provided in the Enabling Act or as otherwise may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the General Certificate and in one or more Supplemental Certificates authorizing such Series. (Section 204)

Conditions Precedent to Delivery of a Series of Bonds

The Bonds of a Series shall be executed by or on behalf of the City for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City or upon its order, but only upon the receipt by the Trustee of certain documents, including a Supplemental Certificate and opinions relating to such Bond, and:

(a) except in the case of the Series 2003 Bonds, any Series of Refunding Bonds issued pursuant to Section 207(a)(i) of the General Certificate, any Series of Completion Bonds with respect to which the conditions related in subsection (h) below are satisfied, or any Parity Bond Anticipation Notes,

(i) a Consultant Certificate of an Authorized Representative of the City, confirmed by the Consultant Certificate of an Accountant, certifying that for any period of 12 consecutive months included wholly within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available (A) Net Revenues for such period of 12 consecutive months were at least equal to the sum of Required Debt Service Fund Deposits on all then Outstanding Bonds plus deposits required to be made under Sections 505(a)(iii) through (viii) of the General Certificate (excluding deposits to the Subordinated Debt Service Fund, if any, paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established hereunder) for such 12-month period and (B) Net Revenues for such period of 12 consecutive months were at least equal to 125% of the Required Debt Service Fund Deposits on all then Outstanding Bonds for such 12-month period; and

(ii) either

(A) a Consultant Certificate of an Authorized Representative of City, confirmed by the Consultant Certificate of an Accountant, certifying that for any period of 12 consecutive months included wholly within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available, Net Revenues for such period of 12 consecutive months were at least equal to 125% of the maximum annual Debt Service in any Fiscal Year on all Outstanding Bonds after giving effect to the issuance of such Bonds (and to the refunding of any Prior General Obligation Bonds or Bonds to be refunded from the proceeds thereof); provided, however, that solely for the purpose of making such certification (x) in computing the Debt Service of Bonds that constitute Synthetic Fixed Rate Debt, the interest rate payable thereon shall, if the City so elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, (y) in computing the Debt Service of Bonds with reference to which a Qualified Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, if the City so elects, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included and the interest rate payable thereon shall be the rate provided by the terms of the Swap, except that for any future period such rate shall be estimated in the manner provided for estimating interest on Variable Rate Bonds in the definition of "Debt Service" in Section 101 of the General Certificate, and (z) for purposes of computing the Debt Service of any Series of Bonds, including Capital Appreciation Bonds, as to which interest is deferred and compounded rather than being paid currently during any period of calculation required by the General Certificate, such calculation shall be made as if interest on such Bonds accrued and was deemed paid at a rate determined on the date of such calculation by a nationally

known investment banking firm selected by the City (which firm may be an owner or underwriter of any Bonds) to be the rate which, if earnings at such rate were compounded on the initial public sale price as set forth in the Supplemental Certificate authorizing such Bonds in the manner required by the terms of such Bonds through the maturity date or earlier date on which such compounding is scheduled to cease, would produce the amount of such Bonds scheduled to mature on such maturity date or the accrued value of such Bonds scheduled to exist on such earlier date, as the case may be (and for purposes of computing Debt Service at any time with respect to any such Series of Bonds then outstanding, such calculation shall be made in accordance with the provisions of the Supplemental Certificate authorizing the issuance of such Series of Bonds); or

(B) a Consultant Certificate of the Airport Consultant estimating that, for each Fiscal Year during the period commencing with (and including) the Fiscal Year in which such Bonds are to be issued and ending with (and including) the later of the fifth subsequent Fiscal Year or the third Fiscal Year following the date on which all Projects financed in whole or in part by such Bonds are estimated to have been completed and placed in operation, the requirements of the second sentence of Section 705(a) of the General Certificate will be satisfied, taking into account the particular Series of Bonds to be issued (and the refunding of any Prior General Obligation Bonds or Bonds to be refunded from the proceeds thereof), such estimations to be based on estimates by the Independent Engineer of the cost to complete and the time for completion and initial operation of such Projects and to be after giving effect, among other factors as the Airport Consultant shall consider relevant, to any estimated changes in M&O Expenses and in Revenues as the result of the completion of such Projects or any portion thereof;

(b) a Consultant Certificate of the Authorized Representative of the City, dated as of the date of such delivery, stating that there is no Event of Default by the City with respect to the performance of any of the covenants, conditions, agreements or provisions contained in the General Certificate, provided, however, that the City need deliver no such certification with respect to compliance with Section 705 of the General Certificate for a Series of Refunding Bonds issued pursuant to Section 207(a)(i) of the General Certificate;

(c) in the case of any Series of Completion Bonds, a Consultant Certificate of the Authorized Representative of the City, dated as of the date of such delivery, stating (i) that the aggregate principal amount of the Bonds of such Series does not exceed an amount equal to 15% of the aggregate principal amount of Bonds previously issued for a Project the Costs of completing which are to be paid from the proceeds of such Completion Bonds and reasonably allocated to such Project, (ii) that all of the proceeds of such prior Bonds reasonably allocable to such Project have been or will be used to pay Costs of such Project, (iii) that the then-estimated Costs of such Project exceed the sum of the Costs of such Project already paid plus moneys available in the Project Fund therefor (including unspent proceeds of such prior Bonds) and (iv) that the nature and purpose of such Project have not changed materially from those contemplated at the time of the issuance of the prior Bonds. (Section 206)

Conditions Precedent to Delivery of Refunding Bonds

Upon the receipt by the Trustee of certain documents, including a Supplemental Certificate and opinions relating to such Bond one or more Series of Refunding Bonds may be issued pursuant to Section 207 of the General Certificate at any time to refund any of the Prior General Obligation Bonds or any Outstanding Bonds provided that either (i), but only with respect to Bonds issued to refund Prior General Obligation Bonds or Bonds, (A) Debt Service on the Prior General Obligation Bonds and the Bonds Outstanding immediately after the issuance of such Refunding Bonds for each Fiscal Year shall be no greater than Debt Service on the Prior General Obligation Bonds and the Bonds Outstanding immediately prior to the issuance of such Refunding Bonds and (B) the final maturity of the Bonds Outstanding immediately after the issuance of such Refunding Bonds shall be no later than the final maturity of the Bonds Outstanding immediately prior to the issuance of such Refunding Bonds or (ii) the requirements of Section 206(e) of the General Certificate shall have been satisfied after giving effect to the proposed refunding, all as shown in a Consultant Certificate signed by an Authorized Representative of the City (and, as to the matters in Section 206(e)(ii)(B) of the General Certificate, a Consultant Certificate of the Airport Consultant) and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Bonds. Refunding

Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds, Accounts and Subaccounts required by the provisions of the Supplemental Certificate authorizing such Bonds. (Section 207).

Parity Bond Anticipation Notes

Whenever the City shall authorize the issuance of a Series of Bonds, the City may authorize the issuance of notes (and renewals thereof) in anticipation of such Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the General Certificate. The City may pledge the Revenues to the payment of the interest on such notes which pledge may be on a parity with the pledge securing all Bonds in which event such interest shall be payable from the Debt Service Fund. The City may also pledge the Revenues and moneys on deposit in the General Fund to the payment of the principal of such notes but such pledge shall be subordinate to the pledge securing the payment of the Bonds. A copy of the authorizing action of the City Council authorizing such notes, certified by an Authorized Representative of the City, shall be delivered to the Trustee following its adoption. (Section 208)

Credit Facilities

(a) In connection with the issuance of any Series of Bonds hereunder, the City may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal Installments, or Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the City.

(b) The City may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the City in the applicable Supplemental Certificate. The City may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be deemed to be Outstanding, for purposes of the General Certificate, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, Revenues on a parity with the lien created by Section 501 of the General Certificate (a "Parity Reimbursement Obligation"). Any such Parity Reimbursement Obligation shall be deemed to be a Bond of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation related.

(c) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Certificate. (Section 209)

The Pledge Effected by The General Certificate

Under the General Certificate, there is pledged for the payment of the Bonds, in accordance with the terms and the provisions of the General Certificate, for or to the purposes and on the terms and conditions set forth in the General Certificate: (i) all Revenues and (ii) all moneys or securities in any of the Funds, Accounts and Subaccounts (except the Revenue Fund, the Operating Fund, the Rebate Fund, the Subordinated Debt Service Fund, if any, and the Subordinated Debt Service Reserve Fund, if any) together with the investment earnings thereon except to the extent such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Certificate. It is the intention of the City that, to the fullest extent permitted by law, this pledge shall be valid and binding from the time when it is made, that the Revenues, moneys, securities and other funds so pledged and then or thereafter received by the City shall immediately be subject to the lien of such pledge and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof. (Section 501)

Establishment of Funds and Accounts

(a) Other than with respect to the funds described in subparagraphs (vi) and (vii) below, the following Funds and Accounts are established under the General Certificate:

- (i) Revenue Fund;
- (ii) Project Fund;
- (iii) Operating Fund;
- (iv) Debt Service Fund, containing a
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;

(v) Debt Service Reserve Fund containing such Series Accounts as may be specified from time to time in a Supplemental Certificate;

(vi) Subordinated Debt Service Fund, if any established upon issuance of any Subordinated Bonds;

(vii) Subordinated Debt Service Reserve Fund, if any is established upon issuance of any Subordinated Bonds;

- (viii) M&O Reserve Fund;
- (ix) Renewal and Replacement Reserve Fund;
- (x) Rebate Fund; and
- (xi) General Fund.

(b) Any Supplemental Certificate providing for the issue of a Series of Bonds shall establish separate Accounts or Subaccounts.

(c) Any Supplemental Certificate which provides for a Credit Facility to secure the payment of the Principal Installments of and interest on the Bonds authorized thereby or to secure the payment of the Tender Option Price of any Option Bonds authorized thereby, may establish one or more "Special Accounts" in the Debt Service Reserve Fund.

(d) The City or, at the request of the City, the Trustee shall establish within any Fund held by the City or the Trustee, as applicable, such Accounts as shall be designated in a Supplemental Certificate or in the written instructions of an Authorized Representative of the City and shall in like manner establish within any Fund or Account such Subaccounts as shall be so designated.

(e) Unless otherwise expressly provided in the General Certificate, all of the Funds, Accounts and Subaccounts shall be held by the City, except that (1) the Debt Service Fund and the Debt Service Reserve Fund shall be held by the Trustee, and (2) at the election of the City, any Fund initially held by the City or any Account or

Subaccount therein may be transferred to the Trustee on such terms and for so long as the City may determine. (Section 502)

Project Fund

(a) There shall be deposited from time to time in the Project Fund (i) Bond proceeds as described in Section 401(a) of the General Certificate; (ii) the proceeds of insurance, if any, maintained by the City against physical loss of or damage to the Jetport, or of contractors' performance bonds with respect thereto, pertaining to the period of construction of any Project; (iii) the balance remaining of the proceeds of any Parity Bond Anticipation Notes issued to pay the Costs of a Project after payment or provision for payment of such notes; (iv) any amounts required to be deposited therein pursuant hereto or any Supplemental Certificate; (v) any moneys transferred from the General Fund pursuant to Section 514 of the General Certificate (which moneys shall be held separately from Accounts or Subaccounts in the Project Fund holding proceeds of the sale of any Bonds or any earnings thereon); and (vi) any other amounts received by the City for or in connection with the Jetport and determined by the City to be deposited in the Project Fund, which are not otherwise required to be applied in accordance with the General Certificate.

(b) Except as otherwise provided in Section 507(e) and in Section 519 of the General Certificate, amounts in the Project Fund shall be expended only to pay Costs of a Project in the manner provided in Section 503 of the General Certificate.

(c) The City shall only make payments from the Project Fund (except payments and withdrawals pursuant to Sections 507(e) and 519 of the General Certificate), in the amounts, on the other terms and conditions set forth in this subsection.

- (i) Each payment shall be properly payable out of the Project Fund in accordance with the terms and conditions of the General Certificate and none of such items shall have formed the basis for any disbursement theretofore made from the Project Fund; and
- (ii) Moneys paid from the Project Fund shall be expended in compliance with the provisions of Section 714 of the General Certificate.

(d) Notwithstanding any of the other provisions of Section 503 of the General Certificate, to the extent that other moneys are not available therefor in any of the other Funds and Accounts established hereunder, amounts in the Project Fund shall be applied to the payment of Bonds when due in accordance with Sections 507(e) of the General Certificate.

(e) At any time from time to time the City may transfer amounts on deposit therein between a particular Subaccount within the Project Fund and another Subaccount within the Project Fund.

(f) If the City at any time does not reasonably expect the moneys on deposit in any Subaccount of the Project Fund that constitute the proceeds of Tax Exempt Bonds to be expended for the Costs of a Project, then such moneys shall be transferred to the Redemption Account and held in a Subaccount therein and applied solely to the redemption of Bonds of the Series to which such moneys relate on the first date on which such Bonds may be called without premium (unless the City shall elect to call such Bonds earlier at a premium) or, upon receipt of a Bond Counsel's opinion to the effect that such will not, in and of itself, adversely affect the exclusion of interest of such Bonds from the gross income of the holders thereof, to the payment of interest on Bonds of the Series to which such monies relate. Pending application to such redemption or to such payment of interest, such moneys shall be not be invested at a yield exceeding the yield on the related Series of Bonds unless the City shall have provided a Bond Counsel's Opinion to the effect that investment of such moneys at a greater yield would not adversely affect the exclusion of interest on any Tax Exempt Bonds from gross income of the holder for federal income tax purposes. (Section 503)

Deposit of Revenues

Commencing as of July 1, 2003, the City shall promptly deposit all Revenues received in the Revenue Fund. There shall also be deposited into the Revenue Fund all other amounts required by the General Certificate to be so deposited. (Section 504)

Flow of Funds From the Revenue Fund

(a) During any month, the City shall, from time to time, deposit monies in the Operating Fund an amount necessary and sufficient to pay M&O Expenses for that month which amount shall not exceed the M&O Expenses for that month as shown on the Operating Budget filed with the Trustee pursuant to Section 712 of the General Certificate. On the last Business Day of each month, commencing July 31, 2003, the City shall, after making any transfers required pursuant to Section 505(a), Sections 508(b) and 512(c) of the General Certificate, from the available amounts on deposit in the Revenue Fund, make the following deposits in the following order:

(i) To the Debt Service Fund:

(A) on a pro rata basis the amount necessary to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate which was assumed in calculating the amount required for a prior deposit pursuant to Section 505(a)(ii)(B) of the General Certificate;

(B) on a pro rata basis to each Subaccount of the Interest Account, after taking into account any moneys transferred or to be transferred from the corresponding Subaccount of the Capitalized Interest Account if one has been established for the applicable Series, the amount necessary to increase the amount on deposit in each such Subaccount so that it equals interest included in Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month (assuming, in the case of Variable Rate Bonds, no further adjustments in the applicable interest rate);

(C) on a pro rata basis to each Subaccount of the Principal Account the amount necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Principal Installment included in Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue (assuming such Principal Installment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month; provided, however, that no deposit shall be required to be made with respect to a Bond prior to twelve months before the next Principal Installment coming due on such Bond; and

(D) on a pro rata basis to each Subaccount of the Redemption Account the amount, if any, necessary to increase the amount on deposit in each such Subaccount so that it equals the Redemption Price of Outstanding Bonds of the applicable Series then called for redemption (other than from Sinking Fund Installments) as of any date on or prior to the last day of the next succeeding month, after taking into account amounts on deposit in the applicable Subaccount within the Principal Account, if any, available to pay such Bonds called for redemption.

The City shall not be required to make any payments into the Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the General Certificate granted to secure payment of Bonds pursuant to Section 1201 of the General Certificate. In determining the amount of any payment to any Account of the Debt Service Fund, the City shall take into account all cash and investments then in such Fund and held for the same purpose and shall, when appropriate, reduce or increase the amount of any payment accordingly.

(ii) To the Debt Service Reserve Fund:

(A) to the applicable Series Account therein established pursuant to a Supplemental Certificate, one-twelfth (1/12) the amount, if any, necessary to increase the amount on deposit therein, determined as of the first day of the Fiscal Year, to an amount equal to the Series Debt Service Reserve Fund Requirement, if any (provided that no such deposit shall be required in a Fiscal Year following the funding of such Series Account in connection with the issuance of a Series of Bonds pursuant to Section 206(d) of the General Certificate); and

(B) to each such Special Account the deposit required by any Supplemental Certificate.

(iii) To the Subordinated Debt Service Fund (if any is established upon issuance of any Subordinated Bonds), such amounts as may be required to be deposited therein pursuant to the terms of the financing documents executed and delivered with respect to such Subordinated Bonds.

(iv) To the Subordinated Debt Service Reserve Fund (if any is established upon issuance of any Subordinated Bonds), such amounts as may be required to be deposited therein pursuant to the terms of the financing documents executed and delivered with respect to such Subordinated Bonds.

(v) To the M&O Reserve Fund, the amount necessary to make the amount on deposit therein equal to M&O Expenses for the three consecutive months following the next succeeding month, as shown on the Operating Budget filed with the Trustee pursuant to Section 712 of the General Certificate.

(vi) To the Renewal and Replacement Reserve Fund, one-twelfth (1/12) of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Renewal and Replacement Reserve Requirement for the current Fiscal Year.

(vii) To the Rebate Fund, the amount necessary to make the amount on deposit therein equal to the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Certificate.

(viii) Subject to the provisions of Section 505(b) of the General Certificate, to the General Fund, any moneys remaining after making the deposits set forth above.

(b) On any day on which deposits are to be made pursuant to 505(a) of the General Certificate after making the deposits required by Sections 505(a)(i) through (viii) of the General Certificate, the City may retain all or any portion of the remaining moneys in the Revenue Fund to provide additional moneys for deposits required under Section 505(a) of the General Certificate during the next month or thereafter. (Section 505)

Operating Fund

(a) The Operating Fund shall be established as one or more accounts with one or more banks or trust companies, as the City shall determine. Moneys held in the Operating Fund shall be applied by the City to the payment of M&O Expenses in accordance with the Operating Budget.

(b) Moneys in the Revenue Fund shall be deposited into the Operating Fund pursuant to Section 505(a) of the General Certificate. From time to time, moneys on deposit in the M&O Reserve Fund may be deposited into the Operating Fund pursuant to Section 511 of the General Certificate. (Section 506)

Debt Service Fund

(a) The Trustee shall, for each Series of Bonds Outstanding, pay (i) on each Payment Date with respect to a Series of Bonds, (A) from the moneys on deposit in the applicable Subaccount within the Principal

Account of the Debt Service Fund the amounts required for the payment of the Principal Installments, if any, due on such Payment Date and (B) from the moneys on deposit in the applicable Subaccount within the Interest Account of the Debt Service Fund, including the moneys credited to the Subaccount, if any, established for such Series in the Capitalized Interest Account in such Fund, the interest due on such Payment Date; (ii) on any redemption date other than for sinking fund redemption, (A) from the applicable Subaccount within the Interest Account of the Debt Service Fund the amounts required for the payment of accrued interest on Bonds to be redeemed on such date unless the payment of such accrued interest shall be otherwise provided and (B) from the applicable Subaccount within the Redemption Account of the Debt Service Fund, the amounts required for the payment of principal of and premium, if any, on Bonds to be redeemed (other than by sinking fund redemption); and (iii) on any date of purchase (A) from the applicable Subaccount within the Principal Account of the Debt Service Fund, the amounts required for the payment of principal of any Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Certificate, and (B) from the applicable Subaccount within the Interest Account of the Debt Service Fund, any amounts required for the payment of accrued interest on Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Certificate or unless the payment of such accrued interest shall be otherwise provided.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Debt Service Fund for each Sinking Fund Installment shall, at the direction of an Authorized Representative of the City, be applied (together with amounts in the applicable Subaccount within the Interest Account of the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Installment as follows:

(i) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase, such purchases to be made by the Trustee as directed in writing by an Authorized Representative of the City; or

(ii) to the redemption of such Bonds pursuant to Article VI, if then redeemable by their terms, at or below the Redemption Price referred to in clause (i) above;

provided, however, that the Trustee shall not call for redemption or purchase any Bonds pursuant to this Subsection 507(b) of the General Certificate that have already been called for redemption pursuant to the provisions of Article VI.

(c) Upon the purchase or redemption of any Bond pursuant to subsection (b) of Section 507 of the General Certificate, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(d) As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to Section 603 of the General Certificate, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Bonds of such Series and maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Bonds on each such redemption date, the amount required for the redemption of such Bonds. (Section 507)

Priority of Funds in Event of Debt Service Fund Shortfall

If on any Payment Date with respect to a Series of Bonds there shall be insufficient moneys available in the applicable Subaccount within the applicable Account in the Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Bonds then due, after drawing any moneys available for such

purpose from any applicable Credit Facility or Special Account in the Debt Service Reserve Fund, the City or, as the case may be, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account not yet committed to the redemption of Bonds, (ii) the General Fund, (iii) the Subordinated Debt Service Fund, (iv) the applicable Series Account in the Debt Service Reserve Fund, (v) the Renewal and Replacement Reserve Fund and (vi) the Project Fund. (Section 507(e))

Debt Service Reserve Fund

(a) Amounts on deposit in each of the Series Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to Section 507 of the General Certificate, solely to pay the Principal Installments of and interest on the Bonds of the Series to which such Series Account relates as and when specified in the applicable Supplemental Certificate. Amounts so applied shall be derived first, from cash or Investment Securities on deposit therein and, second, from draws or demands on Financial Guaranties held as a part thereof upon the terms and conditions set forth in any such Financial Guaranty or as set forth in the Supplemental Certificate authorizing use of such Financial Guaranty.

(b) If, as of June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount in any Special Account exceeds its requirement under the applicable Supplemental Certificate for the Fiscal Year then ending, after giving effect in the case of each such Account to any Credit Facility deposited in such Account, the Trustee shall withdraw from such Account the amount of any excess therein as of the date of such withdrawal and deposit the moneys so withdrawn first into the Interest Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made pursuant to Section 505(a) of the General Certificate and second to the Principal Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made therein pursuant to Section 505(a) of the General Certificate. Any balance of such excess remaining shall be applied as provided in the previous sentence with respect to deposits required pursuant to Section 505(a) of the General Certificate for as many succeeding months as is necessary to fully apply such excess.

(c) Whenever the amount (exclusive of Financial Guaranties and Credit Facilities) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Series of Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

(d) In lieu of the required deposits and transfers to any Series Account in the Debt Service Reserve Fund, the City may cause to be deposited in any such Series Account, Financial Guaranties in an amount equal to the difference between the Series Debt Service Reserve Fund Requirement and the sums, if any, then on deposit in such Account or being deposited in such Account concurrently with such Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the applicable Series Account in the Debt Service Reserve Fund and applied to the payment of a Principal Installments of or interest on the applicable Series of Bonds and such withdrawal cannot be met by moneys on deposit in the applicable Series Account. If a disbursement is made pursuant to Financial Guaranties, the City shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the applicable Series Account, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in such Series Account equals the applicable Series Debt Service Reserve Fund Requirement.

(e) In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the City, withdraw from the Subaccount and Account related to the Bonds to be refunded all or any portion of the amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201 of the General Certificate, and (ii), after giving effect to any amounts being simultaneously deposited therein, the amount remaining in each Series Account after such withdrawal shall not be less than the applicable Series Debt Service Reserve Fund Requirement. (Section 508)

M&O Reserve Fund

(a) Moneys in the M&O Reserve Fund shall be transferred to the Operating Fund to be applied to the payment of M&O Expenses upon delivery to the Trustee of a Consultant Certificate of an Authorized Representative to the effect that moneys on deposit in the Operating Fund are insufficient therefor.

(b) If on any day on which a transfer pursuant to Section 505(a)(vi) of the General Certificate is required, Revenues are insufficient to make the deposits to the M&O Reserve Fund required by such Section, or if on any date the City delivers a Consultant Certificate to the Trustee to the effect that moneys in the Operating Fund and the M&O Reserve Fund are insufficient to meet M&O Expenses then due and payable then, subject to any transfers to be made on such date pursuant to Sections 507(e) of the General Certificate, the City shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund and (ii) the Renewal and Replacement Reserve Fund.

