

In the opinion of Fulbright & Jaworski L.L.P., New York, New York, Bond Counsel, under existing law, assuming compliance with the tax covenants described herein interest on the Series 2004 Bonds (other than interest on any Series 2004 Bonds accruing during any period while such Series 2004 Bonds are held by a person who is a "substantial user" of any of the facilities financed with the proceeds of the Series 2004 Bonds or by a "related person", as such terms are defined in section 147(a) of the Internal Revenue Code of 1986 (the "Code")), is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, and interest on the Series 2004 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York). HOWEVER, THE SERIES 2004 BONDS WILL BE "SPECIFIED PRIVATE ACTIVITY BONDS" WITHIN THE MEANING OF SECTION 57(a) OF THE CODE, THE INTEREST ON WHICH WILL BE AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX IMPOSED ON OWNERS THEREOF. See "TAX MATTERS" herein.

\$20,855,000

**MONROE COUNTY AIRPORT AUTHORITY
Greater Rochester International Airport
Revenue Refunding Bonds, Series 2004**

Dated: Date of Delivery

Due: January 1, as shown on inside front cover

The Greater Rochester International Airport Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds") will be issued by the Monroe County Airport Authority (the "Authority") to provide funds to refund the outstanding principal balance of the Authority's Greater Rochester International Airport Revenue Bonds, Series 1993 (the "Refunded Bonds"), to pay related costs and to pay certain costs of issuance of the Series 2004 Bonds. See "DESCRIPTION OF THE SERIES 2004 BONDS - Purpose of the Series 2004 Bonds" herein. For a description of the security for the Series 2004 Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS" herein. Potential investors should carefully consider the investment considerations described herein. See "INVESTMENT CONSIDERATIONS" herein.

Interest on the Series 2004 Bonds will be payable semi-annually on each January 1 and July 1, commencing July 1, 2004. The Series 2004 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as "Securities Depository" as herein described, for the Series 2004 Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Series 2004 Bonds. Principal and interest will be paid by the Authority to DTC which will in turn remit such principal and interest to its Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Series 2004 Bonds. See "DESCRIPTION OF THE SERIES 2004 BONDS - Book-Entry-Only System" herein.

Payments of the principal of and interest on the Series 2004 Bonds will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation (the "Insurer" or "MBIA") concurrently with the delivery of the Series 2004 Bonds. See "BOND INSURANCE" herein.



The Series 2004 Bonds are subject to optional redemption and mandatory casualty redemption prior to maturity, as more fully described herein.

THE SERIES 2004 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OF THE AUTHORITY, AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF MONROE. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2004 BONDS SHALL BE PAYABLE FROM (I) NET REVENUES OF THE AUTHORITY, AS HEREIN EXPLAINED AND DEFINED, SUBJECT TO THE AUTHORITY'S OBLIGATION TO MAKE PAYMENTS INTO THE OPERATION AND MAINTENANCE FUND AND THE REBATE FUND AND (II) AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS, ALL AS MORE PARTICULARLY DESCRIBED HEREIN. THE SERIES 2004 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The Series 2004 Bonds are offered subject to prior sale when, as and if issued by the Authority and accepted by the Underwriter and subject to the approval of their legality by Fulbright & Jaworski L.L.P., New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority and the County by Daniel M. DeLaus, Esq., County Attorney, and for the Underwriter by its counsel, Harter, Secrest & Emery LLP, Rochester, New York. Public Resources Advisory Group, New York, New York, has acted as Financial Advisor to the Authority with respect to issuance and sale of the Series 2004 Bonds. It is expected that the Series 2004 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about March 4, 2004.

JPMorgan

AMOUNTS, MATURITIES AND INTEREST RATES

Serial Bonds

<u>Year</u> <u>(January 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2005	\$ 980,000	2.000%	1.460%
2006	1,055,000	3.000%	1.790%
2007	1,085,000	4.000%	2.090%
2008	1,125,000	4.000%	2.490%
2009	1,175,000	5.000%	2.840%
2010	1,230,000	5.000%	3.080%
2011	1,290,000	5.250%	3.320%
2012	1,365,000	5.250%	3.560%
2013	1,430,000	5.250%	3.760%
2014	1,510,000	5.250%	3.930%
2015	1,590,000	4.000%	4.060%
2016	1,655,000	4.000%	4.100%
2017	1,715,000	4.000%	4.150%
2018	1,790,000	4.000%	4.180%
2019	1,860,000	4.000%	4.260%

THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2004 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE SERIES 2004 BONDS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SERIES 2004 BONDS, NOR SHALL THERE BE ANY SALE OF THE SERIES 2004 BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SALE OR SOLICITATION, AND NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED OR IS AUTHORIZED BY THE AUTHORITY OR THE UNDERWRITER TO MAKE SUCH OFFER, SALE OR SOLICITATION.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Series 2004 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

The information contained in this Official Statement has been obtained from the Authority, and other sources deemed reliable, but no representation or guarantee is made by the Underwriter as to the accuracy or completeness of such information and nothing contained in this Official Statement is, or shall be construed or relied upon as, a promise or representation by the Underwriter. This Official Statement is submitted in connection with the sale of the securities described herein and may not be reproduced or used, in whole or in part, for any other purpose. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the County or imply that the information contained herein is correct as of any time subsequent to the date hereof or the date as of which such information is given, if earlier.

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

MONROE COUNTY AIRPORT AUTHORITY

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OFFICIAL STATEMENT

relating to

\$20,855,000

**Monroe County Airport Authority
Greater Rochester International Airport
Revenue Refunding Bonds, Series 2004**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to furnish certain information concerning the Monroe County Airport Authority (the "Authority"), the Greater Rochester International Airport (the "Airport"), and the Authority's Greater Rochester International Airport Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds").

The proceeds of the Series 2004 Bonds, together with other available moneys, will be used primarily to (i) refund the Authority's outstanding Greater Rochester International Airport Revenue Refunding Bonds, Series 1993 (the "Refunded Bonds") and (ii) to pay certain costs of issuance of the Series 2004 Bonds, including the premium for the Bond Insurance Policy. See "REFUNDING FINANCIAL PLAN" and "SOURCES AND USES OF BOND PROCEEDS" herein.

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Indenture, as hereinafter defined, and the Airline Agreements, as hereinafter defined. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms" and "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS - Definitions of Certain Terms."

The Series 2004 Bonds are to be issued pursuant to (i) the authority contained in the Monroe County Airport Authority Act, constituting Title 31 of Article 8 of the Public Authorities Law of the State of New York (the "Act"), (ii) a Trust Indenture, dated as of September 15, 1989 (the "Indenture"), between the Authority and JPMorgan Chase Bank, as trustee (the "Trustee"), (iii) a fourth supplemental indenture, dated as of March 1, 2004 (the "Fourth Supplemental Indenture"), by and between the Authority and the Trustee, and (iv) a refunding resolution adopted by the Authority on February 11, 2004 (the "Resolution"). The Authority was created in July, 1989, pursuant to Chapter 663 of the Laws of 1989.

Concurrently with the issuance of the Series 2004 Bonds, MBIA Insurance Corporation (the "Insurer") will issue a financial guaranty policy (the "Bond Insurance Policy") to insure the payment, when scheduled, of principal of and interest on the Series 2004 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS - Debt Service Reserve Subaccount," "BOND INSURANCE," and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

THE SERIES 2004 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2004 BONDS SOLELY FROM THE NET REVENUES AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2004 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF MONROE, AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF MONROE, SHALL BE LIABLE THEREON. THE SERIES 2004 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWERS.

The Series 2004 Bonds will be on parity with the outstanding Greater Rochester International Airport Revenue Refunding Bonds, Series 1999, which were authorized pursuant to the Third Supplemental Trust Indenture, dated as of October 1, 1999, entered into by and between the Authority and the Trustee. The principal of, interest on and any premium due on the redemption of the Series 2004 Bonds will be equally and ratably secured by (i) Net Revenues, and (ii) certain moneys, securities, Funds and Accounts held under the Indenture, and any supplemental indentures thereto, available for the payment of the Series 2004 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS."

This Official Statement contains summaries of the terms of and security for the Series 2004 Bonds and descriptions of the Airport and its operations. Summaries of certain provisions of the Indenture and of the Airline Agreements are included as Appendices B and D, respectively. All references to agreements and documents are qualified in their entirety by references to the definitive forms of the agreements or documents. All references to the Series 2004 Bonds are further qualified by references to the information with respect to them contained in the Indenture. Any statements or information indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith, but there is no assurance that the facts will materialize as so opined or estimated.

REFUNDING FINANCIAL PLAN

The Authority's refunding financial plan (the "Refunding Financial Plan") provides that the proceeds of the Series 2004 Bonds, after payment of underwriting and other costs of issuance related to such Series 2004 Bonds, will be used to purchase non-callable direct obligations of the United States of America (the "Government Obligations"), which, together with the remaining cash proceeds of the Series 2004 Bonds, will be placed in an irrevocable trust fund (the "Escrow Fund") with JPMorgan Chase Bank (the "Escrow Agent"), pursuant to the terms of an escrow agreement by and between the Authority, the Trustee and the Escrow Agent, to be dated as of the settlement date (the "Escrow Agreement"). The Government Obligations so deposited will mature in amounts, which, together with the cash so deposited, will be sufficient to pay the principal of, interest on, and applicable redemption premium of the Refunded Bonds on the date of their redemption. The Refunding Financial Plan requires the Escrow Agent, pursuant to the refunding bond resolution of the Authority and the Escrow Agreement, to call for the redemption of the Refunded Bonds on their applicable redemption dates. The owners of the Refunded Bonds

will have a first lien on the Escrow Fund until such Refunded Bonds have been redeemed, whereupon the Escrow Agreement shall terminate.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2004 Bonds:

Estimated Sources of Funds

Principal Amount of the Series 2004 Bonds	\$ 20,855,000.00
Plus: Net Original Issue Premium	874,894.45
Transfer from Series 1993 Bond Service Account	344,930.66
Transfer from Series 1993 Debt Service Reserve Subaccount	1,364,450.00
Transfer from Series 1989 Debt Service Reserve Subaccount	811,660.00
TOTAL SOURCES OF FUNDS	<u>\$ 24,250,935.11</u>

Estimated Uses of Funds

Deposit to Escrow Fund	\$21,387,456.31
Deposit to Debt Service Reserve Subaccount	2,037,000.00
Costs of issuance*	826,478.80
Total Uses of Funds	<u>\$ 24,250,935.11</u>

DEBT SERVICE REQUIREMENTS ON THE AUTHORITY'S OUTSTANDING INDEBTEDNESS, INCLUDING THE SERIES 2004 BONDS

Bond Year Ending January 1	<u>Series 2004 Bonds Debt Service</u>			Total	Total Debt Service on Series 1999 and Series 2004 Bonds
	Total Debt Service on Series 1999 Bonds	Principal	Interest		
2005	\$ 6,696,581.26	\$ 980,000	\$ 740,880.94	\$ 1,720,880.94	\$ 8,417,462.20
2006	6,695,906.26	1,055,000	878,437.50	1,933,437.50	8,629,343.76
2007	6,693,681.26	1,085,000	846,787.50	1,931,787.50	8,625,468.76
2008	6,693,993.76	1,125,000	803,387.50	1,928,387.50	8,622,381.26
2009	6,695,618.76	1,175,000	758,387.50	1,933,387.50	8,629,006.26
2010	6,696,793.76	1,230,000	699,637.50	1,929,637.50	8,626,431.26
2011	6,692,200.00	1,290,000	638,137.50	1,928,137.50	8,620,337.50
2012	6,695,762.50	1,365,000	570,412.50	1,935,412.50	8,631,175.00
2013	6,705,812.50	1,430,000	498,750.00	1,928,750.00	8,634,562.50
2014	6,696,200.00	1,510,000	423,675.00	1,933,675.00	8,629,875.00
2015	6,692,212.50	1,590,000	344,400.00	1,934,400.00	8,626,612.50
2016	6,702,700.00	1,655,000	280,800.00	1,935,800.00	8,638,500.00
2017	6,699,268.76	1,715,000	214,600.00	1,929,600.00	8,628,868.76
2018	6,692,625.00	1,790,000	146,000.00	1,936,000.00	8,628,625.00
2019	<u>6,701,887.50</u>	<u>1,860,000</u>	<u>74,400.00</u>	<u>1,934,400.00</u>	<u>8,636,287.50</u>
	<u>\$100,451,243.82</u>	<u>\$20,855,000</u>	<u>\$7,918,693.44</u>	<u>\$28,773,693.44</u>	<u>\$129,224,937.26</u>

* Includes legal fees, bond insurance premium, underwriter's discount, other costs of issuance and a rounding amount.

DESCRIPTION OF THE SERIES 2004 BONDS

General Description

The Series 2004 Bonds will be issued pursuant to the Indenture, as supplemented by the Fourth Supplemental Indenture. The Series 2004 Bonds will mature on January 1 of the years and in the amounts shown on the inside cover page hereof. The Series 2004 Bonds will bear interest payable on July 1, 2004 and semi-annually after that date on January 1 and July 1 in each year, at the rates per annum set forth on the cover hereof.

The Series 2004 Bonds will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry-Only System. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2004 Bonds. If at any time the Book-Entry-Only System is discontinued for the Series 2004 Bonds, the Series 2004 Bonds will be exchangeable for other fully registered certificated Series 2004 Bonds of the same Series in any authorized denominations, maturity and interest rate. See "Book-Entry-Only System" herein. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2004 Bond. The cost, if any, of preparing each new Series 2004 Bond issued upon such exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2004 Bonds will be payable by check mailed to the registered owners thereof. However, if and at such times as the Series 2004 Bonds are not in book-entry-only form, interest on the Series 2004 Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of Series 2004 Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five days prior to the Record Date. As long as the Series 2004 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry-Only System" herein.

Purpose of the Series 2004 Bonds

The Series 2004 Bonds are being issued for the purpose of refunding the Monroe County Airport Authority Greater Rochester International Airport Revenue Refunding Bonds, Series 1993 in the aggregate principal amount of \$20,900,000 (the "Refunded Bonds") and to pay certain expenses incidental to the issuance of the Series 2004 Bonds.

Redemption Prior to Maturity

Optional Redemption. The Series 2004 Bonds maturing on or after January 1, 2015 are subject to redemption by the Authority from any source, in whole at any time or in part on any Interest Payment Date, on or after January 1, 2014 in such order of maturity as the Authority may determine (and within each maturity in any customary manner selected by the Trustee), upon notice as provided in the Master Indenture at the par amount thereof plus accrued interest to the redemption date.

With respect to any notice of optional redemption of Series 2004 Bonds, unless upon the giving of such notice such Series 2004 Bonds shall be deemed to have been paid within the meaning of Article XI of the Master Indenture, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal, and premium, if any, and interest on the Series 2004 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2004 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Mandatory Casualty Redemption. The Series 2004 Bonds are subject to redemption prior to maturity, in whole or in part, at any time, at the Redemption Price of 100% of the principal amount thereof plus accrued interest, if any, to the date of redemption in the event that (i) the Series 2004 Project (as defined in the Indenture) is damaged or destroyed and (ii) the Authority, within 60 days of receipt of insurance proceeds resulting from such damage or destruction, files a certificate of an Airport Consultant, to the effect that it is not in the best interests of the Authority and the Bondholders to repair or reconstruct the Series 2004 Project.

None of the proceeds described in the preceding paragraph shall be used to redeem any Bonds other than the Series 2004 Bonds unless and until the Authority shall have received and delivered to the Trustee an opinion of Bond Counsel to the effect that the application of the proceeds of insurance to the redemption of Bonds of any Series other than the Series 2004 Bonds will not adversely affect the exclusion of interest on the Series 2004 Bonds from gross income for federal income tax purposes.

Notice of Redemption. Official notice of redemption shall be given by first class mail, postage prepaid, at least 30 and not more than 45 days prior to the redemption date, such notice to be in form and content as required by the Indenture, to the registered owners of Series 2004 Bonds whose Bonds or portions thereof are to be redeemed. The Securities Depository, as registered owners of all the Series 2004 Bonds, provides notice of such redemption to its Participants and Indirect Participants which, in turn, provide notice to the Beneficial Owners, all as defined and further described herein under the caption "Book-Entry-Only System." Any notice given in accordance with the provisions of the Indenture is conclusively presumed to have been duly given, whether or not the Beneficial Owner of such Series 2004 Bond receives such notice or otherwise has actual notice of such call for redemption. As provided in the Indenture, the Trustee shall give further notice of redemption to certain national securities depositories,

certain national information services and certain Bondholders; provided that no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

Book-Entry-Only System

Overview

The Series 2004 Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2004 Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2004 Bonds under the Indenture.

DTC will act as securities depository for the Bonds. The Series 2004 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2004 Bond certificate will be issued for the Series 2004 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004 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 2004 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 2004 Bonds, except in the event that use of the book-entry system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 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 2004 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 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 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 2004 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2004 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2004 Bond documents. For example, Beneficial Owners of Series 2004 Bonds may wish to ascertain that the nominee holding the Series 2004 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 2004 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2004 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Series 2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2004 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2004 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2004 BONDS, AS NOMINEE OF DTC, REFERENCE HEREIN TO THE BONDHOLDERS OR REGISTERED OWNER OF THE SERIES 2004 BONDS MEANS CEDE & CO., NOT THE BENEFICIAL OWNER OF THE SERIES 2004 BONDS.

NEITHER THE AUTHORITY, THE INSURER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE SERIES 2004 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED SERIES 2004 BONDS, OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2004 BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT

OF ANY PARTIAL REDEMPTION OF THE SERIES 2004 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Certain duties of DTC and procedures to be followed by DTC and the Trustee are set forth in a Blanket Authority Letter of Representations ("DTC Letter of Representations") between the Authority and DTC. In the event of a conflict between the provisions of the Indenture and the provisions of the DTC Letter of Representations relating to delivery of the Series 2004 Bonds to the Trustee, the provisions of the DTC Letter of Representations shall control.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS

Source of Payment

The principal of, interest on and any premium due upon the redemption of the Series 2004 Bonds shall be equally and ratably secured with the remaining balance of the Series 1999 Bonds and any Additional Bonds issued hereafter, by (i) Net Revenues, (ii) all moneys, securities, Funds and Accounts held under the Indenture and available under the terms of the Indenture for the payment of Bonds and under the respective supplemental indentures, and (iii) the income earned by the investment of such moneys, securities, Funds and Accounts held under the Indenture, subject to any required rebate of all or a portion of the earnings on such investment to the United States of America pursuant to the requirements of Section 148(f) of the Code. The term "Net Revenues" is defined in the Indenture. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions of Certain Terms" herein. Amounts on deposit in the Surplus Fund and the Rebate Fund are not available for payment of the Series 2004 Bonds. See further "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS - Application of Revenues." Payment of the principal of and interest payable on the Series 2004 Bonds is further secured by a financial guaranty insurance policy issued by MBIA Insurance Corporation. See "BOND INSURANCE" and "APPENDIX F - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY" herein.

Special and Limited Obligations

THE SERIES 2004 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2004 BONDS SOLELY FROM THE NET REVENUES AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2004 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF MONROE, AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY OF MONROE, SHALL BE LIABLE THEREON. THE SERIES 2004 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWERS.

Debt Service Reserve Subaccount

At the time of the issuance of the Series 2004 Bonds, a portion of the proceeds of the Series 2004 Bonds and/or other available funds will be deposited into the Series 2004 Debt Service Reserve Subaccount. During any period when Series 2004 Bonds are outstanding, such Subaccount shall be maintained at the Series 2004 Debt Service Reserve Requirement for the Series 2004 Bonds. For any Fiscal Year, the Series 2004 Debt Service Reserve Requirement for the Series 2004 Debt Service Reserve Subaccount will be an amount equal to the least of (i) 10% of the principal amount of the Series 2004 Bonds Outstanding, (ii) 125% of the average annual Debt Service on the Series 2004 Bonds or (iii) an amount which is equal to the difference between (x) aggregate maximum Debt Service due on all Series of Bonds Outstanding in the then current or any succeeding year ending January 1 and (y) the sum of the Debt Service Reserve Requirements for all Series of Bonds Outstanding other than the Series 2004 Bonds. The Series 2004 Debt Service Reserve Requirement may be satisfied with moneys, Investment Securities, a Reserve Credit Facility or any combination thereof. The Series 2004 Debt Service Reserve Requirement may decline as the Series 2004 Bonds are paid at maturity or earlier redeemed. Amounts in excess of the Series 2004 Debt Service Reserve Requirement may be transferred to the Revenue Fund at the direction of the Authority as more fully provided in the Indenture.

Rate Covenant

The Authority has covenanted and agreed to establish, fix, prescribe, continue and collect (directly or through leases, use agreements or other agreements, or licenses) rates and charges for use of the Airport and leasing of certain Airport facilities furnished by the Authority which, together with other income, are reasonably expected to yield Net Revenues, which together with any Other Available Funds, are at least equal to the Rate Covenant Requirement for the forthcoming year. The term "Rate Covenant Requirement" shall mean an amount at least equal to the greater of (1) 125% of the Debt Service for all Series of Bonds for any Fiscal Year or (2) 100% of the amounts, if any, required by the Indenture to be deposited into the Funds and Accounts during such Fiscal Year and 100% of the amounts due under any Credit Facility (other than a bond insurance policy) and/or any Reserve Credit Facility which will be due and payable during such Fiscal Year.

If the Authority's financial statements for any year indicate that the Authority's Net Revenues plus Other Available Funds have failed to satisfy the Rate Covenant Requirement, the Authority shall not be in default if, within 60 days after the date of such financial statements (1) the Authority obtains recommendations from an Airport Consultant as to the revision of the rates, charges, and fees necessary to produce Net Revenues plus Other Available Funds at least equal to the Rate Covenant Requirement and (2) the Authority, on the basis of such recommendations, revises the schedule of rates, charges, and fees insofar as is practicable and revises Operation and Maintenance Expenses so as to produce Net Revenues plus Other Available Funds at least equal to the Rate Covenant Requirement.

Application of Revenues

A special fund is created under the Indenture and designated the Revenue Fund. The Authority is required to set aside and deposit all Revenues, upon receipt thereof, into the Revenue Fund. The Indenture requires that moneys on deposit in the Revenue Fund be applied solely at such times and in accordance with the priorities established by the Indenture.

In addition to the Revenue Fund, the Indenture creates the following Funds and Accounts:

- Construction Fund;
- Operation and Maintenance Fund;
- Principal and Interest Fund;
- Subordinated Debt Fund;
- Renewal and Replacement Fund;
- Operation and Maintenance Reserve Fund;
- Rebate Fund; and
- Surplus Fund.

On or before the last business day of each month, the Indenture requires the Authority to transfer and deposit amounts on deposit in the Revenue Fund, to the extent of moneys available in the Revenue Fund, in the following order:

1. Into the Authority-held Operating and Maintenance Fund, one-twelfth (1/12th) of the Operating and Maintenance Expenses budgeted for the current Fiscal Year;
2. Into the Trustee-held Principal and Interest Fund:
 - (a) for credit to each Bond Service Account, the amount, if any, required so that the balance in each Bond Service Subaccount equals the Accrued Debt Service on the Series of Bonds for which such Subaccount was established, excluding Accrued Debt Service attributable to Pledged Bonds; and
 - (b) for credit to each Debt Service Reserve Subaccount, the amount, if any, required to be deposited into each Debt Service Reserve Subaccount pursuant to the related Supplemental Indenture;
3. Into the Authority-held Subordinated Debt Fund, the amounts required by the Supplemental Indentures to be deposited into such Fund and the subaccounts therein;
4. Into the Authority-held Renewal and Replacement Fund, (i) during each of the 24 months following issuance of each Series of Bonds, one twenty-fourth (1/24th) of the Revenue and Replacement Requirement for such Series, (ii) one-twelfth (1/12th) of the amount budgeted for Capital Expenditures for the current Fiscal Year and (iii) in any month which is at least two

years after the issuance of the Series of Bonds in which the amount on deposit in the Renewal and Replacement Fund after making the deposit required by (ii) above is less than the Renewal and Replacement Requirement, an amount such that the aggregate of 12 payments shall equal the amount of such deficiency;

5. Into the Authority-held Operation and Maintenance Reserve Fund, (i) during the 24 months following issuance of each Series of Bonds, one twenty-fourth (1/24th) of the Operation and Maintenance Reserve Requirement for such Series and (ii) in any month in which the amount on deposit in the Operation and Maintenance Reserve Fund is less than the Operation and Maintenance Reserve Requirement (as defined, with respect to any Series of Bonds, in the related Supplemental Indenture), an amount such that the aggregate of 12 payments shall equal the amount of such deficiency; and

6. To the Trustee-held Rebate Fund, the amounts required to be deposited therein from time to time in accordance with the related Supplemental Indenture.