(c) If on any June 30, or if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the M&O Reserve Fund is in excess of the M&O Expenses for the next succeeding August, September and October, as shown on the Operating Budget filed with the Trustee pursuant to Section 712 of the General Certificate, such excess shall be transferred to the Revenue Fund. (Section 511)

Renewal and Replacement Reserve Fund

(a) Moneys in the Renewal and Replacement Reserve Fund shall be applied as provided in Section 507 of the General Certificate for any Capital Expenditure that is not provided for by moneys available in the Project Fund, the General Fund or the Operating Fund, including without limitation the costs of unanticipated or emergency repairs or replacements of any part of the Jetport which are properly chargeable to plant or property accounts under generally accepted accounting principles. The City shall withdraw from such Fund and deposit in one or more special separate Subaccounts established for such purpose in the Project Fund or, if the City has by resolution determined to subsequently finance such Capital Expenditure by the issuance of Bonds in a Subaccount relating to such Bonds, any amount specified by the City but only upon receipt of a Consultant Certificate of an Authorized Representative (i) specifying the improvement to which such Capital Expenditure will be applied, its estimated Cost and estimated completion date and (ii) certifying (a) that such improvement to which such Capital Expenditure will be applied is reasonably required for the continued operation of the Jetport or the maintenance of Revenues, (b) that all or a portion of such Capital Expenditure was not included in the Cost of Capital Expenditures to be financed in whole or in part from the Operating Fund and (c) that only the Cost of improvement to which such Capital Expenditure will be applied that is in excess of the amounts available therefor in such Fund is being or has previously been transferred from the Renewal and Replacement Reserve Fund. Upon completion of improvement to which such Capital Expenditure will be applied, any amount so deposited and not necessary to pay such Capital Expenditure shall be redeposited in the Renewal and Replacement Reserve Fund. The City shall also apply moneys in the Renewal and Replacement Reserve Fund as set forth in Section 507(e) of the General Certificate.

(b) If, on any day on which a transfer pursuant to Section 505(a) of the General Certificate is required, Revenues are insufficient to make the deposits to the Renewal and Replacement Reserve Fund required by such Section, or if on any date the City delivers a Consultant Certificate to the Trustee to the effect that moneys in the Renewal and Replacement Reserve Fund are insufficient to meet the Costs of a Capital Expenditure to be funded pursuant to Section 512(a) of the General Certificate then due and payable, then, subject to any transfer to be made on such date pursuant to Section 507(e) of the General Certificate, the City shall withdraw and apply the necessary moneys to provide for such insufficiency from the General Fund.

(c) If on any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year then ending, such excess shall be transferred to the Revenue Fund or shall be retained in the Renewal and Replacement Reserve Fund upon the delivery of a Consultant Certificate of an Authorized Representative to the effect that such amounts being retained are necessary to meet the Costs of Capital Expenditures properly payable from such Fund in accordance with Section 512(a) of the General Certificate. (Section 512)

General Fund

(a) Moneys in the General Fund may be disbursed for any lawful purpose relating to the Jetport, including without limitation, by way of transfer to any Fund or Account established pursuant hereto or any Supplemental Certificate. In the event that moneys in the General Fund are transferred to the Redemption Account and applied to the redemption of Bonds, pending application to redemption of Tax Exempt Bonds such moneys shall be invested at a yield not exceeding the yield on the Bonds to be redeemed unless the City shall deliver a Bond Counsel's Opinion to the effect that investment of such moneys at a higher yield is permitted without adversely affecting the exclusion of interest on the Bonds from gross income for federal income tax purposes. Moneys in the General Fund shall also be transferred and applied to the payment of principal of and interest on Parity Bond Anticipation Notes issued pursuant to Section 208 of the General Certificate to the extent provided in any Supplemental Certificate authorizing such Parity Bond Anticipation Notes.

(b) The City shall also apply moneys in the General Fund as set forth in Sections 507(e) and 512(b) of the General Certificate.

(c) The City may deposit to the credit of the General Fund any sum received by the City with respect to the Jetport from any source for any purpose for which the moneys held for the credit of the General Fund may be disbursed.

(d) If then permitted by law, moneys held for the credit of the General Fund (or any portion thereof) may be pledged by the City to the payment of the principal of and interest on any notes or other obligations issued by the City for any purpose for which the moneys held to the credit of the General Fund may be disbursed. (Section 514)

Trustee Deposits

(a) All moneys or securities held by the City or the Trustee under the provisions of the General Certificate shall constitute trust funds. All moneys or securities deposited under the provisions of the General Certificate with the Trustee shall be held in trust and applied only in accordance with the provisions of the General Certificate, and each of such Funds established by the General Certificate shall be a trust fund for the purposes of the General Certificate. The City acknowledges that any moneys or securities credited to a Fund or an Account hereunder which are deposited with the Trustee shall be identified to be part of such Fund or Account and subject to the pledge created hereunder. Prior to the first deposit of any moneys or securities with the Trustee, the City shall obtain from the Trustee its agreement to serve as agent of the City in holding such moneys or securities in trust in favor of the City and the contract or other written instrument between the City and the Trustee governing the establishment and operation of such account shall provide the moneys or securities from time to time deposited with the Trustee shall be held by the Trustee as such agent in trust in favor of the City or the Trustee; provided that, except as otherwise expressly provided in the General Certificate, the City shall be permitted at any time to make withdrawals from and write checks or other drafts against any account held by the City and apply the same for the purposes specified in the General Certificate and, subject to Section 519 of the General Certificate, the City shall be permitted to invest amounts in any such account in Investment Securities.

(b) The Trustee shall be a bank or trust company organized under the laws of a state of the United States of America or a national banking association organized under the laws of the United States of America, having capital stock, surplus and undivided earnings aggregating at least \$100,000,000 (or such greater amount as set forth in a Supplemental Certificate) and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the General Certificate. (Section 517)

Investment of Certain Funds

(a) Moneys held in the Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities of the type described in clause (a), (b), (c), (d), (f), (h), (i) or (j) of the definition of Investment Securities in Section 101 of the General Certificate, which mature not later than at such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Moneys

held in the Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities of the type described in clause (a), (b), (c), (d), (f), (h) or (i) of the definition of Investment Securities which mature not later than at such times as shall be necessary to provide moneys when needed for payment to be made from such Fund. Moneys held in any other Fund or Account established hereunder may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from any Authorized Representative of the City, which may for this purpose include one or more investment advisors designated in writing by such Authorized Representative from time to time. In making any investment in any Investment Securities with moneys in any Fund or Account established hereunder, the City may, and may instruct the Trustee to, combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

(b) Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Funds and Accounts, other than the Project Fund, the Debt Service Fund and the Debt Service Reserve Fund, shall be paid into the Revenue Fund on the last Business Day of each month. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Debt Service Fund shall be retained in the Debt Service Fund. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Project Fund shall be paid, on the last Business Day of each month, to the related Subaccounts of the Debt Service Fund first to the Interest Account and second to the Principal Account; provided, however, that the City may from time to time direct that all or a portion of such earnings may be retained in the Project Fund for any period of time. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Debt Service Reserve Fund shall be paid, on the last Business Day of each month, on a pro rata basis based on the required deposits to each Series Subaccount therein pursuant to Section 505(a) of the General Certificate, first to the Interest Account of the Debt Service Fund and second to the Principal Account of the Debt Service Fund; provided however, that the City may direct that investment earnings on any moneys or investments in the Debt Service Reserve Fund may be deposited for such period of time as the City may determine in the Revenue Fund or the Project Fund if the City shall obtain a Bond Counsel's Opinion to the effect that such application of earnings shall not adversely affect the exclusion of interest on any Tax Exempt Bonds from gross income of the holder for federal income tax purposes.

(c) Notwithstanding the foregoing provisions of Section 519 of the General Certificate, the City may direct that investment earnings reasonably expected to be subject to the requirements of section 148(f) of the Code or the Treasury Regulations applicable thereto may be deposited directly to the Rebate Fund to the extent desirable to comply with the requirements of section 148(f) of the Code or the Treasury Regulations applicable thereto. (Section 519)

Valuation and Sale of Investments

Obligations purchased as an investment of moneys in any Fund created under the provisions of the General Certificate shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to such Fund.

In computing the amount in any Fund created under the provisions of the General Certificate for any purpose provided in the General Certificate, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations or the market value thereof, whichever is lower. As used in the General Certificate the term "amortized cost", when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Any deficiency resulting from a decrease in the valuation of investments held in the

applicable Series Account of the Debt Service Reserve Fund may be disregarded for purposes of calculating deposits required pursuant to Section 505 of the General Certificate provided that the amount on deposit in the applicable Series Account of the Debt Service Reserve Fund is an amount equal to at least ninety-five percent (95%) of the Series Debt Service Reserve Fund Requirement. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be made annually on June 30 for all Funds and at such other times as the City shall determine or as may be required by the General Certificate.

Except as otherwise provided in the General Certificate, the Trustee shall sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Representative of the City so to do. Whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by the Trustee, the Trustee shall sell at the best price obtainable or present for redemption such obligation or obligations designated by an Authorized Representative of the City necessary to provide sufficient moneys for such payment or transfer; provided, however, that if the City fails to provide such designation promptly after request thereof by the Trustee, the Trustee may in its discretion select the obligation or obligations to be sold or presented for redemption. The Trustee shall not be liable or responsible for any loss resulting from the making of any such investment or the sale or redemption of any obligation in the manner provided above. (Section 520)

Rebate Fund

Upon the issuance, sale and delivery of any Series of Bonds subject to the Rebate Fund Requirement, the City shall establish a separate account within the Rebate Fund for such Series. Funds on deposit in the Rebate Fund shall be applied as set forth in the applicable Supplemental Certificate. Unless otherwise specified in the applicable Supplemental Certificate, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be transferred to the Operating Fund. (Section 521)

Covenant as to Rates and Charges; Debt Service Coverage Ratio

(a) The City shall for each Fiscal Year fix and adjust Rates and Charges with respect to the Jetport, which Rates and Charges shall be adopted by the Governing Body and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the State or any of its political subdivisions. The City covenants that in each Fiscal Year (1) Net Revenues shall equal or exceed the sum of Required Debt Service Fund Deposits plus deposits required to be made under Sections 505(a)(iii) through (viii) of the General Certificate (excluding interest or other earnings on the Project Fund and amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established hereunder), and (2) Net Revenues for such Fiscal Year shall equal or exceed 125% of Required Debt Service Fund Deposits.

(b) If in any Fiscal Year, Net Revenues shall not satisfy the requirements of Section 705(a) of the General Certificate, then the City shall not be deemed to be in default hereunder so long as it shall have complied or is diligently proceeding to comply with the requirements of Section 705(d) and 705(e) of the General Certificate; provided, however, that if (1) the City shall not satisfy the requirements of Section 705(a) of the General Certificate for the first full Fiscal Year following its failure to satisfy such requirements, or (2) Net Revenues for such Fiscal Year shall not equal or exceed 100% of the Required Debt Service Fund Deposits, then notwithstanding the foregoing such failure shall constitute a default hereunder.

(c) On or before the last day of each Fiscal Year, the City shall review the adequacy of its rates, fees, rentals and other charges with respect to the Jetport to satisfy the requirements of Section 705 of the General Certificate for the next succeeding Fiscal Year. If such review, or any report of an Airport Consultant provided in connection with such review or in accordance with any Section of the General Certificate, indicates that the rates, fees, rentals and other charges with respect to the Jetport are, or are likely to be, insufficient to meet the requirements of Section 705 of the General Certificate for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that rates, fees, rentals and other charges with respect to the Jetport are or are likely to be insufficient to meet such requirements, the City shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency.

(d) Within 180 days of the close of each Fiscal Year while Bonds are Outstanding, the City shall deliver to the Trustee a Consultant Certificate of an Authorized Representative stating, if such was the case, that the City satisfied the requirements of Section 705(a) of the General Certificate in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the City so that it will comply with such requirements in the then current Fiscal Year. Such Consultant Certificate shall be accompanied by a Consultant Certificate of an Accountant in accordance with Section 713 of the General Certificate setting forth the amounts for the preceding Fiscal Year which are necessary to determine compliance with the requirements of Section 705(a) of the General Certificate. If the amounts set forth in the Consultant Certificate of an Accountant indicate that the City was not in compliance for such Fiscal Year with the provisions of Section 705(a) of the General Certificate, the Airport Consultant shall review the adequacy of the City's rates, fees, rentals and other charges with respect to the Jetport and shall recommend changes necessary for the City to be in compliance with Section 705(a) of the General Certificate by the end of the then current Fiscal Year and for the following Fiscal Year. The City covenants, to the extent permitted by law and existing contractual obligations, to use its best efforts to effect such changes as are so recommended by the Airport Consultant. (Section 705)

Maintenance of Powers; Retention of Assets

(a) The City covenants that it will use its best efforts to keep the Jetport open for landings, takeoffs and servicing of aircraft using facilities comparable to those which currently comprise the Jetport and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law with respect to the Jetport, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or any other obligation secured by the General Certificate or the performance or observance of any of the covenants in the General Certificate contained.

(b) The City covenants that it will not dispose of assets necessary to operate the Jetport in the manner and at the levels of activity required to enable it to perform its covenants contained in the General Certificate, including, without limitation, the covenants contained in Section 705 of the General Certificate. (Section 706)

Insurance

The City shall at all times (a) carry insurance or cause insurance to be carried with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such portions of the Jetport as are customarily insured, and against loss or damage from such causes as are customarily insured against, by enterprises engaged in a similar type of business or (b) have adopted and maintain a risk financing plan for property and casualty losses which shall address such risks in accordance with the risks usually and customarily addressed by the City with regard to a public asset. (Section 707)

Indebtedness and Liens

(a) Except for Subordinated Bonds or as provided in Article II of the General Certificate or in Section 709 of the General Certificate, the City shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by any Trustee hereunder; but Section 709 of the General Certificate shall not prevent the City from issuing bonds or notes or other obligations for the purposes of the Jetport payable out of, or secured by a pledge of, Revenues to be derived on and after the date that the pledge of the Revenues provided in the General Certificate shall be discharged and satisfied as provided in Section 1202 of the General Certificate and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the General Certificate and the lien and pledge created by the General Certificate. Without limiting the generality of the foregoing, the City agrees that, except as permitted by the General Certificate, it shall not incur any Indebtedness or permit the issuance of any bonds payable from or secured by a pledge of or lien on Revenues prior or superior to, or on a parity with, the lien securing the Bonds.

(b) Notwithstanding anything in the General Certificate to the contrary, so long as no default shall have occurred hereunder and be continuing, the City may issue at any time or from time to time:

(i) Indebtedness issued in anticipation of Grant Receipts that may be secured solely by a pledge of the proceeds of such Indebtedness, the Grant Receipts anticipated, other amounts on deposit from time to time in any separate account established by the City to hold Grant Receipts, earnings thereon and other amounts not constituting Revenues hereunder; or

(ii) Indebtedness issued in anticipation of PFC Revenues that may be secured solely by a pledge of the proceeds of such Indebtedness, the PFC Revenues anticipated, other amounts on deposit from time to time in any separate account established by the City to hold PFC Revenues, earnings thereon and other amounts not constituting Revenues hereunder; or

(iii) Other Indebtedness that is not payable from or secured by Revenues, unless such payment or security is on a basis that in all respects subordinate to the pledge and lien of the General Certificate including without limitation Indebtedness that is payable from and secured solely by one or more of (A) amounts on deposit in or to be deposited in the General Fund pursuant to Sections 505 and 514 of the General Certificate, and (B) proceeds of such Indebtedness.

Any Indebtedness described in Section 709(b) of the General Certificate, in addition to the security therefor described or provided for in the General Certificate, may be issued as general obligations of the City or as special obligations payable solely from the Grant Receipts, amounts, proceeds, moneys, securities or funds pledged as security therefor.

(c) Notwithstanding anything in the General Certificate to the contrary, the City may issue Indebtedness secured solely by the revenues, receipts or other moneys derived by the City from the lease, license, operation, sale or other disposition of any facility or equipment (whether or not part of the Jetport) hereafter constructed or acquired by or on behalf of the City with the proceeds of such Indebtedness. Such Indebtedness shall be special, limited obligations of the City payable solely out of the revenues, receipts and other moneys pledged therefor. Such revenues, receipts and other moneys shall not be considered Revenues hereunder provided that (i) neither the debt service on such Indebtedness nor any cost of the acquisition, construction, operation, maintenance or repair of any such facility or equipment nor provision for reserves for any of the foregoing shall be paid from the proceeds of Indebtedness or from Revenues (other than Revenues deposited in or available for deposit in the General Fund pursuant to Section 505 of the General Certificate) or shall be included in M&O Expenses, (ii) any such revenues, receipts and moneys in excess of such debt service, cost of acquisition, construction, operation, maintenance and repair and reserves shall be deposited in the Revenue Fund (and upon such deposit shall be deemed Revenues), and (iii) prior to the issue of any such Indebtedness, the City shall deliver to the Trustee a Consultant Certificate of the Airport Consultant certifying that (A) the lease, license, operation, sale or other disposition of such facility or equipment and (B) the application of the revenues, receipts and other moneys derived therefrom to (x) the operation, maintenance and repair thereof, (y) the payment of the debt service on the Indebtedness issued therefor and (z) the provision of reserves for the foregoing will not result in any decrease in the Revenues projected by such Airport Consultant to be received by the City during the succeeding five Fiscal Years (including the Fiscal Year in which such Indebtedness is issued). (Section 709)

Independent Engineer

The City shall, until the Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, when required to assure the performance of the duties imposed on the Independent Engineer by the General Certificate, employ an independent architect or engineer or firm of architects or engineers having a nationwide and favorable repute for skill and experience in reviewing and advising with respect to the plans, specifications, costs, schedules and procedures for constructing airport facilities. The Independent Engineer shall be selected by the City and, except in the case of the firm serving as Independent Engineer at the time of the adoption of the General Certificate, shall be acceptable to the Trustee. The acceptance of the Trustee shall not be unreasonably withheld or delayed; and if the Trustee shall fail to so accept, it shall deliver to the City a statement of its reasons for such failure. In rendering any report, certificate or opinion required pursuant hereto, the Independent Engineer may rely upon information, certificates, opinions or reports required to be provided by others pursuant hereto, and upon other sources which the Independent Engineer considers reliable, and other considerations and assumptions as deemed appropriate by the Independent Engineer. Subject to Section 1204 of the General

Certificate, copies of any such report, certificate or opinion shall be delivered to the Trustee and made available by the Trustee to any holder of the Bonds or their duly authorized representative for inspection. (Section 710)

Airport Consultant

The City shall, until the Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Airport Consultant by the General Certificate, employ an independent accountant or firm of independent accountants, or a management consultant or management consulting firm, or independent engineer or engineering firm (which may also be the Independent Engineer), having, in any case, a nationwide and favorable repute for skill and experience in passing upon questions relating to the affairs, financial and otherwise, of airport facilities of the size, type and scope of the Jetport. The Airport Consultant shall be selected by the City and, except in the case of the firm serving as Airport Consultant at the time of the delivery of the General Certificate, shall be acceptable to the Trustee. The acceptance of the Trustee shall not be unreasonably withheld, delayed, or conditioned; and if the Trustee shall fail to so accept, it shall deliver to the City a statement of its reasons for such failure. In rendering any report, certificate or opinion required pursuant hereto, the Airport Consultant may rely upon information, certificates, opinions or reports required to be provided by others pursuant hereto, and upon other sources which the Airport Consultant considers reliable, and other considerations and assumptions as deemed appropriate by the Airport Consultant. Subject to Section 1204 of the General Certificate, copies of any such report, certificate or opinion shall be delivered to the Trustee and made available by the Trustee to any holder of the Bonds or their duly authorized representative for inspection. (Section 711)

Operating Budget

(a) Not less than thirty (30) days prior to the beginning of each Fiscal Year, the City shall prepare and deliver to the Trustee a preliminary Operating Budget, and within a reasonable time of adoption not less than one day prior to the beginning of each Fiscal Year, shall file with the Trustee a copy of the Operating Budget, duly certified by an Authorized Representative of the City, showing on a monthly basis the estimated M&O Expenses, as well as the Revenues or other moneys held hereunder estimated to be available to pay such M&O Expenses (including the amount of each item constituting a component thereof) for the ensuing Fiscal Year, together with any other information required to be set forth therein by the General Certificate; provided, however, that the Operating Budget for the Fiscal Year, or portion thereof, in which the first Series of Bonds is issued, may be adopted by any Authorized Representative of the City. Such Operating Budget may set forth such additional information as the City may determine. The City shall not incur aggregate M&O Expenses in any Fiscal Year in excess of the amount budgeted in the Operating Budget, as amended and supplemented for such Fiscal Year, except in case of emergency or as required by law and shall promptly file with the Trustee a written report of any such excess expenditure signed by an Authorized Representative and as soon as practicable thereafter adopt and file with the Trustee an amendment to the Operating Budget.

(b) In conjunction with adoption and filing, or any amendment, of the Operating Budget for each Fiscal Year commencing after June 30, 2003, the City shall certify the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year to which such Budget relates. In addition, the City will certify the assumed interest rate on each Series of Variable Rate Bonds then Outstanding for which deposits will be required to be made pursuant to Section 505(a)(ii) or 505(a)(iv) of the General Certificate. If the City shall not certify the Renewal and Replacement Reserve Fund Requirement as aforesaid, the requirement for the Fiscal Year shall be such Requirement in effect for the previous Fiscal Year until the new requirement is certified as aforesaid.

(c) If for any reason the City shall not have adopted the Operating Budget as provided in Section 712(a) of the General Certificate, the Operating Budget for the then current Fiscal Year shall be deemed to be the Operating Budget for the ensuing Fiscal Year until a new Operating Budget is adopted.

(d) The City may at any time adopt an amended Operating Budget for the then current or ensuing Fiscal Year, but no such amended Operating Budget shall supersede any prior Budget until the City shall have filed with the Trustee a copy of such amended Operating Budget.

(e) In addition to the City's right to amend the Operating Budget pursuant to Section 712(d) of the General Certificate, the City may reallocate amounts budgeted to specific items or months within the Operating Budget then in effect at any time by delivery of a Consultant Certificate of its Authorized Representative provided that no such reallocation shall result in an increase in the aggregate M&O Expenses for the Fiscal Year covered by such Operating Budget. (Section 712)

Accounts and Reports

(a) The City shall maintain its books and accounts in accordance with generally accepted accounting principles applicable to airport operators such as the City and in accordance with such other principles of accounting as the City deems appropriate. Said books and accounts shall at all times be subject to the inspection of the Trustee and the holder or holders of not less than one per cent (1%) in principal amount of Outstanding Bonds of any category or their representatives duly authorized in writing.

(b) The City shall annually, as soon as available and in any event within 270 days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such year, accompanied by financial statements, audited by and containing the report of an Accountant, relating to the operations and properties of the Jetport for such Fiscal Year and setting forth in reasonable detail its financial condition as of the end of such year and the income and expenses for such year. Contemporaneously therewith, the City shall also provide the Trustee with a summary prepared by the Accountant of the receipts in and disbursements from the Funds and Accounts maintained under the General Certificate and any Supplemental Certificate during such Fiscal Year and the amounts held therein at the end of such Fiscal Year. Each report of such accountant or firm of accountants shall state that such financial statements of the City were prepared in accordance with generally accepted accounting principles, or shall state in what respects such financial statements do not conform with such generally accepted accounting principles. If in connection with such annual audit such Accountant submits any written recommendations as to internal accounting controls or related matters, such recommendations shall also be filed with the Trustee. Each annual report shall be accompanied by a certificate of the accountant or firm of accountants auditing the same to the effect that in the course of and within the scope of their examination of such financial statements made in accordance with generally accepted auditing standards nothing came to their attention that would lead them to believe that a default had occurred under the Resolution or, if such is not the case, specifying the nature of the default. Subject to Section 1204 of the General Certificate, copies of any such report or certificate shall be delivered to the Trustee and made available by the Trustee to any holder of the Bonds or their duly authorized representative for inspection at such holder's expense. (Section 713)

Tax Covenants

(a) The City shall take, or require to be taken, such action as may be reasonably within its ability and required to assure the continued exclusion from the federal gross income of holders of any Series of Tax Exempt Bonds, including, without limitation, the preparation and filing of any statements required to be filed by the City in order to establish and maintain such exclusion. In addition, the City shall not take, or permit to be taken on its behalf, any action which would adversely affect the exclusion from federal gross income of the interest on any Series of Tax Exempt Bonds.

(b) The City shall not permit the investment or application of the proceeds of any Series of Tax Exempt Bonds, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which would cause such Bonds to be "arbitrage bonds" within the meaning of said section 148. (Section 714)

Obligations Under Qualified Swap; Nonqualified Swap

(a) The obligation of the City to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series of Bonds may be on a parity with the obligation of the City to make payments with respect to such Series of Bonds and other Bonds hereunder, except as otherwise provided by a Supplemental Certificate and elsewhere in the General Certificate with respect to any Swap Termination Payments. The City may provide in any Supplemental Certificate that Regularly Scheduled Swap Payments under a Qualified Swap shall be secured by a pledge of or lien on the Revenues on a parity with the Bonds of such Series and all other Bonds, regardless of the

principal amount, if any, of the Bonds of such Series remaining Outstanding. The Trustee shall take all action consistent with the other provisions of the General Certificate as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the City with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in the General Certificate or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

(b) In the event that a Swap Termination Payment or any other amounts other than as described in clause (a) above are due and payable by the City under a Qualified Swap, such Swap Termination Payment and any such other amounts shall be expressly subordinate to the payment of the Bonds.

(c) Obligations of the City to make payments, including Swap Termination Payments, under a Swap other than a Qualified Swap shall be expressly subordinate to the payment of the Bonds. (Section 716)

Supplemental Certificates Effective Upon Filing With the Trustee

For any one or more of the following purposes and at any time or from time to time, a Supplemental Certificate may be delivered by the City, which upon the filing with the Trustee of a copy thereof by an Authorized Representative, shall be fully effective in accordance with its terms:

(a) to close the General Certificate against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Certificate on, the authentication and delivery of Bonds;

(b) to add to the covenants and agreements of the City in the General Certificate other covenants and agreements to be observed by the City that are not contrary to or inconsistent with the General Certificate as theretofore in effect including any covenants necessary for compliance with the Code, including without limitation section 148(f) thereof or regulations promulgated thereunder;

(c) to add to the limitations and restrictions in the General Certificate other limitations and restrictions to be observed by the City that are not contrary to or inconsistent with the General Certificate as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the General Certificate, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the General Certificate;

(e) to authorize Bonds of a Series and, in connection therewith specify and determine the matters and things referred to in Sections 206 and 207 of the General Certificate, and also any other matters and things relative to such Bonds that are not contrary to or inconsistent with the General Certificate as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds including, without limiting the generality of the foregoing, provisions amending or modifying the General Certificate to provide for the issuance of Bonds in book-entry form or in coupon form payable to bearer;

(f) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Certificate, of the Revenues or of any other moneys, securities or funds;

(g) to modify any of the provisions of the General Certificate in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series affected by the amendment Outstanding at the date of the adoption of such Supplemental Certificate shall cease to be Outstanding, and (ii) such Supplemental Certificate shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Certificate and of Bonds issued in exchange therefor or in place thereof;

(h) to modify the definition of Investment Securities as directed by the City, provided that the City shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Bonds and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Bonds by any Rating Agency; or

(i) to subject to the lien of the General Certificate additional revenues, security or collateral. (Section 801)

Supplemental Certificates Effective Upon Consent of Trustee

(a) For any one or more of the following purposes and at any time or from time to time, a Supplemental Certificate may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Representative, and (ii) the filing with the City of an instrument in writing made by the Trustee consenting thereto shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the General Certificate; or

(2) to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not contrary to or inconsistent with the General Certificate as theretofore in effect; or

(3) to provide for additional duties of the Trustee.

(b) Any such Supplemental Certificate may also contain one or more of the purposes specified in Section 801 of the General Certificate, and in that event, the consent of the Trustee required by Section 802 of the General Certificate shall be applicable only to those provisions of such Supplemental Certificate as shall contain one or more of the purposes set forth in subsection (a) of Section 802. (Section 802)

Supplemental Certificates Effective With Consent of Bondholders

At any time or from time to time, a Supplemental Certificate may be adopted subject to consent by holders of any Bonds in accordance with and subject to the provisions of Article IX, which Supplemental Certificate, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative and upon compliance with the provisions of Article IX, shall become fully effective in accordance with its terms as provided in said Article. (Section 803)

General Provisions

(a) The General Certificate shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article VIII and Article IX of the General Certificate. Nothing in Article VIII or Article IX contained shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 703 of the General Certificate or the right or obligation of the City to execute and deliver to any Trustee any instrument which elsewhere in the General Certificate it is provided shall be delivered to said Trustee.

(b) Any Supplemental Certificate referred to and permitted or authorized by Sections 801 and 802 of the General Certificate may be adopted by the City without the consent of any of the holders of any Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Certificate filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Certificate, is authorized or permitted by the General Certificate, and is valid and binding upon the City provided that such Bond Counsel's Opinion may take an exception on account of the laws of

bankruptcy, reorganization and insolvency and of other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles.

(c) The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Certificate referred to and permitted or authorized by Section 801, 802 or 803 of the General Certificate and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Certificate is authorized or permitted by the provisions of the General Certificate.

(d) No Supplemental Certificate shall change or modify any of the rights or obligations of any Trustee without its written assent thereto. (Section 804)

Mailing of Notice of Amendment

Any provision in this Article for the mailing of a notice or other paper to any holder of the Bonds shall be fully complied with if it is mailed, by first-class mail, postage prepaid only (i) to each owner of Bonds then Outstanding at his address appearing upon the registry books, and (ii) to the Trustee. (Section 901)

Powers of Amendment

(a) Any modification or amendment of the General Certificate or of the rights and obligations of the City and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Certificate, with the written consent given as provided in Section 903 of the General Certificate, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds of then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Bonds of the several Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 902 of the General Certificate. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Trustee without its written assent thereto. For the purposes of Section 902 of the General Certificate, a Series shall be deemed to be affected by a modification or amendment of the General Certificate if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Certificate and any such determination shall be binding and conclusive on the City and all holders of Bonds.

(b) For the purposes of Section 902 of the General Certificate, the holders of the Bonds may include the initial holders thereof, regardless of whether such Bonds are being held for immediate resale. (Section 902)

Credit Provider Authorized to Give Bondholder Consent

Notwithstanding any provision of the General Certificate to the contrary, including without limitation the provisions of Articles VIII and IX, and subject to the terms of any Supplemental Certificate delivered with respect to a Series of Bonds, of the General Certificate, if any Credit Facility is issued with respect to any Series of Bonds, then so long as the Credit Provider of such Credit Facility is not in default in its payment obligations thereunder, the Credit Provider of such Credit Facility shall at all times be deemed the sole and exclusive holder of the Bonds Outstanding of such Series that are fully insured or otherwise secured pursuant to such Credit Facility for the purposes of all approvals, consents, waivers, institution of any action, the exercising of any voting rights, and the

direction of all remedies, including but not limited to approval of or consent to any amendment or supplement to the General Certificate. (Section 902(c))

Consent of Holders of Bonds

(a) The City may at any time adopt a Supplemental Certificate making a modification or amendment permitted by the provisions of Section 902 of the General Certificate, to take effect when and as provided in Section 903 of the General Certificate. A copy of such Supplemental Certificate (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to holders of Bonds and shall be published in the Authorized Newspapers at least once a week for two successive weeks (but failure to mail or publish such copy and request shall not affect the validity of the Supplemental Certificate when consented to as in Section 903 provided). Such Supplemental Certificate shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 902 of the General Certificate and (b) a Bond Counsel's Opinion stating that such Supplemental Certificate has been duly and lawfully adopted and filed in accordance with the provisions of the General Certificate, is authorized or permitted by the General Certificate and is valid and binding upon the City, and (ii) a notice shall have been published as provided in Section 903 of the General Certificate. The City may fix a record date for purposes of determining holders of Bonds entitled to consent to a proposed Supplemental Certificate.

(b) Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bond or any bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof).

(c) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Certificate, the Trustee shall make and file with the City a written statement that holders of such required percentages of Bonds have filed their consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Certificate (which may be referred to as a Supplemental Certificate adopted by the City on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in Section 903 of the General Certificate, shall be given to the holders of Bonds by the City by mailing such notice to such holders and, if at the time any of such Bonds is in coupon form payable to bearer, by publishing the same in the Authorized Newspapers at least once not more than ninety days after holders of the required percentages of Bonds shall have filed their consents to the Supplemental Certificate and the written statement of the Trustee provided for above is filed. The City shall file with the Trustee proof of the giving of such notice. A record, consisting of the papers required or permitted by Section 903 to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Certificate making such amendment or modification shall be deemed conclusively binding upon the City, the Trustee and the holders of all Bonds upon the filing with the Trustee of the proof of the giving of such last mentioned notice. (Section 903)

Modifications by Unanimous Consent

Notwithstanding anything contained in Article VIII of the General Certificate or in the provisions of Article IX of the General Certificate, the terms and provisions of the General Certificate and the rights and obligations of the City and of the holders of Bonds may be modified or amended in any respect upon the adopting and filing of a Supplemental Certificate and the consent of the holders of all Bonds then Outstanding, such consent to be given as provided in Section 903 of the General Certificate except that no notice to the holders of Bonds either by mailing or publication shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Trustee without the filing with the Trustee of the written assent thereto of such Trustee in addition to the consent of the holders of Bonds. (Section 904)

Events of Default

The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

(a) a default in the due and punctual payment of a Principal Installment or the Redemption Price of any Bonds when and as the same shall become due and payable, whether at maturity or upon earlier redemption, or otherwise; or

(b) a default in the due and punctual payment of any installment of interest on any Bonds, when and as such interest installment shall become due and payable; or

(c) default by the City in the performance or observance of any other of the covenants, agreements or conditions on its part or on the part of the City in the General Certificate, in any Supplemental Certificate or in the Bonds contained, and such default shall continue for a period of 90 days after written notice thereof stating that such notice is a "Notice of Default" to the City by the Trustee or to the City and to the Trustee by the holders of not less than a majority in principal amount of the Bonds, the 90-day period shall be extended to such longer period of time as the Trustee may deem appropriate in the event of defaults which by their nature will require such longer period of time to cure if the City shall commence such cure within such 90-day period and pursue the same diligently to completion; or

(d) if the City (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the Jetport, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or of the whole or any substantial part of the Jetport.

Upon the happening and continuance of any Event of Default, the Trustee shall give notice of such occurrence to the registered holders of the Bonds. Upon the happening and continuance of any Event of Default, neither the Trustee may nor the holders of the Bonds shall have the right to declare the principal of any Bonds then Outstanding, or the interest accrued thereon, to be due and payable prior to its stated maturity. (Section 1001)

Application of Revenues and Other Moneys After Default

(a) The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the City held on its behalf in any Fund, Account or Subaccount hereunder (excluding the Rebate Fund) and (ii) as promptly as practicable after receipt thereof, the Revenues.

(b) During the continuance of an Event of Default, the Trustee shall apply such Revenues and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper fees, charges and expenses (including reasonable attorneys fees) of the Trustee and of any engineer or firm of engineers or accountants or firm of accountants selected by the Trustee pursuant to this Article and to the payment of any fees and expenses required to keep any Financial Guaranties or Credit Facilities in full force and effect;

(2) to the payment of the amounts required for reasonable and necessary M&O Expenses; and

(3) to the payment of the interest and principal or Redemption Price then due on the Bonds as follows:

(i) unless the principal of all of the Bonds shall be due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to persons entitled thereto, without any discrimination or preference; or

(ii) if the principal of all of the Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

(4) To the payment of reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the Jetport necessary to prevent loss of Revenues or to provide for the continued operation of the Jetport, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the City for other purposes) selected by the Trustee.

Any amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund shall not be applied to the payment of the principal amount and interest on Subordinated Bonds.

(c) If and when all overdue installments of interest on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the City hereunder, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the City, or provision satisfactory to the Trustee shall be made for such payment, and all defaults hereunder or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the City all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the General Certificate to be deposited or pledged, with the Trustee), and thereupon the City and the Trustee shall be restored, respectively, to their former position and rights hereunder, and all Revenues shall thereafter be applied as provided in Article V of the General Certificate. No such payment over to the City by the Trustee or resumption of the application of Revenues as provided in Article V shall extend to or affect any subsequent default hereunder or impair any right consequent thereon. (Section 1003)

Proceedings Brought by Trustee

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the holders of the Bonds hereunder forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the General Certificate contained, mandamus, or in aid of the execution of any power in the General Certificate granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties hereunder.

(b) All rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

(c) The holders of a majority in principal amount of the Bonds at the time Outstanding may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the holders of Bonds not parties to such direction.

(d) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right hereunder, the Trustee shall be entitled to exercise any and all rights and powers conferred in the General Certificate and provided to be exercised by the Trustee upon the occurrence of an Event of Default; and, as a matter of right against the City, without notice or demand and without regard to the adequacy of the security for the Bonds, the Trustee shall, to the extent permitted by law, be entitled to the appointment of a receiver of the moneys, securities and funds then held by the City in any Fund, Account or Subaccount hereunder and, subject to application of the Revenues, with all such powers as the court or courts making such appointment shall confer; but notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it hereunder or agreed to be delivered or pledged with it hereunder.

(e) Regardless of the happening of an Event of Default, the Trustee shall have the power to, but (unless requested in writing by the holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity) shall be under no obligation to, institute and maintain such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, (including without limitation, a writ of mandamus) as it may determine shall be necessary or expedient to prevent any impairment of the security hereunder, any impairment of the ability of the City or the Trustee to satisfy any of its agreements or obligations hereunder, or the impairment of any protection provided by the General Certificate of the interests of the holders of Bonds by any acts which may be unlawful or in violation of the General Certificate, and such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, (including without limitation, a writ of mandamus) as the Trustee may determine shall be necessary or expedient to preserve or protect its interest and the interests of the holders of any Bonds. (Section 1004)

Restrictions on Action by Holders of Bonds

(a) No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the General Certificate or the execution of any trust hereunder or for any remedy hereunder, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the holders of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in Section 1005 of the General Certificate or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the General Certificate, or to enforce any right hereunder, except in the manner in the General Certificate provided, and that all proceedings at law or in equity to enforce any provision of the General Certificate shall be instituted, had and maintained in the manner provided in the General Certificate and for the equal benefit of all holders of the Outstanding Bonds, in accordance with their rights and interests hereunder.

(b) Nothing in the General Certificate or in the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any holder to enforce such payment of his Bond. (Section 1005)

Responsibilities of Trustee

The recitals of fact in the General Certificate and in the Bonds contained shall be taken as the statements of the City and no Trustee assumes any responsibility for the correctness of the same. No Trustee makes any representations as to the validity or sufficiency of the General Certificate or of any Bonds issued thereunder or in respect of the security afforded by the General Certificate, and no Trustee shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate on the Bonds. No Trustee shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the City or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund Account or Subaccount hereunder. No

Trustee shall be under any responsibility or duty with respect to the application of any moneys paid to any other Trustee. No Trustee shall be liable in connection with the performance of its duties hereunder except for its own willful misconduct or negligence. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the General Certificate and no implied covenants or obligations shall be imposed upon the Trustee. No provision of the General Certificate shall require any Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. No Trustee shall be under any responsibility or duty with respect to any certificate, report or opinion delivered to it hereunder except to examine it to determine that it conforms to the provisions of the General Certificate. The Trustee may perform any of its duties hereunder either directly or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with reasonable care by it hereunder. The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default hereunder, except Events of Defaults described in paragraphs (a) and (b) of Section 1001 of the General Certificate, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the company or by the holders of at least 10 percent of the aggregate principal amount of the bonds then outstanding; such notice and all other notices and instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered to the designated Office of the Trustee. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default except as noted above. (Section 1103)

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the General Certificate by giving not less than sixty (60) days' written notice to the City and publishing notice thereof, at the Trustee's expense, specifying the date when such resignation shall take effect, once in each week for two successive calendar weeks in an Authorized Newspaper, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the City or the holders of any Bonds as provided in Section 1109 of the General Certificate, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 1107)

Removal of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the City. The Trustee may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the General Certificate with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the City or the holders of not less than 25% in aggregate principal amount of Bonds Outstanding, excluding any Bonds held by or for the account of the City. Notwithstanding the foregoing provisions, the City may remove the Trustee, except during the existence of an Event of Default, upon 120 days written notice to the Trustee by filing with the Trustee an instrument signed by an Authorized Representative of the City. (Section 1108)

Appointment of Successor Trustee

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the holder of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of any Bonds or by their attorneys-in-fact duly authorized and delivered to such successor trustee, notification thereof being given to the City and the predecessor Trustee; but (unless a successor trustee shall have been appointed by the holders of the Bonds as aforesaid) the City by a duly executed written instrument signed by an Authorized Representative shall forthwith appoint a Trustee to fill such vacancy

until a successor Trustee shall be appointed by the holders of the Bonds as authorized in Section 1109 of the General Certificate. The City shall publish notice of any such appointment made by it once in each week for two consecutive calendar weeks, in an Authorized Newspaper, the first publication to be made within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the holders of the Bonds as authorized in Section 1109 of the General Certificate.

(b) If in a proper case no appointment of a successor trustee shall be made pursuant to the foregoing provisions of Section 1109 of the General Certificate within 45 days after the Trustee shall have given to the City written notice as provided in Section 1107 of the General Certificate or after a vacancy in the officer of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

(c) Any Trustee appointed under the provisions of Section 1109 of the General Certificate in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association, and having a capital and surplus aggregating at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Certificate. (Section 1109)

Defeasance

(a) If the City shall pay or cause to be paid to the holders of all Bonds then Outstanding, the Principal Installments and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Certificate, then, at the option of the City, expressed in an instrument in writing signed by an Authorized Representative and delivered to the Trustee, the covenants, agreements and other obligations of the City to the holders of such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the City all moneys, securities and funds held by them pursuant hereto which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(b) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of Section 1201 of the General Certificate. Subject to the provisions of subsection (c) of Section 1201 of the General Certificate, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of Section 1201 of the General Certificate if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish as provided in Article VI notice of redemption of such Bonds (other than the Bonds which have been purchased by the Trustee at the direction of the City provided prior to the publication of such notice of redemption) on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal Installments or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not to be redeemed within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (i) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with Section 1201 of the General Certificate and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal Installments or Redemption Price, if applicable, on said Bonds (other than Bonds which have been purchased by the Trustee at the direction of the City a prior to the publication of the notice of redemption referred to in clause (i) of the General Certificate); provided, however, that in connection with the provision for payment of any Bonds which are then in

non-certificated form, the requirements of clause (iii) above shall be deemed satisfied upon mailing of the notice required by said clause (iii) by registered mail to the securities depository which is the registered owner, or whose nominee is the registered owner, of such Bonds. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to Section 1201 of the General Certificate to the retirement of said Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the General Certificate.

The Trustee shall, if so directed by the City (x) prior to the maturity date of Bonds deemed to have been paid in accordance with Section 1201 of the General Certificate which are not to be redeemed prior to their maturity date or (y) prior to the publication of the notice of redemption referred to in clause (i) above with respect to any Bonds deemed to have been paid in accordance with Section 1201 of the General Certificate which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the Trustee shall receive a Consultant Certificate showing that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be and a Bond Counsel's Opinion to the effect that such redemption or sale of such Defeasance Obligations will not adversely affect the exclusion of the interest on such Bonds from gross income of the holders thereof for federal income tax purposes and that such redemption or sale otherwise complies with the provisions of the General Certificate. The directions given by the City to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Bonds so purchased and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with Section 1201 of the General Certificate upon their maturity date or dates and the portion, if any, of such Bonds so purchased and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with Section 1201 of the General Certificate on any date or dates prior to their maturity. In the event that on any date as a result of any purchases and cancellations of Bonds as provided in Section 1201 of the General Certificate the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under Section 1201 of the General Certificate is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy clause (ii) of this subsection (b) of Section 1201 of the General Certificate, the Trustee shall, if requested by the City, pay the amount of such excess to the City free and clear of any lien or pledge securing said Bonds or otherwise existing hereunder. Except as otherwise provided in this subsection (b) of Section 1201 of the General Certificate and subsection (c) of Section 1201 of the General Certificate, neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to Section 1201 of the General Certificate nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing hereunder, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested at the written direction of an Authorized Representative of the City in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the City, as received by the Trustee, free and clear of any lien or pledge securing said Bonds or otherwise existing hereunder.

(c) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, in accordance with the second sentence of subsection (b) of Section 1201 of the General Certificate, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been

required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of subsection (b) of Section 1201 of the General Certificate, the Trustee shall, if requested, by the City, pay the amount of such excess to the City free and clear of any lien or pledge securing the Bonds or otherwise existing hereunder.

(d) Option Bonds shall be deemed to have been paid in accordance with the second sentence of subsection (b) of Section 1201 of the General Certificate only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Option Bonds which could become payable to the holders of such Option Bonds upon the exercise of any options provided to the holders of such Option Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to subsection (b) of Section 1201 of the General Certificate, the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Option Bond shall not be considered an Option Bond for purposes of this subsection (d). If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the City, pay the amount of such excess to the City free and clear of any trust, lien or pledge securing said Option Bonds or otherwise existing hereunder.

(e) Anything in the General Certificate to the contrary notwithstanding, any moneys held by a Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds become due and payable, shall, at the written request of the City, be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the holders of any Bonds shall look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee may, at the expense of the City, cause to be published at least twice, at an interval of not less than seven days between publications, in the Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to Section 1201 of the General Certificate shall be held uninvested and without liability or interest thereon. Before making any payment under Section 1201 of the General Certificate, the Trustee shall be entitled to receive at the City's expense an opinion of counsel to the effect that said payment is permitted under applicable law. (Section 1201)

Preservation and Inspection of Documents

All documents received by any Trustee under the provisions of the General Certificate shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Trustee, and any holder of any Bonds, and any person that the Trustee can reasonably determine is a beneficial owner of any Bonds held by or on behalf of a securities depository, and their agents and their representatives, any of whom may make copies thereof. Upon the receipt of a written request by any such beneficial owner or any holder of any Bonds, or their agents or their representatives, the Trustee shall provide copies of any reports or certificates delivered to the Trustee pursuant to any provision of the General Certificate. At the direction of the City, the Trustee shall require the party requesting such reports or certificates to pay or reimburse the Trustee for the direct costs of reproducing and mailing such reports or certificates. (Section 1204)

No Recourse on the Bonds

No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the General Certificate against any elected official, other officer, employee or agent of the City or any person executing the Bonds. (Section 1206)

SUMMARY OF FIRST SUPPLEMENTAL CERTIFICATE

The following is a brief summary of certain provisions of the First Supplemental Certificate including certain terms used in the First Supplemental Certificate and used but not elsewhere defined in the Official Statement. This summary does not purport to be complete and reference is made to the First Supplemental Certificate for full and complete statements of its terms and provisions.

Definitions

“2003 Tax-Exempt Bonds” shall mean the Series 2003A Bonds.

“Annual Installment Date” shall mean a date selected by the City within 60 days after each Bond Year which date is not a Rebate Installment Date.

“Average Annual Debt Service” shall mean with respect to the Series 2003A Bonds and the Series 2003B Bonds, the average annual Debt Service for such Series as of any year such Series remains outstanding.

“Bond Payment Date” shall mean each date on which interest or a Principal Installment or both shall be due and payable on any Series 2003 Bond according to its terms.

“Bond Year” shall have the meaning set forth in Section 201 of the General Certificate.

“Defeasance Obligations” shall have the meaning given such term in the General Certificate, but shall not include the obligations described in clause (h) of the definition of Investment Securities therein.

“First Supplemental Certificate” shall mean the First Supplemental Certificate delivered with respect to up to \$35,000,000 City of Portland, Maine General Airport Revenue Bonds, Series 2003A (Non-AMT) and Series 2003B (Federally Taxable).

“Fiscal Agent” means the fiscal agent so designated from time to time by the Insurer..

“Insurer” means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

“Maximum Annual Debt Service” shall mean with respect to the Series 2003A Bonds and the Series 2003B Bonds, the maximum Debt Service for such Series in any year in which such Series will be outstanding.

“Nonpurpose Payments” shall have the meaning ascribed to such term in the Regulations.

“Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest in the Bonds when due.

“Rebate Installment Date” shall mean the dates selected by the City pursuant to the Regulations for the computation of rebate as provided in Section 301(b) of the General Certificate, the first of which shall be no later than five years after the date of issue of the Series 2003 Tax-Exempt Bonds. Each subsequent Rebate Installment Date shall be no more than five years following the next preceding Rebate Installment Date. Rebate Installment Date shall also include the date on which final payment of the 2003 Tax-Exempt Bonds is made.

“Rebate Payment Date” shall mean, with respect to any Rebate Installment Date, 60 days after the Rebate Installment Date.

“Record Date” shall mean the fifteenth day of the month immediately preceding any month in which there occurs a Bond Payment Date.

“Regulations” shall mean the Treasury Regulations applicable to section 148(f) of the Code and the 2003 Tax-Exempt Bonds.

“Series 2003 Bonds” shall mean, collectively, the Series 2003A Bonds and the Series 2003B Bonds.

“Series 2003A Bonds” shall mean the \$29,165,000 City of Portland, Maine General Airport Revenue Bonds, Series 2003A (Non-AMT) authorized by the Bond Order and issued pursuant to Section 201(a) of the First Supplemental Certificate.

“Series 2003B Bonds” shall mean the \$5,835,000 City of Portland, Maine General Airport Revenue Bonds, Series 2003B (Federally Taxable) authorized by the Bond Order and issued pursuant to Section 201(b) of the First Supplemental Certificate.

“Series 2003A Debt Service Reserve Requirement” shall mean, with respect to the Series 2003A Bonds, an amount equal to, from time to time, (1) the lesser of (a) 10% of the stated principal amount of the Series 2003A Bonds, (b) the Maximum Annual Debt Service on the Series 2003A Bonds, or (c) 125% of the Average Annual Debt Service on the Series A Bonds, in the current or any future Fiscal Year, minus (2) the amount then on deposit in the Series 2003B Account of the Debt Service Reserve Fund.