Pursuant to the Fourth Supplemental Indenture, the Authority has determined that since each of the Renewal and Replacement Fund and the Operation and Maintenance Reserve Fund are currently funded at or in excess of their respective Requirement, no proceeds from the Series 2004 Bonds need to be deposited into either of such funds.

Amounts remaining in the Revenue Fund at the end of each Fiscal Year, after payments of the amounts described above and any amounts required to be retained in the Revenue Fund, may be transferred by the Authority into the Surplus Fund. Amounts on deposit from time to time in the Surplus Fund are not pledged to payment of the Series 2004 Bonds.

As noted above, moneys held in the Rebate Account, the Project Account of the Construction Fund, the Bond Service Subaccount of the Principal and Interest Fund and the Debt Service Reserve Subaccount of the Debt Service Reserve Fund, shall be held by the Trustee.

All moneys on deposit in the Funds and Accounts pledged for the security of the Series 2004 Bonds and in the Rebate Fund shall be invested only in Investment Securities, as defined in the Indenture.

Additional Bonds

One or more Series of Additional Bonds may be authenticated and delivered upon original issuance from time to time in such principal amount for each such Series as may be determined by the Authority for the purpose of paying or providing for the payment of all or a portion of the Cost of Construction of a "project." Each such Series shall be in such principal amount which, when taken together with other funds legally available for such project, will provide the Authority with sufficient funds to pay the estimated Cost of Construction of such project, as set forth in the Written Certificate of the Authority. The Indenture specifies conditions precedent to the authorization and issuance by the Authority of any Additional Bonds or Refunding Bonds. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Special Provisions for the Issuance of Additional Bonds and " - Special Provisions for the Issuance of Refunding Bonds" therein.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The MBIA Insurance Corporation (the "Insurer") has issued a commitment to insure, simultaneously with the issuance of the Series 2004 Bonds, the payment, when scheduled, of principal (including any mandatory sinking fund payments) of and interest on the Series 2004 Bonds. The Bond Insurance Policy will be applicable solely to the Series 2004 Bonds.

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix F for a specimen of the Insurer's policy.

The Bond Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2004 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2004 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2004 Bond. The Bond Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Series 2004 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurance Policy also does not insure against nonpayment of principal of or interest on the Series 2004 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2004 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2004 Bonds or presentment of such other proof of ownership of the Series 2004 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts

due on the Series 2004 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2004 Bonds in any legal proceeding related to payment of insured amounts on the Series 2004 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2004 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer 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 the Insurer's policy and the Insurer set forth under the heading "BOND INSURANCE". Additionally, the Insurer makes no representation regarding the Series 2004 Bonds or the advisability of investing in the Series 2004 Bonds.

The Bond Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Insurer Financial Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
2. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the securities offered hereby shall be deemed to be

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

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, the Insurer had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2003, the Insurer had admitted assets of \$9.9 billion (unaudited), total liabilities of \$6.4 billion (unaudited), and total capital and surplus of \$3.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of the Insurer

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2004 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2004 Bonds. The Insurer does not guaranty the market price of the Series 2004 Bonds nor does it guaranty that the ratings on the Series 2004 Bonds will not be revised or withdrawn.

MONROE COUNTY AIRPORT AUTHORITY

Except as otherwise noted, the information set forth under this caption and the captions through and including "LITIGATION" has been prepared by the Authority.

General

The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, created by the Act. The Authority has the power to, among others, own, lease, operate and manage "aviation facilities," such as the Airport, to establish and collect rentals and other fees for the use and operation of any aviation facilities and to undertake financing, construction and improvement projects, such as issuance of the Series 2004 Bonds.

The governing body of the Authority is composed of seven members. All seven members are appointed by the elected County Executive of the County, provided that two of such members are appointed by the County Executive upon the written recommendation of the President of the County Legislature (elected by a majority vote of the Legislature) and one such member is appointed by the County Executive upon the written recommendation of the minority leader of the County Legislature. Maggie Brooks is the County Executive of the County. No more than five members may be registered members of the same political party. All appointments are subject to confirmation by a majority vote of the Legislature. The Chairperson of the Authority is designated by and serves at the pleasure of the County Executive. The Authority's By-Laws provide that the County Attorney shall serve as Secretary to the Authority and that the County's Director of Finance shall serve as Treasurer of the Authority. The other officers of the Authority are elected by a majority of the members and serve for one-year terms. Non-member officers of the Authority are not entitled to vote at Authority meetings. Members, other than the Chairperson, serve a four-year term.

The Members of the Authority are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
James G. Vazzana, Esq.	Chairperson	N/A
John L. DiMarco, Sr.	Vice Chairperson	12/31/03*
Hon. Tracey L. Logel	Member	12/31/04
Bernard J. Iacovangelo, Esq.	Member	12/31/04
Lauren A. Doyle	Member	12/31/01*
Hon. H. Todd Bullard, Esq.	Member	12/31/03*
Nicholas Jaskiw	Member	12/31/05

* A Member's term is automatically extended until he or she is replaced.

Officers of the Authority, in addition to those noted above, are:

<u>Name</u>	<u>Office</u>
Daniel M. DeLaus, Esq.	Secretary
Stephen W. Gleason	Treasurer

Senior Management

The persons with primary responsibility for management of the Airport include:

Terrence G. Slaybaugh. Mr. Slaybaugh has served as Director of Aviation since 1996 and prior to that served as the Economic Development Manager for the Planning and Economic Develop Department, Monroe County. While serving in the latter position, he was the project manager for the planning and construction of Frontier Field, a \$33 million multi-purpose sports facility. Mr. Slaybaugh is a past President of the New York State Association of Airport Managers and has a Bachelor's Degree from Grand Valley State Colleges, Allendale, Michigan.

Stephen W. Gleason. Mr. Gleason is the newly-appointed Treasurer of the Authority and Chief Financial Officer for Monroe County, New York. Prior to this appointment, Mr. Gleason served as the Executive Director of the Genesee Transportation Council, managing the \$500 million transportation capital and operating program for the 9-county Finger Lakes Region, served as the Debt Management Coordinator for Monroe County, and was the financial lead for the Port of Long Beach, California in the development of the \$2.3 billion Alameda Corridor project. He has a Bachelor's Degree in Economics and a Master's Degree in Public Administration from the Maxwell School at Syracuse University.

David Haas. Mr. Haas has served as the Senior Management Analyst and Business Manager of the Airport since February 1987. He is responsible for preparation of the Airport's budget, rates and charges development, purchasing, and statistical analysis. Prior to joining the Airport, Mr. Haas held similar financial positions in Monroe County's Office of Physical Services and Office of Management Budget. Mr. Haas has a Bachelor's Degree and a Master's of Business Administration from the Rochester Institute of Technology, Rochester, New York.

Philip H. Mancini. Mr. Mancini is the Assistant Treasurer of the Authority and has been a Fiscal Coordinator at the Airport since 1994. Prior to that, he was a Finance Analyst in the Department of Finance, Monroe County. Mr. Mancini is a Certified Public Accountant with over 25 years of accounting experience in the private sector. He has a Bachelor's Degree from Siena College, Albany, New York.

COUNTY LEASE AND OPERATING AGREEMENT

Pursuant to the Lease and Operating Agreement, dated as of September 15, 1989, between the County of Monroe (the "County") and the Authority, the Authority leased the properties comprising the Airport from the County, appointed the County as its agent for purposes of constructing and completing the facilities (financed in part with the Series 1989 Bonds), and engaged the services of the County to operate the Airport. Pursuant to the Lease and Operating Agreement, the County agreed to operate and maintain the Airport in accordance

with its past practices and indemnify the Authority for all costs and liabilities the Authority may incur as a result of the County's operation of the Airport, excluding only those occasioned by the Authority's own gross negligence or willful misconduct. By its terms, the Lease and Operating Agreement shall continue until the thirtieth day following the date on which all bonds are paid in full or provision therefore shall have been made in accordance with the Indenture.

The County, through its Department of Aviation, supervises the operations and maintenance of the Airport. The Authority has no employees. The Authority reimburses the County for all costs incurred in connection with its services under the Lease and Operating Agreement, including all allocable County personnel expenses and must pay for or reimburse the County for debt service on certain other indebtedness undertaken by the County in connection with the Airport. See further, "FINANCIAL MATTERS - AIRPORT ACCOUNTING" herein and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND OPERATING AGREEMENT.

The Lease and Operating Agreement expressly incorporates by reference the Rate Covenant Requirement contained in the Indenture. Unless required to comply with the Rate Covenant Requirement, the Lease and Operating Agreement provides that the Authority's rates, charges and fees shall be subject to the approval of the County. See further, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS - Rate Covenant."

THE AIR TRADE AREA

Location

The Airport is located approximately four miles southwest of Rochester's central business district and serves primarily the air passenger and cargo needs for the Rochester Metropolitan Statistical Area (the "MSA"). The MSA consists of the counties of Monroe, Livingston, Ontario, Wayne, Orleans and Genesee and is referred to herein as the Airport's primary air trade area (the "Air Trade Area"):

Population

The following table presents historical population statistics:

Historical Population

<u>Year</u>	<u>Air Trade Area</u> (000's)	<u>State of New York</u> (000's)	<u>United States</u> (000's)
1970	962	18,241	205,052
1980	971	17,558	227,726
1990	1,062	17,991	249,949
2000	1,098	18,976	281,422
<u>Total Growth</u>			
1970-1980	0.9%	-3.7%	11.1%
1980-1990	9.4%	2.5%	9.8%
1990-2000	3.4%	5.5%	12.6%

Source: New York State Department of Economic Development
New York State Department of Labor
U.S. Department of Commerce, Bureau of the Census

Monroe County

Monroe County comprises the largest economic component of the Air Trade Area and is located in Western New York State on the south shore of Lake Ontario, approximately 70 miles east of the Buffalo/Niagara Falls area. The County is in the northernmost portion of the Genesee River valley and contains one city, 19 towns, 9 villages and one coterminous town/village. The City of Rochester is the county seat and New York State's third largest industrial and commercial center next to New York City and Buffalo. The area is accessible via the Greater Rochester International Airport, CSX and Amtrak, the New York State Thruway, the St. Lawrence Seaway, and the New York State Erie Canal System. Monroe County is also within 400 miles of many major metropolitan areas such as New York City, Toronto, Boston, and Washington, D.C.

Monroe County has a population of over 735,000 people, and is the central county in the six county Rochester Metropolitan Statistical Area (MSA) which has a population of approximately 1,100,000. The County workforce measures 385,400 and its economy draws from an MSA workforce totaling 572,900. The County is home to corporations such as Eastman Kodak, Xerox, Bausch & Lomb, Paychex, Citizen/Frontier Communications, Sutherland Group and Sentry, as well as to many smaller growing companies. In fact, many of the County's smaller companies (over 1,000 in the 25-1,000 employee range) employ the largest number of workers in the precision manufacturing, optics, financial services, medical, plastics, pharmaceuticals, and information technology industries. International trade by area exporters continues to be a significant component of the economic activity of the Monroe

County/Rochester area. Exports for 2002 from the greater Rochester region are estimated at over \$14 billion. Rochester is the second largest exporting area in the state (New York City is the largest).

Rochester manufacturers continue to play a significant role in the world marketplace of photographic products, optics, graphics technology, communications, electronics, medical instrumentation, machine tooling, and pharmaceuticals. Manufacturing accounts for almost 16% of total non-agricultural employment in Monroe County. Today, the most significant feature of the County's economy is its trend toward high technology and service industries.

Monroe County continues transitioning from an economy dominated by two or three large companies to a more diverse base of small and medium-sized employers. Jobs in most manufacturing categories continued to decline, but service jobs, those in business, utilities, clothing and merchandise stores, and telecommunications, play a major role in Rochester's economy. Monroe County's business services sector is another element of the local economy's success.

On November 12, 2002 Eastman Kodak Company issued a press release which stated they would transfer an operation that assembles one-time use cameras from Kodak Park in Rochester. This transfer, which was completed in June 2003, affected about 500 local positions. The company also announced there would be a reduction of about 150 other positions in Global Manufacturing and Logistics units at Kodak Park as well as realignment and streamlining of management and staff positions that could result in additional position reductions. On July 23, 2003, the company announced that it intends to implement a series of cost reduction actions over the next twelve months which are expected to result in the elimination of between 4,500 and 6,000 jobs worldwide. Its press release did not indicate how many of the positions would be in Monroe County, however the local media estimated 2,000 to 3,000 of the positions would be local. On July 31, 2003, the company announced it would close its local film packaging lines and move the work to Mexico and China as a part of the July 23 cost reduction program.

Eastman Kodak Company announced on November 18, 2003 that it was moving 125 to 150 jobs to Monroe County from Fremont, California and Allendale, New Jersey. The move is being made in conjunction with Kodak's establishment of its headquarters for its health care information systems business in Monroe County. Kodak announced on January 22, 2004 that it was preparing plans to be developed and implemented over a three-year period which would reduce its total facility square footage by about one-third and reduce its worldwide employment by 12,000 to 15,000. The reduction in facilities would build on its current initiatives to consolidate operations and dispose of surplus assets resulting from the consolidation. The planned reduction in its employment would be in conjunction with the implementation of the reduction of facilities and reflects targeted reductions in global manufacturing, selected traditional businesses, corporate administrative staff and other areas. While the firm did not indicate how these plans would impact its facilities and employees in Monroe County, it is anticipated it would be significant since the firm has numerous facilities and a large number of employees in Monroe County.

Eastman Kodak Company also announced on January 22, 2004 that it would create a \$15 million economic development fund designated to promote business development and job creation in the greater Rochester region. The firm will commit \$5 million per year for three years in the new "Rochester Economic Development Fund," which will be targeted at projects that have the potential to generate and retain jobs in the Rochester area. The company will work with other businesses, community groups, universities and local government to expand the fund.

On February 9, 2004 Eastman Kodak Company also announced an agreement to sell its Remote Sensing Systems unit to ITT Industries Inc. The unit is a world leading supplier of high-resolution satellite imaging systems and image information processing services. The 1,800 employees in Rochester and other parts of the country will transfer to ITT. No job losses are expected, and there is a potential for additional hiring. ITT is going to purchase two buildings within Kodak Park and will also lease space in another Kodak owned facility. The sale is part of implementing Kodak's shift from film to digital photography.

Heidelberger Druckmaschinen AG announced on April 22, 2003 that it would eliminate 1,000 positions worldwide in addition to the 2,200 which it previously eliminated. The company had indicated that the earlier eliminations could benefit its Heidelberg Digital LLC operations which are located in Monroe County. It has also indicated that the locations of the new eliminations are being determined but they shouldn't affect the Monroe County division.

Valeo Electrical Systems, Inc., a subsidiary of Valeo, S.A., announced a workforce reduction program aimed at reducing its number of employees by 1,550 in its local plant by the end of 2005. The plan calls for a reduction goal of 550 in 2002 and 660 in 2004. The company is offering various attrition programs in an effort to entice employees to leave voluntarily.

Verizon Wireless announced on October 7, 2003 that it plans to hire 320 additional employees for its local call center. It expects to fill 120 of these jobs within 90 days and the remaining 200 by the end of March 2004. The firm currently employs approximately 700 people in the area including 400 at its call center.

The Xerox Corporation announced on December 3, 2003 that it would lay off approximately 800 employees in the United States including approximately 200 in Monroe County by December 13, 2003 as a part of its continuing efforts to reduce costs and streamline operations. A company spokesperson also indicated the firm did not expect any major actions going into 2004.

Current Link plans to open an operation in Monroe County with an investment of \$2.2 million that will create 400 jobs over the next three years. The firm, a start-up technology company with headquarters in Maryland, made the announcement on October 16, 2003. It develops and manufactures broadband power line communications equipment and networks that can support technology such as residential and commercial Internet access and automated meter reading.

Integrated Nano-Technologies, a developer of a bio-sensor with medical and military applications, announced on October 16, 2003 that it plans to invest \$15 million and add 105 jobs within three years. The firm currently employs 22 in the area.

Wegmans Food Markets, Inc. announced on January 28, 2004 that it would spend \$40 million to build a state-of-the-art meat processing plant in the Town of Chili. The 50,000 square foot facility will replace the firm's current 34 year old facility at an adjacent site. The new plant is expected to be completed during 2006.

On November 25, 2003, the University of Rochester announced it hoped to start construction of a \$30 million building in 2005 that would provide 91,000 square feet to house the department of biomedical engineering and expansion space for the Institute of Optics.

**Area Private-Sector Employers Ranked
By Number Of Full-Time Local Employees**

<u>Rank</u>	<u>Name</u>	<u>Number of Full-Time Employees¹</u>
1	Eastman Kodak Co.	22,000 ²
2	University of Rochester/Strong Health	13,000
3	Xerox Corp.	10,050 ²
4	Wegmans Food Markets, Inc.	5,647
5	ViaHealth	4,404
6	Lifetime Healthcare Cos.	2,932 ²
7	Unity Health System	2,931
8	Delphi Corp.	2,740
9	Rochester Institute of Technology	2,712
10	Frontier Telephone (Citizens Communications)	2,300
11	RGS Energy Group Inc.	1,912
12	Paychex Inc.	1,847
13	Valeo Electrical Systems, Inc.	1,811 ²
14	The Sutherland Group Ltd.	1,500
15	JPMorgan Chase	1,340 ²

Source: Rochester Business Journal, April 4, 2003

¹ Employee numbers are as of February 1, 2003.

² Total local employees. The Company declined to provide separate numbers for full-and part-time employees.

Income

One measure of the relative income of an area is the Effective Buying Income ("EBI") of its citizens. EBI consists primarily of disposable personal income (i.e., personal income (or, as discussed below, beginning in 1995, money income) less personal taxes, but including any non-taxable payments such as Social Security) and is used by the Federal Aviation Administration ("FAA") in measuring potential air passenger demand in its aviation projections. The following table presents EBI information:

EFFECTIVE BUYING INCOME

Household Effective Buying Income*

<u>Year</u>	<u>Air Trade Area</u>	<u>State of New York</u>	<u>United States</u>
<u>Historical</u>			
1993	\$44,000	\$49,042	\$43,484
1994	46,966	52,326	45,937
1995	38,484	43,526	40,598
1996	39,823	45,060	42,191
1997	41,763	47,208	43,956
1998	43,355	49,327	45,504
1999	44,994	51,624	47,373
2000	45,914	52,525	49,252
2001	45,130	52,470	49,218
2002	44,509	49,515	48,798
<u>Total Growth</u>			
1993-2002	1.2%	1.0%	12.2%
1993-2000	4.3	7.1	13.3
2000-2002	-3.1	-5.7	-0.9
1995-2000	19.3	20.7	21.3
2001-2002	-1.4	-5.6	-0.9

* In 1995, Sales & Marketing Management, *Survey of Buying Power*, changed the methodology by which it calculates EBI. For years prior to 1995, income was measured by "personal income." Since 1995, income has been measured by "money income."

Percentage of Households in Income Categories (2002 EBI)

Area	under \$20,000	\$20,000- \$34,999	\$35,000- \$49,999	\$50,000 or more
Air Trade Area	22.1%	24.1%	21.2%	32.6%
State of New York	24.8	21.7	18.6	34.9
United States	22.3	23.2	19.5	35.0

Sources: Sales & Marketing Management, *Survey of Buying Power*, September 1993-2003. In 1995, Sales & Marketing Management, *Survey of Buying Power*, changed the methodology by which it calculated EBI. For years prior to 1995, income was measured by "personal income." Since 1995, income has been measured by "money income."

The above charts demonstrate that the Air Trade Area experienced lower growth in per household EBI during the eight-year period (1993-2000) compared to the State of New York and the United States and comparable growth from 2000 to 2002.

Employment

The figures below demonstrate that the Air Trade Area's civilian labor force increased by 0.7% from 1993 to 2003. During this same period, the figures for New York State and the United States showed growth of 8.3% and 13.4%, respectively. The tables below present civilian labor force and annual unemployment rate information:

CIVILIAN LABOR FORCE AND UNEMPLOYMENT RATES

Civilian Labor Force (000's)

<u>Year</u>	<u>Air Trade Area</u>	<u>State of New York</u>	<u>United States</u>
1993	571.3	8,651	129,200
1994	570.7	8,605	131,056
1995	564.9	8,509	132,304
1996	566.7	8,614	133,943
1997	577.4	8,843	136,297
1998	578.0	8,890	137,673
1999	571.7	8,882	139,368
2000	572.6	9,195	142,583
2001	571.8	9,132	143,734
2002	576.8	9,362	144,863
2003*	575.2	9,371	146,510
<u>Total Growth</u>			
1993-2003	0.7%	8.3%	13.4%

* Preliminary, subject to change.

Average Annual Unemployment Rates

<u>Year</u>	<u>Air Trade Area</u>	<u>State of New York</u>	<u>United States</u>
1992	5.7%	8.6%	7.5%
1993	5.0%	7.8%	6.9%
1994	5.3%	6.9%	6.1%
1995	4.5%	6.3%	5.6%
1996	4.0%	6.2%	5.4%
1997	4.1%	6.4%	4.9%
1998	3.9%	5.6%	4.5%
1999	4.2%	5.2%	4.2%
2000	4.0%	4.6%	4.0%
2001	4.5%	4.9%	4.7%
2002	5.9%	6.1%	5.8%
2003*	5.8%	6.2%	6.0%

Source: State of New York Department of Labor
U.S. Department of Labor

The foregoing chart demonstrates that the Air Trade Area consistently enjoys lower average unemployment rates than those experienced by the State and the United States. Although 2003 figures are preliminary, they indicate that this trend continued during 2003.

AIRPORT FACILITIES

The Airport was acquired by the County from the City of Rochester in 1947 and has been continuously operated since that time. The Airport occupies approximately 1,200 acres of land in Monroe County, primarily in the City of Rochester and partially in the Towns of Gates and Chili, and is located approximately four miles southwest of Rochester's central business district. The Airport is accessible by three interstate highways, Routes 390, 490 and 590.

The airfield facilities consist of three runways and associated taxiways which provide access to the airline parking ramp adjacent to the terminal building, the general aviation parking ramp to the south, and the cargo parking ramp to the west of the terminal building. The primary runway, Runway 4/22, is 8,000 feet in length; the secondary runway, Runway 10/28, is 5,500 feet in length; and the general aviation runway, Runway 7/25, is 4,000 feet in length. Runways 4/22 and 10/28 are equipped with precision instrument landing systems.

The terminal complex, completed in 1992, includes two concourses (east and west) joined by a two level terminal building. The complex contains approximately 375,000 sq. ft. The terminal building consists of airline ticket counters, baggage, check-in, make-up and claim facilities, a central concession area, car rental counters, the airport administration offices, Monroe County Sheriff (Airport Division) offices, building maintenance and storage facilities and international arrivals hall. Each concourse contains, on the upper level, gate positions and

* Preliminary, subject to change.

associated holdroom areas, a newsstand, and a bar/lounge. The west concourse also contains a US Airways Club. The lower level houses operations, mechanical rooms and storage spaces.

The Airport has a three-level parking garage consisting of 1,750 spaces. Of these, 1,485 are long-term parking spaces, and 265 are car rental pick-up and return spaces. Additionally, there are 251 short-term and 883 long-term surface parking spaces, 522 employee parking spaces, approximately 662 spaces in a surface shuttle parking lot north of the terminal road and 1150 spaces in an economy shuttle lot.