“Series 2003B Debt Service Reserve Requirement” shall mean, with respect to the Series 2003B Bonds, an amount equal to, from time to time, the lesser of (a) 10% of the stated principal amount of the Series 2003B Bonds, (b) the Maximum Annual Debt Service on the Series 2003B Bonds, or (c) 125% of the Average Annual Debt Service on the Series 2003B Bonds, in the current or any future Fiscal Year.

Principal Amounts, Designations and Series.

Pursuant to the provisions of the General Certificate, a Series of Bonds entitled to the benefit, protection and security of such provisions is authorized in the aggregate principal amount of \$29,165,000. Such Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title “General Airport Revenue Bonds, Series 2003A (Non-AMT)”.

Pursuant to the provisions of the General Certificate, a Series of Bonds entitled to the benefit, protection and security of such provisions is authorized in the aggregate principal amount of \$5,835,000. Such Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title “General Airport Revenue Bonds, Series 2003B (Federally Taxable)”.

The Bond Year for the Series 2003 Bonds shall be the one-year period commencing each July 1.

Form, Denominations, Numbers and Letters

The Series 2003 Bonds shall be issued in the form of fully registered bonds in the minimum denomination of \$5,000 and in integral multiples thereof. Unless the City shall otherwise direct, each Series 2003A Bond shall be lettered “03A-” followed by the number of such Series 2003A Bond. The Series 2003A Bonds shall be numbered consecutively from one upward.

Unless the City shall otherwise direct, each Series 2003B Bond shall be lettered “03B-” followed by the number of such Series 2003B Bond. The Series 2003B Bonds shall be numbered consecutively from one upward.

Dating of Series 2003 Bonds

The Series 2003 Bonds shall be dated as of the date of delivery. Each Series 2003 Bond shall bear interest from the July 1 or January 1 next preceding the date of authentication thereof, unless (i) the date of authentication is an interest payment date, in which case such Series 2003 Bond shall bear interest from such interest payment date; (ii) the Bond is authenticated as of a date on or after July 1, 2003 and on or prior to the Record Date next preceding January 1, 2004, in which event the bond shall bear interest from its date of delivery; (iii) the Bond is authenticated

after a Record Date and before the next succeeding interest payment date, in which event the Bond shall bear interest from such interest payment date; or (iv) the payment of interest on the Series 2003 Bonds shall be in default, in which case each Series 2003 Bond shall bear interest from the last date to which interest thereon has been paid in full.

Place of Payment and Paying Agent

The Principal and Redemption Price of the Series 2003 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Series 2003 Bonds will be payable by the Trustee by check mailed to the registered holders, at their addresses as the same appear on the Record Date on the books of the City kept at the designated corporate trust office of the Trustee. Upon the written request of any registered holder of at least \$1,000,000 in principal amount of Series 2003 Bonds, the Trustee shall make payments of interest on or principal of the Series 2003 Bonds to such holder by wire transfer to the account of such holder as set forth on the registration books of the City maintained at the designated corporate trust office of the Trustee at the close of business on the Record Date prior to the payment date, or to any other account of which such holder shall give written notice to the Trustee not less than five Business Days prior to the date set for payment. Such check or wire shall identify each payment of interest on or principal of an individual Series 2003 Bond separately by reference to the CUSIP number for such Series 2003 Bond. The provisions of Section 207 of the First Supplemental Certificate shall be subject to Section 304 of the First Supplemental Certificate.

Optional Redemption

The Series 2003A Bonds maturing before July 1, 201__ and the Series 2003B Bonds are not subject to optional redemption prior to maturity.

The Series 2003A Bonds maturing on and after July 1, 201__ are subject to redemption prior to maturity on any date on and after July 1, 201__, at the option of the City at the Redemption Prices (expressed as percentages of the principal amount of such Series 2003A Bonds or portions thereof to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Period During Which Redeemed (both dates inclusive)</u>	<u>Redemption Price</u>
July 1, 201__ and thereafter	100%

Mandatory Sinking Fund Redemption of Term Bonds

The Series 2003A Term Bonds and the Series 2003B Bonds are subject to mandatory sinking fund redemption prior to their respective stated dates of maturity, as provided in the Bonds, the First Supplemental Certificate and the General Certificate

Notice of Redemption of Series 2003A Bonds

Notice of the call for any redemption of Series 2003A Bonds prior to maturity, specifically identifying by designation, letters, numbers, or other distinguishing marks (including CUSIP numbers), the Series and numbers of the bond certificates, or portions thereof to be redeemed, the redemption price to be paid, the date of general mailing of notices to holders of such Series of the Series 2003A Bonds and information services, the date fixed for redemption, the name and address of the place or places where the amounts due upon such redemption are payable, including the name of the redemption agent together with a contact person and telephone number, the issue date, interest rate and maturity date of the Series 2003A Bonds to be redeemed shall be given by the Trustee on behalf of the City by mailing a copy of the redemption notice by registered or certified mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption, to the registered holder of each such Series 2003A Bond to be redeemed at the address shown on the registration books kept by the Trustee, provided, however, that failure to give such notice to any holder of a Series 2003A Bond by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the other Series 2003A

Bonds. The failure to give such notice to the national information services by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Series 2003A Bonds. Such notice shall further state that on such date there shall become due and payable upon each Series 2003A Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2003A Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered holder who has not submitted Series 2003A Bonds called for redemption thirty (30) days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Series 2003A Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice. In the case of any redemption of Series 2003A Bonds prior to maturity to be made at the direction of the City, the Trustee shall give the notices required by Section 209 of the First Supplemental Certificate as soon as practicable after receipt of written notice from the City of such direction and shall not be required to give such notices until such time.

Establishment of Accounts and Subaccounts

Pursuant to Section 502 of the General Certificate, the First Supplemental Certificate establishes within the Funds and Accounts established under the General Certificate, the following subaccounts:

In the Project Fund:

Series 2003A Subaccount
Series 2003B Subaccount

In the Debt Service Fund:

Series 2003A Principal Subaccount
Series 2003A Interest Subaccount
Series 2003A Redemption Subaccount
Series 2003A Capitalized Interest Subaccount

Series 2003B Principal Subaccount
Series 2003B Interest Subaccount
Series 2003B Redemption Subaccount
Series 2003B Capitalized Interest Subaccount

In the Debt Service Reserve Fund:

Series 2003A Account
Series 2003B Account

Rebate Fund

For the purpose of compliance with section 148(f) of the Code, a Series 2003A Subaccount is established in the Rebate Fund, to be used solely for purposes of making the payments described in Section 301(b) of the First Supplemental Certificate until the requirements of section 148(f) of the Code and the Regulations applicable thereto shall have been satisfied. The City agrees that the requirements of Section 301(b) of the First Supplemental Certificate are subject to, and shall be interpreted in accordance with, section 148(f) of the Code and the Regulations applicable thereto, including without limitation the provisions of section 148(f)(4)(C)(viii) if an election has been made thereunder.

Calculation of Rebate Deposits and Payments

Promptly upon the close of each Bond Year and also upon the retirement of either Series of the 2003 Tax-Exempt Bonds, or at any other Rebate Installment Date selected by the City, the Trustee shall provide the City with a statement of earnings on all Funds, Accounts or Subaccounts with respect to such Series of the 2003 Tax-Exempt Bonds held in trust pursuant to the General Certificate which are subject to the requirements of Section 301(b) of the First Supplemental Certificate during any period not covered by a prior statement delivered pursuant to such

Section. The statement shall include the purchase and sale prices of each investment (including any commission paid thereon which shall be separately stated if such information is available), the dates of each investment transaction, information as to whether such transactions were made at a discount or premium, and such other information known to the Trustee as the City shall reasonably require.

At least 15 days prior to each Rebate Payment Date, and additionally at least 15 days after each Annual Installment Date, the City shall, in accordance with the Regulations, determine the amount, if any, to be deposited into the Rebate Fund pursuant to Section 505(a) of the General Certificate based upon Nonpurpose Payments and Nonpurpose Receipts allocable to each Series of the 2003 Tax-Exempt Bonds. Such amount shall consist of: (1) the difference between the future values, as of the next succeeding Rebate Installment Date, or Annual Installment Date as determined by the City, of all Nonpurpose Payments (including, as authorized by the Regulations, any rebate previously paid) and Nonpurpose Receipts (whether held under the General Certificate or otherwise), reduced by (2) any amounts already on deposit in the applicable Subaccount of the Rebate Fund. For purposes of calculating the foregoing future values, the yield on each Series of the 2003 Tax-Exempt Bonds, determined in accordance with the Regulations, shall be used. Except as may otherwise be provided by law, the computation of the amounts to be deposited into such Subaccounts of the Rebate Fund need not take into account any earnings on any "tax exempt bond" under section 150(a)(6) of the Code and section 1.150-1 of the Regulations and which is not a specified private activity bond as defined in section 57(a)(5)(C) of the Code or any earnings as to which exceptions are provided under section 148(f)(4)(A), (B) or (C) of the Code or section 1.148-7 of the Regulations. The City shall also determine the amount of any applicable "yield restriction payments", as provided under section 1.148-5(c) of the Regulations.

The City shall deposit from the Revenue Fund, pursuant to Section 505(a) of the General Certificate, the amounts determined as provided under subsection (ii) to the applicable Subaccount of the Rebate Fund. If, according to the calculations made pursuant to subsection (ii) above, together with calculations made in prior years pursuant to such subsection, the amount on deposit in the Rebate Fund exceeds the amount required to be on deposit therein as of the Annual Installment Date, the City shall transfer such excess to the Revenue Fund.

No later than each Rebate Payment Date, the City shall pay to the United States from amounts on deposit in the applicable Subaccount of the Rebate Fund any "yield reduction payments" as aforesaid and/or a rebate amount that is at least 90% of the amount required to be paid pursuant to the provisions of section 148(f) of the Code as calculated by or on behalf of the City, taking into account any credit permitted by the Regulations. On a date selected by the City no later than 60 days after the date on which a Series of the 2003 Tax-Exempt Bonds has been paid in full, the City shall pay to the United States from amounts on deposit in the applicable Subaccount of the Rebate Fund any "yield reduction payments" as aforesaid and/or a rebate equal to 100% of the entire amount then payable pursuant to section 148(f) of the Code as calculated by or on behalf of the City, including actual or imputed earnings as provided by the Regulations. Any amounts in such Subaccount in excess of amounts due shall be deposited in the Revenue Fund. Unless otherwise provided by law, each payment shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 or any other address specified by the Internal Revenue Service and accompanied by a copy of Form 8038-T furnished by the City.

The City shall keep such records as will enable it to fulfill its responsibilities under Section 301(b) of the First Supplemental Certificate and section 148(f) of the Code. For purposes of the computation required under Section 301(b) of the First Supplemental Certificate, the Trustee shall make available to the City during normal business hours all information in the control of the Trustee that is necessary to such computations.

Section 301(b) of the First Supplemental Certificate, relating to rebate payments, as amended from time to time, shall survive the defeasance of the General Certificate and of the 2003 Tax-Exempt Bonds. Only upon (i) the retirement of a Series of the 2003 Tax-Exempt Bonds or provision for the same pursuant to Section 1201 of the General Certificate, and (ii) the payment of all amounts due under section 148 of the Code with respect to such Series shall any amounts remaining in the applicable Subaccount of the Rebate Fund be paid to the Revenue Fund.

Application of Proceeds of Series 2003 Bonds

Pursuant to Section 206(d) of the General Certificate and the First Supplemental Certificate, the City has directed that the proceeds of the sale of the Series 2003A Bonds, net of Underwriters' discount and the insurance premium payable to the Insurer in respect of the Policy, be deposited and applied:

- (a) to fund the Series 2003A Account of the Debt Service Reserve Fund in an amount equal to the Series 2003A Debt Service Reserve Fund Requirement;
- (b) to fund the Series 2003A Subaccount of the Interest Account of the Debt Service Fund in the amount of the accrued interest on the Series 2003A Bonds;
- (c) to fund the Series 2003B Subaccount of the Capitalized Interest Account of the Debt Service Fund in the amount determined by the Authorized Representative; and
- (d) to fund the Series 2003A Subaccount of the Project Fund in the amount determined by the Authorized Representative.

Pursuant to Section 206(d) of the General Certificate and the First Supplemental Certificate, the City directed that the proceeds of sale of the Series 2003B Bonds, net of Underwriters' discount and the insurance premium payable to the Insurer in respect of the Policy, be deposited and applied:

- (a) to fund the Series 2003B Account of the Debt Service Reserve Fund in an amount equal to the Series 2003B Debt Service Reserve Fund Requirement;
- (b) to fund the Series 2003B Subaccount of the Interest Account of the Debt Service Fund in the amount of the accrued interest on the Series 2003B Bonds;
- (c) to fund the Series 2003B Subaccount of the Capitalized Interest Account of the Debt Service Fund in the amount determined by the Authorized Representative; and
- (d) to fund the Series 2003B Subaccount of the Project Fund in the amount determined by the Authorized Representative.

Pursuant to Section 508(d) of the General Certificate, the City may fund the Series Accounts of the Debt Service Reserve Fund through the deposit of a Financial Guaranty in lieu of cash deposits. So long as the Policy is in effect and the Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization, the City will not deposit any such Financial Guaranty in lieu of cash deposits without the prior written consent of the Insurer.

Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default where the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Series 2003 Bonds.

The City agrees that the last paragraph of Section 505(a)(ii) of the General Certificate shall not be applicable to the Series 2003B Bonds. Upon final payment of all Debt Service on the Series 2003B Bonds, whether at maturity or earlier redemption in full, the Trustee shall transfer all amounts then on deposit in the Series 2003B Account of the Debt Service Reserve Fund to the Series 2003A Account of the Debt Service Reserve Fund.

Book-entry Form

In accordance with Section 303 of the General Certificate, the City determined that the Series 2003 Bonds shall be issued exclusively in "book-entry" form. The initial owner of the Series 2003 Bonds shall be Cede & Co. ("Cede"), on behalf of The Depository Trust Company ("DTC"), which shall hold one or more immobilized certificates representing each maturity of each Series of the Series 2003 Bonds. With respect to the Series 2003

Bonds so registered in the name of Cede, the City and the Trustee shall have no obligation or responsibility to any DTC participant, indirect participant or beneficial owner of the Series 2003 Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant or indirect participant with respect to any beneficial ownership interest in the Series 2003 Bonds, (ii) the delivery to any DTC participant, indirect participant, beneficial owner or any other person, other than DTC, of any notice with respect to the Series 2003 Bonds, including any notice of redemption, or (iii) the payment to any DTC participant, beneficial owner or any other person other than DTC, of any amount with respect to the principal or redemption price of or interest on the Series 2003 Bonds. The City and the Trustee may treat as, and deem DTC to be, the absolute owner of the Series 2003 Bonds for the purposes of (i) payment of the principal and redemption price of, as applicable, and interest on the Series 2003 Bonds, (ii) giving notices of redemption and other matters with respect to such Series 2003 Bonds and (iii) registering transfers with respect to such Series 2003 Bonds, and for all other purposes whatsoever. The Trustee shall pay all principal or redemption price of, as applicable, and interest on the Series 2003 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to such principal or redemption price and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Series 2003 Bond evidencing the obligation of the City to make payments of principal or redemption price, as applicable, and interest thereon pursuant to the First Supplemental Certificate or the General Certificate. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of the First Supplemental Certificate, the word "Cede" in the First Supplemental Certificate shall refer to such new nominee of DTC. All transfers of Series 2003 Bonds shall be effected as set forth in Section 306 of the General Certificate; provided that the City acknowledges and agrees that The Depository Trust Company shall establish procedures with its participants for recording and transferring the ownership of beneficial interests in the Series 2003 Bonds. The City and the Trustee may enter into a letter of representation and other documentation necessary or desirable to effectuate the issuance of the Series 2003 Bonds in book-entry form.

For purposes of determining consents of the owners of any Series 2003 Bonds under Articles VIII, IX and X and Section 1202 of the General Certificate, the Trustee shall establish a record date for determination of ownership of such Series 2003 Bonds, and shall give to DTC at least fifteen (15) calendar days' notice of any record date so established.

DTC may determine to discontinue providing its services with respect to any Series of the Series 2003 Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law.

The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to any Series of the Series 2003 Bonds if the City determines, and shall terminate the services of DTC with respect to the Series 2003 Bonds upon receipt by the City and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect participants having interests, as shown in the records of DTC, in an aggregate amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds of such Series, that: (I) DTC is unable to discharge its responsibilities with respect to such Series; or (II) a continuation of the requirement that all of the Outstanding Bonds of such Series be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of such Series.

Upon the termination of the services of DTC with respect to any Series of the 2003 Bonds pursuant to Section 304(c)(ii)(II) of the First Supplemental Certificate, or upon the discontinuance or termination of the services of DTC with respect to any Series of the Series 2003 Bonds pursuant to Section 304(c)(i) or 304(c)(ii)(I) of the First Supplemental Certificate after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Series 2003 Bonds of such Series shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, or in the name of any substitute securities depository or its nominee, but may be registered in whatever names the registered holder transferring or exchanging the Series 2003 Bonds of such Series shall designate, in accordance with the provisions of Article III of the General Certificate.

The City may hereafter amend the First Supplemental Resolution without notice to or consent of the owners of any of the Series 2003 Bonds in order to (x) effect the certification of one or more Series of the Series 2003 Bonds pursuant to Section 304(c) or (y) of the First Supplemental Certificate substitute another securities depository for DTC pursuant to Section 304(c) of the First Supplemental Certificate.

Notwithstanding any other provision of the First Supplemental Resolution or the General Certificate to the contrary, so long as any Series 2003 Bond of a Series is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or redemption price of, as applicable, and interest on, and all notices with respect to such Series shall be made and given, respectively, to DTC pursuant to the Blanket Issuer Letter of Representations dated as of May 18, 1995 between the City and DTC. Similar arrangements may be made with any substitute securities depository.

While DTC or its nominee, or any other securities depository, is the registered owner of any Series of the Series 2003 Bonds all notices of redemption with respect to Series 2003 Bonds of such Series shall be sent for receipt by the registered owner at least two days prior to the date of general publication or release to the public.

In the event that the book-entry only system is discontinued, the Series 2003 Bonds shall be issued in certificated and fully registered form, and upon the written request of any holder of at least \$1,000,000 in principal amount of Series 2003 Bonds, the Trustee shall enter two addresses for such holder upon its registration books, and any such notice of redemption shall be mailed as provided in the First Supplemental Certificate to both such addresses; provided, however, that failure to mail such notice to the second address shall not affect the validity of any proceedings for the redemption of any of the Series 2003 Bonds.

Bond Insurance

The City approved the purchase of the Policy securing the Series 2003 Bonds. The Director of Finance is authorized to execute and deliver a contract for bond insurance in form and substance satisfactory to such officer, his or her execution thereof to constitute conclusive evidence of his or her approval of such instrument and the approval of such instrument by the City.

The Policy

Use of Proceeds under the Policy. All amounts received under the Policy shall be used solely for the payment of principal of and interest on the Series 2003 Bonds.

Insurer Access to Information, Books and Records. While the Policy is in effect, the Trustee will furnish the Insurer and the Fiscal Agent with such information as they may reasonably request regarding the security for the Series 2003 Bonds, as appears from the books and records under its custody and control, or as otherwise known to it. The Trustee will permit the Insurer and the Fiscal Agent to have access to and to make copies of all such books and records after reasonable notice at any reasonable time during regular business hours at its corporate trust office.

Trustee to Notify Insurer of Insufficient Moneys. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the General Certificate or the First Supplemental Certificate, moneys sufficient to pay the principal of and interest on the Series 2003 Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its Fiscal Agent, if any, by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2003 Bonds due on such Payment Date, the Trustee shall make a claim under the Policy and give notice to the Insurer and the Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2003 Bonds and the amount required to pay principal of the Series 2003 Bonds, confirmed in writing to the Insurer and the Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Policy.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 2003 Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2003 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2003 Bonds to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2003 Bonds shall have no effect on the amount of principal or interest payable by the Issuer on any Series 2003 Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payment Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2003 Bonds under the sections of the First Supplemental Certificate regarding payment of Series 2003 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the General Certificate, and to the extent permitted by law, in the event amounts paid under the Policy are applied to claims for payment of principal of or interest on the Series 2003 Bonds, interest on such principal of and interest on such Series 2003 Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on Series 2003 Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Series 2003 Bond payment date shall promptly be remitted to the Insurer.

Trustee to Notify Insurer of Proposed Changes. The Trustee shall promptly, upon receipt of knowledge thereof, notify the Insurer of:

- (a) any proposed change in the Series 2003 Bonds, the General Certificate or the First Supplemental Certificate;
- (b) the occurrence of any Event of Default;
- (c) any proposed resignation, removal or appointment of the Trustee under the General Certificate;
- (d) any matter to be put to the holders of the Series 2003 Bonds for election under the General Certificate;
- (e) exercise by the holders of the Series 2003 Bonds of any option, vote, right, power or the like under the General Certificate; and

(f) any other matter, notice of which is required hereunder to be given to any of the holders of the Series 2003 Bonds in accordance with the terms of the General Certificate.

(g) The Trustee shall deliver copies of any changes to the Series 2003 Bonds, the General Certificate and the First Supplemental Certificate to S&P and Moody's at least ten (10) days prior to the effective date thereof.

Insurer Rights in the Event of Nonpayment. The Insurer is entitled to the benefit of the following provisions in the event of any nonpayment of principal of or interest on any Series 2003 Bonds when due under the General Certificate or the First Supplemental Certificate ("Nonpayment"). Notwithstanding any other provision of the General Certificate:

(a) The Trustee shall promptly notify the Insurer of the Nonpayment.

(b) The Insurer shall, to the extent it makes any payment of principal of (or, in the case of Capital Appreciation Bonds, accreted value) or interest on the Series 2003 Bonds, become subrogate to the rights of the recipients of such payments in accordance with the terms of the policy. The obligations to the Insurer shall survive discharge or termination of the Series 2003 Bonds, the General Certificate or the First Supplemental Certificate.

(c) The Trustee shall deliver to the Fiscal Agent, uncanceled, all Series 2003 Bonds delivered to it with respect to which the Fiscal Agent has made payment as provided in the Policy. Such Series 2003 Bonds shall be delivered as fully registered bonds, per instructions of the Fiscal Agent. Notwithstanding anything in the General Certificate to the contrary, amounts paid by the Insurer under the Policy shall not be deemed paid for purposes of the General Certificate and shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the General Certificate and the First Supplemental Certificate. The General Certificate and the First Supplemental Certificate shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(d) The Trustee shall recognize the Insurer as the holder of each of the Series 2003 Bonds with respect to which it has made payment as provided in the Policy for the purposes of exercising all options, votes, rights, powers or the like available to Bondholders of the Series 2003 Bonds under any provision of the General Certificate.

(e) The Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as a holder of Series 2003 Bonds may institute any action under Section 1005 of the Certificate.

(f) The City shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Series 2003 Bonds, the General Certificate, or the First Supplemental Certificate; (ii) the pursuit of any remedies under the General Certificate or this Supplemental Certificate or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the General Certificate or this Supplemental Certificate whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Series 2003 Bond, the General Certificate or the Supplemental Certificate or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its obligations under the Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the General Certificate or this Supplemental Certificate.

(g) The Insurer shall be entitled to pay principal (or, in the case of Capital Appreciation Bonds, accreted value) or interest on the Series 2003 Bonds that shall become Due for a Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Series 2003 Bonds as a result of acceleration of the maturity thereof in accordance with the

General Certificate and the First Supplemental Certificate whether or not the Insurer had received a Notice of Nonpayment (as such terms are defined in the Policy) or a claim upon the Policy.

Insurer Approval of Changes in Terms of Series 2003 Bonds, General Certificate or First Supplemental Certificate

So long as the Policy is in effect and the Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization, no change in the Series 2003 Bonds, the General Certificate or the First Supplemental Certificate shall be made or shall become effective without the prior written approval of the Insurer.

Notwithstanding anything in the Certificate to the contrary, so long as the Policy is in effect and the Insurer is not in default thereunder, no holder of Series 2003 Bonds shall exercise any option, vote, right, power or the like required or permitted by the Series 2003 Bonds or the Certificate without first obtaining the prior written approval of the Insurer.

Insurer Deemed to be Sole Bondholder

(a) By acceptance of the Series 2003 Bonds, each holder thereof grants to the Insurer the right to exercise any option, vote, right power or the like available to holders of the Series 2003 Bonds under the Certificate. Each holder of a Bond insured by the Insurer (such bond being referred to individually, as an "Insured Bond," and collectively, as the "Insured Bonds") by virtue of its purchase of such Insured Bond is deemed to have granted the following rights and privileges to the Insurer as a condition to, and in consideration for, the Insurer's issuance and delivery of the Policy; provided, however, such grant to the Insurer shall be in effect only while the Policy is in effect and the Insurer is not in default under the Policy: the Insurer shall be deemed to be the sole owner of a principal amount of the Series 2003 Bonds equal to the principal amount of the Insured Bonds for purposes all approvals, consents, waivers, institution of any action, and the exercising of any voting rights and of the right to direct the exercise of, or consent to, rights and remedies to be taken by the Trustee (to the extent that the principal amount of the Outstanding Insured Bonds would give the holders thereof the right to so direct the Trustee) under the Certificate in circumstances that give rise to the Trustee's rights to exercise rights and remedies, and to take any other action which the holder of an Insured Bond is, or would be, permitted to take under the Certificate.