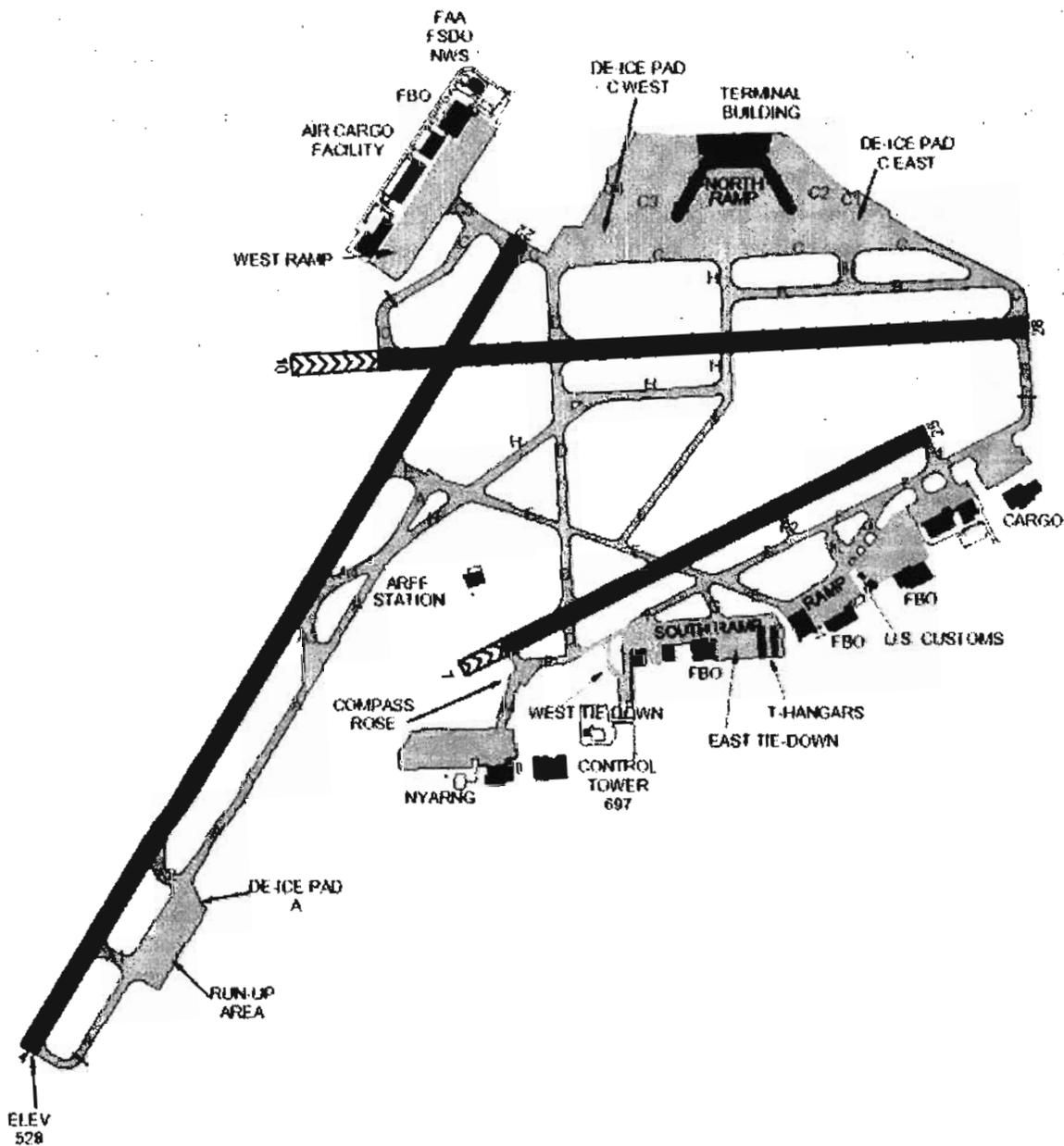
Located on the east side of the terminal building are two County-owned freight service buildings. The first, consists of approximately 12,000 sq. ft. and was constructed in 1962. The second consists of approximately 14,400 sq. ft. and was constructed in 1972. Also located in this area is an Authority-owned 300,000 gallon jet fuel tank farm, built and completed in 1999. The jet fuel tank farm complies with current rules and regulations regarding underground storage tanks promulgated by the United States Environmental Protection Agency.

The southeast boundary of the Airport houses a general aviation area. This area consists of several hangar buildings, some of which are owned by the County. This area serves the needs of the general aviation population.

The west side of the Airport contains a main cargo area, including a 98,320 square foot freight terminal complex that serves Airborne Express, Emery Worldwide Airlines, DHL Worldwide Express and BAX Global, Inc. Federal Express is located on the south side of the Airport.

The following presents a diagram of the existing Airport Facilities:

Greater Rochester International Airport



AIR TRAFFIC

Airlines Serving the Airport

The Airport has scheduled passenger service provided by eight major/national airlines, two low fare carriers and eight regional/commuter airlines. In addition, five all-cargo carriers provide scheduled cargo service at the Airport. The major/national airlines typically operate jet aircraft in the higher-density markets, the low fare carriers operate full size jet aircraft and the regional/commuter airlines operate small aircraft in the short-haul markets. The airlines serving the Airport include Airtran Airways, Air Wisconsin, American Eagle, Continental Airlines (operating as Continental Express), Delta (operating as Comair), JetBlue Airways, Mesaba Airlines, Northwest Airlines, United Airlines and US Airways.

The Airport has had the benefit of a relatively large air carrier base since the 1980's, which has helped to promote scheduling diversity among the airlines. Three of the six major/national airlines currently serving the Airport have provided service each year since 1980. These airlines include American Airlines, United Airlines and US Airways (Piedmont prior to a 1989 merger). Delta Air Lines has provided service since 1989 when it took over markets vacated by Eastern Airlines. JetBlue Airways and Airtran Airways began low fare service at the airport during 2000 and 2002 respectively.

The following table presents airline market share data for the years 1998 through 2003:

**HISTORICAL AIRLINE MARKET SHARE
(1999-2003)**

Airline	1999	Share	2000	Share	2001	Share	2002	Share	2003	Share
American	110,518	9.0%	118,002	9.6%	104,611	9.1%	91,404	7.7%	5,949	0.5%
American Eagle	22,636	1.8%	59,514	4.8%	44,963	3.9%	13,896	1.2%	73,816	5.9%
Business Express (1)	54,259	4.4%	9,011	0.7%	-	0.0%	-	0.0%	-	0.0%
Delta	113,830	9.2%	87,047	7.0%	74,810	6.5%	79,327	6.7%	32,163	2.6%
Comair	34,566	2.8%	34,941	2.8%	18,153	1.6%	40,076	3.4%	104,361	8.4%
Atlantic Southeast	-	0.0%	-	0.0%	-	0.0%	-	0.0%	14,220	1.1%
Atlantic Coast Jet	-	0.0%	2,975	0.2%	288	0.0%	74	0.0%	-	0.0%
Continental	12,893	1.0%	9,668	0.8%	1,512	0.1%	-	0.0%	-	0.0%
Continental Express	70,132	5.7%	59,582	4.8%	58,395	5.1%	74,054	6.2%	83,175	6.7%
JetBlue	-	0.0%	52,870	4.3%	159,653	13.9%	175,045	14.7%	193,379	15.5%
Northwest	57,288	4.6%	60,807	4.9%	37,962	3.3%	43,865	3.7%	61,351	4.9%
Mesaba	16,561	1.3%	15,182	1.2%	23,028	2.0%	23,475	2.0%	19,980	1.6%
Pinnacle	-	0.0%	-	0.0%	-	0.0%	1,690	0.1%	15,928	1.3%
AirTran	-	0.0%	-	0.0%	-	0.0%	99,519	8.4%	167,431	13.4%
Midway	-	0.0%	29,813	2.4%	23,078	2.0%	-	0.0%	-	0.0%
TransStates (2)	14,711	1.2%	4,438	0.4%	19,320	1.7%	9,170	0.8%	-	0.0%
United	158,961	12.9%	159,246	12.9%	123,927	10.8%	95,440	8.0%	97,341	7.8%
Air Ontario	961	0.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
AirGeorgian	-	0.0%	9,548	0.8%	7,729	0.7%	6,749	0.6%	4,907	0.4%
Atlantic Coast	22,695	1.8%	24,773	2.0%	29,181	2.5%	46,063	3.9%	74,424	6.0%
USAirways	436,150	35.4%	386,996	31.3%	313,176	27.2%	244,673	20.6%	137,529	11.0%
PSA	-	0.0%	-	0.0%	749	0.1%	7,957	0.7%	7,440	0.6%
Piedmont	-	0.0%	-	0.0%	6,213	0.5%	-	0.0%	1,427	0.1%
Allegheny	59,536	4.8%	58,565	4.7%	53,695	4.7%	65,607	5.5%	83,158	6.7%
Commair	26,866	2.2%	23,515	1.9%	12,893	1.1%	14,781	1.2%	16,444	1.3%
Chautauqua	14,435	1.2%	19,361	1.6%	37,595	3.3%	55,353	4.7%	41,351	3.3%
Mesa	5,329	0.4%	9,639	0.8%	45	0.0%	-	0.0%	9,779	0.8%
Shuttle America	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,178	0.3%
	1,232,327	100%	1,235,493	100%	1,150,976	100%	1,188,218	100%	1,248,731	100%

¹ Business Express - Delta Connection 1998 American/American Eagle Partner 1999.

² TransStates operated as a TW Express affiliate carrier through 2000. In 2001 TransStates became an USAirways code share carrier.

Historical Passenger Activity

The following tables present historical data on enplaned passengers at the Airport between 1994 and 2003 as well as monthly figures for 2001 through 2003:

Historical Enplanements (In 000's)

<u>Year</u>	<u>Airport Enplanements</u>	<u>Airport Annual Growth</u>	<u>U.S. Enplanements</u>	<u>U.S. Annual Growth</u>	<u>Airport Market Share</u>
1994	1,276	9.4	556,525	8.6	0.229
1995	1,193	-6.5	570,705	2.5	0.209
1996	1,219	2.2	604,207	5.9	0.202
1997	1,258	3.1	626,663	3.7	0.201
1998	1,275	1.4	639,075	2.0	0.199
1999	1,234	-3.2	665,599	4.2	0.185
2000	1,235	0.2	693,093	4.1	0.178
2001	1,151	-6.8	646,795	-6.7	0.178
2002	1,188	3.2	632,146	-2.3	0.188
2003	1,249	5.1	N/A	N/A	N/A

Sources: DOT, Schedule T-3, Authority Records.

Monroe County Airport Authority Monthly Scheduled Enplanement Activity

<u>Month</u>	<u>2001</u>		<u>2002</u>		<u>2003</u>	
	<u>Enplanements</u>	<u>Percent Increase/Decrease</u>	<u>Enplanements</u>	<u>Percent Increase/Decrease</u>	<u>Enplanements</u>	<u>Percent Increase/Decrease</u>
January	86,456	20.0%	72,073	-16.6%	86,310	19.8%
February	97,600	18.6%	82,319	-15.7%	93,717	13.8%
March	107,704	8.7%	99,087	-8.0%	101,632	2.6%
April	114,165	5.9%	107,853	-5.5%	105,201	-2.5%
May	108,795	2.0%	106,655	-2.0%	104,288	-2.2%
June	104,524	5.3%	99,242	-5.1%	101,893	2.7%
July	112,845	0.1%	112,720	-0.1%	119,608	6.1%
August	118,380	6.0%	111,668	-5.7%	120,703	8.1%
September	57,183	-35.0%	87,983	53.9%	93,187	5.9%
October	75,240	-27.8%	104,151	38.4%	110,026	5.6%
November	82,446	13.7%	95,481	15.8%	103,732	8.6%
December	85,638	21.3%	108,836	27.1%	108,434	-4%
Total:	1,150,976		1,188,068		1,248,731	
Annual % Change:		-6.84%		3.22%		5.11%

Source: Authority Records.

The following table presents annual aircraft movements (departures and arrivals):

**HISTORICAL AIRCRAFT OPERATIONS
(1994-2003)**

<u>Year</u>	<u>Air Carrier</u>	<u>General Aviation</u>	<u>Military</u>	<u>Total Operations</u>
1994	45,836	143,962	2,777	192,575
1995	39,832	138,879	4,973	183,684
1996	38,358	131,254	5,440	175,052
1997	34,405	139,211	5,370	178,986
1998	35,675	146,167	6,432	188,274
1999	38,023	145,905	6,029	189,957
2000	39,098	133,984	4,917	177,999
2001	36,139	126,084	6,636	168,859
2002	30,190	109,169	6,150	145,509
2003	27,435	107,507	4,465	139,407

Source: Rochester Air Traffic Control

Historical Air Service

For the twelve-month period ended June 30, 2003, the Airport served primarily short-to-medium haul markets. As of June 30, 2003, nonstop service was provided by 10 of the 25 largest aviation markets nationwide (including 5 of the 10 largest aviation markets) with an average of 85 daily weekday departures providing service to 17 of the top 25 largest aviation markets nationwide.

**GREATER ROCHESTER INTERNATIONAL AIRPORT
TOP 20 OUTBOUND ORIGIN & DESTINATION PASSENGER MARKETS
Twelve Months Ended June 30, 2003**

<u>ROC Mkt. Rank</u>	<u>U.S. Mkt. Rank</u>	<u>Market</u>	<u>Nonstop Distance</u>	<u>Trip Length</u>	<u>Passengers</u>	<u>% of Total</u>
1	2	New York ¹	(SH)	252	195,640	17.5%
2	8	Orlando	(MH)	1,033	74,170	6.6
3	6	Atlanta	(MH)	749	66,440	5.9
4	15	Baltimore	(SH)	277	46,650	4.2
5	3	Chicago ²	(SH)	528	44,430	4.0
6	18	Tampa	(MH)	1,079	41,230	3.7
7	13	Boston	(SH)	343	35,170	3.1
8	1	Los Angeles ³	(LH)	2,272	31,730	2.8
9	16	Fort Lauderdale	(MH)	1,184	30,680	2.7
10	10	Washington, D.C. ⁵	(SH)	289	29,480	2.6
11	4	San Francisco ⁴	(LH)	2,361	25,270	2.3
12	7	Dallas ⁶	(MH)	1,266	22,610	2.0
13	12	Denver	(MH)	1,413	20,370	1.8
14	42	Fort Meyers	(MH)	1,166	20,330	1.8
15	21	Philadelphia	(SH)	257	19,630	1.8
16	5	Las Vegas	(LH)	2,041	18,800	1.7
17	39	West Palm Beach	(MH)	1,141	16,900	1.5
18	30	Raleigh-Durham	(SH)	503	15,400	1.4
19	20	Minneapolis-St. Paul	(MH)	783	14,160	1.3
20	41	Charlotte	(SH)	572	12,970	1.2
Top 20 Markets:					782,060	70.0%
Other Markets:					334,950	30.0
Total—All Markets:					1,117,010	100.0%

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

Legend: (SH) = Short Haul (0-600 miles)
(MH) = Medium Haul (601-1,800 miles)
(LH) = Long Haul (over 1,800 miles)

¹ Market includes Kennedy, LaGuardia, and Newark airports.

² Market includes O'Hare and Midway airports.

³ Market includes Los Angeles, Burbank, Long Beach, Ontario and Orange County airports.

⁵ Market includes Dulles and Reagan National airports.

⁴ Market includes San Francisco, San Jose, and Oakland airports.

⁶ Market includes Dallas/Ft. Worth airport and Love Field.

(Percentages may not sum to totals due to rounding.)

AIRLINE AGREEMENTS

The Signatory Airline-Airport Use and Lease Agreements (the "Airline Agreements") provide for the lease to Signatory Airlines of exclusive use of certain premises and for the non-exclusive use of certain public use premises and the landing areas. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS" for a more complete description of the Airline Agreements. Although the term "Airline Agreements" does not include non-signatory air carriers, each of such carriers is required to have an operating agreement. These agreements constitute annual renewable contracts and define the non-signatory air carrier's responsibilities. In addition to addressing operational issues, the contracts require each carrier to have insurance and a security deposit.

Signatory Airlines

The term "Signatory Airlines" presently includes American Airlines, American Eagle, AirTran Airways, Continental Airlines, Continental Express, Comair, JetBlue Airways, Northwest Airlines, United Airlines and US Airways. The Airline Agreements determine the method of calculating rentals, fees and charges applicable to the Signatory Airlines. In 2003, Signatory Airlines accounted for 75.3% of all Airport Enplanements; JetBlue Airways, AirTran Airways and US Airways represented 15.5%, 13.4% and 11.0%, respectively, of the total Airport scheduled enplanements and 11.5%, 13.3% and 14.2% of landed weight of all passenger carriers at the Airport.

The Airline Agreements terminate on December 31, 2004, unless cancelled sooner, as provided therein. The current Signatory Airline Agreement is a residual agreement for the airfield and terminal. In anticipation of the expiration of these Agreements, the Authority has assembled a team of Monroe County employees and outside consultants to analyze, prepare and negotiate new Signatory Airline Agreements and/or assist in the consideration of the Authority operating the Airport without new Airline Agreements in place. This team includes the law firm of Palmer & Dodge LLP to assist in legal matters and the financial consulting firm of John F. Brown Co. to assist in financial matters. If necessary, the Authority is prepared to establish rates and charges by ordinance, to go into effect on January 1, 2005, that will cover any period where no new Signatory Airline Agreement is in place. The Authority intends to continue its practice of controlling costs and maintaining revenue at levels to provide adequate funds to meet covenant requirements, maintain competitive rates and charges and, thereby, encourage new entrant air carriers. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS."

Airline Rentals, Fees and Charges

In order to account for revenues and expenses and establish the rentals, fees and charges applicable to the Signatory Airlines, the Airline Agreements divide the Airport into six separate cost centers and utilize two residual cost formulas. The six cost centers include the terminal, auto parking, airfield, freight service, general aviation and commercial and government services. The residual cost formulas determine Airline rentals, fees and charges for the terminal (the terminal and auto parking cost centers) and the airfield (the airfield, freight service, general aviation and commercial and government services cost centers). The rentals, fees and charges

are calculated annually in amounts sufficient to provide the Authority with revenues adequate to enable the Authority to operate the Airport on a self-supporting basis in accordance with the Rate Covenant Requirement contained in the Indenture. See further, "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS.

FINANCIAL MATTERS

Airport Accounting

As described under the caption "COUNTY LEASE AND OPERATING AGREEMENT" herein, the Authority leases the Airport facilities from the County pursuant to the Lease and Operating Agreement, and has engaged the services of the County to operate the Airport. In addition to reimbursing the County for Airport maintenance and operation, the Authority also reimburses the County for all debt service, if any, incurred by the County in connection with Airport improvements. It is anticipated that any future additional indebtedness incurred by the County would be incurred pursuant to a contract with the Authority providing for, among other things, reimbursement of debt service to the County. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND OPERATING AGREEMENT."

The County operates the Airport through its Department of Aviation, whose Director reports directly to the County Executive. The County accounts for Airport operations through the use of a separate enterprise fund. The County and the Authority have accounting and financial reporting policies that conform to generally accepted accounting principles for local government units as set forth by the Government Accounting Standards Board. A copy of the Authority's December 31, 2002 audited financial statements is attached hereto as APPENDIX A. A copy of the County's complete general purpose financial statements is available to Bondholders upon written request directed to Stephen W. Gleason, Director of Finance-Chief Financial Officer, County of Monroe, 39 West Main Street, Room 400, Rochester, New York 14614.

The County's Director of Finance-Chief Financial Officer and Airport staff oversee the accounting and financial activities at the Airport. The Director of Finance-Chief Financial Officer is responsible for funds management, financial statement preparation, reviewing documents prepared by the Airport, and other required accounting and financial activities. The Airport staff's responsibilities include customer billings, accounting transactions, lease administration, budget preparation, purchasing, payables and payroll.

Operation and Maintenance Expenses

Operation and maintenance expenses ("O&M Expenses") at the Airport are assigned in three levels. The first is by appropriation units consisting of personal services, employee benefits, equipment, contractual services, supplies and materials and other miscellaneous expenses. These appropriation units are then allocated to functional areas (or organizations) at the Airport, which include administration, security, aircraft rescue and fire fighting, field maintenance, custodial services, and building operations. After this assignment, O&M Expenses are distributed to the revenue producing cost centers for the determination of airline fees and

charges. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS" herein.

Non-airline Revenues

Non-airline revenues are primarily generated from automobile parking, car rental agencies, restaurant operations, newsstand and telephone concessions, gas and oil commissions, fuel flowage, off airport car rental and parking fees, freight services, land and hangar rentals (non-commercial passenger travel) and government services (FAA, and U.S. Postal Service).

Airline Revenues

The balance of the revenues generated by the Airport each year are comprised of terminal rentals, facility use fees, landing fees, apron fees and other cost reimbursements payable by the scheduled air carriers operating at the Airport. As set forth in the Airline Agreements, the Airport is required to annually calculate and adjust rates and charges which are payable by the Signatory Airlines throughout each year. The rentals, fees and charges are calculated according to the terminal rental formula and the airfield landing fee formula. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS" and the Caption "AIRLINE AGREEMENTS" herein.

The terminal and rental formula is a residual formula for the terminal and auto parking cost centers combined. The formula includes total O&M Expenses for the terminal and auto parking areas, the O&M Expense Reserve Requirement and other expenditures, funding of the Renewal and Replacement Reserve Requirement, existing debt service at the coverage factor indicated by the Rate Covenant Requirement, less the sum of total non-airline and non-signatory airline revenues in the applicable cost centers, investment earnings and Other Available Funds. This net requirement is then divided by occupied airline terminal square feet to calculate the Signatory Airline terminal rental rate.

A facility use fee was initiated during 1998. This fee applies to all non-signatory airlines and is based on the proportionate bases that airlines' total passengers relate to the total passengers at the Airport. The Authority and all current non-signatory airlines have agreed to use this method of fee calculation.

The Authority charges an airfield landing fee and an apron fee. It determines these fees through the use of an airfield formula, which constitutes a residual formula for the airfield, freight service, general aviation and commercial and government services cost centers. Landing fees are calculated by the product of the "landing fee rate" multiplied by each Signatory Airline's total landed weight. The landing fee rate is a dollar amount determined by dividing the airfield, freight service, general aviation and commercial and government service cost centers, less applicable non-airline and non-signatory airline revenues, investment earnings and Other Available Funds, by total Signatory Airline landed weight. Apron fees are calculated by multiplying the apron fee rate by each Signatory Airline's linear square footage. The apron fee rate is equal to 10% of the airfield cost center's total requirement.

Results of Operations

Monroe County Airport Authority Historical Operating Results 1998 through 2002^(a)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Revenue:					
Landing fees	\$3,380,439	2,762,002	2,963,096	3,324,594	3,483,034
Rental fees	9,164,194	8,981,217	8,067,997	9,197,834	9,480,503
Car rental commissions	2,469,510	2,713,555	2,638,400	2,484,287	2,617,930
Parking commissions	3,172,704	2,869,329	3,031,671	2,095,653	2,975,307
Concession fees	2,549,740	2,474,216	2,711,832	2,730,570	2,820,059
Fuel farm	-	-	304,059	225,000	225,000
Total Operating Revenue	20,736,587	19,800,319	19,717,055	20,057,938	21,601,833
Operating Expenses:					
Operating & Maintenance					
Expense- Monroe County	9,639,967	10,002,030	10,789,580	11,169,702	11,410,707
Rent expense - Monroe County	603,479	630,945	654,898	827,854	761,175
Depreciation and amortization	4,346,680	5,146,614	5,173,140	4,431,026	4,392,541
Other expenses	256,157	252,654	214,138	364,694	462,259
Total operating expenses	14,846,283	16,032,243	16,831,756	16,793,276	17,026,682
Operating Income	5,890,304	3,768,076	2,885,299	3,264,662	4,575,151
Nonoperating revenue and (expenses):					
Federal revenue	-	-	-	95,023	291,769
Interest revenue	1,279,408	1,219,008	1,385,297	1,321,186	628,510
Interest expense	(7,115,806)	(7,895,601)	(5,407,219)	(5,599,043)	(5,252,662)
Amortization of bond issue cost	(477,618)	(574,172)	(379,367)	(962,000)	(858,501)
Local share of capital projects- Monroe County	-	-	-	(928,324)	(594,887)
Total non operating revenue (expenses)	(6,314,016)	(7,250,765)	(4,401,289)	(6,073,158)	(5,785,771)
Loss before capital contribution	(423,712)	(3,482,689)	(1,515,990)	(2,808,496)	(1,210,620)
Capital contribution, Passenger Facility Charge, net	-	-	-	399,587	(296,786)
Net loss	(423,712)	(3,482,689)	(1,515,990)		
Change in net assets	^(b)	^(b)	^(b)	(2,408,909)	(1,507,406)
Net Assets, beginning of year				13,028,520	10,619,611
Net assets, end of year				10,619,611	9,112,205

^(a) Revenue and expenses are derived from the Authority's Financial Statements for the calendar years 1998 through 2002.

^(b) The presentation in this table conforms to GASB 33 and 34 requirements commencing with calendar year 2001.

For the year ended December 31, 2002, operating revenues increased to \$21.6 million or a 9.7% increase over operating revenues for the year ended December 31, 2001. Operating revenues consist primarily of aircraft landing fees, terminal space rentals, facility use fees, parking and car rental commissions, other facility and land rentals, commissions and concession fees. The Authority collected landing fees of \$3.5 million in 2002, a 4.8% increase over the \$3.3 million collected in 2001. Parking revenue increased from \$2.1 million in 2001 to \$3.0 million in 2002. The 42.0% increase is attributed to a modest across the board parking rate increase and parking activity returning to pre-September 11, 2001 levels.

Operating expenses increased 1.4% from \$16.8 million in 2001 to \$17.0 million in 2002. These expenses include day-to-day operations, rent expense, depreciation and amortization. General operational and maintenance expenses, which amounted to \$11.4 million in 2002, account for approximately 67.0% of the total operating expenses and increased by less than 2.2% in 2002. Depreciation and amortization expense were \$4.4 million in 2001 and 2002.

Airline Cost Per Enplanement and Airport Cash Flow

Except for 2001 as discussed below, the following table demonstrates a decrease in the average cost per enplaned passenger since 1998. The principal reasons for this include: (i) beginning in 1998, the Airport generated more Non-airline Revenue; this revenue category should continue to grow in the future based on extended car rental contracts and a continuing effort to generate Non-airline Revenue; (ii) during 1998, the Airport initiated a Facility Use Fee that is charged to non-signatory air carriers (this reduced signatory costs and distributed the total facility cost more equitably to all users of the Airport). The reduction in per enplanement costs made the Airport more attractive to new entrant or low fare carriers whether they entered as a signatory or a non-signatory air carrier. This has had a positive effect on increased enplanements and non-airline revenue. The increase in cost per passenger in 2001 reflects the additional security costs required to meet the new security requirements as a result of the events of September 11, 2001. The decline in costs per signatory airline passenger in 2002 and estimated in 2003 reflect the stabilization of security costs, a growth in non-airline revenue and improving passenger counts; all of which have a positive effect on signatory per enplaned passenger costs.

AIRLINE COST PER ENPLANEMENT

	<u>Average Signatory Airline Cost Per Enplanement</u>	<u>Airline Cost Per Enplanement</u>
Actual		
1998	\$ 7.87	\$ 8.89
1999	8.00	8.14
2000	7.90	7.83
2001	10.98	9.27
2002	10.14	8.89
Estimated		
2003	\$ 9.79	\$ 9.76

Source: Airport records, Monroe County Airport Authority.

Airport Cash Flow. The following table presents the cash flow for the Airport for 1998 through 2002, and estimated cash flow for the Airport for 2003.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Estimated 2003</u>
Signatory Terminal Rentals	4,677,066	6,196,614	5,674,773	7,028,447	6,560,142	6,411,885
Signatory Landing Fees	1,900,964	1,604,356	1,922,810	2,209,535	1,860,047	2,381,177
Aircraft Apron Fees	528,659	545,486	524,266	573,403	580,093	670,104
Transient Landing Fees	1,479,475	1,210,067	1,166,937	1,150,493	1,570,544	1,650,000
Facility Use Fees	2,742,372	1,557,031	1,287,753	1,694,463	1,555,954	1,688,507
Non-Airline Revenues	9,408,051	9,754,902	10,038,318	9,385,846	11,043,421	11,701,130
Investment Earnings	1,129,408	1,037,800	1,038,495	989,505	628,717	800,906
Other Available Funds	<u>1,569,190</u>	<u>1,424,579</u>	<u>1,179,751</u>	<u>1,087,672</u>	<u>1,145,320</u>	<u>1,015,246</u>
TOTAL REVENUES PLUS OTHER AVAILABLE FUNDS	23,435,185	23,330,835	22,833,104	24,119,365	24,944,237	26,318,955
O&M Expenses	<u>28,96,124</u>	<u>10,368,287</u>	<u>10,896,400</u>	<u>11,857,316</u>	<u>12,882,149</u>	<u>13,983,263</u>
NET REVENUES	13,539,061	12,962,548	11,936,704	12,262,049	12,062,089	12,335,692
Series 1989 Bond Debt Service	8,102,900	6,857,770	-320,530	3,340,000	3,340,000	3,340,000
Series 1993 Bond Debt Service	1,380,909	1,380,909	2,068,679	1,332,353	1,333,779	1,334,529
Series 1999 Bond Debt Service		939,832	6,694,181	4,103,081	4,103,831	4,103,081
O&M Reserve Requirement	30,006	71,347	88,019	160,153	170,805	183,519
Renewal and Replacement Exp & Requirements	677,488	677,488	814,039	761,128	895,546	948,882
GO Debt Service	<u>603,479</u>	<u>760,173</u>	<u>390,623</u>	<u>504,263</u>	<u>340,076</u>	<u>613,679</u>
FUNDS REMAINING	2,744,279	2,275,029	2,201,693	2,061,071	1,878,051	1,812,002
DEBT SERVICE COVERAGE	1.43	1.57	1.41	1.40	1.37	1.41

As shown above, the Revenues include investment earnings. Investment earnings are defined as Airport Revenues and include only earnings on funds accumulated in the Revenue Fund, the O&M Fund, the Principal and Interest Fund, the Subordinate Debt Fund, the Renewal and Replacement Fund, and the O&M Reserve Fund. Estimates of future investment earnings are based upon projected levels of accumulated amounts in these funds invested at 2%, which does not exceed the Authority's current reinvestment rate.

Also shown in the preceding table is the calculation of the Rate Covenant Requirement, which is equivalent to Net Revenues (total Revenues less O&M Expenses) plus Other Available Funds divided by total Debt Service. As presented in the table, estimated coverage exceeds the 125% Rate Covenant Requirement of the Indenture throughout the projection period.

Passenger Facility Charges and Capital Improvement Program

Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 gave U.S. commercial service airports the right to impose a Passenger Facility Charge ("PFC") on enplaned passengers. The proceeds from such fees are to be used to finance eligible Airport-related projects that preserve or enhance the safety, capacity, or security of the national air transportation system, reduce noise from the Airport or furnish opportunities for enhanced competition between or among air

carriers. The Authority, with Federal Aviation Administration approval, has imposed a \$3.00 PFC. Prior to the expiration in 2004 of its authority to collect a PFC, the Authority anticipates collecting PFC's in the amount of \$20,828,889, which it is using to fund the following capital projects as collected PFC's become available: Taxiway "C" Rehabilitation (\$2,000,000); Terminal Apron Improvements (\$6,200,000); Purchase of Snow Removal Equipment (\$650,000); Construction of a Snow Removal Equipment ("SRE") Storage Building (\$1,200,000); Taxiway "E" Reconstruction & Connection to Runway 4/22 (\$6,200,000); Construction of an Aviation Rescue Fire Fighting ("ARFF") Station (\$3,310,000); Aircraft Safety and Security Enhancements (\$780,000); and the Local Share Contribution for an Aviation Regional Fire Fighting Training Facility (\$488,889). The authority to collect the \$3.00 fee expires in approximately August of 2004. The Authority has initiated the renewal process and will seek FAA approval to collect \$4.50 for an additional PFC program totaling \$40,310,314. This PFC is planned to commence at the completion of the current program. This program will fund Terminal Modifications for Baggage Screening (\$26,533,554), ARFF Equipment (\$800,000), SRE Equipment (\$1,700,000), Taxiway A Improvements (\$3,316,694) and Terminal Improvements (\$7,960,066). If approved as proposed, this program will expire in 2014.

Federal Grants

The Airport and Airway Improvement Act of 1982 created the Airport Improvement Grant Program ("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 discretionary funds are available at the discretion of the FAA based upon a national priority system. The amount of entitlement grants received by an airport will vary based on the actual number of enplaned passengers at the Airport, the total appropriations for the AIP and any revision of the statutory formula for calculating such grants.

From 1998 through 2003, the authority received \$43,064,916 in total AIP entitlement and discretionary grants as follows:

1998	\$ 2,540,887
1999	8,376,100
2000	5,608,022
2001	4,471,883
2002	11,496,252
2003	10,571,772

Capital Improvement Plan

The Airport has a six-year Capital Improvement Program. Capital projects are planned and completed as funds are made available. No additional bond indebtedness is anticipated at the present time for the Capital Improvement Program. During 2004, the Airport anticipates completing approximately \$13,000,000 in capital improvements. These improvements include a portion of those to be funded through the Passenger Facility Charge Program as well as

improvements to be funded by the AIP. The projects include Taxiways "E" improvements, partial construction of a new Taxiway parallel to Runway 10/28, a portion of the Airside Service Roadway, Runway 10/28 safety area improvements and commencement of certain Terminal improvements. From 2004 through 2009, the Authority anticipates using \$79,000,000 of PFC and AIP funds for projects to complete construction on the Terminal improvements, Terminal apron improvements and the Taxiway parallel to Runway 10/28, construct an East Apron Cargo Facility and a Taxiway parallel to Runway 4/22, Rehabilitate Runway 10/28 and Taxiways "A", "D", "E" and "H", update the Master Plan, purchase heavy equipment, acquire property adjacent to the Airport, rehabilitate the General Aviation Runway 7/25 and make other South Field improvements.

INVESTMENT CONSIDERATIONS

General

The following section describes certain risk factors affecting the payment of and security for all Bonds outstanding under the Indenture, including the Series 2004 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2004 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following specific factors along with all other information described elsewhere or incorporated by reference in this Official Statement in evaluating the Series 2004 Bonds.

General Factors Affecting Authority and Airline Revenues

The revenues of both the Authority and the airlines may be materially affected by many factors including, without limitation: declining demand, service and cost competition, mergers, the availability and cost of fuel and other necessary supplies, 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, litigation liability, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, deregulation, federal and state bankruptcy and insolvency laws and other risks. Many airlines, as a result of these and other factors, have operated at a loss in the past and several have filed for bankruptcy, ceased operations and/or have merged with other airlines.

General Factors Affecting Airline Activity

There are numerous factors that affect air traffic generally and air traffic at the Airport more 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 service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel, and any operating constraints (due to capacity, environmental concerns or other related

factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

Operating Results and Financial Condition of Airlines

The Authority derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, together with numerous other factors, influence the level of aviation activity at the Airport. Following the events of September 11, 2001, the long-term credit ratings of many domestic airlines were downgraded and placed on credit review lists maintained by national credit rating agencies.

Starting in the first quarter of 2001, most airlines began to experience deterioration of their financial condition. Domestic airlines posted net profits of \$5.3 billion in 1999, net profits of \$2.6 billion in 2000 and net losses in excess of \$1 billion in the first half of 2001. Prior to the events of September 11, 2001, the domestic airline industry was predicting total losses of approximately \$2.5 billion in 2001. As a result of the events of September 11, 2001, and the weakening economy, domestic airline industry losses for 2001 were in excess of \$7 billion and for 2002, approximately \$6.9 billion. The Air Transport Association projects that airlines will also experience significant losses in 2003.

The events of September 11, 2001, in combination with the general economic downturn, have had a significant adverse effect on the airline industry. Since September 11, 2001, with the exception of Southwest, most major domestic airlines instituted significant system-wide reductions in scheduled flights, as well as job reductions in an attempt to stem mounting financial losses. Most major domestic airlines have warned that they will continue to suffer significant financial losses. Notwithstanding the enactment of the Air Transportation Safety and System Stabilization Act (described below), it is possible that some passenger air carriers in addition to US Airways and United Air Lines, which are Signatory Airlines and which filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002 and December 9, 2002, respectively, may also file for protection under federal bankruptcy laws. US Airways emerged from Chapter 11 bankruptcy protection on March 31, 2003. See “- Effect of Airline Bankruptcy.” Following the events of September 11, 2001, the long-term credit ratings of many domestic airlines were downgraded, and all domestic airlines were placed on credit review lists maintained by national credit rating agencies.

The Authority cannot predict the likelihood of future air transportation disruptions or the impact of these events on any of the airlines using the Airport. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors since September 11, 2001, reference is made to the statements and reports filed periodically by the airlines with the SEC.

Airline Bankruptcy Filings

US Airways. US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002, and emerged from Chapter 11 bankruptcy protection on March 31, 2003. As part of the plan of reorganization, US Airways assumed its Airline Agreement and agreed to pay its \$366,588.62 pre-petition debt due to the Authority. All of such amount has

now been paid. US Airways and wholly owned affiliates accounted for 397,541 enplanements, representing 33.5% of all enplanements at the Airport for 2002 compared to 283,862 enplanements, representing 22.7% of all enplanements at the Airport for 2003.

United Airlines. On December 9, 2002, UAL Corporation (“UAL”) and twenty-seven of its U.S.-based subsidiaries, including United Airlines, Inc. (collectively, the “Debtors”), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. United Airlines’ pre-petition debt to the Authority is \$25,016.17. UAL has neither rejected nor assumed its Airline Agreement.

United Airlines accounted for 148,252 enplanements, representing 12.5% of all enplanements at the Airport for 2002 compared to 176,672 enplanements, representing 14.1% of all enplanements at the Airport for 2003.

Effect of Airline Bankruptcy

In the event of bankruptcy proceedings involving one or more of the airlines operating at the Airport, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement or other lease agreements or operating agreements. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performances under the relevant agreements. Rejection of a lease or an executory contract by any of such airlines would give rise to an unsecured claim of the Authority for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code.

Airlines are required to furnish the Authority with a security deposit upon execution of an operating agreement. The security deposit is based on an estimated three (3) months of operating expenses calculated on the projected air service to be provided at the Airport. Currently, all Non-Signatory Airlines operating at the Airport have supplied either cash, a letter of credit or a surety bond in an amount equal to the required deposit amount. These security instruments are for the benefit of the Authority and are not subject to the jurisdiction of the Bankruptcy Court. In the event that an airline files for bankruptcy protection with outstanding payments owed, the Authority can exercise its right of redemption and substitute the provider of the security instrument as the unsecured creditor of the airline in the bankruptcy proceeding for any monies owed to the Authority up to the full value of the security instrument provided.

Recent Developments Affecting the Air Transportation Industry

Federal Legislation. On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the “Stabilization Act”) was enacted into law. The Stabilization Act provides among other things, for (1) \$5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11, 2001 terrorist attacks, (2) \$10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees, (3) limitations on air carrier officer and employee

compensation if the air carrier received federal loan guarantees, (4) reimbursement to domestic airlines by the federal government of certain increased insurance costs for the operation of aircraft incurred by the airlines, (5) deferral of the payment by domestic airlines of certain taxes and (6) limitations of liability for domestic airlines. The Stabilization Act also established a federal victims compensation fund and claims procedure relating to the events of September 11, 2001, and at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period following enactment of the Stabilization Act.

Airport Security. As a result of the September 11, 2001 terrorist attacks, the Federal Aviation and Transportation Security Act ("ATSA") was enacted on November 19, 2001. This legislation makes airport security the responsibility of the newly created TSA. The measure called for stronger cockpit doors on the planes and an increased presence of armed federal marshals on flights. All security screeners have become federal employees. Security screeners must undergo criminal background checks and must be U.S. citizens. In three years (not later than 2005), airports that meet increased security guidelines have the option to continue using federal employees or return to private security companies. The airports are permitted to use state or local law enforcement personnel to provide security services. The new federal security screening services will be paid for by collecting from airlines the amount paid for security services prior to September 11, 2001, which was estimated to be approximately \$700 million, and by charging passengers \$2.50 per departure or connection, not to exceed \$5.00 per one way trip. To the extent that such fees are estimated to be insufficient, ATSA also authorizes the imposition of fees on air carriers not to exceed, for 2002, 2003, and 2004, the amount paid by those air carriers in calendar year 2000 for screening of passengers and property and for 2005 and thereafter, amounts that may be determined based upon market share or other appropriate measure (not to exceed in the aggregate the amounts paid in calendar year 2000 by the air carriers for screening of passengers and property).

ATSA also mandates that certain security measures be undertaken at airports, including the Airport. Among other things, the following security measures are required: (i) screening or inspection of all individuals, goods, property, vehicles and equipment before entry into a secured area of the airport, (ii) security awareness programs for airport employees, (iii) screening all checked baggage (which, prior to deployment of explosive detection systems described in (iv) below, must include one or more of (a) a bag-match program ensuring that no checked baggage is placed on an airplane unless the passenger checking such baggage also boards, (b) manual search, (c) search by canine detection units in combination with other means, or (d) other means or technology approved by the Undersecretary of the United States Department of Transportation, (iv) deployment of sufficient explosive detection systems for all checked baggage, and (v) operation of a system to screen, inspect or otherwise ensure the security of all cargo to be transported in all-cargo aircraft.

Homeland Security Act. The Homeland Security Act created the Department of Homeland Security ("DHS") to accomplish several primary goals, identified by the statute as: preventing terrorist attacks within the United States; reducing the nation's vulnerability to terrorism; minimizing the damage of, and assisting in the recovery from, terrorist attacks that do occur; and monitoring connections between illegal drug trafficking and terrorism and coordinating efforts to sever such connections.

The TSA became a part of DHS and while the TSA initially will be a distinct entity within DHS, that separateness will sunset on the second anniversary of enactment of the Homeland Security Act.

The Homeland Security Act extended the federal government's guarantee of war-risk insurance to airlines through at least August 31, 2003 and, at DHS's option, through December 31, 2003 (see below regarding the further extension granted by the Emergency Wartime Supplemental Appropriation Act). In addition, the statute eliminates the deductible to be paid for war-risk coverage, and expands the scope of such coverage to include hull loss and injuries to passengers and crew. Finally, the Homeland Security Act caps the total premium paid by any airline for war-risk insurance at no more than twice the premium the airline was paying DOT for its third party policy as of June 19, 2002.

The Terrorism Risk Insurance Act, was also recently signed by the President. This law establishes the Terrorism Insurance Program in the Department of the Treasury. The program aims to ensure the availability of property and casualty insurance for terrorism risk by having the federal government temporarily share the burden of compensating for insured losses. The program lasts until December 31, 2005. Losses in connection with terrorist acts that are incurred by passenger or cargo air airlines, United States flag vessels, and qualifying vessels based principally in the United States are covered by the program, regardless of where the loss occurs.

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

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

Emergency Wartime Supplemental Appropriation Act, 2003. President Bush signed the Emergency Wartime Supplemental Appropriation Act, 2003 (the "Appropriation Act") into law on April 16, 2003. That Act suspends passenger security (\$2.50 per departure) and air carrier security fees from June 1 through September 30, 2003. The Appropriation Act also provides \$2,395,750,000 for airline grants, of which the first \$100 million is to reimburse carriers for cockpit door hardening. The remaining funds would be distributed based upon the proportional share of security fees remitted by the airlines to the TSA.

The Appropriation Act extends the War Risk Insurance Program through September 30, 2004. It also provides an additional 26 weeks of unemployment benefits for unemployed airline industry-related workers. As a condition of support for the airlines, the Appropriation Act requires the limitation of compensation for the two highest compensated executives of an airline to 2002 salary levels. It also excludes awards of stock and pre-existing retirement contracts and exempts airlines that serve solely domestic North American U.S. destinations and regional carriers. The latter only applies to recipients of airline grants not war risk insurance.

Airlines Subject To Airline Lease Agreement

Each of the Airlines subject to the Airline Lease Agreement (or their respective parent corporations) is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Certain other airlines are subject to the information reporting requirements of the Commission. Certain information, including financial information, as of particular dates concerning each of these reporting airlines (or their respective parent corporations) is disclosed in reports and statements filed with the Commission. Such reports and statements can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 233 Broadway, New York, New York 10279. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 (at the above address at the prescribed rates). The Commission also maintains a website that contains reports, proxy and information statements and other written information regarding companies that file electronically with the Commission. The address of the website is <http://www.sec.gov>. In addition, each of the Airlines subject to the Airline Lease Agreement is required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the "DOT"). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S. W. Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Federal Regulation Regarding Rates and Charges Disputes

In August 1994, the President of the United States signed into law the FAA Authorization Act of 1994 (the "1994 Act"), which continues the pre-existing federal requirement that airline rates and charges set by airports be "reasonable" and mandates an expedited administrative process by which the Secretary of Transportation (the "Secretary") shall review rates and charges complaints, 49 U.S.C. § 47129. Under 49 U.S.C. § 47129 an affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such carrier receives written notice of the establishment or increase of such fee. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute unless the airport and the complaining carriers agree otherwise. In January 1995, pursuant to the 1994 Act, the DOT issued a rule which was amended effective December 16, 1996 (the "Final Rule") outlining the rules of practice for filing complaints and adjudicating complaint matters involving federally assisted airports. This Final Rule is broader in application and covers matters other than just rates and charges complaints. The initial rule was accompanied by a policy statement setting forth the standards DOT would apply to resolving airport fee disputes under 49 U.S.C. § 47129. The initial policy statement was supplemented in September of 1995 and replaced on June 14, 1996 by the "Policy Regarding Airport Rates and Charges." In an August 1, 1997 decision, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the proposed policy regarding determining the

"reasonableness" of fees was "arbitrary and capricious" Until DOT promulgates a new policy regarding rates and charges, the guiding principle for determining whether rates and charges established for use of airport assets is the requirement of federal law that such charges be "reasonable".

Capacity of National Air Traffic Control and Airport Systems

Demands on the national air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The FAA is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and assisting in the development of additional airfield capacity through the construction of new runways and the more effective use of existing runways. However, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

LITIGATION

Except as set forth below, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or to the knowledge of the Authority, threatened against or affecting the Authority or, to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2004 Bonds, the Indenture, the Airline Agreements or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the issuance of the Series 2004 Bonds. Further, except as set forth below, the County will deliver a certificate at the time of issuance of the Series 2004 Bonds to the effect that there are no such pending or threatened actions against or involving the County respecting the Airport.

There is currently pending before the New York State Division of Tax Appeals an administrative proceeding wherein the Authority is seeking a redetermination of a sales tax assessment imposed against the parking receipts of the operator of a parking facility located at the Airport. The Authority has agreed to indemnify such operator for the amount of the final assessment. The amount of the original assessment is \$758,617.21, plus interest, covering the tax periods from June 1, 1996 through February 28, 1999. On January 16, 2003, an Administrative Law Judge issued a determination concluding that the proper assessment is \$753,161.69, plus interest. The Authority filed a request for review by the Tax Appeals Tribunal, which appeal has been briefed by the parties who are now awaiting notice of a date for oral argument.

In the meantime, the parties have reached an agreement to settle this matter for the payment by the Authority of \$500,000 in full satisfaction of all sales tax liability on parking receipts collected by the operator for all past periods, including the period which is the subject of the proceeding. The estimated sales tax liability of the operator for the period from March 1, 1999 through the present is approximately \$1,800,000. The parties are in the process of documenting the settlement, which includes an amendment to the management contract between the Authority and the parking operator in order to create a bona fide agency relationship,

consistent with the general guidelines established by the New York State Department of Taxation and Finance. The Authority is currently awaiting approval of the proposed amendment by the New York State Department of Taxation and Finance. Upon receipt of such approval, the settlement will be finalized.

AGREEMENTS WITH STATE AND COUNTY

Pursuant to the Act, the State of New York has agreed not to alter, limit or impair the rights and powers vested in the Authority by the Act to fulfill the terms of any contract made with Bondholders, or in any way impair the rights and remedies of such Bondholders. Pursuant to the Act and the Operating Agreement, the County has agreed not to alter, limit or in any way impair the rights and remedies of such Bondholders.

UNDERWRITING

The Series 2004 Bonds were purchased on February 20, 2004 by J.P. Morgan Securities Inc. (the "Underwriter") at a price of \$21,565,334.32, that reflects an underwriting discount of \$164,560.13.

The Underwriter may offer and sell the Series 2004 Bonds to certain dealers (including those depositing the Series 2004 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriter without notice.

RATINGS

Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc., have assigned ratings of "Aaa" and "AAA" respectively, to the Series 2004 Bonds on the understanding that the standard policy of municipal bond insurance insuring the timely payment of the principal and interest on the Series 2004 Bonds will be issued by MBIA Insurance Corporation upon issuance of the Series 2004 Bonds. See "BOND INSURANCE" herein. No application has been made to any other rating agency for the purpose of obtaining an additional rating on the Series 2004 Bonds. A rating reflects the views of the rating agency and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies, if, in their judgment, circumstances warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2004 Bonds. The Authority and the Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2004 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2004 Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could

cause the interest on the Series 2004 Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Series 2004 Bonds. The Authority has covenanted in the Indenture to maintain the exclusion of the interest on the Series 2004 Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law, interest on the Series 2004 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York), the Series 2004 Bonds are exempt from any direct tax imposed by the State of New York (except for transfer and estate taxes) and, assuming compliance with the aforementioned covenants, interest on the Series 2004 Bonds (except for interest accruing on the Series 2004 Bonds for any period during which such Series 2004 Bonds are held by a "substantial user" of any of the facilities financed with the proceeds of the Series 2004 Bonds or by a "related person", as such terms are defined in section 147(a) of the Code) is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. *Bond Counsel is also of the opinion that the Series 2004 Bonds will be "specified private activity bonds" and, therefore, that the interest on the Series 2004 Bonds will be treated as an item of tax preference under section 57 of the Code for purposes of computing the alternative minimum tax imposed by section 55 of the Code.* The statutes, regulations, rulings and court decisions on which such opinions are based are subject to change.