(b) The rights granted to the Insurer under the Series 2003 Bonds, the General Certificate and the First Supplemental Certificate to request, consent to or direct any action or rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the holders of the Series 2003 Bonds nor does such action evidence any position of the Insurer, positive or negative, as to whether the holders of the Series 2003 Bonds consent is required in addition to the consent of the Insurer.

Certain Investments

Notwithstanding any provision of the General Certificate to the contrary, the City agrees for the benefit of the Insurer that so long as the Policy is in effect and the Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization (a) the City will not enter into any repurchase agreement described in clause (f) of the definition of Investment Securities in Section 101 of the General Certificate which has a term of more than 30 days unless such term shall have been approved by the Insurer, (b) the fair market value of the collateral securities subject to any such agreement in relation to the amount of the applicable repurchase obligations shall be at least 104% or, in the case of collateral securities issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, at least 105%, (c) the maturities of Investment Securities held in the Debt Service Reserve Fund shall not exceed four years from the date of investment except with the written approval of the Insurer and (d) the written approval of the Insurer shall be required for any modification of the definition of Investment Securities pursuant to Section 801(h) of the General Certificate.

Miscellaneous

(i) In determining whether an Event of Default shall have occurred and be continuing, no effect shall be given to the Policy; (ii) the Trustee shall not take the Policy into account in determining whether the rights of holders of the Series 2003 Bonds are adversely affected by actions taken pursuant to the terms of the General Certificate; (iii) the Insurer shall be deemed to be an express third party beneficiary of the General Certificate; (iv) in determining whether any amendment, consent or other action to be taken, or any failure to act, under the General Certificate or the First Supplemental Certificate would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Policy; (v) no contract shall be entered into nor any action taken by which the rights of the Insurer or security for or sources of payment of the Series 2003 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer; (vi) each of the City and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time otherwise preserve the priority of the pledge of Revenues under applicable law.

Airport Consultant; Engineers

So long as the Policy is in effect and the Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization;

(a) Any Airport Consultant employed by the City to meet the requirements of Section 705 of the General Certificate following a breach thereof by the City shall be acceptable to the Insurer.

(b) Any Independent Engineer employed by the City pursuant to Section 710 of the General Certificate shall be acceptable to the Insurer.

(c) The acceptance of the Insurer shall not be required if not provided within 15 days of written request and if the Insurer shall fail to so accept, it shall deliver a statement of its reasons for such failure.

Defeasance

Notwithstanding anything in the General Certificate to the contrary, so long as the Policy is in effect and the Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization, to accomplish defeasance, the City shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2003 Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer, and (iii) an opinion of Bond Counsel to the effect that the Series 2003 Bonds are no longer "outstanding" under the General Certificate, and (iv) if there is a trustee for the Series 2003 Bonds, a certificate of discharge of the Trustee with respect to the Series 2003 Bonds; each Verification and Defeasance Opinion shall be acceptable in form and substance and shall be addressed to the City, the Trustee and the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) business days prior to the funding of the escrow.

Notwithstanding anything in the General Certificate to the contrary, Bonds shall be deemed "outstanding" under the General Certificate unless and until they are in fact paid and retired or the above criteria are met.

Cure Periods on Event of Default

Notwithstanding anything in Section 1001(c) of the General Certificate to the contrary, so long as the Policy is in effect and the Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization, to accomplish defeasance, the 90 day cure period in Section 1001(c) of the General Certificate shall be reduced to 30 days and no extension of such cure period in excess of 30 days shall be extended for more than 60 days without the prior written consent of the Insurer.

Information Provided to Insurer

The Insurer shall be provided with the following information:

- (i) By the City, annual audited financial statements within 150 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the General Certificate) and the Issuer's annual budget within 30 days after the approval thereof together with such other information data or reports as the Insurer shall reasonably request from time to time.
- (ii) By the Trustee, notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (1) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (2) withdrawals in connection with a refunding of Bonds.
- (iii) By the Trustee or the City, as applicable, notice of any default known to the Trustee or the City within five Business Days after knowledge thereof.
- (iv) By the City, prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof.
- (v) By the Trustee, notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto.
- (vi) By the City, notice of the commencement of any proceeding by or against the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding").
- (vii) By the City, notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds.
- (viii) By the City, a full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents, and
- (ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

Additional Series of Bonds

Notwithstanding satisfaction of other conditions to the issuance of additional series of Bonds contained in the General Certificate, no such issuance may occur (1) should any Event of Default (or any event which once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at its requirement (including the new issue) upon the issuance of such additional Series of Bonds, in either case unless otherwise permitted by the Insurer.

Continuing Disclosure

The City authorizes the execution and delivery by the Director of Finance of a continuing disclosure certificate (the "Continuing Disclosure Certificate") providing for continuing disclosure pursuant to Rule 15c2-12; and the City designated the registered owners and beneficial owners of the Series 2003 Bonds as beneficiaries of the Continuing Disclosure Certificate in accordance with and subject to the terms of the Continuing Disclosure Certificate.

SUMMARY OF THIRD SUPPLEMENTAL CERTIFICATE

The following is a brief summary of certain provisions of the Third Supplemental Certificate including certain terms used in the Third Supplemental Certificate and used but not elsewhere defined in the Official Statement. This summary does not purport to be complete and reference is made to the Third Supplemental Certificate for full and complete statements of its terms and provisions.

Definitions

(a) Capitalized terms used in the Third Supplemental Certificate and not otherwise defined shall have the respective meanings accorded such terms in the General Certificate.

(b) The following terms shall have the following meanings unless the context otherwise requires:

“Annual Installment Date” shall mean a date selected by the City within 60 days after each Bond Year which date is not a Rebate Installment Date.

“Average Annual Debt Service” shall mean with respect to the Series 2010 Bonds, the average annual Debt Service for such Series as of any year such Series remains outstanding.

“Bond Payment Date” shall mean each date on which interest or a Principal Installment or both shall be due and payable on any Series 2010 Bond according to its terms.

“Bond Year” shall have the meaning set forth in Section 201 hereof.

“Bondholders” shall mean the holders or registered owners of the Series 2010 Bonds.

“Defeasance Obligations” shall have the meaning given such term in the General Certificate, but shall not include the obligations described in clause (h) of the definition of Investment Securities therein.

“Insurer” shall mean Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company, or any successor thereto or assignee thereof.

“Maximum Annual Debt Service” shall mean with respect to the Series 2010 Bonds, the maximum Debt Service for such Series in any year in which such Series will be outstanding.

“Nonpurpose Payments” shall have the meaning ascribed to such term in the Regulations.

“Office of the Trustee” means the designated corporate trust agency office of the Trustee, initially, 222 Berkeley Street, 2nd Floor, Boston, Massachusetts 02116, or at such other address as Trustee shall designate from time to time.

“Policy” shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

“Rebate Installment Date” shall mean the dates selected by the City pursuant to the Regulations for the computation of rebate as provided in Section 301(b) hereof, the first of which shall be no later than five years after the date of issue of the Series 2010 Bonds. Each subsequent Rebate Installment Date shall be no more than five years following the next preceding Rebate Installment Date. Rebate Installment Date shall also include the date on which final payment of the Series 2010 Bonds is made.

“Rebate Payment Date” shall mean, with respect to any Rebate Installment Date, 60 days after the Rebate Installment Date.

“Record Date” shall mean the fifteenth day of the month immediately preceding any month in which there occurs a Bond Payment Date.

“Regulations” shall mean the Treasury Regulations promulgated pursuant to section 141, section 148 and section 150 of the Code, as applicable to the Series 2010 Bonds.

“Series 2010 Project” means the expansion, renovation and equipping of the Portland International Jetport Terminal, which expansion and renovation includes but is not limited to a new ticketing concourse, a new security screening checkpoint, a new baggage handling system with an inline explosion detection system, an over-roadway

connection to the Jetport parking facilities, additional aircraft gates with passenger boarding bridges, enlarged concessions space, a new multilane terminal roadway, additional surface parking spaces, and other related improvements to the Jetport.

“Third Supplemental Certificate” shall mean the Third Supplemental Certificate delivered with respect to the Series 2010 Bonds.

“Series 2010 Bonds” shall mean the \$70,120,000 City of Portland, Maine General Airport Revenue Bonds, Series 2010 authorized by the Bond Orders and issued pursuant to Section 201(a) of the Third Supplemental Certificate.

“Series 2010 Debt Service Reserve Fund Requirement” shall mean an amount equal to, from time to time, the lesser of (a) 10% of the stated principal amount of the Series 2010 Bonds, (b) the Maximum Annual Debt Service on the Series 2010 Bonds, or (c) 125% of the Average Annual Debt Service on the Series 2010 Bonds, in the current or any future Fiscal Year.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A.

Principal Amounts, Designations and Series.

Pursuant to the provisions of the General Certificate, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$70,120,000. Such Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title “General Airport Revenue Bonds, Series 2010”.

Form, Denominations, Numbers and Letters.

The Series 2010 Bonds shall be issued in the form of fully registered bonds in the minimum denomination of \$5,000 and in integral multiples thereof. Unless the City shall otherwise direct, each Series 2010 Bond shall be lettered “10-” followed by the number of such Series 2010 Bond. The Series 2010 Bonds shall be numbered consecutively from one upward. The Series 2010 Term Bonds shall have an appropriate “Term Bond” designation.

Dating of Series 2010 Bonds.

The Series 2010 Bonds shall be dated April __, 2010. Each Series 2010 Bond shall bear interest from the July 1 or January 1 next preceding the date of authentication thereof, unless (i) the date of authentication is an interest payment date, in which case such Series 2010 Bond shall bear interest from such interest payment date; (ii) such Series 2010 Bond is authenticated as of a date on or after April __, 2010 and on or prior to the Record Date next preceding January 1, 2011, in which event the bond shall bear interest from its date of delivery; (iii) such Series 2010 Bond is authenticated after a Record Date and before the next succeeding interest payment date, in which event the Bond shall bear interest from such interest payment date; or (iv) the payment of interest on the Series 2010 Bonds shall be in default, in which case each Series 2010 Bond shall bear interest from the last date to which interest thereon has been paid in full.

Place of Payment and Paying Agent.

The Principal and Redemption Price of the Series 2010 Bonds shall be payable at the Office of the Trustee. Interest on the Series 2010 Bonds will be payable by the Trustee by check mailed to the registered holders, at their addresses as the same appear on the Record Date on the books of the City kept at the Office of the Trustee. Upon the written request of any registered holder of at least \$1,000,000 in principal amount of Series 2010 Bonds, the Trustee shall make payments of interest on or principal of the Series 2010 Bonds to such holder by wire transfer to the account of such holder as set forth on the registration books of the City maintained at the Office of the Trustee at the close of business on the Record Date prior to the payment date, or to any other account of which such holder shall give written notice to the Trustee not less than five Business Days prior to the date set for payment. Such check or wire shall identify each payment of interest on or principal of an individual Series 2010 Bond separately by reference to the CUSIP number for such Series 2010 Bond. These provisions shall be subject to the “book entry” provisions set forth below.

Limitation on Exchange and Transfer of Bonds.

The City shall not be obligated to make any transfer or exchange of any Series 2010 Bond during the fifteen-day period preceding an interest or principal payment date.

Establishment of Accounts and Subaccounts.

Pursuant to Section 502 of the General Certificate, the Third Supplemental Certificate establishes within the Funds and Accounts established under the General Certificate, the following subaccounts:

In the Project Fund:

Series 2010 Account

In the Debt Service Fund:

Series 2010 Subaccount of the Principal Account

Series 2010 Subaccount of the Interest Account

Series 2010 Subaccount of the Redemption Account

Series 2010 Subaccount of the Capitalized Interest Account

In the Debt Service Reserve Fund:

Series 2010 Account

Deposit and Treatment of PFC Revenues.

While the Series 2010 Bonds remain Outstanding, the City will monthly deposit PFC revenues available to pay eligible costs of the Series 2010 Project in the Series 2010 Subaccounts of the Principal Account and the Interest Account established in the Debt Service Fund to pay debt service on the Series 2010 Bonds. In calculating the Rate Covenant and the Debt Service Coverage Ratio, and for purposes of applying the Additional Bonds test established in the General Certificate, the Required Debt Service Fund Deposits will be reduced by the amount of PFC Revenues deposited or expected to be deposited in any Series subaccount established in the Debt Service Fund. PFC Revenues expected to be deposited in any such Series subaccount will be taken into account only if collection of the PFC Revenues expected to be deposited has been approved by the Federal Aviation Administration.

Rebate Fund.

For the purpose of compliance with section 148(f) of the Code, a Series 2010 Subaccount is established in the Rebate Fund which shall be used solely for purposes of making the payments described below until the requirements of section 148(f) of the Code and the Regulations applicable thereto shall have been satisfied. The City agrees that the requirements described below are subject to, and shall be interpreted in accordance with, section 148(f) of the Code and the Regulations applicable thereto, including without limitation the provisions of section 148(f)(4)(C)(viii) if an election has been made thereunder.

Calculations of Rebate Deposits and Payments.

Promptly upon the close of each Bond Year and also upon the retirement of the Series 2010 Bonds, or at any other Rebate Installment Date selected by the City, the Trustee shall provide the City with a statement of earnings on all Funds, Accounts or Subaccounts with respect to the Series 2010 Bonds held in trust pursuant to the General Certificate which are subject to the rebate requirements during any period not covered by a prior statement delivered pursuant to the Third Supplemental Certificate. The statement shall include the purchase and sale prices of each investment (including any commission paid thereon which shall be separately stated if such information is available), the dates of each investment transaction, information as to whether such transactions were made at a discount or premium, and such other information known to the Trustee as the City shall reasonably require.

At least 15 days prior to each Rebate Payment Date, and additionally at least 15 days after each Annual Installment Date, the City shall, in accordance with the Regulations, determine the amount, if any, to be deposited into the Rebate Fund pursuant to the General Certificate based upon Nonpurpose Payments and Nonpurpose Receipts allocable to the Series 2010 Bonds. Such amount shall consist of: (1) the difference between the future values, as of the next succeeding Rebate Installment Date, or Annual Installment Date as determined by the City, of all Nonpurpose Payments (including, as authorized by the Regulations, any rebate previously paid) and Nonpurpose Receipts (whether held under the General Certificate or otherwise), reduced by (2) any amounts already on deposit in the applicable Subaccount of the Rebate Fund. For purposes of calculating the foregoing future values, the yield on each Series of the 2010 Bonds, determined in accordance with the Regulations, shall be used. Except as may otherwise be provided by law, the computation of the amounts to be deposited into such Subaccounts of the Rebate Fund need not take into

account any earnings on any “tax exempt bond” under section 150(a)(6) of the Code and section 1.150-1 of the Regulations and which is not a specified private activity bond as defined in section 57(a)(5)(C) of the Code or any earnings as to which exceptions are provided under section 148(f)(4)(A), (B) or (C) of the Code or section 1.148-7 of the Regulations. The City shall also determine the amount of any applicable “yield restriction payments”, as provided under section 1.148-5(c) of the Regulations.

The City shall deposit from the Revenue Fund, pursuant to the General Certificate, to the applicable Subaccount of the Rebate Fund the amounts determined as provided above. If, according to the calculations made as provided above, together with calculations made in prior years pursuant to such subsection, the amount on deposit in the Rebate Fund exceeds the amount required to be on deposit therein as of the Annual Installment Date, the City shall transfer such excess to the Revenue Fund.

Payment of Rebate.

No later than each Rebate Payment Date, the City shall pay to the United States from amounts on deposit in the applicable Subaccount of the Rebate Fund any “yield reduction payments” as aforesaid and/or a rebate amount that is at least 90% of the amount required to be paid pursuant to the provisions of section 148(f) of the Code as calculated by or on behalf of the City, taking into account any credit permitted by the Regulations. On a date selected by the City no later than 60 days after the date on which the Series 2010 Bonds has been paid in full, the City shall pay to the United States from amounts on deposit in the applicable Subaccount of the Rebate Fund any “yield reduction payments” as aforesaid and/or a rebate equal to 100% of the entire amount then payable pursuant to section 148(f) of the Code as calculated by or on behalf of the City, including actual or imputed earnings as provided by the Regulations. Any amounts in such Subaccount in excess of amounts due shall be deposited in the Revenue Fund.

Records.

The City shall keep such records as will enable it to fulfill its responsibilities under and Section 148(f) of the Code. For purposes of the rebate computation, the Trustee shall make available to the City during normal business hours all information in the control of the Trustee that is necessary to such computations.

Rebate Provisions to Survive Defeasance of the General Certificate.

The Rebate provisions described above, as amended from time to time, shall survive the defeasance of the General Certificate and of the Series 2010 Bonds. Only upon (A) the retirement of the Series 2010 Bonds or provision for the same pursuant to the General Certificate, and (B) the payment of all amounts due under section 148 of the Code with respect to the Series 2010 Bonds shall any amounts remaining in the applicable Subaccount of the Rebate Fund be paid to the Revenue Fund.

Application of Proceeds of Series 2010 Bonds.

Pursuant to the General Certificate and the Third Supplemental Certificate, proceeds of sale of the Series 2010 Bonds, net of Underwriters’ discount and bond insurance premium for the Policy, shall be deposited and applied as follows:

- (a) \$ _____, to fund the Series 2010 Account of the Debt Service Reserve Fund in an amount equal to the Series 2010 Debt Service Reserve Fund Requirement;
- (b) \$ _____, to fund the Series 2010 Subaccount of the Interest Account of the Debt Service Fund in the amount of the accrued interest on the Series 2010 Bonds;
- (c) \$ _____, to fund the Series 2010 Subaccount of the Capitalized Interest Account of the Debt Service Fund in the amount of the accrued interest on the Series 2010 Bonds;
- (d) \$ _____, to fund the Series 2010 Subaccount of the Project Fund in the amount determined by the Authorized Representative.

The City may fund the Series Accounts of the Debt Service Reserve Fund through the deposit of a Financial Guaranty in lieu of cash deposits.

Upon the occurrence and continuance of an Event of Default where the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Series 2010 Bonds.

Book-Entry Form.

In accordance with Section 303 of the General Certificate, the City determined that the Series 2010 Bonds shall be issued exclusively in “book-entry” form. The initial owner of the Series 2010 Bonds shall be Cede & Co. (“Cede”), on behalf of The Depository Trust Company (“DTC”), which shall hold one or more immobilized certificates representing each maturity of each Series of the Series 2010 Bonds. With respect to the Series 2010 Bonds so registered in the name of Cede, the City and the Trustee shall have no obligation or responsibility to any DTC participant, indirect participant or beneficial owner of the Series 2010 Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant or indirect participant with respect to any beneficial ownership interest in the Series 2010 Bonds, (ii) the delivery to any DTC participant, indirect participant, beneficial owner or any other person, other than DTC, of any notice with respect to the Series 2010 Bonds, including any notice of redemption, or (iii) the payment to any DTC participant, beneficial owner or any other person other than DTC, of any amount with respect to the principal or redemption price of or interest on the Series 2010 Bonds. The City and the Trustee may treat as, and deem DTC to be, the absolute owner of the Series 2010 Bonds for the purposes of (i) payment of the principal and redemption price of, as applicable, and interest on the Series 2010 Bonds, (ii) giving notices of redemption and other matters with respect to such Series 2010 Bonds and (iii) registering transfers with respect to such Series 2010 Bonds, and for all other purposes whatsoever. The Trustee shall pay all principal or redemption price of, as applicable, and interest on the Series 2010 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to such principal or redemption price and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Series 2008 Bond evidencing the obligation of the City to make payments of principal or redemption price, as applicable, and interest thereon pursuant to the Third Supplemental Certificate or the General Certificate. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word “Cede” in the Third Supplemental Certificate shall refer to such new nominee of DTC. All transfers of Series 2010 Bonds shall be effected as set forth in Section 306 of the General Certificate; provided that the City acknowledges and agrees that DTC shall establish procedures with its participants for recording and transferring the ownership of beneficial interests in the Series 2010 Bonds. The City and the Trustee may enter into a letter of representation and other documentation necessary or desirable to effectuate the issuance of the Series 2010 Bonds in book-entry form.

For purposes of determining consents of the owners of any Series 2010 Bonds under the General Certificate, the Trustee shall establish a record date for determination of ownership of such Series 2010 Bonds, and shall give to DTC at least fifteen (15) calendar days’ notice of any record date so established.

DTC may determine to discontinue providing its services with respect to any Series of the Series 2010 Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law.

The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2010 Bonds if the City determines, and shall terminate the services of DTC with respect to the Series 2010 Bonds upon receipt by the City and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect participants having interests, as shown in the records of DTC, in an aggregate amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds of the Series 2010 Bonds, that: (A) DTC is unable to discharge its responsibilities with respect to such Series 2010 Bonds; or (B) a continuation of the requirement that all of the Outstanding Bonds of such Series 2010 Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of such Series 2010 Bonds.

Upon the termination of the services of DTC with respect to the Series 2010 Bonds, or upon the discontinuance or termination of the services of DTC with respect to the Series 2010 Bonds after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Series 2010 Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, or in the name of any substitute securities depository or its nominee, but may be registered in whatever names the

registered holder transferring or exchanging the Series 2010 Bonds shall designate, in accordance with the provisions of Article III of the General Certificate.

The City may amend the Third Supplemental Certificate without notice to or consent of the owners of any of the Series 2010 Bonds in order to (x) effect the certification of one or more Series of the Series 2010 Bonds or (y) substitute another securities depository for DTC.

Notwithstanding any other provision of the Third Supplemental Certificate or the General Certificate to the contrary, so long as any Series 2008 Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or redemption price of, as applicable, and interest on, and all notices with respect to such Series shall be made and given, respectively, to DTC pursuant to the Blanket Issuer Letter of Representations dated as of May 18, 1995 between the City and DTC. Similar arrangements may be made with any substitute securities depository.

While DTC or its nominee, or any other securities depository, is the registered owner of any Series of the Series 2010 Bonds, all notices of redemption with respect to the Series 2010 Bonds shall be sent for receipt by the registered owner at least two days prior to the date of general publication or release to the public.

In the event that the book-entry only system is discontinued, the Series 2010 Bonds shall be issued in certificated and fully registered form, and upon the written request of any holder of at least \$1,000,000 in principal amount of Series 2010 Bonds, the Trustee shall enter two addresses for such holder upon its registration books, and any such notice of redemption shall be mailed as provided herein to both such addresses; provided, however, that failure to mail such notice to the second address shall not affect the validity of any proceedings for the redemption of any of the Series 2010 Bonds.

Continuing Disclosure.

The City in the Third Supplemental Certificate has authorized the execution and delivery by the Director of Finance of a continuing disclosure certificate (the "Continuing Disclosure Certificate") providing for continuing disclosure pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission; and the City hereby designates the registered owners and beneficial owners of the Series 2010 Bonds as beneficiaries of the Continuing Disclosure Certificate in accordance with and subject to the terms of the Continuing Disclosure Certificate.

Bond Insurance.

The City approved and authorized the purchase of a municipal bond insurance policy from the Insurer securing the Series 2010 Bonds. As a condition to the delivery of such Policy, the Insurer has required certain provisions be inserted into the Third Supplemental Certificate addressing the following:

- a. The Insurer is a third party beneficiary under the Third Supplemental Certificate.
- b. The Insurer is deemed to be the sole holder of the Series 2010 Bonds insured by the Policy for the purpose of exercising certain rights that the holders of the Series 2010 Bonds are entitled to exercise pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.
- c. Certain actions require the prior written consent of the Insurer:
 - i. Grace periods for a covenant default shall not exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.
 - ii. Any amendment or waiver of the Certificates or any other transaction document (each a "Related Document"), that requires the consent of Bondowners or that adversely affects the Insurer.
 - iii. Any action taken by which the rights of the Insurer or security for the Series 2010 Bonds may be materially impaired.
- d. Unless the Insurer otherwise directs, upon the occurrence of an Event of Default, amounts on deposit in the Series 2010 Account of the Project Fund shall not be disbursed but shall be applied to pay the Series 2010 Bonds.
- e. Any exercise by the Insurer of its rights shall not be construed to be taken for the benefit of the Bondholders.
- f. Only cash and certain highly rated instruments shall be used to defease the Series 2010 Bonds unless the Insurer otherwise approves.

- g. The Insurer has subrogation rights to the extent it pays the Series 2010 Bonds.
- h. After payment of reasonable Trustee expenses, the application of funds realized upon default shall be applied to the pay debt service on the Series 2010 Bonds and amounts required to restore the Series 2010 Debt Service Reserve Fund Requirement.
- i. No Additional Bonds may be issued (1) if an Event of Default exists and (2) unless the Series 2010 Account of the Debt Service Reserve Fund is fully funded.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF PORTLAND, MAINE
GENERAL AIRPORT REVENUE BONDS, SERIES 2010
FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of April ___, 2010 (this “Disclosure Certificate”) is executed and delivered by the City of Portland, Maine (the “Issuer”) in connection with the issuance of \$72,310,000 City of Portland, Maine General Airport Revenue Bonds, Series 2010 (the “Bonds”). The Bonds are being issued pursuant to the City Charter, Title 30-A, Part 2, Subpart 8, Chapter 213, sections 5401 – 5415, inclusive, of the Maine Revised Statutes, as amended (the “Act”), Order 150-09/10 of the City Council of the Issuer adopted February 1, 2010 as readopted, ratified and confirmed by Order 170-09/10 adopted on March 1, 2010 and a General Certificate of Terms of Issuance of General Airport Revenue Bonds executed on behalf of the Issuer as of July 1, 2003 as supplemented by a Third Supplemental Certificate Authorizing the Series 2010 Bonds executed on behalf of the Issuer as of April 28, 2010. The Issuer covenants and agrees as follows:

Section 1. Definitions. The following words and terms used in this Disclosure Certificate shall have the following respective meanings:

(a) “Annual Jetport Report” shall mean any Annual Jetport Report provided by the Issuer in accordance with the requirements of sections 3 and 4 of this Disclosure Certificate.

(b) “Bonds Certificate” shall mean the General Certificate of Terms of Issuance of General Airport Revenue Bonds executed on behalf of the Issuer as of July 1, 2003 as supplemented by a Third Supplemental Certificate Authorizing the Series 2010 Bonds executed on behalf of the Issuer as of April 28, 2010.

(c) “Fiscal Year” shall have the meaning ascribed to such term in the Bonds Certificate.

(d) “Insurer” shall mean Assured Guaranty Municipal Corp. The address of the Insurer as of the date of this Disclosure Certificate is listed in Exhibit A hereto.

(e) “MSRB” means the Municipal Securities Rulemaking Board.

(f) “Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

(g) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Disclosure Certificate, including any official interpretation thereof.

(h) “SEC” means the United States Securities and Exchange Commission.

All capitalized words and terms used in this Disclosure Certificate and not otherwise defined herein shall have the meaning ascribed to such words and terms in the Official

Statement dated April 20, 2010 (the “Official Statement”) pertaining to the Bonds. Any and all information to be filed with the MSRB should be delivered electronically to <http://emma.msrb.org>.

Section 2. Purpose; Beneficiaries. This Disclosure Certificate is entered into solely to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule. This Disclosure Certificate constitutes a written undertaking for the benefit of the beneficial owners (within the meaning of the Rule) of the Bonds (such beneficial owners being sometimes called herein “owners”).

Section 3. Provision of Annual Jetport Reports. Not later than 270 days after the end of each Fiscal Year of the Issuer, commencing with its Fiscal Year ending June 30, 2010, the Issuer shall deliver to the Insurer and the MSRB the Annual Jetport Report for such Fiscal Year, or notice of the Issuer’s failure to provide the Annual Jetport Report (in the form set forth in Exhibit A hereto). If the Annual Jetport Report does not contain the Issuer’s audited financial statements for the Fiscal Year of the Annual Jetport Report, then the Issuer shall, in any event, deliver to the Insurer and the MSRB the Issuer’s audited financial statements no later than 330 days after the end of its Fiscal Year, or notice of the Issuer’s failure to provide said audited financial statements.

Within five (5) business days prior to the date of forwarding the Annual Jetport Report and the audited financial statements to the Insurer and the MSRB, the Issuer shall confirm the name and the electronic filing address of the Insurer and the MSRB.

Section 4. Content of Annual Jetport Reports. The Annual Jetport Report shall contain (i) the audited financial statements of the Issuer for the applicable Fiscal Year if audited financial statements are then available, and (ii) financial information and operating data for the applicable Fiscal Year consisting of (A) information regarding compliance with the Debt Service Coverage Ratio and (B) enplanement information.

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Issuer, which have been submitted to the MSRB. The Issuer’s annual financial statements for each Fiscal Year shall consist of the balance sheet, statement of revenues and expenses and statement of changes in financial position prepared in accordance with generally accepted accounting principles. Such financial statements shall be audited by a firm of certified public accountants appointed by the Issuer.

Section 5. Reporting of Significant Events. Whenever the Issuer obtains knowledge of the occurrence of any of the following listed events with respect to the Bonds, the Issuer shall file notice of such occurrence, if material, in a timely manner with the Insurer and the MSRB:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; and
- (xi) rating changes.

Section 6. Additional Information. This Disclosure Certificate shall not be construed to prevent the Issuer from providing any information in addition to that which is specifically required by sections 3, 4 and 5 of this Disclosure Certificate (“Additional Information”), using the means of dissemination set forth in this Disclosure Certificate or any means of communication in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to provide any Additional Information, the Issuer shall have no obligation in the future to update the Additional Information or to provide information similar to the Additional Information.

Section 7. Enforceability of This Disclosure Certificate; Termination. To the extent permitted by law, the provisions of this Disclosure Certificate are enforceable against the Issuer in accordance with the terms hereof by any of the owners of the Bonds, including any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Director of Finance of the Issuer). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, to enforce its rights against the Issuer and to compel the Issuer and any of their officers, agents or employees to perform and carry out their duties under the provisions of this Disclosure Certificate; provided, however, that the sole remedy for a violation of this Disclosure Certificate shall be an action to compel specific performance of the obligations of the Issuer under this Disclosure Certificate and shall not include any right to monetary damages. A breach or default under this Disclosure Certificate shall not constitute an Event of Default under the Bonds. This Disclosure Certificate shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

Section 8. Amendments. This Disclosure Certificate may be amended, changed or modified by the parties hereto, without the consent of, or notice to, any of the owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add to the covenants of the Issuer for the benefit of the owners of the Bonds, (c) to modify the contents, presentation and format of the Annual Jetport Report from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (d) to respond to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have

complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as the firm serving at the time as bond counsel to the Issuer) or by the vote or consent of the registered owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment, which consent may be obtained in accordance with the Bonds. Any amendment, change or modification to this Disclosure Certificate shall be in writing.

If this Disclosure Certificate is amended with respect to the Annual Jetport Report to be submitted by the Issuer hereunder, the Annual Jetport Report containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information being provided. If this Disclosure Certificate is amended with respect to the accounting principles to be followed in preparing financial statements, the Annual Jetport Report for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison will also be quantitative. The Issuer shall give notice of any change in the accounting principles to the Insurer and the MSRB as promptly as practicable after such change has been determined.

Section 9. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Maine and applicable law of the United States of America.

Section 10. Titles of Sections. The titles of sections in this Disclosure Certificate shall have no effect in construing this Disclosure Certificate.

Section 11. Actions to be Performed on Non-Business Days. Any action required by this Disclosure Certificate to be taken on a Saturday, Sunday or holiday within the State of Maine may be taken on the next business day with the same force and effect as if taken on the day so required.

Section 12. Contact for Information. The Issuer's Director of Finance, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Ellen Sanborn, Director of Finance, City of Portland, 389 Congress Street, Portland, ME 04101; telephone: (207) 874-8645.

Signed as of the day and year first above written.

CITY OF PORTLAND, MAINE

By: _____
Ellen Sanborn
Director of Finance

cc: Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL JETPORT REPORT

Name of Issuer: City of Portland, Maine

Name of Bond Issue: General Airport Revenue Bonds, Series 2010

Date of Issuance: April ____, 2010

NOTICE IS HEREBY GIVEN that the City of Portland, Maine (the “Issuer”) has not provided an Annual Jetport Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Issuer dated as of April ____, 2010.

Dated: _____

City of Portland, Maine

Name:

Title:

AUDITED FINANCIAL STATEMENTS OF THE JETPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF PORTLAND, MAINE
GENERAL AIRPORT REVENUE BONDS, SERIES 2010
AUDITED FINANCIAL STATEMENTS OF THE JETPORT

PORTLAND INTERNATIONAL JETPORT
(An Enterprise fund of the City of Portland, Maine)
For the years ended June 30, 2009 and 2008

Table of Contents

Independent Auditor’s Report, October 30, 2009.....	E-3
Statements of Net Assets	E-4
Statements of Revenues, Expenses and Changes in Net Assets	E-5
Statements of Cash Flows.....	E-6
Notes to Financial Statements.....	E-7
Supplementary Information: Schedules.....	E-13

[THIS PAGE INTENTIONALLY LEFT BLANK]



Independent Auditor's Report

City Council
City of Portland, Maine

We have audited the accompanying fund financial statements of the Portland International Jetport, an enterprise fund of the City of Portland, Maine, as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the management of the City of Portland, Maine, and the Portland International Jetport. Our responsibility is to express opinions on these financial statements based on our audits.

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

As described in the notes, the financial statements present only the Portland International Jetport fund and are not intended to present fairly the financial position of the City of Portland, Maine, as of June 30, 2009 or 2008, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The fund financial statements do not include the Management's Discussion and Analysis as required by accounting principles generally accepted in the United States of America. Certain disclosures relevant to both the City of Portland, Maine and the Portland International Jetport are omitted herein and have been disclosed in the City's basic financial statements.

In our opinion, except for the omission of certain disclosures discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Portland International Jetport fund as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements. The schedules that comprise the supplementary information (schedules 1-16) have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

October 30, 2009
South Portland, Maine

PORTLAND INTERNATIONAL JETPORT
(An Enterprise Fund of the City of Portland, Maine)
Statements of Net Assets
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,608,532	14,666,602
Investments	-	13,148,630
Accounts receivable	2,579,840	2,317,410
Allowance for uncollectible accounts	(177,000)	(177,000)
Due from other governments	542,132	1,561,910
Inventories	378,159	215,863
Total current assets	13,931,663	31,733,415
Noncurrent assets:		
Restricted cash, cash equivalents, and investments:		
Revenue bond covenant accounts	9,120,338	9,377,710
Total noncurrent assets	9,120,338	9,377,710
Other assets	1,728,768	1,810,098
Capital assets:		
Land	11,579,670	11,579,670
Buildings and improvements	98,117,561	75,466,531
Improvements other than buildings	81,489,189	79,831,692
Machinery and equipment	10,507,766	10,355,122
Construction in progress	5,495,321	7,942,341
Less accumulated depreciation	(89,152,613)	(81,140,665)
Net capital assets	118,036,894	104,034,691
Total noncurrent assets	128,886,000	115,222,499
Total assets	142,817,663	146,955,914
LIABILITIES		
Current liabilities:		
Accounts payable	676,295	2,838,022
Other liabilities and accrued expenses	1,522,187	1,463,120
General obligation bonds, current	157,332	157,323
Revenue bonds, current	805,000	775,000
Accrued self-insurance liabilities, current	32,409	160,551
Accrued compensated absences	369,931	341,027
Notes payable, line-of-credit	4,560,000	7,100,000
Total current liabilities	8,123,154	12,835,043
Noncurrent liabilities:		
General obligation bonds	77,738	235,070
Revenue bonds	57,690,000	58,495,000
Accrued self-insurance liabilities	-	-
Total noncurrent liabilities	57,767,738	58,730,070
Total liabilities	\$ 65,890,892	71,565,113
NET ASSETS		
Invested in capital assets, net of related debt	57,806,352	54,434,484
Restricted for:		
Capital projects	3,059,528	17,162,186
Operating maintenance	3,931,300	3,586,400
Renewal and replacement	250,000	250,000
Debt service	4,939,037	5,541,310
Unrestricted	6,940,554	(5,583,579)
Total net assets	\$ 76,926,771	75,390,801

See accompanying notes to financial statements.

PORTLAND INTERNATIONAL JETPORT
(An Enterprise Fund of the City of Portland, Maine)
Statements of Revenues, Expenses and Changes in Net Assets
Years ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Charges for services	\$ 16,154,677	15,908,590
Adjustments for allowances	-	466,000
Total operating revenues	16,154,677	16,374,590
Operations expenses:		
Personal services	3,129,467	3,349,806
Contractual services	4,530,097	4,501,162
Supplies and materials	608,939	546,473
Rentals	11,169	310,543
Utilities	843,497	791,472
Maintenance	776,723	603,504
Depreciation and amortization	8,118,477	7,910,637
Other	509,639	734,297
Total operations expenses	18,528,008	18,747,894
Operating income (loss)	(2,373,331)	(2,373,304)
Nonoperating revenues (expenses):		
Passenger facility charges	2,590,439	2,558,826
Interest and other revenue	500,951	555,023
Interest expense	(2,171,153)	(1,968,475)
Total nonoperating revenues (expenses)	920,237	1,145,374
Income (loss) before contributions	(1,453,094)	(1,227,930)
Capital contributions	2,989,064	965,454
Change in net assets	1,535,970	(262,476)
Net assets, beginning of year	75,390,801	75,653,277
Net assets, end of year	\$ 76,926,771	75,390,801

See accompanying notes to financial statements.

PORTLAND INTERNATIONAL JETPORT
(An Enterprise Fund of the City of Portland, Maine)
Statements of Cash Flows
Years ended June 30, 2008 and 2007

	2009	2008
Cash flows from operating activities:		
Receipts from customers and users	\$ 16,912,025	17,853,505
Nonoperating revenue	6,333	12,217
Payments to suppliers	(7,673,183)	(7,512,540)
Payments to employees	(3,101,192)	(3,195,234)
Net cash provided by operating activities	6,143,983	7,157,948
Cash flows from noncapital financing activities:		
Increases (decreases) in due to other funds	-	-
Net cash provided (used) by noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Contributed capital	2,989,064	965,454
Passenger facility charges	2,590,439	2,558,826
Proceeds from sale of revenue bonds	-	26,420,000
Acquisition and construction of capital assets	(22,039,350)	(8,448,140)
Nonoperating accounts payable:		
Beginning of year	(3,053,621)	(148,377)
End of year	508,528	3,053,621
Acquisition of other assets	-	(1,238,630)
Principal paid on bond maturities	(932,323)	(902,323)
Principal paid on note payable, line of credit	(2,540,000)	(1,990,000)
Interest payments on long-term debt	(1,625,410)	(1,950,130)
Net cash used in capital and related financing activities	(24,102,673)	18,320,301
Cash flows from investing activities:		
Purchases of investments	-	(14,868,762)
Proceeds from sale and maturity of investments	13,250,017	1,667,770
Interest income	494,618	542,806
Net cash provided by (used in) investing activities	13,744,635	(12,658,186)
Net decrease in cash and cash equivalents	(4,214,055)	12,820,063
Cash and cash equivalents, beginning of year	23,942,925	-
Cash and equivalents, at end of year (including \$9,120,338 and \$9,377,710, respectively, reported in restricted accounts)	\$ 19,728,870	12,820,063
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (2,373,331)	(2,373,304)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,118,477	7,910,637
Nonoperating revenues	6,333	12,217
Remaining basis of asset disposals	-	-
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(262,430)	(445,744)
(Increase) decrease in inventories	(162,296)	(18,849)
(Increase) decrease in due from other governments	1,019,778	1,924,659
(Decrease) increase in accounts payable	(102,681)	(82,646)
(Decrease) increase in other liabilities and accrued expenses	28,275	154,572
(Decrease) increase in self-insurance	(128,142)	76,406
Total adjustments	8,517,314	9,531,252
Net cash provided by operating activities	6,143,983	7,157,948
Noncash investing, capital, and financing activities:		
Disposal of capital assets	25,199	2,464,549
Accumulated depreciation on capital assets dispositions	25,199	2,464,549

PORTLAND INTERNATIONAL JETPORT
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Portland International Jetport (Jetport) is a quasi-municipal corporation purchased by the City of Portland in 1936. Like many community airports, the Portland International Jetport had its beginnings as a flying fan's private field. Today, the facility serves nearly 1.4 million passengers a year, served by eight major airlines.

The Jetport primarily serves southern Maine and its revenue is produced mainly through contracts and leases. As an Enterprise Fund of the City of Portland, the Jetport is included in the City's basic financial statements as a proprietary fund and business-type activity.

Basis of Accounting - The accounting policies of the Portland International Jetport conform to accounting principles generally accepted in the United States of America as applicable to Governmental Proprietary Funds which utilize the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the Jetport follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements. The City also has the option of following the subsequent private sector guidance for its enterprise funds subject to the same limitation. The Jetport has elected not to follow subsequent private sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Jetport's policy to use restricted resources first, then unrestricted resources as they are needed, except in instances in which restricted amounts must be maintained to comply with existing bond covenants.

Cash and Cash Equivalents - The Jetport's share of a pooled cash account with the City of Portland had a carrying value of \$19,728,870 including \$9,120,338 in funds reported in restricted accounts at June 30, 2009. Classification as to credit risk, interest rate and custodial credit risk is included in the City's basic financial statements.

Accounts Receivable - The Jetport provides credit to customers at the Jetport, such as airlines and vendors on-site. The Jetport uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. The Jetport accrues revenue for estimated services provided, but not yet billed as of the balance sheet dates.

PORTLAND INTERNATIONAL JETPORT
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are defined by the Jetport as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Jetport during the current fiscal year was \$2,834,348, of which \$663,195 was included as part of the cost of its various runway and terminal improvement projects.

Property, plant, and equipment are depreciated using the straight-line method over the assets' useful lives, ranging from 3 to 50 years.

Compensated Absences - Employees earn vacation and sick leave as they provide services. Pursuant to collective bargaining agreements, employees may accumulate (subject to certain limitations) unused sick leave, and upon retirement, termination or death, may be compensated for amounts up to 180 days at current rates of pay.

Vacation time is earned based on anniversary date and length of service in amounts ranging between two and four weeks per year. City employees are allowed to carry over vacation time earned up to a maximum of 240 hours for employees hired prior to 1979 and 160 hours for all other employees. Employees are paid for allowable accruals upon termination of employment.

Accumulated leave is recorded as an expense and liability as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses.

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported as deferred charges and amortized over the term of the related debt. The difference between the reacquisition price and net carrying amount of debt refunded is deferred and amortized over the life of the new bond issue or the old debt, whichever is shorter.

Use of Estimates - Preparation of the Jetport's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - The Jetport, as a fund of the City of Portland, qualifies as a tax exempt organization under the provisions of the Internal Revenue Code and, accordingly, its income is not subject to any state or federal income taxes.

PORTLAND INTERNATIONAL JETPORT
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets from June 30, 2009 and 2008:

	Balance <u>6/30/08</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/09</u>
Capital assets, not being depreciated:				
Land	\$ 11,579,670	-	-	11,579,670
Construction in progress	<u>7,942,341</u>	<u>4,756,162</u>	<u>7,203,182</u>	<u>5,495,321</u>
Total capital assets not being depreciated	19,522,011	4,756,162	7,203,182	17,074,991
Capital assets being depreciated:				
Buildings	75,466,531	22,651,030	-	98,117,561
Improvements other than buildings	25,153,735	-	-	25,153,735
Runways and other pavements	54,677,957	1,657,497	-	56,335,454
Machinery and equipment	<u>10,355,122</u>	<u>177,843</u>	<u>25,199</u>	<u>10,507,766</u>
Total capital assets, being depreciated	165,653,345	24,486,370	25,199	190,114,516
Less accumulated depreciation for:				
Buildings	25,055,407	2,611,716	-	27,667,123
Improvements other than buildings	16,729,729	1,729,083	-	18,458,812
Runways and other pavements	32,763,494	3,009,146	-	35,772,640
Machinery and equipment	<u>6,592,035</u>	<u>687,202</u>	<u>25,199</u>	<u>7,254,038</u>
Total accumulated depreciation	81,140,665	8,037,147	25,199	89,152,613
Total capital assets being depreciated, net	<u>84,512,680</u>	<u>16,449,223</u>	<u>-</u>	<u>100,961,903</u>
Capital assets, net	<u>\$104,034,691</u>	<u>21,205,385</u>	<u>7,203,182</u>	<u>118,036,894</u>

Depreciation expense incurred at the Jetport totaled \$8,037,147 and \$7,869,081 for the fiscal years ended June 30, 2009 and 2008, respectively.

Construction commitments outstanding include:

	<u>Spent to-date</u>	<u>Remaining Commitment</u>
Jetport construction projects	\$ 29,597,106	1,593,064

PORTLAND INTERNATIONAL JETPORT
Notes to Financial Statements, Continued

LONG-TERM DEBT

The following is a summary of long-term liability transactions of the Jetport for the year ended June 30, 2009:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
General obligation bonds	\$ 392,393	-	157,323	235,070	157,332
Revenue bonds	59,270,000	-	775,000	58,495,000	805,000
Self-insurance	160,551	12,517	140,659	32,409	-
Compensated absences	341,027	401,368	372,464	369,931	-
Total long-term liabilities	\$ 60,163,971	413,885	1,445,446	59,132,410	962,332

The following is a summary of the long-term debt payable at June 30, 2009 and 2008:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 6/30/09</u>	<u>Balance 6/30/08</u>
10/01/89 Bond	\$ 1,600,000	2010	6.80%	79,594	159,179
10/01/90 Bond	1,600,000	2011	6.90%	155,476	233,214
Total general obligation bonds				235,070	392,393
Less current portion				157,332	157,323
Total long-term portion				\$ 77,738	235,070

On July 10, 2003, the City of Portland issued general airport revenue bonds in the amount of \$35,000,000 (\$29,165,000 Series 2003A – Non AMT, and \$5,385,000 Series 2003B – Federally taxable) to convert the Jetport's temporary line-of-credit for its parking garage expansion project to permanent financing. The bonds have an average coupon rate of 4.659828% payable semi-annually and annual maturities ranging from \$690,000 to \$2,150,000 which commenced on July 1, 2005 and will end July 1, 2032.

On June 18, 2008, the City issued general airport revenue bonds in the amount of \$26,420,000 (Series 2008 – Non AMT) to fund the design and construction of Phase II of the Jetport's multi-level parking garage. The bonds have an average coupon rate of 5.1124227% payable semi-annually and annual maturities ranging from \$490,000 to \$1,675,000 commencing January 1, 2011 and ending January 1, 2038.

Requirements for the repayment of the outstanding general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2010	\$ 157,332	10,462	167,794
2011	77,738	2,529	80,267
Totals	\$ 235,070	12,991	248,061

PORTLAND INTERNATIONAL JETPORT
Notes to Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The Jetport had no additional borrowings under the existing line-of-credit agreement with a bank to provide interim financing for its approved Passenger Facility Charges (PFC) Program improvements. Borrowings under this line-of-credit are secured by Passenger Facility Charges revenue.

	<u>PFC</u>
Line-of-credit available	\$ 14,214,483
Interest rate – International LIBOR rate	
Plus .55% at June 30, 2009	.870%
<u>Additional borrowings under line-of-credit</u>	<u>-</u>
<u>Balance of line-of-credit at June 30, 2009</u>	<u>\$ 4,560,000</u>

Section 705 of the *General Certificate of Terms and Issuance of General Airport Revenue Bonds Portland International Jetport* require a minimum debt service coverage ratio of 125%. The actual debt service coverage ratio for 2009 (176%) exceeded the requirements by 51 points.

	<u>Budget Basis</u>
Total revenues	\$ 16,479,552
<u>Maintenance and operating expenses</u>	<u>10,258,721</u>
Net revenues	6,220,831
Less:	
Capital outlay	249,202
<u>Debt service</u>	<u>2,419,060</u>
<u>Net remaining revenues</u>	<u>\$ 3,552,569</u>

Debt service coverage ratio calculation:

Net revenues	\$ 6,220,831
Debt service	3,536,837
Debt service coverage ratio	176%

PORTLAND INTERNATIONAL JETPORT
Notes to Financial Statements, Continued

OPERATING LEASES

The City of Portland has several operating leases covering space in the Portland International Jetport. The total lease payments for such leases were \$15,568,249 for the year ended June 30, 2009. The future minimum lease payments are as follows:

For the years ended June 30:

2010	\$ 77,954
2011	59,454
2012	47,454
2013	47,454
2014	47,454
<u>2015-2018</u>	<u>95,499</u>

Total future minimum lease payments \$ 375,269

The following is a schedule of the cost and carrying value of property leased, or held for lease under operating leases, by major classification:

	<u>Cost</u>	<u>Carrying Value</u>
Property, plant and equipment	\$ 53,294,371	39,242,723

CAPITAL GRANTS

The City of Portland is the recipient of several airport development aid program capital grants for continuing projects at the Portland International Jetport. State, federal and local grants were authorized in the amount of \$9,440,887. At June 30, 2009, \$3,839,421 had been expended against these grants.

Amounts due from federal and state governments related to these grants are \$416,897.