In reaching the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Authority made in certificates of even date with the issuance of the Series 2004 Bonds pertaining to the use, expenditure and investment of the proceeds of the Series 2004 Bonds and has assumed continuing compliance with the provisions of the Indenture subsequent to the issuance of the Series 2004 Bonds. The Indenture contains covenants by the Authority with respect to, among other matters, the Authority's expected expenditures, the use of the proceeds of the Series 2004 Bonds and the use of the facilities refinanced therewith, the manner in which the proceeds of the Series 2004 Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage profits from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Series 2004 Bonds to be includable in the gross income of the owner thereof for federal income tax purposes from the date of issuance of the Series 2004 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2004 Bonds may affect the tax status of interest on the Series 2004 Bonds or the tax consequences of the ownership of the Series 2004 Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2004 Bonds from personal income taxation imposed by the State of New York or its political subdivisions or of the exclusion of the interest on the Series 2004 Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2004 Bonds, or the interest thereon, if any action is taken with respect to the Series 2004 Bonds or the proceeds thereof

permitted or predicated upon the advice or approval of Bond Counsel if such advice or approval is given by counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Series 2004 Bonds is exempt from personal income tax imposed by the State of New York or its political subdivisions and excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Series 2004 Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2004 Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2004 Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the Series 2004 Bonds; (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2004 Bonds; (iii) interest on the Series 2004 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Series 2004 Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such Subchapter S corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2004 Bonds; and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2004 Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences. Prospective purchasers of the Series 2004 Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2004 Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer", and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2004 Bonds, the Authority may have different or conflicting interest from the owners. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Series 2004 Bonds, regardless of the final disposition of the audit.

LEGAL COUNSEL

Legal matters incident to the legality of the Series 2004 Bonds, including the authorization, issuance and sale by the Authority, are subject to the approval of Fulbright & Jaworski L.L.P., New York, New York, Bond Counsel. A form of the approving opinion of Bond Counsel is included in this Official Statement as APPENDIX E. Certain legal matters will be passed upon for the Authority and the County by their counsel, Daniel M. DeLaus, Esq., County Attorney, and for the Underwriter by its counsel, Harter, Secrest & Emery LLP, Rochester, New York.

CERTAIN VERIFICATIONS

Grant Thornton LLP, upon delivery of the Series 2004 Bonds, will deliver to the Authority a report stating that the firm, at the request of the Authority and the Underwriter, has reviewed the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Authority relating to (i) computation of anticipated receipts of principal and interest on the acquired obligations and the anticipated payments of principal and interest to redeem the Refunded Bonds, and (ii) computations of the yields on the Series 2004 Bonds and the acquired obligations was examined by Grant Thornton LLP. Such computations were based solely upon assumptions and information supplied by the Underwriters on behalf of the Authority. Grant Thornton LLP has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

MISCELLANEOUS

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

The summaries and descriptions of provisions of the Act, the Indenture, the Airline Agreements, the Lease and Operating Agreement, the Tax Regulatory Agreement and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Indenture, the Airline Agreements, and the Lease and Operating Agreement may be obtained from the Authority.

Insofar as any statements made in this Official Statement involve matters of opinion, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

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

MONROE COUNTY AIRPORT AUTHORITY

By: /s/ Stephen W. Gleason
Stephen W. Gleason
Its: Treasurer

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APPENDIX A

FINANCIAL STATEMENTS OF THE AIRPORT AUTHORITY

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MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Basic Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

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265 Clinton Square
Rochester, NY 14604

Independent Auditors' Report

To the Members of
Monroe County Airport Authority:

We have audited the accompanying basic financial statements of the Monroe County Airport Authority (the Authority), a discretely presented component unit of the County of Monroe, New York as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe County Airport Authority as of December 31, 2002 and 2001, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1(c) to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* effective January 1, 2001.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss cooperative.



In accordance with *Government Auditing Standards*, we have also issued a report dated July 2, 2003 on our consideration of Monroe County Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

July 2, 2003

MONROE COUNTY AIRPORT AUTHORITY
(A Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis

December 31, 2002 and 2001

The Management's Discussion and Analysis (MDA) of the Monroe County Airport Authority's (the Authority) provides an introduction and overview of the financial statements of the Authority for the years ended December 31, 2002 and 2001. Following this MDA are the financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In future years, when prior year information is available, a full comparative analysis of both years presented in the financial statements will be presented in the MDA.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when its related cash receipt or disbursement occurs.

The Statements of Net Assets present information on the Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets report the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the year with the difference, loss before capital contributions, being combined with capital contributions to determine the change in net assets for the year. That change, combined with the previous year's net asset total, reconciles to the net asset total at the end of this year.

The Statements of Cash Flows report cash activities for the year resulting from operating activities, investing activities, noncapital financing activities, and capital and related financing activities. The net result of these activities, added to the beginning of the year cash balance, reconciles to the total cash balance at the end of the year.

SUMMARY OF FINANCIAL HIGHLIGHTS

The Authority noted the following financial highlights for the year ended December 31, 2002:

Change in Net Assets

At December 31, 2002, the Authority's total assets exceed total liabilities by \$9,110,205, which is a decrease of \$1,509,406 (14.2%) from the balance of \$10,619,611 at December 31, 2001. The primary cause of this decrease was due to interest expense of approximately \$5.2 million on the Authority's debt. The Authority continued to have a net operating income for the 2002 year of approximately \$4.6 million compared to \$3.3 million in 2001.

MONROE COUNTY AIRPORT AUTHORITY
(A Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis

December 31, 2002 and 2001

Passenger Facility Charge Fees

During 2002, \$3,108,883 in Passenger Facility Charges (PFC) were collected from the airlines. Of these collections we contributed, \$3,405,609, to Monroe County, toward the cost of capital improvements at the airport. This was an increase of \$401,334 (13.4%) from the prior year.

Parking Revenue

Parking revenue increased by \$879,654 (42%) from 2001. The reasons for this increase are parking rates were increased by 10% and activity returned to pre-September 11th levels.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The Statements of Net Assets provide an indication of the Authority's ability to meet its financial obligations, from both a long-term and short-term perspective. The Authority's total assets exceed total liabilities by \$9,110,205, which is a decrease of \$1,509,406 (14.2%) from the balance of \$10,619,611 at December 31, 2001. (See Table A-1).

For the year ended December 31, 2002, the impact of recording depreciation (\$4,392,541) is the primary reason for the decrease in capital assets of \$4,262,550 (5.3%) to \$76,355,185. Bond principal payments exceeded capital appreciation bond accretion so the outstanding debt, at December 31, 2002, decreased by \$2,680,127 (2.8%). The net effect of these two items is reflected in the decrease in Net Assets – invested in capital assets net of related debt.

MONROE COUNTY AIRPORT AUTHORITY
(A Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis

Summary of Net Assets
Table A-1

	<u>2002</u>	<u>2001</u>	<u>Percentage change</u>
Assets:			
Current and other assets	\$ 29,014,080	29,208,971	(0.1)%
Capital assets	<u>76,355,185</u>	<u>80,617,734</u>	(5.3)%
Total assets	<u>105,369,265</u>	<u>109,826,705</u>	(4.0)%
Liabilities:			
Debt outstanding	91,534,568	94,214,695	(2.8)%
Other liabilities	<u>4,724,492</u>	<u>4,992,399</u>	(6.4)%
Total liabilities	<u>96,259,060</u>	<u>99,207,094</u>	(3.0)%
Net assets:			
Invested in capital assets, net of related debt	(15,179,383)	(13,596,961)	(11.6)%
Restricted	16,708,175	17,165,557	(2.7)%
Unrestricted	<u>7,581,413</u>	<u>7,051,015</u>	7.5%
Total net assets	<u>\$ 9,110,205</u>	<u>10,619,611</u>	(14.2)%

Changes in Net Assets

As mentioned above, the Authority's Net Assets decreased by \$1,509,406 (14.2%) to \$9,110,205. Though still a deficit, this amount is an improvement over 2001's operating deficit of \$2,408,909. (See Table A-2).

The primary reason is that operating revenues increased by \$1,543,895 (9.7%) to \$21,601,863, reflecting a return to normal operations after the events of September 11, 2001. The primary revenue impacted was parking commissions, which increased by 42% from 2001. During 2002 parking rates were increased by 10% and parking levels returned to pre September 11 numbers.

Operating expenses increased by \$235,406 (1.4%) to \$12,636,141 (not including depreciation expense), mainly due to increased security costs. The charge back for law enforcement officers at the Airport grew from \$1,349,691 in 2001 to \$2,027,058 in 2002, an increase of 50.2%. The other operating expenses were held at or below previous levels due to across the board cuts in all other cost centers.

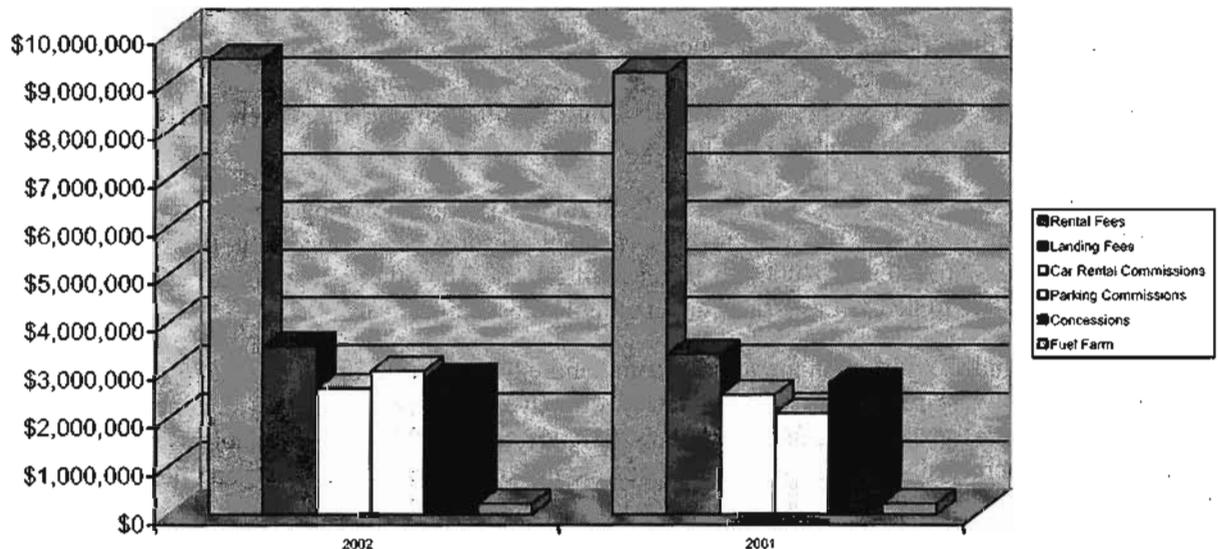
Interest earnings (included within nonoperating income and expense) were down \$692,676 (52%) to \$628,510. Maturing investments were reinvested at lower rates, reflective of an overall market decline in earned interest rates, and less invested assets \$20,172,065 in 2001 vs. \$18,041,443 in 2002 were available as we made payments and transfers at an increased rate. Our percentage of income to invested assets has gone down from 6.50% to 5.24%.

MONROE COUNTY AIRPORT AUTHORITY
(A Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Assets
Table A-2

	<u>2002</u>	<u>2001</u>	<u>Percentage change</u>
Operating revenues:			
Landing fees	\$ 3,483,034	3,324,594	4.8%
Rental fees	9,480,503	9,197,834	3.1%
Car rental commissions	2,617,930	2,484,287	5.4%
Parking commissions	2,975,307	2,095,653	42.0%
Concessions	2,820,059	2,730,570	3.3%
Fuel farm	225,000	225,000	—
Total operating revenues	21,601,833	20,057,938	9.7%
Less operating expenses (including depreciation)	17,028,682	16,793,276	1.4%
Operating income	4,573,151	3,264,662	40.1%
Less nonoperating expenses, net	6,082,557	5,673,571	7.2%
Decrease in net assets	(1,509,406)	(2,408,909)	(37.3)%
Net assets, beginning of year	10,619,611	13,028,520	(18.5)%
Net assets, end of year	\$ 9,110,205	10,619,611	14.3%



MONROE COUNTY AIRPORT AUTHORITY
(A Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

Leased

The Authority leases the Airport facilities, except those, which were financed through the 1989 bond issuance, from Monroe County. The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2002 and 2001, the rental payments totaled \$761,175 and \$827,854, respectively.

Purchased

Most improvements to the Airport facility are planned and funded through Monroe County's Capital Improvement Program. The Authority did invest \$129,992 in capital assets during 2002, for a year-end total of Capital Assets of \$123,167,805. (See Table A-3).

Summary of Capital Assets

Table A-3

	Beginning balance	Increases	Decreases	Ending balance
Land	\$ 497,771	—	—	497,771
Buildings and other facility equipment	120,392,191	123,714	—	120,515,905
Office furniture and equipment	1,477,244	—	—	1,477,244
Transportation equipment	670,607	6,278	—	676,885
Total capital assets	123,037,813	129,992	—	123,167,805
Accumulated depreciation	(42,420,079)	(4,392,541)	—	(46,812,620)
Net capital assets	\$ 80,617,734	(4,262,549)	—	76,355,185

More detailed information about the Authority's capital assets are presented in Note 4 to the basic financial statements.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis

Long-Term Debt

The Authority continues to retire debt as scheduled, and has not issued bonds since 1999. At year-end, the Authority had \$91,534,568 in bonds outstanding (\$87,694,568 long-term and \$3,840,000 short-term) – a decrease of 2.9% over last year. (See Table A-4).

Summary of Long-Term Debt
Table A-4

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital Appreciation Bonds, issued as part of 1989 series	\$ 9,351,299	440,685	(3,340,000)	6,451,984
Serial Bonds, issued in 1993, which defeased part of 1989 bonds	21,455,000	—	(175,000)	21,280,000
Serial Bonds, issued in 1999, which defeased part of 1989 bonds	66,960,000	—	(300,000)	66,660,000
Unamortized bond discount	(1,186,992)	—	476,047	(710,945)
Deferred amount of refunding	(2,364,612)	—	218,141	(2,146,471)
Total long-term debt	<u>\$ 94,214,695</u>	<u>440,685</u>	<u>(3,120,812)</u>	<u>91,534,568</u>

More detailed information about the Authority's long-term liabilities are presented in Note 5 to the financial statements.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Monroe County Airport Authority, 1200 Brooks Avenue, Rochester, New York 14624.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Statements of Net Assets

December 31, 2002 and 2001

	2002	2001
Current assets:		
Cash and cash equivalents	\$ 997,899	843,642
Investments	3,741,665	3,360,836
Accounts receivable – net of allowance for doubtful accounts of \$93,500 and \$100,000 in 2002 and 2001, and net of final rate adjustment of \$126,213 in 2002 and \$1,362,037 in 2001	2,760,174	3,651,582
Notes receivable	—	4,379
Accrued interest receivable	99,619	254,128
Due from Monroe County	514,631	—
Federal receivable	—	95,023
Total current assets	8,113,988	8,209,590
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	581,500	448,210
Investments	3,764,610	4,049,352
Total restricted assets	4,346,110	4,497,562
Investments which are restricted funds held by trustee:		
Construction fund	—	52
Principal and interest fund	15,195,739	14,979,211
Total investments held by trustee	15,195,739	14,979,263
Capital assets:		
Land	497,771	497,771
Buildings, improvements, and equipment, net of depreciation and amortization	75,857,414	80,119,963
Total capital assets	76,355,185	80,617,734
Bond issuance costs, net of accumulated amortization of \$528,570 and \$364,257 in December 31, 2002 and 2001, respectively	1,358,243	1,522,556
Total noncurrent assets	97,255,277	101,617,115
Total assets	105,369,265	109,826,705

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Statements of Net Assets
December 31, 2002 and 2001

	2002	2001
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	168,871	226,279
Deferred revenue	197,186	143,500
Due to Monroe County	—	325,492
Total payable from unrestricted assets	366,057	695,271
Payable from restricted assets:		
Premium on bonds	1,247,180	1,372,814
Accrued interest on bonds	2,468,795	2,480,207
Current maturities of long-term debt	3,840,000	3,815,000
Security deposits	415,793	277,440
Other liabilities	226,667	166,667
Total payable from restricted assets	8,198,435	8,112,128
Total current liabilities	8,564,492	8,807,399
Long-term debt, net of unamortized bond discount, unamortized loss on refunding and accretion of capital appreciation bonds	87,694,568	90,399,695
Total liabilities	96,259,060	99,207,094
Concentrations, commitments, and contingencies (notes 1, 3, and 7)		
Net assets:		
Invested in capital assets, net of related debt	(15,179,383)	(13,596,961)
Restricted for debt service	16,541,657	16,702,253
Restricted for Passenger Facility Charges	166,518	463,304
Unrestricted	7,581,413	7,051,015
Total net assets	\$ 9,110,205	10,619,611

See accompanying notes to basic financial statements.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2002 and 2001

	2002	2001
Operating revenues:		
Landing fees	\$ 3,483,034	3,324,594
Rental fees	9,480,503	9,197,834
Car rental commissions	2,617,930	2,484,287
Parking commissions	2,975,307	2,095,653
Concessions	2,820,059	2,730,570
Fuel farm	225,000	225,000
Total operating revenues	21,601,833	20,057,938
Operating expenses:		
Operating and maintenance expenses – Monroe County	11,412,707	11,169,702
Rent expense – Monroe County	761,175	827,854
Depreciation and amortization	4,392,541	4,431,026
Other	462,259	364,694
Total operating expenses	17,028,682	16,793,276
Operating income	4,573,151	3,264,662
Nonoperating revenues (expenses):		
Federal revenue	291,769	95,023
Interest revenue	628,510	1,321,186
Interest expense	(5,252,662)	(5,599,043)
Amortization of bond issue costs	(858,501)	(962,000)
Local share of capital projects – Monroe County	(594,887)	(928,324)
Total nonoperating expenses	(5,785,771)	(6,073,158)
Loss before capital contributions	(1,212,620)	(2,808,496)
Capital contributions, net	(296,786)	399,587
Changes in net assets	(1,509,406)	(2,408,909)
Net assets, beginning of year	10,619,611	13,028,520
Net assets, end of year	\$ 9,110,205	10,619,611

See accompanying notes to basic financial statements.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Statements of Cash Flows

Years ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Cash received from providing services	\$ 22,546,927	18,720,088
Cash paid to suppliers	(12,495,196)	(12,267,920)
Net cash provided by operating activities	10,051,731	6,452,168
Cash flows from (to) noncapital financing activities -		
Payments from (to) Monroe County	(840,121)	17,258
Cash flows from capital and related financing activities:		
Purchases of capital assets	(129,992)	(164,415)
Capital contributions	(296,786)	399,587
Payment of bond principal	(3,815,000)	(3,630,000)
Federal revenue	386,792	—
State revenue	—	30,649
Interest expense	(4,949,025)	(5,046,647)
Local share of capital projects - Monroe County	(594,887)	(928,324)
Net cash used by capital and related financing activities	(9,398,898)	(9,339,150)
Cash flows from investing activities:		
Receipts to construction fund	52	320,214
Payments from principal and interest fund	(216,528)	(5,860,981)
Interest received	783,019	1,343,337
Payments received on notes receivable	4,379	13,764
Sale of investments	7,410,188	15,305,431
Purchase of investments	(7,506,275)	(7,410,188)
Net cash provided by investing activities	474,835	3,711,577
Net increase in cash and cash equivalents	287,547	841,853
Cash and cash equivalents, beginning of year	1,291,852	449,999
Cash and cash equivalents, end of year	\$ 1,579,399	1,291,852
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 4,573,151	3,264,662
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	4,392,541	4,431,026
Changes in:		
Receivables:		
Trade, net of allowance for doubtful accounts	891,408	(1,390,990)
Deferred revenue	53,686	53,140
Other current liabilities	140,945	94,330
Net cash provided by operating activities	\$ 10,051,731	6,452,168

See accompanying notes to basic financial statements.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

(1) Summary of Significant Accounting Policies and Practices

(a) Organization

The Monroe County Airport Authority (the Authority) is a public benefit corporation which was created to finance, construct, develop, operate, and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County, as a discretely presented component unit of the County. The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority board which is approved by the County Legislature on the recommendation of the County Executive. The chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The Authority leases the Greater Rochester International Airport (the Airport) from the County and operates under the terms of a trust indenture (the indenture) dated September 15, 1989, as amended (note 5).

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority utilizes a proprietary fund type, enterprise fund, for accounting and financial reporting. This method prescribes the economic resources measurement focus and the accrual basis of accounting. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to adopt the provision of paragraph 7 of GASB Statement No. 20.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

(c) Changes in Accounting Principles

Effective January 1, 2001, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish new financial reporting standards for all state and local governments and related entities. Implementation of these impacted the format of the Authority's financial statements, presentation of net assets, the inclusion of management's discussion and analysis, additional disclosures for capital assets, and the preparation of the statement of cash flows using the direct method. Application of these standards had no impact on the amount of total net assets.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

(d) Revenues and Expenses

The Authority's principal sources of operating revenue are landing fees, terminal rentals from airlines using the Airport, car rental, parking, and concession fees. Revenues are recognized upon provision of services. Rates charged by the Authority are intended to recover total budgeted operating costs, as defined by the signatory agreement, which excludes depreciation and accrued interest but includes principal and interest paid on related debt. At the end of each fiscal year, the budgeted amounts are reconciled with actual costs incurred and any resulting receivable or payable is settled with the signatory airlines. This revenue is recorded in accordance with agreements between the Authority and the airlines that expire December 31, 2004. Operating expenses include the cost of services provided, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Nine signatory airlines accounted for approximately 45% and 59% in 2002, and 61% and 56% in 2001, of the landing and rental fee revenues, respectively. The largest being US Airways which accounted for approximately 32% and 38% in 2002 and 2001 of such revenue, respectively.

Car rental commission revenue is generated from four agencies, of which one agency accounted for approximately 32% and 34% of such revenue in 2002 and 2001, respectively.

(e) Investments

The Authority is authorized to invest in certificates of deposit, money market, repurchase agreements, and obligations of the U.S. Government. Investments are stated at cost which approximates fair value.

(f) Capital Assets

The Airport facilities, except those which were financed through the 1989 bond issuance, are owned by the County and leased to the Authority (note 3). Facilities owned by the County (and the related debt) are not recorded in the Authority's financial statements but are recorded by the County. Airport facilities, property, and equipment are stated at cost. The County carries insurance coverage on the facilities, property, and equipment which include minimal deductible payments. Amortization for the leased airport facilities is provided on a straight-line basis using estimated useful lives ranging from 20 to 30 years. Depreciation is computed primarily on a straight-line basis over the useful lives of the property and equipment, which range from four to ten years.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

(g) Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. In 1997, the FAA approved the first \$3.00 Passenger Facility Charge collection at the Greater Rochester International Airport beginning December 1, 1997. In 1998, a second Passenger Facility Charge was approved by the FAA. Of the total amount the Authority is authorized to collect, \$20,828,889, \$16,355,426 has been collected through December 31, 2002. \$3,108,823 of total collections relate to the year ended December 31, 2002 of which the entire current year amount was expended. As of December 31, 2002 and 2001, \$166,518 and \$463,304, respectively, are reflected as restricted net assets for passenger facility charges in the statements of net assets.

(h) Deferred Financing Costs

Bond premiums, discounts, issuance costs, and the deferred amount on refinancing related to the issuance of the debt obligations are amortized over the life of the respective bonds using a level yield method of amortization.

(i) Taxes

As a public benefit corporation, the Authority is exempt from Federal and state income taxes, as well as state and local property and sales taxes.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

(k) Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform with the current year's presentation.