PORTLAND INTERNATIONAL JETPORT
Net Assets and Changes in Net Assets
Last Nine Fiscal Years

	Fiscal Year								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating revenues									
Terminal rentals	\$ 3,330,290	\$ 3,163,230	\$ 2,452,011	\$ 2,475,091	\$ 2,938,344	\$ 2,836,094	\$ 2,111,340	\$ 1,911,151	\$ 2,202,661
Landing fees	2,581,143	2,610,477	2,135,339	1,969,475	2,283,332	1,884,664	1,764,187	2,094,864	1,750,594
Ground rent	594,929	585,954	493,481	455,864	411,216	363,218	356,812	326,886	328,222
Parking	5,593,218	5,661,652	5,221,813	3,814,009	4,215,492	3,168,502	2,107,272	1,926,914	2,757,442
Rental cars	2,929,917	2,807,099	2,658,065	2,300,688	2,492,018	2,262,862	2,412,435	1,850,617	2,385,922
Concessions	895,328	878,183	714,040	688,469	611,633	536,969	465,023	669,145	592,539
Other	229,852	667,995	81,687	110,185	95,921	92,365	73,959	77,416	62,767
Total operating revenues	16,154,677	16,374,590	13,756,436	11,813,781	13,047,956	11,144,674	9,291,028	8,856,993	10,080,147
Nonoperating revenues									
Passenger facility charges	2,590,439	2,558,826	2,292,019	2,029,924	1,903,945	1,751,546	1,536,459	1,461,677	1,779,596
Interest	494,618	429,125	540,714	429,412	227,651	96,767	6,032	214,381	675,999
Other	6,333	125,898	18,325	16,356	17,703	16,957	269,154	43,757	-
Total nonoperating revenues	3,091,390	3,113,849	2,851,058	2,475,692	2,149,299	1,865,270	1,811,645	1,719,815	2,455,595
Total revenues	\$ 19,246,067	\$ 19,488,439	\$ 16,607,494	\$ 14,289,473	\$ 15,197,255	\$ 13,009,944	\$ 11,102,673	\$ 10,576,808	\$ 12,535,742
Operating expenses									
Personal services	3,129,467	3,349,806	2,963,176	2,920,705	2,729,990	2,826,870	2,803,178	3,030,161	2,020,455
Contractual services	4,530,097	4,501,162	3,844,778	3,700,676	3,806,526	3,669,051	3,805,663	3,328,447	2,593,409
Supplies and materials	608,939	546,473	472,292	540,209	543,793	408,707	464,616	385,243	377,419
Rentals	11,169	310,543	220,311	153,541	225,903	156,226	166,912	177,544	258,838
Utilities	843,497	791,472	755,658	623,134	497,486	499,754	538,231	521,286	479,122
Maintenance	776,723	603,504	698,960	527,544	552,842	512,928	403,156	363,995	471,097
Depreciation	8,037,147	7,869,082	7,598,887	7,494,740	6,370,974	5,055,273	4,288,715	3,567,908	3,589,165
Other	509,639	734,297	764,515	1,416,732	764,479	686,913	622,502	544,067	817,805
Total operating expenses	18,446,678	18,706,339	17,318,577	17,377,281	15,491,993	13,815,722	13,092,973	11,918,651	10,607,310
Nonoperating expenses									
Capital asset retirement	-	-	-	6,155	15,830	127,133	-	-	-
Interest expense	2,171,153	1,968,475	1,867,922	1,814,161	1,647,470	1,600,140	84,700	153,333	317,731
Amortization of bond issue costs	81,330	41,555	43,009	44,404	46,173	45,488	844	844	-
Total nonoperating expenses	2,252,483	2,010,030	1,910,931	1,864,720	1,709,473	1,772,761	85,544	154,177	317,731
Total expenses	\$ 20,699,161	\$ 20,716,369	\$ 19,229,508	\$ 19,242,001	\$ 17,201,466	\$ 15,588,483	\$ 13,178,517	\$ 12,072,828	\$ 10,925,041
Transfers out	-	-	-	-	-	63,744	2,002	-	-
Capital contributions	2,989,064	965,454	2,480,066	4,862,841	16,171,566	9,861,058	7,398,565	3,882,171	1,136,089
Change in net assets	\$ 1,535,970	\$ (262,476)	\$ (141,948)	\$ (89,687)	\$ 14,167,355	\$ 7,218,775	\$ 5,320,719	\$ 2,386,151	\$ 2,746,790
Net assets at year-end									
Invested in capital assets, net of related debt	57,806,352	54,434,484	60,220,916	61,026,514	58,831,050	46,920,867	43,818,067	51,638,598	35,808,199
Restricted	12,179,865	26,539,896	6,548,871	8,133,266	7,354,270	5,481,647	1,870,000	1,870,000	3,541,025
Unrestricted (deficit)	6,940,554	(5,583,579)	8,883,490	6,635,445	9,699,592	9,315,045	8,811,717	(4,329,533)	7,443,690
Total net assets	\$ 76,926,771	\$ 75,390,801	\$ 75,653,277	\$ 75,795,225	\$ 75,884,912	\$ 61,717,559	\$ 54,499,784	\$ 49,179,065	\$ 46,792,914

PORTLAND INTERNATIONAL JETPORT
Principal Revenue Sources and Revenues Per Enplaned Passenger
Last Nine Fiscal Years

	Fiscal Year								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Airline revenues									
Terminal rentals	\$ 3,330,290	\$ 3,163,230	\$ 2,452,011	\$ 2,475,091	\$ 2,882,672	\$ 2,777,131	\$ 2,061,870	\$ 1,858,718	\$ 2,202,661
Landing fees	2,355,973	2,302,651	1,835,702	1,711,548	2,023,381	1,668,848	1,557,388	1,874,402	1,750,594
Ground rent	462,407	468,205	396,643	363,339	377,248	327,142	321,697	296,269	328,222
Total airline revenues	\$6,148,670	\$5,934,086	4,684,356	4,549,978	5,283,301	4,773,121	3,940,955	4,029,389	4,281,477
Percentage of total revenues	31.95%	30.45%	28.21%	31.84%	34.76%	36.69%	35.50%	38.10%	34.15%
Cargo revenues (1)									
Ramp Rent	64,301	56,118	60,081	75,681	55,672	58,963	49,470	52,433	
Landing fees	225,170	307,826	299,637	257,927	259,951	215,816	206,799	220,462	
Ground rent	39,241	34,735	36,758	16,844	33,968	36,076	35,115	30,617	
Total cargo revenues	\$328,712	\$398,680	396,476	350,452	349,591	310,855	291,384	303,512	
Percentage of total revenues	1.71%	2.05%	2.39%	2.45%	2.30%	2.39%	2.62%	2.87%	
Nonairline revenues									
Parking	5,593,218	5,661,652	5,223,613	3,814,009	4,215,492	3,168,502	2,107,272	1,926,914	2,757,442
Rental cars	\$2,929,917	\$2,807,099	2,630,886	2,277,416	2,470,350	2,241,194	2,390,767	1,826,204	2,361,922
Ground rent	\$28,980	\$26,896	27,178	23,272	21,668	21,668	21,668	24,413	24,000
Concessions	\$895,328	\$878,183	712,240	688,469	611,633	536,969	465,023	669,145	592,539
Other	\$229,852	\$667,993	81,687	110,184	95,921	92,365	73,959	77,416	62,767
Total nonairline revenues	9,677,295	10,041,824	8,675,604	6,913,351	7,415,064	6,060,698	5,058,689	4,524,092	5,798,670
Percentage of total revenues	50.28%	51.53%	52.24%	48.38%	48.79%	46.59%	45.56%	42.77%	46.26%
Nonoperating revenues									
Passenger facility charges	2,590,439	2,558,826	2,292,019	2,029,924	1,903,945	1,751,546	1,536,459	1,461,677	1,779,596
Interest	494,618	429,125	422,085	429,412	227,651	96,767	6,032	214,381	675,999
Other	6,333	125,898	136,954	16,356	17,703	16,957	269,154	43,757	-
Total nonoperating revenues	3,091,390	3,113,849	2,851,058	2,475,692	2,149,299	1,865,270	1,811,645	1,719,815	2,455,595
Percentage of total revenues	16.06%	15.98%	17.17%	17.33%	14.14%	14.34%	16.32%	16.26%	19.59%
Total revenues	\$ 19,246,067	\$ 19,488,439	\$ 16,607,494	\$ 14,289,473	\$ 15,197,255	\$ 13,009,944	\$ 11,102,673	\$ 10,576,808	\$ 12,535,742
Enplaned passengers (excluding charters)	861,570	869,626	781,185	679,458	744,513	638,674	626,426	610,008	677,480
Total revenue per enplaned passenger	\$22.34	\$22.41	\$21.26	\$21.03	\$20.41	\$20.37	\$17.72	\$17.34	\$18.50
Airline revenue per enplaned passenger	\$6.60	\$6.29	\$6.00	\$6.70	\$7.10	\$7.47	\$6.29	\$6.61	\$6.32

(1) Note that individual statistics for passengers and cargo are not available prior to 2002

PORTLAND INTERNATIONAL JETPORT
Changes in Cash and Cash Equivalents
Last Nine Fiscal Years

	Fiscal Year								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Cash flows from operating activities									
Receipts from customers and users	\$ 16,912,025	\$ 17,853,505	\$ 13,005,969	\$ 12,530,380	\$ 14,341,007	\$ 8,582,807	\$ 7,621,781	\$ 7,690,410	\$ 9,515,284
Nonoperating revenues	6,333	12,217	18,325	16,356	277,602	2,289,229	410,158	862,681	64,800
Payments to suppliers	(7,673,183)	(7,512,540)	(6,644,569)	(6,883,344)	(6,473,304)	(5,925,568)	(6,008,290)	(5,221,459)	(4,668,531)
Payments to employees	(3,101,192)	(3,195,234)	(3,085,345)	(2,930,465)	(2,736,915)	(2,597,897)	(3,006,291)	(2,930,980)	(2,226,240)
Net cash provided by (used) by operating activities	6,143,983	7,157,948	3,294,380	2,732,927	5,408,390	2,348,571	(982,642)	400,652	2,685,313
Cash flows from noncapital financing activities									
Transfers to other funds	-	-	-	-	-	(63,744)	(2,002)	-	-
Increases (decreases) in due to other funds	-	-	-	-	(1,491,483)	1,491,483	(400,000)	400,000	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	(1,491,483)	1,427,739	(402,002)	400,000	-
Cash flows from capital and related financing activities									
Contributed capital	2,989,064	965,454	2,480,066	4,862,841	15,728,130	7,761,030	7,242,393	3,631,174	958,990
Passenger facility charges	2,590,439	2,558,826	2,292,019	2,029,924	2,095,144	1,579,302	1,539,250	1,670,202	1,753,070
Proceeds from line of credit advances	-	-	-	1,419,521	7,643,404	3,856,038	24,683,586	10,649,320	-
Proceeds from sale of revenue bonds	-	26,420,000	-	-	-	35,000,000	-	-	-
Acquisition and construction of capital assets	(22,039,350)	(8,448,140)	(4,903,638)	(8,768,559)	(23,047,588)	(13,064,083)	(20,324,395)	(28,303,128)	(4,719,216)
Nonoperating accounts payable:									
Beginning of year	(3,053,621)	(148,377)	(951,223)	(2,413,629)	(3,492,359)	(602,675)	(3,728,270)	(192,961)	-
End of year	508,528	3,053,621	148,377	951,223	2,413,629	3,492,359	602,675	3,728,270	-
Acquisition of other noncurrent assets	-	(1,238,630)	-	-	-	(761,515)	(29,318)	-	-
Principal paid on bond maturities	(932,323)	(902,323)	(872,323)	(847,323)	(159,803)	(169,257)	(169,347)	(169,435)	(178,107)
Principal paid on note payable, line-of-credit	(2,540,000)	(1,990,000)	(1,017,330)	(1,500,000)	(2,733,000)	(33,911,539)	(662,349)	(1,575,064)	(1,566,267)
Interest paid on debt	(1,625,410)	(1,950,130)	(1,886,603)	(1,824,445)	(1,632,265)	(1,425,702)	517,890	(156,288)	(350,239)
Net cash provided (used) by capital and related financing activities	(24,102,673)	18,320,301	(4,710,655)	(6,090,447)	(3,184,708)	1,753,958	9,672,115	(10,717,910)	(4,101,769)
Cash flows from investing activities									
Purchase of investments	-	(14,868,762)	(1,747,530)	(3,412,684)	(4,355,136)	(10,064,814)	(10,992,213)	(1,140,455)	(13,293,012)
Proceeds from sale and maturity of investments	13,250,017	1,667,770	5,327,434	4,745,013	90,215	12,976,748	7,438,893	7,235,868	13,856,688
Interest income	494,618	542,806	540,714	429,412	227,651	96,767	6,032	214,381	675,999
Net cash used by investing activities	13,744,635	(12,658,186)	4,120,618	1,761,741	(4,037,270)	3,008,701	(3,547,288)	6,309,794	1,239,675
Net increase (decrease) in cash and cash equivalents	(4,214,055)	12,820,063	2,704,343	(1,595,779)	(3,305,071)	8,538,969	4,740,183	(3,607,464)	(176,781)
Cash and cash equivalents, beginning of year	23,942,925	11,122,862	8,418,519	10,014,298	13,319,369	4,780,400	40,217	3,647,681	3,824,462
Cash and cash equivalents, end of year	\$ 19,728,870	\$ 23,942,925	\$ 11,122,862	\$ 8,418,519	\$ 10,014,298	\$ 13,319,369	\$ 4,780,400	\$ 40,217	\$ 3,647,681
Reconciliation of operating income to net cash provided (used) by operating activities:									
Operating income (loss)	\$ (2,373,331)	\$ (2,373,304)	\$ (3,605,150)	\$ (5,614,056)	\$ (2,513,702)	\$ (2,844,669)	\$ (3,790,412)	\$ (3,838,954)	\$ (358,859)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation and amortization	8,118,477	7,910,637	7,641,896	7,539,143	6,417,147	5,101,761	4,289,559	3,568,752	3,589,165
Nonoperating revenues	6,333	12,217	18,325	16,356	277,602	2,289,229	410,158	862,681	64,800
Remaining basis of asset disposals	-	-	-	6,155	15,826	128,304	5,787	-	-
Change in operating assets and liabilities:									
Accounts receivable	(262,430)	(445,744)	(259,367)	194,084	(67,969)	172,038	(483,107)	552,029	(686,891)
Inventories	(162,296)	(18,849)	(12,819)	(19,005)	(40,642)	(15,135)	(24,629)	(6,526)	8,747
Due from other governments	1,019,778	1,924,659	(491,100)	522,515	1,361,019	(2,733,905)	(1,186,139)	(942,161)	(16,798)
Accounts payable	(102,681)	(82,646)	123,095	100,965	(27,525)	7,213	14,350	53,976	19,386
Other liabilities and accrued expenses	28,275	154,572	(122,169)	(9,760)	(6,924)	228,975	(215,491)	99,181	61,861
Self-insurance	(128,142)	76,406	1,669	(3,470)	(6,442)	14,760	(2,718)	51,674	3,902
Total adjustments	8,517,314	9,531,252	6,899,530	8,346,983	7,922,092	5,193,240	2,807,770	4,239,606	3,044,172
Net cash provided (used) by operating activities	\$ 6,143,983	\$ 7,157,948	\$ 3,294,380	\$ 2,732,927	\$ 5,408,390	\$ 2,348,571	\$ (982,642)	\$ 400,652	\$ 2,685,313
Noncash investing, capital, and financing activities:									
Disposal of capital assets	25,199	2,464,549	-	193,227	73,971	1,180,842	586,143	-	-
Accumulated depreciation on capital asset dispositions	25,199	2,464,549	-	187,072	58,147	1,052,538	580,356	-	-

PORTLAND INTERNATIONAL JETPORT
Revenue Rates
Last Nine Fiscal Years

	Fiscal Year								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Landing fee (per 1,000 lbs MGLW)	\$2.13	\$2.42	\$2.08	\$1.95	\$1.98	\$1.89	\$1.63	\$1.95	\$1.42
Landing fee surcharge (per 1,000 lbs MGLW) (for non-signatory carriers only)	\$0.53	\$0.61	\$0.52	\$0.487	\$0.495	\$0.472	\$0.407	\$0.487	\$0.355
Apron fees (per sq. foot)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Annual terminal rental rates (per sq. foot)									
- Exclusive use	\$36.48	\$36.15	\$28.83	\$26.18	\$32.86	\$35.53	\$34.58	\$27.68	\$25.97
- Common use	\$48.16	\$46.84	\$38.74	\$35.61	\$42.89	\$46.32	\$44.93	\$36.77	\$34.28
- Public / concessions use	\$48.17	\$46.90	\$38.74	\$35.30	\$42.86	\$43.85	\$44.93	\$36.77	\$35.26
Terminal renovations surcharge (per enplanement)									
- PFC (Passenger Facility Charge)	\$4.50 *	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Annual loading bridge rental (per bridge)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* \$4.50 PFC became effective March 1, 2009

PORTLAND INTERNATIONAL JETPORT
Ratios of Outstanding Debt, Debt Service, and Debt Limits
Last Nine Fiscal Years

	Fiscal Year								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Outstanding Debt per Enplaned Passenger									
Outstanding debt by type:									
Revenue bonds	\$ 58,495,000	\$ 59,270,000	\$ 33,595,000	\$ 34,310,000	\$ 35,000,000	\$ 35,000,000	\$ -	\$ -	\$ -
General obligation bonds	235,070	392,393	549,716	707,039	839,362	1,024,165	1,193,422	1,362,769	1,532,204
Total outstanding debt	\$ 58,730,070	\$ 59,662,393	\$ 34,144,716	\$ 35,017,039	\$ 35,839,362	\$ 36,024,165	\$ 1,193,422	\$ 1,362,769	\$ 1,532,204
Outstanding debt per enplaned passenger	\$ 68.17	\$ 68.61	\$ 50.25	\$ 51.54	\$ 48.14	\$ 56.40	\$ 1.91	\$ 2.23	\$ 2.26
Debt Service									
Principal	\$ 932,323	\$ 902,323	\$ 872,323	\$ 822,323	\$ 184,803	\$ 169,257	\$ 169,347	\$ 169,435	\$ 178,107
Interest	2,753,110	1,545,993	1,553,212 #	1,589,636	1,627,871	1,599,593	83,823	94,761	105,712
Total debt service	\$ 3,685,433	\$ 2,448,316	\$ 2,425,535	\$ 2,411,959	\$ 1,812,674	\$ 1,768,850	\$ 253,170	\$ 264,196	\$ 283,819
Ratio of debt service to total expenses	17.87%	11.82%	12.61%	12.53%	10.54%	11.35%	1.92%	2.19%	2.60%
Net debt service per enplaned passenger	\$ 4.28	\$ 2.82	\$ 3.10	\$ 3.55	\$ 2.43	\$ 2.77	\$ 0.40	\$ 0.43	\$ 0.42
Debt Limit Information (in thousands)									
Assessed value per State (in thousands)	\$ 8,283,450	\$ 8,289,850	\$ 7,653,400	\$ 7,039,000	\$ 6,289,900	\$ 5,501,100	\$ 4,944,650	\$ 4,305,150	\$ 3,873,900
Debt limit - 3% of assessed value (in thousands)	\$ 248,504	\$ 248,696	\$ 229,602	\$ 211,170	\$ 188,697	\$ 165,033	\$ 148,340	\$ 129,155	\$ 116,217
Debt applicable to the limit (in thousands)	235	392	550	707	839	1,024	1,193	1,363	1,532
Debt margin (in thousands)	\$ 248,268	\$ 248,303	\$ 229,052	\$ 210,463	\$ 187,858	\$ 164,009	\$ 147,146	\$ 127,792	\$ 114,685
Debt margin as a percentage of debt limit	99.91%	99.84%	99.76%	99.67%	99.56%	99.38%	99.20%	98.94%	98.68%
Debt limit per enplaned passenger	\$ 288.43	\$ 285.98	\$ 293.92	\$ 310.79	\$ 253.45	\$ 258.40	\$ 236.80	\$ 211.73	\$ 171.54

Note:

See Schedule 2 for enplanement data.

PORTLAND INTERNATIONAL JETPORT
Pledged Revenue Coverage
Last Six Fiscal Years

	Fiscal Year - Budget Basis					
	2009	2008	2007	2006	2005	2004
Net Revenues						
Total Revenues	\$ 16,479,552	\$ 16,502,828	\$ 14,311,388	\$ 12,173,354	\$ 13,260,537	\$ 11,306,382
Maintenance and operating expenses (1)	10,258,721	10,492,597	9,963,611	9,027,239	8,836,384	8,269,138
Net revenues	6,220,831	6,010,231	4,347,777	3,146,115	4,424,153	3,037,244
Less: Debt service	2,419,060	2,479,814	2,455,535	2,453,325	2,480,441	989,160
Capital outlay	249,202	1,222,442	584,133	237,492	372,767	383,196
Net remaining revenues	\$ 3,552,569	\$ 2,307,975	\$ 1,308,109	\$ 455,298	\$ 1,570,945	\$ 1,664,888
Debt Service - Revenue Bond						
Principal	805,000	775,000	745,000	715,000	690,000	-
Interest	2,731,836	1,515,404	1,510,311	1,538,625	1,565,949	1,526,800
Total Debt Service	\$ 3,536,836	\$ 2,290,404	\$ 2,255,311	\$ 2,253,625	\$ 2,255,949	\$ 1,526,800
Debt Service Coverage Ratio Calculation						
Net revenues	\$ 6,220,831	\$ 6,010,231	\$ 4,347,777	\$ 3,146,115	\$ 4,424,153	\$ 3,037,244
Debt service	\$ 3,536,836	\$ 2,290,404	\$ 2,255,311	\$ 2,253,625	\$ 2,255,949	\$ 1,526,800
Debt service coverage ratio	1.76	2.62	1.93	1.40	1.96	1.99

Notes:

- (1) Excludes debt service expenditures and current years' budget basis encumbrances.
Includes current year's payments of prior years' encumbrances.

PORTLAND INTERNATIONAL JETPORT
Population in the Air Trade Area
Last Eight Calendar Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Percentage Change</u>	
									<u>2006 - 2007</u>	<u>2007 - 2008</u>
<u>PRIMARY TRADE AREA</u>										
State of Maine										
Androscoggin County	104,149	104,876	105,792	106,432	106,666	107,031	106,815	106,877	-0.20%	0.06%
Cumberland County	268,016	269,824	271,999	273,450	274,241	274,520	275,374	276,047	0.31%	0.24%
Kennebec County	117,980	118,463	119,201	119,802	120,244	120,594	120,839	120,959	0.20%	0.10%
Knox County	39,970	40,447	40,663	40,865	40,994	40,862	40,781	40,686	-0.20%	-0.23%
Lincoln County	33,999	34,264	34,538	34,850	34,904	34,806	34,800	34,628	-0.02%	-0.50%
Oxford County	55,012	55,493	55,625	55,985	56,237	56,486	56,734	56,741	0.44%	0.01%
Sagadahoc County	<u>35,505</u>	<u>35,821</u>	<u>36,707</u>	<u>36,621</u>	<u>36,361</u>	<u>36,457</u>	<u>36,387</u>	<u>36,332</u>	<u>-0.19%</u>	<u>-0.15%</u>
<u>PRIMARY TRADE AREA</u>	654,631	659,188	664,525	668,005	669,647	670,756	671,730	672,270	0.14%	0.08%
<u>SECONDARY TRADE AREA</u>										
State of Maine										
Aroostook County	72,862	72,768	72,623	72,518	72,359	72,122	72,047	71,676	-0.10%	-0.52%
Franklin County	29,543	29,825	29,728	29,703	29,708	29,886	29,927	29,857	0.14%	-0.23%
Hancock County	51,922	52,066	52,682	53,126	53,113	53,234	53,278	53,137	0.08%	-0.27%
Penobscot County	145,602	146,277	147,152	146,687	147,047	148,082	148,784	148,651	0.47%	-0.09%
Piscataquis County	17,138	17,143	17,219	17,247	17,300	17,212	17,180	16,961	-0.19%	-1.29%
Somerset County	50,781	50,803	50,970	50,857	50,988	51,496	51,658	51,377	0.31%	-0.55%
Waldo County	37,023	37,537	37,842	38,036	38,174	38,471	38,511	38,342	0.10%	-0.44%
Washington County	33,434	33,207	33,180	33,148	32,875	<u>32,778</u>	32,751	32,499	-0.08%	-0.78%
York County	<u>191,936</u>	<u>195,373</u>	<u>197,520</u>	<u>199,565</u>	<u>201,011</u>	<u>200,873</u>	<u>201,341</u>	<u>201,686</u>	<u>0.23%</u>	<u>0.17%</u>
<u>SECONDARY TRADE AREA</u>	630,241	634,999	638,916	640,887	642,575	644,154	645,477	644,186	0.20%	-0.20%
TOTAL PRIMARY AND SECONDARY TRADE AREA POPULATION										
	<u>1,284,872</u>	<u>1,294,187</u>	<u>1,303,441</u>	<u>1,308,892</u>	<u>1,312,222</u>	<u>1,314,910</u>	<u>1,317,207</u>	<u>1,316,456</u>	<u>0.17%</u>	<u>-0.06%</u>
State of Maine	1,284,872	1,294,187	1,303,441	1,308,892	1,312,222	1,314,910	1,317,207	1,316,456	0.17%	-0.06%
United States	285,112,030	287,888,021	290,447,644	293,191,511	295,895,897	298,754,819	301,621,157	304,059,724	0.95%	0.80%

National Population Source: U.S. Census Bureau
<http://www.census.gov/popest/datasets.html>

Maine Population Source: U.S. Census Bureau
http://www.census.gov/popest/counties/CO-EST2007-popchg2000_2007.html

PORTLAND INTERNATIONAL JETPORT
Principal Employers in the Primary Trade Area
As of December, 2008

<u>Employer</u>	<u>County</u>	<u>Amount (1)</u>	<u>Percentage of Total Employment</u>	<u>Product or Service</u>
Maine, State of	Kennebec, etc.	10,000 +	na	State Government
Children's Miracle Network	Cumberland	5,000 - 9,999	na	Charitable Institution
Maine Medical Center	Cumberland	5,000 - 9,999	na	Hospital
Anthem Blue Cross Blue Shield	Cumberland	1,000 - 4,999	na	Insurance
Autopart International, Inc.	Cumberland	1,000 - 4,999	na	Automobile parts & supplies - retail
Bath Iron Works	Sagadahoc	1,000 - 4,999	na	Ship building & Repair
Central Maine Medical Center	Androscoggin	1,000 - 4,999	na	Hospital
Faithworks	Androscoggin	1,000 - 4,999	na	Packaging Service
Goodwill Industries	Cumberland	1,000 - 4,999	na	Individual & Family Social Services
Hannaford	Cumberland	1,000 - 4,999	na	Retail Food & Drugs
Honeywell	Cumberland	1,000 - 4,999	na	Relay & Industrial Control Manufacturer
Idexx Distribution, Inc.	Cumberland	1,000 - 4,999	na	Wholesale Veterinary Supplies
L.L. Bean, Inc.	Cumberland	1,000 - 4,999	na	Retail Camping & Sporting Goods
Maine General Medical Center	Kennebec	1,000 - 4,999	na	Hospital
Mercy Hospital	Cumberland	1,000 - 4,999	na	Hospital
New Page Corp.	Oxford	1,000 - 4,999	na	Paper Manufacturer
Portland, City of	Cumberland	1,000 - 4,999	na	Municipal Government
Sisters of Charity Health Systems	Androscoggin	1,000 - 4,999	na	Health Maintenance
St. Mary's Regional Medical Ctr.	Androscoggin	1,000 - 4,999	na	Hospital
Sweetser	Cumberland	1,000 - 4,999	na	Individual & Family Social Services
T.D. Banknorth	Cumberland	1,000 - 4,999	na	Commercial Banking
U.S. Post Office	Cumberland	1,000 - 4,999	na	Post Office
Barber Foods	Cumberland	500 - 999	na	Food Service
Blethen Maine Newspapers	Cumberland	500 - 999	na	Newspaper Publishers
Bowdoin College	Cumberland	500 - 999	na	College
Colby College	Kennebec	500 - 999	na	College
Dingley Press	Androscoggin	500 - 999	na	Printers
Fairchild Semiconductor	Cumberland	500 - 999	na	Semiconductor Manufacturers
Family Medicine Institute	Kennebec	500 - 999	na	Physicians & Surgeons
Fryeburg Fair Assoc.	Oxford	500 - 999	na	Exposition Trade Shows & Fairs
Goodall Hospital	York	500 - 999	na	Hospital
Huhtamaki Packaging	Kennebec	500 - 999	na	Paper Manufacturer
Interstate Brands Corp.	York	500 - 999	na	Bakers - Wholesale
Lepage Bakeries, Inc.	Androscoggin	500 - 999	na	Bakers - Wholesale
Liberty Mutual	Androscoggin	500 - 999	na	Insurance
National Semiconductor	Cumberland	500 - 999	na	Semiconductor Manufacturers
Pionite Decorative Surfaces	Androscoggin	500 - 999	na	Plastics & High-Pressure Laminates
Proctor & Gamble Tambrands	Androscoggin	500 - 999	na	Sanitary Paper Products
Spurwink School	Cumberland	500 - 999	na	School
US Veterans Hospital	Kennebeck	500 - 999	na	Hospital
Wal-Mart Supercenter	Androscoggin	500 - 999	na	Department Store
Woodard & Curran	Cumberland	500 - 999	na	Engineering
Wright Express	Cumberland	500 - 999	na	Information Management

(1) NOTE: Exact numbers not available. Employment statistic numbers given in group figures.

Source: Maine Department of Labor, Labor Market Analysis
<http://198.182.162.220/analyzer/saintro.asp?session=EMPFIRMS&cat=EMP>

PORTLAND INTERNATIONAL JETPORT
Registered Full-Time Undergraduates at Colleges and
Universities in the Primary Trade Area
As of December, 2008

<u>Name</u>	<u>County</u>	<u>Registered Students</u>	<u>Status</u>
Andover College	Cumberland	502	Private
Bates College	Androscoggin	1,744	Private
Bowdoin College	Cumberland	1,734	Private
Central Maine Community College	Androscoggin	2,200	Public
Central Maine Medical Center School of Nursing	Androscoggin	114	Private
Colby College	Kennebec	1,865	Private
Maine College of Art	Cumberland	409	Private
Saint Joseph's College	Cumberland	1,050	Private
Southern Maine Community College	Cumberland	4,785	Public
Thomas College	Kennebec	957	Private
University of Maine Augusta	Kennebec	5,257	Public
University of New England	Cumberland, York	3,379	Public
University of Southern Maine	Cumberland	10,478	Public

Source: Infoplease / Maine Colleges & Universities
<http://www.infoplease.com/edu/colleges/ME.html>

PORTLAND INTERNATIONAL JETPORT
Jetport Employees
Last Eight Fiscal Years

	Full-time-Equivalent Employees as of Fiscal Year-End							
	2009	2008	2007	2006	2005	2004	2003	2002
Administration	9	9	11	12	12	13	13	37
Airfield	17	17	17	17	17	17	17	0
Security / Comm. Center	9	9	8	6	6	0	0	0
Terminal	9	9	9	9	9	9	8	0
Total Employees	<u>44</u>	<u>44</u>	<u>45</u>	<u>44</u>	<u>44</u>	<u>39</u>	<u>38</u>	<u>37</u>

NOTES:

1. Control Tower not staffed by Jetport personnel.
2. Loading bridges not staffed by Jetport personnel.
3. Janitorial services are contracted out to a private operator.
4. Parking management services are contracted out to a private operator.
5. Police Officers and ARFF employees are provided by City of Portland's Police and Fire Departments, and costs are reimbursed by the Jetport
6. Vehicles and equipment are the responsibility of Airfield employees; some work is contracted out to a private operator.

PORTLAND INTERNATIONAL JETPORT
Enplaned Passengers
Last Ten Fiscal Years

AIRLINE	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Air Nova	-	-	-	-	-	-	-	959	2,026	1,544
AirTran	96,618	102,187	6,453	-	-	-	-	-	-	-
American Eagle	-	-	-	-	26,005	40,951	58,465	66,430	67,487	38,551
Business Express	-	-	-	-	-	-	-	-	-	59,956
Continental Airlines	-	-	-	-	-	3,598	992	-	-	-
Commutair	-	-	-	1,182	7,349	9,341	8,378	6,543	14,282	22,547
Colgan / Continental Connection	69,913	1,303	-	-	-	-	-	-	-	-
Continental Express / ExpressJet	13,465	66,843	65,101	58,385	52,701	48,800	51,340	54,381	59,894	51,371
Delta	12,850	-	5,031	29,550	150,515	147,834	146,516	128,055	164,147	167,848
Atlantic Coast Airlines	-	-	-	-	-	10,643	21,518	28,660	3,239	-
Atlantic Southeast Airlines	40,638	63,687	56,717	62,608	7,394	-	-	-	-	-
Chautauqua	-	29,683	28,747	-	-	-	-	-	-	-
Comair	26,354	54,748	58,324	76,968	65,100	46,266	27,644	3,858	-	-
Freedom Air	38,732	-	21,814	-	-	-	-	-	-	-
Pinnacle	2,468	-	-	-	-	-	-	-	-	-
Independence Air	-	-	-	39,917	65,640	1,169	-	-	-	-
JetBlue	143,235	147,971	135,836	14,294	-	-	-	-	-	-
Northeast	-	-	-	-	-	-	-	-	-	-
Northwest	65	14,678	33,602	36,610	60,923	66,887	49,931	43,748	44,180	45,657
Mesaba	49,089	23,583	-	14,631	6,471	-	-	-	-	-
Pinnacle	6,034	15,717	19,336	19,627	18,054	-	-	-	-	-
Pine State	-	-	-	-	-	-	-	-	-	-
Starlink Aviation	551	-	-	-	-	-	-	-	-	-
TWA	-	-	-	-	-	-	-	-	4,811	10,152
U.S. Airways	-	-	-	36,448	68,682	70,530	123,925	154,541	177,901	150,943
Air Wisconsin	105,579	97,891	76,042	51,964	-	-	-	-	-	-
Allegheny	-	-	-	-	-	-	-	9,118	21,226	6,388
Chautauqua	11,024	9,765	49,174	45,973	19,645	23,341	-	-	-	-
Colgan	-	7,797	-	-	16,731	22,932	21,344	19,158	8,613	-
Mesa	9,409	19,969	27,602	4,962	25,039	21,935	9,209	6,785	2,569	-
Midway	-	-	-	-	-	11,315	1,962	-	-	-
Piedmont	1,975	-	6,502	2,820	2,050	-	-	-	-	-
PSA Express	1,776	-	1,539	41,629	45,340	7,657	15,257	5,347	18,292	23,096
Republic Airlines	110,536	94,325	69,763	15,832	-	-	-	-	-	-
Trans State Airlines	-	-	-	5,662	901	7,546	-	-	-	-
United Airlines	-	-	-	-	-	-	-	-	-	-
Air Wisconsin	291	-	-	-	42,537	2,068	-	-	-	-
Atlantic Coast	-	-	-	-	5,922	95,861	89,945	60,151	10,876	-
Go Jet	73,916	86,879	87,611	19,407	-	-	-	-	-	-
Mesa	47,052	31,691	31,991	88,921	8,013	-	-	22,274	61,340	66,490
Skywest Airlines	-	-	-	3,084	-	-	-	-	-	-
Trans State Airlines	-	909	-	8,984	49,501	-	-	-	-	-
United Express	-	-	-	-	-	-	-	-	16,597	30,064
Subtotal	861,570	869,626	781,185	679,458	744,513	638,674	626,426	610,008	677,480	674,607
Charters & Unscheduled Flights	905	1,023	985	992	1,543	2,006	1,409	2,321	1,576	2,709
Total	862,475	870,649	782,170	680,450	746,056	640,680	627,835	612,329	679,056	677,316

PORTLAND INTERNATIONAL JETPORT
Takeoff and Landing Operations Summary
Last Nine Fiscal Years

	2009	2008	2007	2006	2005	2004	2003	2002	2001	Average Annual Change
Majors / Nationals	3,152	2,960	2,056	1,481	3,052	2,799	3,560	4,868	6,452	0.04%
Regionals / Commuters	13,155	13,194	13,924	13,861	15,556	14,043	13,206	13,855	13,128	0.01%
Cargo	1,946	2,422	2,576	2,522	2,213	2,187	2,231	2,125	1,891	0.58%
Total	18,253	18,576	18,556	17,864	20,821	19,029	18,997	20,848	21,471	-2.14%

Note: General Aviation operations not documented by Jetport.

PORTLAND INTERNATIONAL JETPORT
Takeoff and Landing Operations by Airline or Cargo Carrier
Last Nine Fiscal Years

Passenger Airlines	Fiscal Year								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Air Nova	-	-	-	-	-	-	-	151	316
AirTran	1,057	1,159	76	-	-	-	-	-	-
American Eagle	-	-	-	-	721	1,526	2,499	3,546	4,121
Continental Airlines	-	-	-	-	-	45	15	-	-
Commutair	-	-	-	134	903	1,162	1,086	1,223	2,159
Express Jet	532	1,586	1,531	1,518	1,420	1,427	1,443	1,760	1,978
Delta	107	-	63	253	1,409	1,455	1,433	1,505	2,058
Atlantic Coast Airlines	-	-	-	-	-	379	1,139	2,228	170
Atlantic Southeast Airlines	640	995	939	1,121	142	-	-	-	-
Chautauqua	-	-	787	-	-	-	-	-	-
Comair	627	1,348	1,368	2,338	2,640	2,085	1,348	160	-
Freedom Air	1,042	778	913	-	-	-	-	-	-
Pinnacle	46	-	-	-	-	-	-	-	-
Independence Air	-	-	-	785	1,937	41	-	-	-
jetBlue	1,822	1,628	1,465	37	-	-	-	-	-
Northwest	1	173	452	510	404	351	368	775	753
Mesaba	810	434	-	270	396	357	25	-	-
Pinnacle	139	373	470	491	1,078	807	511	2	-
Starlink Aviation	165	-	-	-	-	-	-	-	-
TWA	-	-	-	-	-	-	-	-	120
U.S. Airways	-	-	-	681	1,239	948	1,744	2,297	2,461
Air Wisconsin	2,935	2,741	2,077	1,505	-	-	-	-	-
Allegheny	-	-	-	-	-	-	-	666	1,594
Chautauqua	394	351	1,492	1,478	571	679	-	-	-
Colgan	1,313	19	-	-	765	1,696	1,597	1,761	939
Mesa	123	264	357	122	782	653	314	199	86
Midway	-	-	-	-	-	317	61	-	-
Piedmont	98	325	294	143	112	-	-	-	-
PSA Express	459	-	35	982	1,245	268	795	292	862
Republic Airlines	1,786	1,704	1,236	275	-	-	-	-	-
Trans State Airlines	-	-	-	182	27	240	-	-	-
United Airlines	-	-	-	-	-	-	-	291	1,060
Air Wisconsin	-	-	-	-	1,027	53	-	-	-
Atlantic Coast Airlines	-	-	-	-	352	1,078	-	-	-
Go-Jet	1,303	1,637	1,668	483	-	-	-	-	-
Mesa	892	600	745	1,728	155	-	-	-	-
Skywest Airlines	-	-	-	65	-	-	-	-	-
Trans State Airlines	6	28	-	241	1,283	-	-	-	-
United Express	-	-	-	-	-	1,275	2,388	1,867	894
Charters & Unscheduled Flights	10	11	12	18	18	21	17	354	254
Subtotal	16,307	16,154	15,980	15,360	18,626	16,863	16,783	19,077	19,825
Cargo Carriers									
AIRNOW	2	282	334	287	287	70	328	55	-
DHL	-	-	-	-	-	-	-	-	-
Airborne Express	112	256	258	258	258	258	257	255	252
Federal Express	462	530	525	520	520	513	521	517	509
Mountain Air Cargo	-	-	-	-	-	2	-	-	-
Reliant	-	-	-	-	-	-	-	-	80
Wiggins	1,370	1,354	1,459	1,439	1,439	1,370	1,064	1,050	1,030
Subtotal	1,946	2,422	2,576	2,504	2,504	2,213	2,170	1,877	1,871
Total	18,253	18,576	18,556	17,864	21,130	19,076	18,953	20,954	21,696

PORTLAND INTERNATIONAL JETPORT
Airline Landed Weights (in thousands of pounds)
Last Ten Fiscal Years

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Scheduled Air Carriers										
Air Nova	-	-	-	-	-	-	-	1,216	2,543	2,504
AirTran	110,624	66,144	3,952	-	-	-	-	-	-	-
American Eagle	-	-	-	44	29,406	62,238	101,860	125,337	73,504	77,089
ATA Airlines	-	-	-	-	1,024	1,317	439	1,771	-	-
Business Express	-	-	-	-	-	-	-	-	-	95,162
Continental	-	-	-	-	-	4,214	1,470	-	-	-
Commutair	-	-	-	2,224	14,990	19,289	18,028	20,302	36,142	41,550
Express Jet	16,244	67,432	65,303	64,180	59,028	58,820	59,478	71,841	73,024	59,794
Delta	13,910	-	6,489	30,595	179,120	189,150	186,290	195,650	225,958	244,680
Atlantic Coast Airlines	-	-	-	-	-	12,014	36,106	70,534	5,389	-
Atlantic Southeast Airlines	42,856	66,305	62,913	73,367	5,864	-	-	-	-	-
Chautauqua	-	-	32,883	-	-	-	-	-	-	-
Comair	29,602	63,396	69,876	114,986	133,492	97,995	63,356	7,700	-	-
Freedom Air	45,556	34,274	33,083	-	-	-	-	-	-	-
Pinnacle	3,456	-	-	-	-	-	-	-	-	-
Independence Air	-	-	-	58,865	95,868	1,927	-	-	-	-
JetBlue	188,370	175,799	94,561	11,234	-	-	-	-	-	-
Midway	-	-	-	-	-	14,899	2,867	-	-	-
Northwest	99	17,375	45,029	50,893	40,612	34,729	36,337	72,994	73,595	87,306
Mesaba	58,302	31,301	-	22,950	33,490	25,670	2,125	-	-	-
Pinnacle	6,533	17,531	22,090	23,077	50,666	45,337	24,017	94	-	-
Starlink Aviation	1,781	-	-	-	-	-	-	-	-	-
TWA	-	-	-	-	-	-	-	-	15,600	46,930
U.S. Airways	-	-	-	56,287	101,141	106,459	200,347	263,975	265,035	229,259
Air Wisconsin	137,945	128,827	99,478	70,735	-	-	-	-	-	-
Allegheny	-	-	-	-	-	-	-	22,578	49,122	6,713
Chautauqua	16,763	14,935	63,481	63,325	24,294	28,891	-	-	-	-
Colgan	81,406	1,178	-	-	22,137	44,770	39,678	41,141	17,349	-
Mesa	9,041	19,404	26,239	6,365	34,610	29,544	13,345	8,458	3,660	-
Piedmont	3,363	11,140	10,042	4,792	3,804	-	-	-	-	-
PSA Express	2,135	-	1,645	49,954	61,164	10,474	23,187	8,517	26,630	29,984
Republic	132,486	125,086	89,278	19,886	-	-	-	-	-	-
Trans State Airlines	-	-	7,744	1,149	9,992	-	-	-	-	-
United	-	-	-	-	-	-	-	36,926	142,001	140,166
Air Wisconsin	-	-	-	-	48,422	2,491	-	-	-	-
Atlantic Coast	-	-	-	-	6,674	119,377	112,236	87,677	18,883	-
Go-Jet	87,301	109,679	106,059	32,361	-	-	-	-	-	-
Mesa	57,403	39,400	43,306	110,648	10,285	-	-	-	-	-
Skywest	-	-	-	4,335	-	-	-	-	-	-
Trans State Airlines	255	1,191	-	10,254	54,591	-	-	-	-	-
United Express	-	-	-	-	-	-	-	-	23,147	46,022
Charters & Unscheduled Flights	1,030	1,176	1,283	2,085	1,917	824	4,265	3,635	903	3,115
Subtotal	1,046,461	991,572	876,990	891,186	1,013,748	920,421	925,431	1,040,346	1,052,485	1,110,274
Cargo Carriers										
AIRNOW	85	3,558	4,115	3,365	671	2,890	468	-	-	-
DHL	-	-	-	-	-	-	-	-	-	-
Airborne Express	11,423	26,099	25,997	25,873	25,729	25,703	25,560	25,128	25,358	25,864
Federal Express	77,552	89,593	102,810	100,193	92,782	83,808	83,513	82,323	78,038	79,620
Mountain Air Cargo	-	-	-	-	17	-	-	-	-	168
Reliant	-	-	-	-	-	-	-	2,186	1,994	-
Wiggins	12,516	12,327	13,274	12,992	12,307	9,044	8,932	8,765	9,328	10,043
Subtotal	101,576	131,577	146,196	142,423	131,506	121,445	118,473	118,402	114,718	115,695
Total	1,148,037	1,123,149	1,023,186	1,033,609	1,145,254	1,041,866	1,043,904	1,158,748	1,167,203	1,225,969

PORTLAND INTERNATIONAL JETPORT
Primary Origin and Destination Passenger Markets
Calendar Years 2008 & 2007

CY 2008				CY 2007			
Rank	Market	Trip Length (1)	Total O & D Passengers	Rank	Market	Trip Length (1)	Total O & D Passengers
1	New York	SH	204,820	1	New York	SH	229,060
2	Orlando	MH	135,590	2	Orlando	MH	91,140
3	Baltimore	SH	113,890	3	Washington	SH	81,310
4	Washington	SH	71,670	4	Baltimore	SH	71,470
5	Atlanta	MH	60,740	5	Atlanta	MH	52,040
6	Tampa	MH	52,150	6	Chicago	MH	50,500
7	Chicago	MH	49,090	7	Tampa	MH	50,320
8	Philadelphia	SH	37,450	8	Philadelphia	SH	36,900
9	Denver	LH	35,820	9	Fort Lauderdale	MH	33,240
10	Charlotte	MH	35,730	10	Charlotte	MH	31,570
11	Fort Lauderdale	MH	32,810	11	Fort Myers	MH	30,680
12	San Francisco	LH	27,680	12	Denver	LH	29,510
13	Fort Myers	MH	37,380	13	West Palm Beach	MH	26,140
14	Los Angeles	LH	25,930	14	Seattle / Tacoma	LH	25,480
15	Seattle / Tacoma	LH	25,220	15	San Francisco	LH	25,110
16	Raleigh / Durham	MH	24,750	16	Jacksonville	MH	24,690
17	Las Vegas	LH	24,330	17	Las Vegas	LH	23,080
18	Jacksonville	MH	23,870	18	Detroit	MH	21,470
19	Phoenix	LH	21,810	19	Raleigh / Durham	MH	21,430
20	San Diego	LH	21,570	20	San Diego	LH	20,180
21	West Palm Beach	MH	21,210	21	Phoenix	LH	20,060
22	Dallas / Fort Worth	LH	20,140	22	Minneapolis	MH	19,100
23	Pittsburg	MH	19,670	23	Houston	LH	17,450
24	Minneapolis	MH	19,470	24	Los Angeles	LH	17,140
25	Houston	LH	17,900	25	Dallas / Fort Worth	LH	16,760

Notes:

(1) SH = Short Haul = 0 to 600 miles MH = Medium Haul = 601 to 1,800 miles LH = Long Haul = over 1,800 miles

PORTLAND INTERNATIONAL JETPORT
Capital Asset Information
As of July 1, 2009

Location:	3 miles west of downtown Portland, Maine.		
Area:	840 acres		
Elevation	74 ft.		
Airport Code:	PWM		
Runways:	11/29	7,200 ft. x 150 ft.	CAT III ILS / GPS / LAHSO
	18/36	5,001 ft. x 150 ft.	GPS / LAHSO
Terminal:	Exclusive Use	30,132.6	sq. ft.
	Common Use	42,858.6	sq. ft.
	Public / City	57,807.9	sq. ft.
	Vendor Space	11,498.4	sq. ft.
	Mechanical	2,867.7	sq. ft.
	Total	<u>145,165.2</u>	sq. ft.
	Number of passenger gates:		12
	Number of loading bridges		9
	Number of Concessionaires in Terminal		2
	- HMS Host (Food & Beverage services)		
	- Paradies (Newstands / Gift Shops)		
	Number of Rental Car agencies on Airport		4
	- Avis		
	- Enterprise		
	- Hertz		
	- Vanguard (National / Alamo)		
Other Buildings:	Maintenance Building	34,046	sq. ft.
	Lighting Vault	3,026	sq. ft.
	Salt & Sand Shed	5,625	sq. ft.
Apron:	Commercial Airlines	175,906	sq. ft.
	Cargo Airlines	81,000	sq. ft.
	FBO	541,500	sq. ft.
Parking:	Spaces Assigned:	Short Term	190
		Long Term	2,430
		Discount Lot	451
		Employee	275
		Car Rental Ready Lot	<u>238</u>
		Total	3,584
Cargo:	N/A - all buildings are owned by 3rd party developers, who pay ground leases only.		
Tower:	ASR-9 5:45 am - 12:00 am, 7 days/week		
International:	Customs / Immigration services available upon request		
Full-Service FBOs:	Northeast Airmotive		

THE DEPOSITORY TRUST COMPANY

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF PORTLAND, MAINE
GENERAL AIRPORT REVENUE BONDS, SERIES 2010
THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, each in the respective aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010 Bond documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 2010 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Payments of principal of and interest and redemption premium, if any, on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the

responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

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

By _____
Authorized Officer

(212) 826-0100