(2) Cash and Investments

The bank balances of cash deposits at December 31, 2002 and 2001 are fully insured by the Federal Deposit Insurance Corporation or are fully collateralized. All investments outstanding as of December 31, 2002 and 2001 are held by the Authority's agents in the Authority's name.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

Investments are stated at cost which approximates fair value. Investments which include unrestricted and those restricted as to use but maintained by the Authority at December 31, are as follows:

	2002	2001
Money market	\$ 7,257,585	5,154,268
Repurchase agreements	248,690	2,255,920
	\$ 7,506,275	7,410,188

Investments which are restricted include funds required to be maintained by the trustee pursuant to the indenture agreement related to the various bond issues of the Authority. A description of assets held by the trustee at December 31, are as follows:

	2002	2001
Money market	\$ 10,035,553	9,819,077
U.S. Treasury bonds	5,160,186	5,160,186
	\$ 15,195,739	14,979,263

The Authority, trustee, and a third party financial institution are parties to a Debt Service Reserve Fund Agreement for the 1993 Series Bonds whereby the financial institution guarantees the carrying value (approximately \$1,500,000) of the investments in the 1993 Series Bond Debt Service Reserve Fund.

(3) Transactions with Monroe County

The Authority and the County entered into a lease and operating agreement in September 1989. The leased property includes all of the County's right, title, and interest in the Airport. Under this agreement, the County is to continue to administer and operate the Airport. In return, the Authority is to reimburse the County for expenses incurred in the administration and operation of the Airport. All such expenses including payroll and related costs are reimbursed by the Authority on the accrual basis of accounting. Upon expiration or earlier termination of the lease term, the Airport reverts to the County. The lease expires 30 days after repayment of the Airport revenue bonds, which are scheduled to be repaid by January 1, 2019. Amounts due to/from Monroe County represent the net balances pursuant to the agreement and are noninterest bearing.

The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2002 and 2001, the rental payments totaled \$761,175 and \$827,854, respectively.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

Estimated future minimum rental payments at December 31, 2002 are as follows:

2003	\$	1,007,466
2004		1,006,867
2005		690,179
2006		735,305
2007		736,296
2008 – 2012		2,835,480
2013 – 2017		1,766,717
2018 – 2019		532,324
		\$ 9,310,634

(4) Capital Assets

Activity for the year ended December 31, 2002 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated or amortized:				
Land	\$ 497,771	—	—	497,771
Total capital assets, not being depreciated or amortized	497,771	—	—	497,771
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	120,392,191	123,714	—	120,515,905
Office furniture and equipment	1,477,244	—	—	1,477,244
Transportation equipment	670,607	6,278	—	676,885
Total capital assets, being depreciated or amortized	122,540,042	129,992	—	122,670,034
Less accumulated depreciation and amortization	42,420,079	4,392,541	—	46,812,620
Capital assets being depreciated or amortized, net	80,119,963	(4,262,549)	—	75,857,414
Capital assets, net	\$ 80,617,734	(4,262,549)	—	76,355,185

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

Activity for the year ended December 31, 2001 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated or amortized:				
Land	\$ 497,771	—	—	497,771
Total capital assets, not being depreciated or amortized	<u>497,771</u>	<u>—</u>	<u>—</u>	<u>497,771</u>
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	120,357,548	34,643	—	120,392,191
Office furniture and equipment	1,342,287	134,957	—	1,477,244
Transportation equipment	699,790	5,800	(34,983)	670,607
Total capital assets, being depreciated or amortized	122,399,625	175,400	(34,983)	122,540,042
Less accumulated depreciation and amortization	<u>38,013,051</u>	<u>4,431,026</u>	<u>(23,998)</u>	<u>42,420,079</u>
Capital assets being depreciated or amortized, net	<u>84,386,574</u>	<u>(4,255,626)</u>	<u>(10,985)</u>	<u>80,119,963</u>
Capital assets, net	<u>\$ 84,884,345</u>	<u>(4,255,626)</u>	<u>(10,985)</u>	<u>80,617,734</u>

(5) Long-Term Debt

In June 1993, the Authority issued Revenue Refunding Bonds to partially advance refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs, were used to purchase U.S. Government securities, including an additional reserve requirement representing a deferred amount on refunding. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments, principal, and interest, on the refunded 1989 Series Bonds. As a result, a portion of the 1989 Series Bonds is considered to be defeased and the liability for those bonds has been removed from the Authority's financial statements. The refunded 1989 Series Bonds were paid in full during 2000. The deferred amount on the refunding is being amortized over the life of the 1993 Series Bonds.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

In October 1999, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount, and issuance costs were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments, principal, and interest, on the refunded 1989 Series Bonds. As a result, a portion of the 1989 Series Bonds is considered to be defeased and the liability for these bonds have been removed from the Authority's financial statements. The refunding 1989 Series Bonds were paid in full during 2000. The deferred amount on the refunding is being amortized over the life of the 1999 Series Bonds.

Bond activity for the year ended December 31, 2002 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due within one year</u>	<u>Ending balance</u>
Bonds issued as part of the 1989 Series:					
Capital Appreciation Bonds maturing in annual amounts of \$3,340,000 from 2002 to 2004 bearing interest at 7.20%	\$ 9,351,299	440,685	(3,340,000)	(3,340,000)	3,111,984
Bonds issued as part of the 1993 refunding:					
Serial Bonds maturing in annual amounts ranging from \$175,000 to \$1,095,000 from 1999 to 2008 bearing interest paid semi-annually at 4.40% to 5.40%	4,620,000	—	(175,000)	(185,000)	4,260,000
Term Bonds plus interest paid semi-annually at 5.50% maturing January 1, 2013	6,450,000	—	—	—	6,450,000
Term Bonds plus interest paid semi-annually at 5.38% maturing January 1, 2019	10,385,000	—	—	—	10,385,000
Bonds issued as part of the 1999 refunding:					
Serial Bonds maturing in annual amounts ranging from \$2,760,000 to \$6,330,000 from 2001 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	66,960,000	—	(300,000)	(315,000)	66,345,000
Less unamortized bond discount	(1,186,992)	—	476,047	—	(710,945)
Less deferred amount on refunding	(2,364,612)	—	218,141	—	(2,146,471)
Long-term liabilities	<u>\$ 94,214,695</u>	<u>440,685</u>	<u>(3,120,812)</u>	<u>(3,840,000)</u>	<u>87,694,568</u>

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

Bond activity for the year ended December 31, 2001 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due within one year</u>	<u>Ending balance</u>
Bonds issued as part of the 1989 Series:					
Capital Appreciation Bonds maturing in annual amounts of \$3,340,000 from 2002 to 2004 bearing interest at 7.20%	\$ 8,712,691	638,608	—	(3,340,000)	6,011,299
Bonds issued as part of the 1993 refunding:					
Serial Bonds maturing in annual amounts ranging from \$175,000 to \$1,095,000 from 1999 to 2008 bearing interest paid semi-annually at 4.40% to 5.40%	5,490,000	—	(870,000)	(175,000)	4,445,000
Term Bonds plus interest paid semi-annually at 5.50% maturing January 1, 2013	6,450,000	—	—	—	6,450,000
Term Bonds plus interest paid semi-annually at 5.38% maturing January 1, 2019	10,385,000	—	—	—	10,385,000
Bonds issued as part of the 1999 refunding:					
Serial Bonds maturing in annual amounts ranging from \$2,760,000 to \$6,330,000 from 2001 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	69,720,000	—	(2,760,000)	(300,000)	66,660,000
Less unamortized bond discount	(1,888,143)	—	701,151	—	(1,186,992)
Less deferred amount on refunding	(2,572,335)	—	207,723	—	(2,364,612)
Long-term liabilities	<u>\$ 96,297,213</u>	<u>638,608</u>	<u>(2,721,126)</u>	<u>(3,815,000)</u>	<u>90,399,695</u>

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

The revenue bonds noted above as Capital Appreciation Bonds were originally issued in 1989 for \$3,934,587 and have a maturity value of \$10,020,000, including interest. Interest on these bonds is being accreted over the life of the bonds using the effective interest method.

All outstanding Revenue Bonds were issued under the terms of a universal indenture agreement. The indenture pledges certain revenues and other income collected by the Authority, primarily for payment of principal and interest on the bonds. The indenture also requires the establishment of various trust funds to be held by the trustee and by the Authority.

Management believes the Authority is in compliance with all covenants under the indenture. The Authority is required to maintain, at a minimum, certain financial ratios and balances, as defined in the agreements. The required and actual ratios and balances at December 31, are summarized as follows:

	2002		2001	
	Required	Actual	Required	Actual
Net revenue to debt service	1.25:1	1.37:1	1.25:1	1.40:1
Debt service reserve requirement	\$ 8,777,610	15,195,739	8,777,610	14,979,211
Operating and maintenance reserve requirement	2,205,556	2,436,484	1,866,324	2,086,981
Renewal and replacement requirement	500,000	1,372,709	500,000	1,819,388

The excess of actual renewal and replacement assets over the required amount is primarily due to transfers into the renewal and replacement account for the purchase of capital expenditures.

The indenture between the Authority and the trustee dated September 15, 1989, as amended, provides for the creation and maintenance of several accounts related to the debt issues.

These accounts are aggregately reflected as a part of net assets in the accompanying statement of net assets and a brief description of each of these accounts are as follows:

Revenues of the Authority are deposited in a Revenue account, net of certain transfers to the other accounts created under the indenture. The amounts designated for this account are reported as a component of restricted cash and investments on the accompanying statements of net assets.

The Principal and Interest account represents amounts required to be reserved for debt service for each respective bond issue. The amounts designated for this account are reported as assets which are restricted as to use, held by trustee on the accompanying statements of net assets.

The Construction account represents assets required to be held by the trustee. The trustee establishes a separate project account for each construction project. The amounts designated for this account are reported as assets which are restricted as to use, held by trustee on the accompanying statements of net assets.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

The Renewal and Replacement account represents assets for anticipated capital expenditures. The amounts designated for this account are reported as a component of restricted cash and investments on the accompanying statements of net assets.

The Operation and Maintenance Reserve account represents amounts to be reserved for at least one-sixth of the budgeted operation and maintenance expenses for the succeeding fiscal year. The amounts designated for this account are reported as a component of restricted cash and investments on the accompanying statements of net assets.

The Surplus account represents amounts defined by the indenture that are subject to use by the Authority, including transfers to other accounts, as appropriate.

1989 Series Bonds

The 1989 Series Capital Appreciation Bonds, are not subject to redemption.

1993 Series Bonds

The 1993 Series Bonds maturing on and after January 1, 2004 are subject to redemption, at the option of the Authority, at any time beginning on or after January 1, 2003. The redemption price (expressed as a percentage of the principal amount of the bonds to be redeemed) is 102% plus accrued interest if redemption occurs between January 1, 2003 and December 31, 2003; 101% plus accrued interest if redemption occurs between January 1, 2004 and December 31, 2004; and 100% plus accrued interest if redeemed on January 1, 2005 and thereafter.

1999 Series Bonds

The 1999 Series Bonds maturing on and after January 1, 2001 are not subject to redemption prior to their maturity.

Other

Payment of the principal and interest on the Authority's bonds are insured by the Municipal Bond Investors Assurance Corporation.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2002 and 2001

Maturities of revenue bonds for the fiscal years ended December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 3,840,000	4,937,610	8,777,610
2004	3,865,000	4,912,610	8,777,610
2005	3,880,000	4,886,165	8,766,165
2006	4,080,000	4,686,610	8,766,610
2007	4,290,000	4,471,915	8,761,915
2008 - 2012	25,255,000	18,562,768	43,817,768
2013 - 2017	33,280,000	10,564,756	43,844,756
2018 - 2019	15,901,984	1,405,994	17,307,978
	<u>\$ 94,391,984</u>	<u>54,428,428</u>	<u>148,820,412</u>

(6) Federal Aid-Relief for Increased Security Costs

In order to provide financial relief for costs associated with new, additional, or revised security requirements imposed on airports as a result of the events of September 11, 2001, appropriations of \$175 million through the Federal Airport Improvement Program were made available to airports nationwide. Any funds received must be used exclusively for new, revised, or additional security requirements for the period of September 11, 2001 through September 30, 2002. The Authority filed a claim for a share of these funds on January 17, 2002 and on March 19, were notified that they would receive \$386,792 under this program. Of that amount, \$95,023 related specifically to costs incurred from September 11, 2001 through December 31, 2001, with the remainder attributable to 2002 costs. As such, a receivable for the funds that relate to costs incurred through December 31, 2001 was recorded. The entire \$386,792 was received in July 2002.

(7) Contingencies

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.



265 Clinton Square
Rochester, NY 14604

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Members of
Monroe County Airport Authority:

We have audited the financial statements of the Monroe County Airport Authority (the Authority), a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2002, issued our report thereon dated July 2, 2003. As discussed in note 1(c) to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* effective January 1, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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





Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted an other matter involving internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated July 2, 2003.

This report is intended solely for the information and use of the members of the Monroe County Airport Authority and management and is not intended to be used and should not be used by anyone other than these specified parties.

KPMG LLP

July 2, 2003

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Following are descriptions of the definitions of certain terms used in the Indenture and in the Official Statement and brief summaries of certain provisions of the Trust Indenture, and the Fourth Supplemental Indenture. These descriptions and summaries do not purport to be complete or definitive and are subject in all respects to the provisions of, and each is qualified in its entirety by reference to, the respective documents to which they relate. All headings and references to "Sections," "Articles" and other subdivisions in or following the summaries of certain provisions of the Indenture are provided solely for convenience of reference and shall not affect the meaning, construction or effect of the Indenture.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to the Summary of Certain Provisions of the Indenture hereinafter set forth and to the terms not otherwise defined in the Official Statement.

Account means an account held under one of the Funds confirmed or established pursuant to the Master Indenture.

Accountant's Certificate means a certificate signed by an Independent Public Accountant.

Accreted Amount means, with respect to Capital Appreciation Bonds of any Series, and as of the date of calculation, the amount set forth in a Supplemental Indenture as the amount representing the Original Principal Amount, plus the accumulated and compounded interest on such Bonds.

Accrued Debt Service means, as of any date of calculation, the amount of Debt Service that has accrued with respect to any Series of Bonds and any related Credit Facility, calculating the Debt Service that has accrued with respect to each Series of Bonds (other than Pledged Bonds) and any amount due under a related Credit Facility as an amount equal to the sum of (1) the interest on the Bonds of such Series and on any amount due under a related Credit Facility that has accrued and is unpaid and that will have accrued by the end of the then current calendar month; (2) the entire amount of any Principal installments and amounts under a related Credit Facility which are due on or prior to such date and remain unpaid; and (3) one-twelfth of the sum of (a) that portion of all Principal Installments payable within the 12 month period following the date of calculation for the Bonds of such Series and (b) those amounts due under a related Credit Facility during such period, times the number of months since the next preceding January 1, unless otherwise specified in the Supplemental Indenture relating to such Series of Bonds; provided that (i) the definition of Accrued Debt Service for any Series of Put Bonds shall be set forth in the applicable Supplemental Indenture and (ii) any portion of interest calculated pursuant to clause (1) above shall not be deemed to be "Accrued Debt Service" to the extent that such interest has been capitalized pursuant to the applicable Supplemental Indenture.

Act means the Monroe County Airport Authority Act, constituting Title 31 of Article 8 of the Public Authorities Law of the State of New York, as from time to time amended.

Additional Bonds means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the Master Indenture, other than the Series 1999 Bonds and the Series 2004 Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

Airport means Greater Rochester International Airport, plus future additions thereto and all present and future improvements and facilities thereon or acquired or constructed for purposes associated therewith.

Airport Consultant means any firm, corporation or individual experienced in the administration, maintenance and operation of airports and airport facilities, appointed and paid by the Authority, who: (i) is in fact independent and not under the domination of the Authority; (ii) does not have any substantial interest, direct or indirect, with the Authority; and (iii) is not connected with the Authority as an officer or employee of the Authority but who may be regularly retained to make annual or other periodic reports to the Authority.

Amortized Value means par, if an obligation was purchased at par or, when used with respect to an obligation purchased at a premium above par or at a discount below par, means the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligation was purchased by the number of days remaining to the maturity of such obligation on the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since the date of such purchase and: (1) in the case of an obligation purchased at a premium, by subtracting the product thus obtained from the purchase price to obtain Amortized Value, or (2) in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price to obtain Amortized Value.

Authorized Officer means the Chairperson or Vice Chairperson of the Authority and any other person authorized by resolution of the Authority to perform the act or sign the document in question.

Aviation System means all real property and easements, including improvements thereto, structures, buildings, fixtures, and other tangible personal property which are located on any airport now or hereafter operated by the Authority.

Bond Service Account means the Bond Service Account in the Principal and Interest Fund so designated, established pursuant to the Master Indenture.

Bondholder or **Holder** or any similar term, means the registered owner of any Bond or Bonds.

Bonds means bonds, notes or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to the Master Indenture.

Business Day means a day of the year which is not a Saturday, Sunday or legal holiday in New York, New York, and not a day on which the Trustee, any Depository and any issuer of a Credit Facility are authorized or obligated to close.

Capital Appreciation Bonds means Bonds, the interest on which (1) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and (2) is payable upon maturity or redemption of such Bonds.

Capital Expenditure means an expenditure made to acquire, purchase or construct a single capital item or project for the purpose(s) of improving, maintaining or developing the Aviation System and shall include expenses incurred for development, study, analysis, review or planning efforts relating to potential Capital Expenditures (which are hereby deemed to have an economic life of at least three years). A Capital Expenditure shall exceed \$50,000 in cost and have an economic life of at least three years; provided, however, the \$50,000 amount shall be adjusted annually in accordance with the changes in the U.S. Implicit Price Deflator Index. Said adjustments shall use the index value applicable to the first January 1 date following Substantial Completion of the Project (as defined in the Use and Lease Agreements) as the base index, with adjustments related to said index to be effective each January 1 thereafter.

Code means the Internal Revenue Code of 1986, as amended and supplemented from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations relating to such section, which are applicable to the Indenture, including the Bonds, the use of Bond proceeds or a Project.

Construction Fund means the Fund so designated, established pursuant to the Master Indenture.

Cost of Construction means the costs of the Authority designated in the Master Indenture as properly attributable to the acquisition, construction or installation of any Project and all expenses preliminary and incidental thereto incurred by the Authority in connection therewith and in the issuance of the Bonds, including all engineering, fiscal, underwriting, financing and legal expenses and costs of issuance, printing and advertising, for which funds may be disbursed from the Construction Fund and interest during construction.

County means the County of Monroe, New York.

Credit Facility, when used with respect to the Series 2004 Bonds, means the Financial Guaranty Insurance Policy issued by MBIA Insurance Corporation to secure the Series 2004 Bonds and otherwise means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument which is issued by a financial insurance or other institution and which provides security or liquidity in respect of the Bonds of any series, not including any Reserve Credit Facility.

Debt Service means for any particular Fiscal Year, and for any Series of Bonds and any Repayment Obligation an amount equal to the sum of (a) all interest payable during such Fiscal Year on such Bonds Outstanding (other than Pledged Bonds) and such Repayment Obligation then outstanding, plus (b) the Principal Installment or Installments payable during such Fiscal Year on (i) such Bonds Outstanding calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either maturity or application of any Sinking Fund Installments required by the Master Indenture or any

Supplemental Indenture, and (ii) such Repayment Obligations then outstanding; provided, however that when calculating interest payable during such Fiscal Year for any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Fiscal Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at the average of the variable rates applicable to such Series of Variable Rate Bonds or related Repayment Obligations during any 24 month period (or a shorter period, commencing on the date of issuance of a Series of Variable Rate Bonds or the date of incurring the related Repayment Obligations) ending within 30 days prior to the date of computation, or, with respect to any Series of Variable Rate Bonds or related Repayment Obligations for which such an average of the variable rates cannot be determined, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Series of Variable Rate Bonds or related Repayment Obligations would bear if issued in the same amount, with the same maturity or maturities and with the same security, but bearing interest at a fixed rate; and further provided, however, that there shall be excluded from "Debt Service" (1) interest on Bonds to the extent that Escrowed Interest is available to pay such interest, and (2) principal on Bonds to the extent that the proceeds of Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of the Master Indenture or any Supplemental Indenture, and such proceeds or the earnings thereon are required to be applied to pay such principal (subject to the possible use to pay the principal of the Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such principal.

Debt Service Reserve Account means the Debt Service Reserve Account in the Principal and Interest Fund so designated, established pursuant to the Master Indenture.

Debt Service Reserve Requirement means, with respect to any Series of Bonds for which a Series Subaccount has been established in the Debt Service Reserve Account corresponding to such Series of Bonds, the amount, if any, specified in the Supplemental Indenture establishing such Series Subaccount.

Depository means any bank or trust company selected by the Authority and satisfactory to the Trustee as a depository of moneys and securities held under the provisions of the Master Indenture and may include the Trustee.

Escrow Agent means JPMorgan Chase Bank, and its successors and assigns as may be appointed in accordance with the Escrow Agreement.

Escrow Agreement means that certain agreement, relating to the investment and disbursement of the proceeds of the Series 2004 Bond and certain other available funds, by and between the Authority, the Trustee, and the Escrow Agent, dated as of March 1, 2004, as the same may be thereafter amended and supplemented, which Agreement shall satisfy the requirements of Section 11.01 of the Indenture.

Escrowed Interest means amounts irrevocably deposited in escrow in connection with the issuance of Bonds or Refunding Bonds or earnings on such amounts which are required to be applied to pay interest on such Refunding Bonds or the related Refunded Debt.

Estimated Completion Date means the estimated date upon which a Project will have been substantially completed in accordance with the plans and specifications applicable thereto as that date shall be set forth in the Written Certificate of the Authority.

Event of Bankruptcy means that a petition shall have been filed by or against the Authority under any bankruptcy act or under any similar act which may be hereafter enacted, unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal.

Event of Default means those Events of Default set forth in the Master Indenture or Supplemental Indenture

Fiduciary or Fiduciaries means the Trustee, the Paying Agents, any Transfer Agent, any depository, or any other party designated as such under a Supplemental Indenture, or any or all of them, as may be appropriate.

Financial Newspaper or Journal means *The Wall Street Journal* or *The Bond Buyer* or any other newspaper or journal printed in the English Language and customarily published on each Business Day devoted to financial news and selected by the Trustee, whose decision shall be final.

First Supplemental Indenture means the First Supplemental Trust Indenture to the Master Indenture, dated as of September 15, 1989, by and between the Authority and the Trustee.

Fiscal Year means the annual accounting period of the Authority as from time to time in effect, initially a period commencing on January 1 of each year and ending on the next succeeding December 31.

Fourth Supplemental Indenture means the Fourth Supplemental Trust Indenture, dated as of March 1, 2004, by and between the Authority and the Trustee.

Fund means one of the Funds confirmed or established pursuant to the Indenture.

Government Obligations means: (i) direct obligations of or obligations guaranteed by the United States of America; (ii) any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (i) above; and (iii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) or clause (ii) above, which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) or clause (ii) above

which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (iii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate.

Grant Aid means any grants in aid made for the Aviation System by the federal government (now called "AIP") or by the State of New York.

Indenture means the Master Indenture as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture.

Independent Public Accountant means any certified public accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom: (1) is in fact independent and not under domination of the Authority; (2) does not have any substantial interest, direct or indirect, with the Authority; (3) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority; and (4) is satisfactory to the Trustee.

Interest Payment Date means, with respect to the Series 2004 Bonds, each January 1 and July 1, commencing July 1, 2004; provided, however, that if any such date is not a Business Day, the Business Day immediately following such January 1 or July 1 as applicable.

Investment Securities means any of the following securities, if and to the extent that the same are at the time legal for investment of Authority funds: (i) the following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or secured at all times by collateral security consisting of Government Obligations: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of banks, savings and loan associations and mutual savings banks; (ii) government Obligations; (iii) bonds, debentures or notes or other evidence of indebtedness issued by any one or a combination of any of the following federal agencies: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Financing Bank; the Farmer's Home Administration; the Federal Housing Administration; or the Maritime Administration; (iv) written repurchase agreements with any bank, savings institution or trust company (not the Trustee) which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, written repurchase agreements with the Trustee if no other investment is practicable, or written repurchase agreements with any broker-dealer with retail customers which fail under Securities Investors Protection Corporation protection, provided that all such repurchase agreements are fully secured by Government Obligations or obligations of any agency or instrumentality of the United States of America, and provided further that (a) such collateral is not subject to liens or claims of third parties, (b) such collateral has a market value (determined by the Trustee at least once every 14 days) at least equal to the amount invested in the repurchase agreement, (c) the agreement shall be for a term not longer than 270 days, except that agreements with the Trustee shall be for a term not longer than five days, and (d) the failure to maintain such collateral at the level required in (b) above will require the Trustee to liquidate the collateral; (v) money market funds rated AAA by S&P; (vi) direct and general obligations of

any State of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided that at the time of their purchase under the Master Indenture, such obligations are rated in either of the two highest rating categories by Moody's or S&P; and (vii) commercial paper rated P-1 by Moody's or A-1 by S&P and having a remaining term to maturity of 180 days or less.

Issuer of a Credit Facility or words of like import, when used with respect to the Series 2004 Bonds, means MBIA Insurance Corporation.

Master Indenture means the Trust Indenture, dated as of September 15, 1989, by and between the Authority and the Trustee, as the provisions thereof may from time to time be amended and supplemented by Supplemental Indentures.

Moody's means Moody's Investors Service, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the Trustee.

Net Revenues means, for any period, the Revenues during such period less the Operation and Maintenance Expenses during such period.

Operating Agreement means the Lease and Operating Agreement, by and between the County and the Authority, dated as of September 15, 1989.

Operation and Maintenance Expenses means all operation and maintenance costs, so designated under the Master Indenture, related to the Aviation System accrued by the Authority in accordance with generally accepted accounting practices for airports of similar characteristics in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period for items of Operation and Maintenance Expenses the payment of which is not then immediately required.

Operation and Maintenance Fund means the fund so designated, established pursuant to the Master Indenture.

Operation and Maintenance Reserve Fund means the fund so designated, established pursuant to the Master Indenture.

Operation and Maintenance Reserve Requirement means, as set forth in the First Supplemental Indenture and re-affirmed by the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, an amount required to be on deposit in the Operation and Maintenance Reserve Fund by the beginning of the 25th calendar month following the issue date of the Series 1989 Bonds and thereafter from time to time, which amount initially shall be equal to one-sixth of all Operation and Maintenance Expenses budgeted for the Airport for the year ending December 31, 1989 and which thereafter shall be adjusted each year to equal one-sixth of all Operation and Maintenance Expenses budgeted for the next succeeding year.

Opinion of Counsel means a written opinion of counsel selected by the Authority and satisfactory to the Trustee and the provider of any Credit Facility.

Original Principal Amount means, with respect to any Capital Appreciation Bond of any Series, the initial public offering price of such Bond.

Other Available Funds means for any Fiscal Year the amount, set forth in a Written Certificate of the Authority submitted to the Trustee, retained in the Revenue Fund during the applicable Fiscal Year after transfers to the Surplus Fund from the Revenue Fund.

Outstanding means with respect to the Bonds, as of any date of calculation, all Bonds which have been duly authenticated and delivered by the Trustee except: (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds for the payment or redemption of which cash funds or Government Obligations shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the provisions of the Indenture or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated or delivered pursuant to the terms of the Master Indenture, and (d) the principal amount of any Bond issued pursuant to a Supplemental Indenture authorizing partial payment without cancellation if payment is noted on a payment record attached to such Bond, provided such payment has been made and duly noted on the payment record attached to such Bond.

Paying Agent means any bank or trust company designated as paying agent for the Bonds of any Series, and its successor or successors hereinafter appointed in the manner provided in the Master Indenture.

Pledged Bonds means any Bonds that have been pledged or in which any interest has otherwise been granted to an issuer of a Credit Facility as collateral security for amounts due under such Credit Facility.

Principal or principal means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof, except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default under the Master Indenture, in which case "principal" means the Original Principal Amount of a Capital Appreciation Bond, but when used in connection with determining whether the Bondholder of the requisite principal amount of Bonds Outstanding has given any request, demand, authorization, direction, notice, consent or waiver, "principal amount" means the Accreted Amount and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

Principal and Interest Fund means the fund so designated, established pursuant to the Master Indenture.

Principal Installment means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (1) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (2) the unsatisfied balance (determined as provided in the definition of "Sinking Fund Installment") of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to such unsatisfied balance of such Sinking Fund Installment, or (3) if such future dates coincide as to different Bonds of such Series, the sum of such Principal amount of bonds and of such unsatisfied balance of such Sinking Fund Installment due on such future date plus such applicable redemption premium, if any, and (b) with respect to any amounts due under any Credit Facility or Reserve Credit Facility, the Principal amount of such amounts due under any Credit Facility or Reserve Credit Facility due on a certain future date.

Project shall have the meaning ascribed to such term by the Act.

Project Account means the separate account for each Project in the Construction Fund so designated, established pursuant to the Master Indenture.

Proportionate Deficit Payment means the amount distributable to a series subaccount in the Debt Service Reserve Account, from time to time, computed in accordance with the formula set forth in the Master Indenture.

Purchase Contract means the Purchase Contract, dated February 20, 2004, among the Authority and the Underwriter pursuant to which the Series 2004 Bonds are to be sold by the Authority.

Put Bond means any Bond which is part of a Series of Bonds which is subject to purchase by the Authority, its agent or a third party from the Holder of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond and designating it as a "Put Bond."

Rate Covenant Requirement means an amount at least equal to the greater of (1) 125% of the Debt Service for all Series of Bonds for any Fiscal Year or (2) 100% of the amounts, if any, required by the Indenture deposited into the Funds and Accounts during such Fiscal Year and 100% of the amounts due under any Credit Facility (other than a bond insurance policy) and/or any Reserve Credit Facility which will be due and payable during such Fiscal Year.

Rebate Fund means any fund established with respect to a Series of Bonds issued under the Master Indenture, to be administered and expended in accordance with the Supplemental Resolution and any Tax Regulatory Agreement with respect to such Series of Bonds.

Record Date means with respect to the Series 2004 Bonds the fifteenth (15th) day of the month preceding the month in which the Interest Payment Date falls and with respect to any other Series of Bonds, the date specified as the Record Date in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Redemption Price means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to any Supplemental Indenture.

Refunded Bonds means the outstanding Series 1993 Bonds to be refunded by the Series 2004 Bonds.

Refunded Debt has the meaning assigned to that term in the Master Indenture.

Refunding Bonds means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the Master Indenture, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

Remarketing Agent means a remarketing agent appointed by the Authority under the Master Indenture and its successors under the Master Indenture.

Renewal and Replacement Fund means the fund so designated, established pursuant to the Master Indenture.

Renewal and Replacement Requirement means, as set forth in the First Supplemental Indenture and re-affirmed by the Second Supplemental Indenture and the Third Supplemental Indenture and the Fourth Supplemental Indenture, an amount required to be on deposit in the Renewal and Replacement Fund by the beginning of the 25th calendar month following the issue date of the Series 1989 Bonds, which shall equal \$500,000.

Repayment Obligations means, collectively, all outstanding amounts payable under any Credit Facility.

Reserve Credit Facility means (a) any irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by any nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by any nationally recognized rating agency, and (b) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, obligations insured by which are rated in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by any nationally recognized rating agency and which is used to fund all or a portion of the Debt Service Reserve Requirement.

Revenue Fund means the fund so designated, established pursuant to the Master Indenture.

Revenues means all revenues, fees, income, rents and receipts, accrued by the Authority in accordance with generally accepted accounting practices from or attributable to the Aviation System or any lease or other contractual arrangement with respect to the use of the Aviation System, including without limitation any use agreements or lease agreements, or from the sale or condemnation of any property of the Aviation System permitted under the Indenture, including the proceeds of any insurance covering business interruption loss. Revenues also includes all

interest, profits or other income derived from the investment of any moneys held pursuant to the Indenture and required to be paid into the Revenue Fund and the proceeds of any interest subsidy with respect to the Bonds paid for or for the account of the Authority by any governmental body or agency. Revenues shall not include: (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Aviation System to the extent that such proceeds are used to reconstruct or replace damaged assets; (c) rentals or other charges (other than ground rental) derived by the Authority under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of sale of Bonds or other obligations issued for Aviation System purposes; or (e) the proceeds of any passenger facility charge or similar tax.

S&P means Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the Trustee.

Second Supplemental Indenture means the Second Supplemental Trust Indenture to the Master Indenture, dated as of June 15, 1993, by and between the Authority and the Trustee.

Securities Depository means a Bondholder acting as a central securities depository as provided in the Master Indenture.

Series means all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

Series 1989 Bonds means the Authority's Greater Rochester International Airport Revenue Refunding Bonds, Series 1989, authorized by, and issued for the purposes set forth in, the First Supplemental Indenture.

Series 1993 Bonds means the Authority's Greater Rochester International Airport Revenue Refunding Bonds, Series 1993, authorized by, and issued for the purposes set forth in, the Second Supplemental Indenture.

Series 1999 Bonds means the Authority's Greater Rochester International Airport Revenue Refunding Bonds, Series 1999, authorized by, and issued for the purposes set forth in, the Third Supplemental Indenture.

Series 2004 Bond Service Subaccount means the Series Subaccount in the Bond Service Account so designated, established pursuant to the Fourth Supplemental Indenture.

Series 2004 Debt Service Reserve Requirement means the amount required to be on deposit in or to the credit of the Series 2004 Debt Service Reserve Subaccount from time to time, determined pursuant to the formula provided in the Fourth Supplemental Indenture.

Series 2004 Debt Service Reserve Subaccount means the Series Subaccount in the Debt Service Reserve Account so designated, established pursuant to the Fourth Supplemental Indenture.

Series 2004 Escrow Fund means the Series 2004 Escrow Fund so designated, established pursuant to the Fourth Supplemental Indenture.

Series 2004 Project has the meaning given to such term in the Series 2004 Tax Certificate.

Series 2004 Rebate Account means the account in the Rebate Fund so designated, established pursuant to the Fourth Supplemental Indenture.

Series 2004 Tax Certificate means the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code executed and delivered by the Authority and the County in connection with the Series 2004 Bonds.

Series Subaccount means the separate subaccount created for each Series of Bonds in the Bond Service Account or in the Debt Service Reserve Account pursuant to the Master Indenture.

Sinking Fund Installment means an amount so designated which is established pursuant to paragraph (8) of Section 2.02(a) of the Master Indenture. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to Article V of the Master Indenture toward the same (or the original amount of any such Sinking Fund Installment if no such amounts have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Special Purpose Facilities means facilities the cost of construction and acquisition of which are financed with the proceeds of special purpose bonds, notes or obligations of the Authority as contemplated and permitted by the Master Indenture.

Subordinated Debt Fund means the Fund, so designated, established pursuant to the Master Indenture.

Supplemental Indenture means any supplemental indenture in full force and effect which has been duly executed and delivered by the Authority under the terms of the Indenture.

Surplus Fund means the fund by that name so designated, established pursuant to the Master Indenture.

Tax Regulatory Agreement means any agreement between the County and the Authority, entered into with respect to a Series of Bonds and designated as such by the Supplemental Indenture relating to such Series.

Third Supplemental Indenture means the Third Supplemental Trust Indenture to the Master Indenture, dated as of October 1, 1999, by and between the Authority and the Trustee.

Transfer Agent means, as the agent of the Authority, the Trustee and each and every additional agent appointed from time to time as the agent of the Authority for the transfer and authentication of Bonds for so long as such appointment shall continue in effect.

Trustee means JPMorgan Chase Bank, as successor to The Chase Manhattan Bank, as successor to The Chase Manhattan Bank, N.A., as successor to Chase Lincoln First Bank, N.A., and its successors and permitted assigns under the Indenture.

Underwriter means, with respect to the Series 2004 Bonds, J.P. Morgan Securities Inc.

Use and Lease Agreements means agreements between the Authority and each of the Signatory Airlines specified in such agreement, all of which shall expire December 31, 2004.

Variable Rate Bonds means as of any date of calculation, Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expected to be calculated at a rate which is not susceptible of a precise determination.

Written Certificate of the Authority, Written Request of the Authority and Written Statement of the Authority mean an instrument in writing signed on behalf of the Authority by an Authorized Officer (or Officers) thereof.

SUMMARY OF THE MASTER INDENTURE

Liability under Bonds. The Bonds shall be special and limited obligations of the Authority, and shall not be or constitute general obligations of the Authority. The liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Indenture, and the Bonds shall be payable solely from the Net Revenues and any other moneys, securities, Funds and Accounts pledged therefor under the terms of the Indenture and available for such payment. The Bonds shall not be payable from any other funds of the Authority. The Bonds shall not be a debt of either the State of New York or any political subdivision thereof, including the County of Monroe, and neither the State of New York nor any political subdivision thereof, including the County of Monroe, shall be liable thereon. The Authority has no taxing Powers. (Section 1.03)

The Pledge Effected by the Indenture. In accordance with the provisions of Section 2759.7 of the Act, the pledge effected by the Indenture shall be valid, binding and perfected from the date of execution and delivery of the Indenture, the Net Revenues, moneys, securities and Funds and Accounts so pledged and hereafter received by the Authority shall be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be a continuing, irrevocable and exclusive first lien and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. The aggregate principal amount of Bonds which may be executed and delivered by the Authority and authenticated by the Trustee and secured by the Indenture is not limited except as provided in the Indenture or as may be limited by law. (Section 5.01)

Establishment of Funds and Accounts. The Master Indenture establishes the following Funds and Accounts: (1) Construction Fund, to be held by the Trustee; (2) Principal and Interest

Fund, to be held by the Trustee, consisting of (i) a Bond Service Account, and (ii) a Debt Service Reserve Account; (3) Revenue Fund, to be held by the Authority; (4) Surplus Fund, to be held by the Authority; (5) Operation and Maintenance Fund, to be held by the Authority; (6) Renewal and Replacement Fund, to be held by the Authority; (7) Operation and Maintenance Reserve Fund, to be held by the Authority; (8) Subordinated Debt Fund, each Account thereof to be held as determined in the related Supplemental Indenture; and (9) Rebate Fund to be held by the Trustee.

The Authority may, by Supplemental Indenture, establish one or more additional Funds, Accounts or subaccounts.

All Funds and Accounts established under the Indenture and amounts on deposit therein shall be available for and pledged for the payment of Bonds unless the Master Indenture or the Supplemental Indenture establishing such fund or account otherwise provides. (Section 5.02)

Construction Fund. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Master Indenture or any Supplemental Indenture. The Trustee shall establish within the Construction Fund a separate Project Account for each Project and may establish one or more subaccounts in each Project Account. Any proceeds of insurance maintained in connection with a Project during the period of construction of such Project against physical loss of or damage to properties of the Aviation System, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof shall be paid into the appropriate Project Account in the Construction Fund.

Amounts in each Project Account established for a Project shall be applied to pay the Cost of Construction of the Project. Before any payment is made from any Project Account by the Trustee, except as otherwise provided in the Master Indenture, the Authority shall file with the Trustee a Written Request of the Authority, showing with respect to each payment to be made, the name of the person to whom payment is due and the amount to be paid, and stating that the obligation to be paid was incurred and is a proper charge against the project Account. Upon receipt of each such Written Request, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

Unless otherwise provided in a Supplemental Indenture authorizing a Series of Bonds and subject to any limitations contained in a related Tax Regulatory Agreement, all net income earned on any moneys or investments in the Project Account established in the Construction Fund for a Project shall be held in such Project Account and applied to pay the Cost of Construction of the Project.

Upon substantial completion of construction, to the extent that the balance of the amount remaining in the Construction Fund is no longer needed to pay Costs of Construction of such Project, any remaining balance in the Project Account in the Construction Fund shall, to the extent permitted under applicable law and covenants regarding the use of proceeds of the Bonds, and as directed in a Supplemental Indenture, be (i) used to purchase Bonds as provided in the Indenture, (ii) deposited into the Debt Service Reserve Account to fund any amounts required to be deposited therein, (iii) deposited into the Bond Service Account, (iv) transferred into another Project Account to pay costs of Construction of a Project or (v) used for any other purpose for

which proceeds of Bonds may be used under applicable law and covenants regarding the use of proceeds of Bonds. (Section 5.03)

Revenue Fund. All Revenues shall be promptly deposited by the Authority to the credit of the Revenue Fund. There shall also be deposited into the Revenue Fund all amounts required to be so deposited by the Master Indenture or any Supplemental Indenture. There shall be retained in the Revenue Fund, to the extent such amounts are not otherwise required to be transferred from the Revenue Fund pursuant to the provisions of the Master Indenture or any Supplemental Indenture, (i) the amount required to be deposited into the Principal and Interest Fund in the next succeeding month, (ii) the amount, if any, required to be deposited with the issuer of the Reserve Credit Facility in the next succeeding month, and (iii) any amounts designated as Other Available Funds for the current or any future Fiscal Year. (Section 5.04)

Flow of Funds. On or before the last Business Day of each month, the Authority shall transfer and deposit from amounts on deposit in the Revenue Fund, to the extent of moneys available in the Revenue Fund, into the following Funds in the following order the amounts set forth below:

1. Into the Operation and Maintenance Fund, one-twelfth of the operation and Maintenance Expenses budgeted for the current Fiscal Year.

2. Into the Principal and Interest Fund: first, for credit to the Bond Service Account, the amount, if any, required so that the balance in each of the Series Subaccounts in the Bond Service Account shall equal the Accrued Debt Service on the Series of Bonds for which such Series Subaccount was established, excluding Accrued Debt Service attributable to Pledged Bonds and amounts due under a Reserve Credit Facility; provided that if there are not sufficient moneys to satisfy these requirements with respect to all Series Subaccounts in the Bond Service Account, all moneys available for distribution shall be distributed among the Series Subaccounts on a pro rata basis; and second, for credit to any Series Subaccount established within the Debt Service Reserve Account the amount, if any, required to be deposited into each such Series Subaccount pursuant to the Supplemental Indenture under which each such respective Series Subaccount was established; provided that if funds have been drawn down from any Series Subaccount in the Debt Service Reserve Account or if it has been determined that the value of the Investment Securities has declined so as to cause the value of the Investment Securities, together with any uninvested money or moneys available pursuant to a Reserve Credit Facility, in any Series Subaccount in the Debt Service Reserve Account to be less than the Debt Service Reserve Account Requirement, such deficiency shall be made up over the course of thirty-six months; and provided further that if there are not sufficient moneys to credit in full each Series Subaccount, credit shall be made among the Series Subaccounts on a pro rata basis as set forth in the Master Indenture.

3. Into the Subordinated Debt Fund, with respect to any subordinated debt of the Authority or the County authorized to be repaid pursuant to a Supplemental Indenture, the amounts required by such Supplemental Indenture.

4. Into the Renewal and Replacement Fund, (i) during each of the first two years after the issuance of each Series of Bonds, one twenty-fourth (1/24) of the Renewal and

Replacement Requirement for such Series, (ii) one-twelfth (1/12) of the amount budgeted for Capital Expenditures for the current Fiscal Year and (iii) in any month which is at least two years after the issuance of such Series of Bonds in which the amount on deposit in the Renewal and Replacement Fund after making the deposit required by (ii) above is less than the Renewal and Replacement Fund Requirement, an amount such that the aggregate of twelve payments shall equal the amount of such deficiency; and

5. Into the Operational and Maintenance Reserve Fund, in any month in which the amount on deposit in the Operation and Maintenance Reserve Fund is less than the Operation and Maintenance Reserve Requirement (as defined, with respect to any Series of Bonds, in the related Supplemental Indenture), an amount such that the aggregate of twelve payments shall equal the amount of such deficiency; and

6. Into the Rebate Fund, the amounts required pursuant to any Supplemental Indenture.

Amounts remaining in the Revenue Fund as of the last Business Day of each Fiscal Year, after payment of the amounts required by the Master Indenture or any Supplemental Indenture and other than any amounts required to be retained in the Revenue Fund pursuant to the Master Indenture, may be transferred from time to time by the Authority into the Surplus Fund. (Section 5.05)

Principal and Interest Fund - Bond Service Account. There shall be paid into the Bond Service Account the amounts required to be so paid by the provisions of the Master Indenture or any Supplemental Indenture.

The Trustee shall pay out of the appropriate Series Subaccount in the Bond Service Account to the respective Paying Agent (1) on or before each interest payment date for each Series of Bonds, the amount required for the interest payable on such date; (2) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) on or before any Redemption Date for each Series of Bonds, the amount required for the payment of the Redemption Price of and interest on such Bonds then to be redeemed.

Except as otherwise provided in a Supplemental Indenture authorizing a Series of Bonds, amounts accumulated in any Series Subaccount in the Bond Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) shall, if so directed in a Written Request of the Authority not less than 30 days before the due date of such Sinking Fund Installment, be applied by the Trustee to (1) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, (2) the redemption at the applicable sinking fund Redemption Price, pursuant to the Indenture, of such Bonds, if then redeemable by their terms, or (3) any combination of (1) and (2). All purchases of any Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall direct the Trustee. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Service

Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in the Master Indenture or any Supplemental Indenture, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. (Section 5.06)

Principal and Interest Fund - Debt Service Reserve Account. There shall be paid into the Debt Service Reserve Account the amounts required to be so paid by the provisions of the Master Indenture or the Supplemental Indenture.

Each Supplemental Indenture providing for the issuance of a Series of Bonds may establish in the Debt Service Reserve Account a separate Series Subaccount for such Series of Bonds. Each Supplemental Indenture which establishes in the Debt Service Reserve Account a separate Series Subaccount for a Series of Bonds shall specify (i) any Debt Service Reserve Requirement for such Series Subaccount, (ii) the manner in which such Series Subaccount may be funded, and (iii) the manner in which any deficiency in the Debt Service Reserve Account may be replenished.

If on the last Business Day of any month, after the deposit of moneys from the Revenue Fund as required by the Indenture, the amount in any Series Subaccount in the Bond Service Account shall be less than the amount required to be in such Series Subaccount, the Trustee shall (1) apply amounts from the corresponding Series Subaccount, if any, in the Debt Service Reserve Account to the extent necessary to make good the deficiency; and (2) to the extent that moneys and investments available in the corresponding Series Subaccount, if any, in the Debt Service Reserve Account are not sufficient to eliminate the deficiency in the Series Subaccount in the Bond Service Account and Reserve Credit Facilities are in effect for the corresponding Series of Bonds, immediately make a demand for payment on all such Reserve Credit Facilities, to the extent authorized by such Reserve Credit Facilities, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof in the appropriate Series Subaccount in the Bond Service Account.

Whenever the moneys on deposit in a Series Subaccount in the Debt Service Reserve Account for a Series of Bonds, including investment earning and amount covered by a Reserve Credit Facility with respect thereto, shall exceed the Debt Service Reserve Requirement for all Outstanding Bonds of such Series and amounts due under related Credit Facilities and Reserve Credit Facilities, such excess shall, at the direction of the Authority, be transferred by the Trustee and deposited into the Revenue Fund subject to any limitations in a related Tax Regulatory Agreement.

Whenever the amount in a Series Subaccount in the Debt Service Reserve Account, excluding any amounts covered by a Reserve Credit Facility, together with the amount in the corresponding Series Subaccount in the Bond Service Account for a Series of Bonds, is sufficient to pay in full all Outstanding Bonds of such Series and amounts due under related Credit Facilities and Reserve Credit Facilities in accordance with their terms (including principal

or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in such Series Subaccount in the Debt Service Reserve Account shall be transferred to the corresponding Series Subaccount in the Bond Service Account and no deposits shall be required to be made into such Series Subaccount in the Debt Service Reserve Account.

Except as otherwise provided in the Master Indenture, in calculating the amount on deposit in a Series Subaccount in the Debt Service Reserve Account, the amount covered by a Reserve Credit Facility, if any, for the corresponding Series of Bonds will be treated as an amount on deposit in such Series Subaccount in the Debt Service Reserve Account.

Unless otherwise specified in the Supplemental Indenture authorizing a Series of Bonds, prior to expiration of a Reserve Credit Facility for such Series of Bonds, the Authority shall either deposit cash into the appropriate Series Subaccount in the Debt Service Reserve Account or obtain an alternate Reserve Credit Facility to replace the expiring Reserve Credit Facility, in an amount or to provide coverage equal to the Debt Service Reserve Requirement for the corresponding Series of Bonds. (Section 5.07)

Operation and Maintenance Fund. There shall be paid into the Operation and Maintenance Fund the amounts required to be so paid by the provisions of the Master Indenture or any Supplemental Indenture.

Amounts in the Operation and Maintenance Fund shall be applied to pay Operation and Maintenance Expenses. (Section 5.08)

Surplus Fund. There may be paid into the Surplus Fund the amounts permitted to be so paid by the provisions of the Master Indenture or any Supplemental Indenture. The Surplus Fund and amounts deposited therein shall not be subject to any claim or charge in favor of the Trustee or any Bondholder and shall not be available for or pledged for the payment of Bonds within the meaning of the Master Indenture.

Amounts may be transferred from time to time by the Authority from the Surplus Fund and deposited into any funds or accounts established by the Authority to be used for any lawful Aviation System purpose. (Section 5.09)

Renewal and Replacement Fund. There shall be paid into the Renewal and Replacement Fund the amounts required to be so paid by the provisions of the Indenture or any Supplemental Indenture.

Amounts in the Renewal and Replacement Fund shall be applied to pay any Capital Expenditure. (Section 5.10)

Operation and Maintenance Reserve Fund. There shall be paid into the Operation and Maintenance Reserve Fund the amounts required to be so paid by the provisions of the Indenture or any Supplemental Indenture.

Amounts in the Operation and Maintenance Reserve Fund shall be applied to pay Operation and Maintenance Expenses to the extent amounts in the Operation and Maintenance Fund are insufficient to pay such costs. (Section 5.11)

Subordinated Debt Fund. There shall be paid into the Subordinated Debt Fund the amounts required to be so paid by the Provisions of the Master Indenture or any Supplemental Indenture. Amounts on deposit in the Subordinated Debt Fund, if any, shall be applied as provided in the Supplemental Indenture authorizing each Series of Bonds. (Section 5.12)

Rebate Fund. There shall be deposited in the Rebate Fund all amounts required to be deposited therein pursuant to the Supplemental Indenture authorizing each Series of Bonds and the related Tax Regulatory Agreement and any other amounts received and determined to be deposited therein by the Authority. Amounts on deposit in the Rebate Fund shall be applied as provided in the Supplemental Indenture authorizing each Series of Bonds. The Rebate Fund and amounts deposited therein shall not be subject to any claim or charge in favor of the Trustee or any Bondholder and shall not be available for or pledged for the payment of Bonds within the meaning of the Indenture. (Section 5.13)

Purchase of Bonds. The Authority may in its discretion purchase Bonds of any Series from any available funds at public or private sale, but at a price not exceeding the principal amount thereof plus accrued interest thereon, or in the case of Bonds which by their terms are subject to redemption prior to maturity, at the then current or first applicable Redemption Price (plus accrued interest), as the case may be. All Bonds so purchased shall be delivered to and canceled by the Trustee and no Bonds shall be issued in place thereof. (Section 5.14)

Investment of Funds. Moneys held in any Fund or Account, other than the Surplus Fund, shall be invested and reinvested by the Authority or the Trustee to the fullest extent practicable 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 a Fund or Account, subject to the following: (1) the Trustee shall make such investments only in accordance with instructions received from an Authorized Officer of the Authority; (2) any Supplemental Indenture authorizing a Series of Bonds may impose additional restrictions on moneys held in any Fund or Account; and (3) any Supplemental Indenture authorizing a Series of Bonds may authorize the investment of moneys to be held in any Project Account, Series Subaccount in the Bond Service Account or Series Subaccount in the Debt Service Reserve Account created by such Supplemental Indenture and relating to such Series of Bonds in such other investments as may be specified by the Supplemental Indenture.

Subject to any required rebate of earnings on investments in any Fund or Account to the United States of America pursuant to Section 148(f) of the Code and except as otherwise provided in a Supplemental Indenture establishing a Project Account or a Series Subaccount: (i) all moneys earned from the investment of moneys in the Construction Fund shall be retained therein; (ii) net income earned on any moneys or investments in the Revenue Fund and the Bond Service Account shall be retained in or transferred to the Revenue Fund; (iii) whenever a Series Subaccount in the Debt Service Reserve Account is in its full required amount, net income earned on any moneys or investments in such Series Subaccount shall be transferred to the Revenue Fund as provided in the Master Indenture, otherwise, to be retained therein. (Section 10.02)

Arbitrage Covenant. The Authority covenants that moneys on deposit in any Fund, whether or not such moneys were derived from proceeds of sales of Bonds or from any other

sources, will not be used in a manner which will cause any Bonds, the interest on which is to be exempt from federal income taxation under the Code, to be "arbitrage bonds" within the meaning of Section 148 of the Code; provided however, that this covenant shall not prevent the issuance of a Series of Bonds the interest on which is subject to federal income taxation under the Code, or government agencies or political subdivisions thereof (Section 10.03)

Valuation and Sale of Investments. In computing the amount in any Fund or Account, Investment Securities purchased as an investment of moneys therein shall be valued as follows: (1) as to Investment Securities the bid and asked prices of which are published on a regular basis by *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (2) as to Investment Securities the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*, the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (3) as to investments described in clauses (i), (iv), (v), (vi) and (vii) of the definition of "Investment Securities" in this Appendix D, the face amount thereof, plus accrued interest; and (4) as to any Investment Securities not specified above, the value thereof established by prior agreement between the Trustee, the Authority and the issuer of any Credit Facility relating to a Series of Bonds.

If more than one of the foregoing clauses shall apply at any time to any particular Investment Security, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such Investment Security. Except as otherwise provided, valuation shall be made on each January 1 and July 1 and at any other time required under the Master Indenture and any Supplemental Indenture, and the value of any deposit or investment on any particular date shall not include the amount of interest then earned or accrued to such date. Accrued earnings on any deposit investment may be valued separately as an asset of the Revenue Fund.

Except as otherwise provided, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security whenever it shall be necessary to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. Investment Securities need not necessarily be sold to provide for the transfer of amounts from one Fund, Account, or Subaccount to another provided that appropriate records are maintained concerning the amounts credited to the various Funds, Accounts and Subaccounts hereunder. (Section 10.04)

Agreement of the State of New York. In accordance with the provisions of Section 2764 the Act, the Authority, on behalf of the State of New York, does hereby pledge to and agree with the Holders of the Bonds that the State of New York will not alter, limit or impair the rights and powers vested by the Act in the Authority to fulfill the terms of any contract made with Bondholders, or in any way impair the rights and remedies of such Holders, until the Bonds, together with the interest thereon, with (to the extent permitted by law) interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged. (Section 6.20)

Agreement of the County of Monroe. In accordance with the provisions of Section 2765 of the Act and the Operating Agreement, the Authority, on behalf of the County, pledges to and agrees with the Holders of the Bonds that the County of Monroe will not alter, limit or impair the rights and powers vested by the Act in the Authority to fulfill the terms of any contract made with Bondholders, or in any way impair the rights and remedies of such Holders, until the Bonds, together with the interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged. (Section 6.21)

Authorization of Bonds. Bonds designated as "Greater Rochester International Airport Revenue Bonds" (or "Greater Rochester International Airport Revenue Notes," as appropriate) are authorized to be issued by the Authority under the Master Indenture. The maximum principal amount of the Bonds which may be issued thereunder is not limited except as limited by law; however, the Authority reserves the right to limit or restrict the aggregate principal amount of the Bonds which may at any time be issued or Outstanding thereunder. Bonds may be issued in such Series as from time to time shall be established and authorized by the Authority. The Bonds may be issued in one or more Series pursuant to one or more Supplemental Indentures. (Section 2.01) (Section 2.02 of the Master Indenture sets forth the general requirements relating to the issuance of Bonds.)

Special Provisions for the Issuance of Additional Bonds. One or more Series of Bonds may be authenticated and delivered upon original issuance from time to time in such principal amount for each such Series as may be determined by the Authority for the purpose of paying or providing for the payment of all or a portion of the Cost of Construction of a Project.

Each Supplemental Indenture authorizing the issuance of a Series of Bonds: (1) shall specify the Project for which the proceeds of such Series of Bonds will be applied; (2) shall specify the date or dates of Principal Installments for such Series of Bonds; and (3) may require the Authority to deposit a specified amount of money from the proceeds of the sale of such Series of Bonds or from other legally available sources into the applicable Bond Service Account sufficient to pay when due all or a portion of the interest on such Series of Bonds accrued and to accrue to the Estimated Completion Date set forth in the Written Certificate of the Authority delivered with respect to such Series of Additional Bonds pursuant to the Master Indenture (or such different period as may then be permitted by law).

Each Series of Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee of, among other items: (1) a Written Certificate of the Authority setting forth the then Estimated Completion Date and the then estimated Cost of Construction of the Project being financed by such Series of Bonds, (2) a Written Certificate of the Authority to the effect that, upon the authentication and delivery of the Bonds of such Series, no event will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Master Indenture or any Supplemental Indenture, (3) (A) an Accountant's Certificate setting forth (I) for any consecutive 12-month period within the 24 calendar months next preceding the authentication and delivery of such Series of Bonds, the Net Revenues for such period, and (II) showing that such Net Revenues for such period, together with any Other Available Funds, were not less than the Rate Covenant Requirement; and (B) (I) a certificate of an Airport Consultant setting forth the estimated Net Revenues (assuming the

completion of the Project on its Estimated Completion Date) for whichever of the following periods shall extend until the latest date: (i) if the Supplemental Indenture authorizing a Series of Additional Bonds requires that interest on the Series of Bonds be capitalized until a certain date in accordance with the Master Indenture, for each of the three Fiscal Years succeeding such date, or (ii) if the Supplemental Indenture authorizing the Series of Additional Bonds does not require that interest on the Series of Bonds be capitalized, for the then current Fiscal Year and each succeeding Fiscal Year to and including the fifth Fiscal Year succeeding the date of issuance of such Series of Bonds; and (II) a Written Certificate of the Authority showing the Debt Service for all Series of Bonds for each of the Fiscal Years set forth in the certificate of an Airport Consultant delivered pursuant to (B) (1) above and showing that the estimated Net Revenues as shown in such certificate of an Airport Consultant for each of such Fiscal Years, together with any Other Available Funds, are not less than the Rate Covenant Requirement for each of such Fiscal Years with respect to a Series, of Bonds to be Outstanding, and to the amounts due under any Credit Facility or Reserve Credit Facility that will be outstanding, for each of such Fiscal Years after the authentication and delivery of such Series of Additional Bonds being issued.

Notwithstanding any other provision of the Master Indenture, the above provisions shall not apply: (1) to any Series of Additional Bonds to be applied to pay the Cost of Construction of a Project necessary to prevent a loss of Net Revenues from the Aviation System, or to comply with requirements of any governmental agency having jurisdiction over the Aviation System; (2) to any Series of Additional Bonds, which, together with the other Outstanding Bonds issued pursuant to this clause (2), does not exceed 10% of Revenues for the most recent Fiscal Year prior to the issuance of such Series of Bonds Fiscal Year with respect to all Series of Bonds; or (3) to any Series of Additional Bonds issued to pay the Cost of Construction necessary to complete any Project for which Bonds have previously been issued, provided that the aggregate principal amount of such Additional Bonds (less any original issue discount) shall not constitute greater than 15% of the aggregate principal amount of the Series of Bonds originally issued for such Project (less original issue discount) and subject further to receipt by the Trustee of appropriate Written Certificates of the Authority called for under the Master Indenture.

Notwithstanding any provision of the Master Indenture, a Supplemental Indenture may provide for the delivery of the Series of Additional Bonds, issued in the form of a single Bond, in installments to be noted by the Trustee in a delivery schedule on the reverse side thereof or attached thereto. (Section 2.03)

Special Provisions for the Issuance of Refunding Bonds. Subject to the requirements of the Master Indenture, one or more Series of Refunding Bonds may be issued to refund all or a part of the Outstanding Bonds of one or more Series, or all or part of any other borrowing of the Authority payable from the Revenues, including in each case the payment of all expenses in connection with such refunding.

Each Supplemental Indenture authorizing the issuance of a Series of Refunding Bonds shall specify the Refunded Debt to be refunded. Each Series of Refunding Bonds shall be authenticated and delivered by the Trustee only upon receipt of, among other items: (1) a Written Certificate of the Authority stating that the issuance of such Series of Refunding Bonds complies with the requirements of the Indenture and the Act and either: (A) a Written Certificate of the Authority setting forth the Debt Service for all Series of Bonds for each Fiscal Year to and

including the maturity of the Refunded Debt to be refunded or the Series of Refunding Bonds to be authenticated, whichever is later; or (B) each of the several certificates called for by the Master Indenture; (2) irrevocable instructions to the Trustee, to give due notice of redemption of all Refunded Debt to be refunded; (3) if the Refunded Debt to be refunded is not by its terms subject to redemption within the next succeeding 90 days, irrevocable instructions to the Trustee or the debtor, as appropriate, to mail the notice provided for in the Master Indenture; (C) either moneys or Investment Securities in an amount sufficient to effect payment at the applicable redemption price of the Refunded Debt, which Investment Securities and moneys shall be held in trust and used only as provided in the Master Indenture. A Series of Refunding Bonds may be combined with a Series of Additional Bonds. (Section 2.04)

Provisions Regarding Bonds Secured by a Credit Facility. The Authority may include such provisions in a Supplemental Indenture authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including:

(a) So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default, and the issuer of the Credit Facility is qualified to do business and is not in bankruptcy or receivership, the issuer of the Credit Facility shall be deemed to be the Holder of the Outstanding Bonds of such Series when the approval, consent or action of the Bondholders for such Series of Bonds is required or may be exercised under the Indenture and following an Event of Default under Article IX of the Master Indenture. The Indenture may not be amended in any manner which affects the rights of such issuer of the Credit Facility without the prior written consent of such issuer of the Credit Facility.

(b) In the event that the Principal and Redemption Price, if applicable, and interest due on any Series of Bonds Outstanding shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Authority to the Bondholders of such Series of Bonds shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

In addition, a Supplemental Indenture may establish such provisions as are necessary to provide relevant information to the issuer of the Credit Facility and to provide a mechanism for paying Principal Installments and interest on such Series of Bonds from the Credit Facility. (Section 2.05)

Special Purpose Bonds. The Authority may issue special purpose bonds, notes or obligations from time to time for the purpose of financing the cost of Special Purpose Facilities. The special purpose bonds, notes or obligations referred to in this Section shall be payable as to principal, redemption premium, if any, and interest solely from rentals or other charges derived by the Authority under and pursuant to a lease or leases relating to the Special Purpose Facilities entered into by and between the Authority, as lessor, and such person, firm or corporation, either public or private, as shall lease, or lessee, the Special Purpose Facilities from the Authority.

No such special purpose bonds, notes or obligations shall be issued by the Authority until the Authority has entered into a lease which shall be for a term at least as long as the period during which such special purpose bonds shall be Outstanding. (Section 6.16)

Punctual Payment of Bonds - Construction of Projects. The Authority covenants and agrees that it will punctually pay or cause to be paid the Principal Installments, Redemption Price and interest on the Bonds and any amounts due under any Credit Facility or Reserve Credit Facility, and the Authority will punctually pay or cause to be paid all Sinking Fund Installments which may be established for any Series of Bonds. Further, if the Authority undertakes the acquisition or construction of a Project, the Authority covenants and agrees that it will cause the acquisition or construction to be accomplished in a sound and economic manner and as expeditiously as is practicable except (a) the Authority may, subject to any applicable provisions of the Code, delay, postpone or cancel the acquisition of the Project if the Authority files with the Trustee a certificate of an Airport Consultant to the effect that delaying, postponing or canceling the Project will not likely cause Net Revenues to be less than the Rate Covenant Requirement or (b) following damage or destruction of a useful portion of the Aviation System, to the extent permitted by the Master Indenture. (Section 6.01 and 6.02)

Covenant Against Encumbrances. Except to the extent provided by the Master Indenture, the Authority covenants and agrees that it will not create, and will use its good faith efforts to prevent the creation of, any mortgage or lien upon the Aviation System (except Special Purpose Facilities) or any property essential to the proper operation of the Aviation System or to the maintenance of the Revenues. The Authority will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Revenues except only as provided in or permitted by the Master Indenture. (Section 6.03)

Limitation on Sale or Other Disposition of Property. Except as provided by the Master Indenture, the Authority covenants and agrees that it will not sell or otherwise dispose of all or a substantial part of the Aviation System and will not enter into any lease or other agreement which impairs or impedes the operation of the Aviation System or which impairs or impedes the rights of the Bondholders with respect to the Net Revenues plus Other Available Funds.

The proceeds of any sale or other disposition pursuant to Section 6.04 shall be deposited into the Revenue Fund. (Section 6.04)

Operation and Maintenance. The Authority covenants and agrees that it will cause the Airport to be operated continuously in an efficient and economical manner. The Authority will at all times cause the Aviation System to be maintained, preserved and kept in good repair, working order and condition and will cause all necessary and proper repairs and replacements to be made so that the rights and security of the Holders of the Bonds, issuers of Credit Facilities and issuers of Reserve Credit Facilities may be fully protected and preserved. (Section 6.05)

Power to Own or Lease Aviation System and Collect Rates and Fees. The Authority covenants and agrees that it has, and will have so long as any Bonds are outstanding or amounts due under a Credit Facility or a Reserve Credit Facility are outstanding, good, right and lawful power to own or lease the Aviation System and to fix and collect rates, fees and other charges in connection with the Aviation System. No Revenue producing facility of the Aviation System

shall be leased, furnished or supplied free, but shall always be leased, furnished or supplied so as to produce Revenues. (Section 6.06)

Maintenance of Revenue. The Authority covenants and agrees that it will at all times comply with all terms, covenants and provisions, expressed or implied, of all contracts and agreements entered into by it, shall promptly collect all charges due for Aviation System use and service supplied by it as the same become due, and shall at all times maintain and promptly and vigorously enforce its rights against any person who does not pay such charges when due. The Authority will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further accounts, instruments and transfers as the Trustee may reasonably require for the better assuring, pledging and confirming to the Trustee the Revenues. The Authority will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues, including the payments to be made by the airlines under Aviation System use agreements or leases, except as otherwise permitted hereby. (Section 6.07)

Accounts and Reports. The Authority covenants and agrees that it will at all times keep, or cause to be kept, proper books of record and accounts, separate and apart from all other records and accounts of the Authority, in which complete and accurate entries shall be made of all transactions relating to the Aviation System and the Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee, the Holders of not less than five percent of the Bonds then Outstanding, any party specified by a Supplemental Indenture, or their representatives authorized in writing. (Section 6.11)

Rates and Charges. (a) The Authority covenants and agrees to establish, fix, prescribe, continue and collect (directly or through leases, use agreements or other agreements, or licenses) rates and charges for the sale or use of Aviation System services furnished by the Authority which, together with other income, are reasonably expected to yield Net Revenues, which together with any Other Available Funds, are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year.

(b) If the annual financial statement made in accordance with the provisions of Master Indenture relating to Revenues disclose that during the period covered by such financial statement the Net Revenues plus Other Available Funds were not at least equal to the Rate Covenant Requirement for that Fiscal Year, the Authority shall, within 60 days after the date of such financial statement (1) obtain recommendations from an Airport Consultant as to the revision of the rates, charges and fees necessary to produce Net Revenues plus Other Available Funds at least equal to the Rate Covenant Requirement and (2) on the basis of such recommendations revise the schedule of rates, charges and fees insofar as is practicable and revises Operation and Maintenance Expenses so as to produce Net Revenues plus Other Available Funds at least equal to the Rate Covenant Requirement. (Section 6.12)

Eminent Domain. The Authority covenants and agrees that if all or any part of the Aviation System shall be taken by eminent domain proceedings, the net proceeds realized by the Authority shall be deposited with the Trustee in a special fund in trust and shall be applied subject to the following conditions: (a) if such funds are sufficient to enable the Authority to retire all of the Bonds then Outstanding, the Trustee shall apply such moneys to such retirement

or payment, as appropriate, and to the payment of such interest. The balance of such moneys, if any, shall be transferred to the Authority; (b) if such proceeds are insufficient for the purposes set forth in clause (a), the Authority shall request the Trustee: (1) to purchase, redeem or retire the Bonds then Outstanding and amounts due under any Credit Facility or Reserve Credit Facility then outstanding. If more than one Series of Bonds is then Outstanding, such proceeds shall be applied pro rata among each such Series in the proportion which the principal amount of Bonds of each such Series then Outstanding and amounts due under any Credit Facility or Reserve Credit Facility then outstanding bears to the aggregate principal amount of all Bonds then Outstanding and amounts due under any Credit Facility or Reserve Credit Facility then outstanding; (2) to apply such proceeds to the cost of additions, improvements or extensions to the Aviation System. If, in the opinion of the Authority (evidenced by a Written Certificate of the Authority), which shall be final, the additional Revenues to be derived from such additions or improvements will sufficiently offset the loss of revenues resulting from such eminent domain proceedings so that the ability of the Authority to meet its obligations hereunder will not be substantially impaired, the Trustee shall pay such proceeds to the Authority. The Authority shall acquire or construct such additions or improvements in a sound and economic manner and as expeditiously as is practicable. Any balance of such proceeds not required by the Authority for such additions, improvements or extensions shall be deposited into the Reserve Fund; and (3) to deposit such proceeds into the Revenue Fund upon the basis that such eminent domain proceedings have had no effect, or at the most a relatively immaterial effect, upon the security of the Bonds. Upon receipt of such Written Request and an appropriate certificate of an Airport Consultant, the Trustee shall deposit such proceeds into the Revenue Fund. (Section 6.14)

Reconstruction of Aviation System; Application of Insurance Proceeds. The Authority covenants and agrees that if any useful portion of the Aviation System shall be damaged or destroyed, the Authority shall, as expeditiously as is practicable, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless the Authority shall file with the Trustee a certificate of an Airport Consultant within sixty days of receipt of insurance proceeds to the effect that such reconstruction or replacement is not in the best interests of the Authority and of the Bondholders. In the event a certificate of an Airport Consultant is delivered with respect to facilities financed with the proceeds of a Series of Bonds, proceeds of such insurance shall be applied as provided in the Supplemental Indenture related to such Series of Bonds. (Section 6.15)

Amendments Permitted. The Master Indenture or any Supplemental Indenture and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended at any time by a Supplemental Indenture and pursuant to the affirmative vote at a meeting of Bondholders, or with the written consent without a meeting, (1) of the Holders of at least 51% in principal amount of the Bonds then Outstanding, and (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least 51% in principal amount of the Bonds of each Series so affected and then Outstanding, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of at least 51% in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of Bonds of such Series shall not be required. Without the specific consent of the Holders of all

Bonds Outstanding which would be affected thereby, no Supplemental Indenture amending or supplementing the provisions hereof shall: (a) change the fixed maturity date for the payment of the principal of any Bond, or the dates for the payment of interest thereon, or reduce the principal amount of any Bond or the rate of interest thereon or the method of calculating the same except as otherwise provided in the Master Indenture; or (b) reduce the aforesaid percentage of Bonds, the Holders of which are required to consent to any Supplemental Indenture amending or supplementing the provisions of the Master Indenture; or (c) give to any Bond any preference over any other Bond secured thereby; or (d) authorize the creation of any pledge of Revenues prior or superior to the pledge of a lien and charge assigned therein for the payment of the Bonds; or (e) effect any change in the purchase or redemption provisions relating to the Bonds; or (f) deprive any Holders in any material respect of the security afforded by the Master Indenture.

The Master Indenture or any Supplemental Indenture and the rights and obligations of the Authority, the Holders of the Bonds, the issuers of Credit Facilities and the issuers of Reserve Credit Facilities may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondholders for the purposes: (1) to add to the covenants and agreements, or to surrender any right or power reserved to or conferred upon the Authority, (2) to cure any ambiguity which shall not adversely affect the interests of the Holder of the Bonds, (3) to provide for the issuance of a Series of Bonds, (4) to provide for the issuance of Bonds pursuant to a book-entry system, (5) to maintain the rating, if any, on the Bonds or to provide other security for any Outstanding Bonds, (6) to maintain the exemptions from federal income taxation of interest on any series of Bonds, or to comply with the provisions of Section 148(f) of the Code, (7) to make any change which does not result in a reduction of the rating, if any, applicable to any of the Bonds so affected, (8) to make any change approved in writing by the issuer of a related Credit Facility, if any, securing the Bonds and, (9) to modify or amend the designation of additions, improvements and extensions to the Aviation System provided the Authority delivers to the Trustee a certificate of an Airport Consultant to the effect that such modification or amendment will not adversely impact the Authority's ability to perform the covenants under the Master Indenture.

No modification or amendment shall be permitted pursuant to (7) and (8) above unless the Authority delivers to the Trustee an Opinion of Counsel of nationally recognized standing in the field of law relating to municipal bonds to the effect that such modification or amendment will not adversely affect the tax-exempt status of any Bonds affected by such modification or amendment.

No modification or amendment shall, without the written consent of the Trustee, modify any of the rights or obligations of the Trustee. (Section 8.01)

Bondholder Meetings. The Trustee may, and upon the Written Request of the Authority shall, at any time, call a meeting of the Holders of Bonds, to be held at such place as may be selected by the Trustee and specified in the written notice calling such meeting. No resolution adopted by such meeting of Bondholders shall be binding unless and until a valid Supplemental Indenture has been passed containing the modifications or amendments authorized by the resolution adopted at such meeting. (Section 8.02)

Events of Default. The occurrence of one or more of the following events shall constitute an "Event of Default": (a) failure to make the due and punctual payment of the principal or Redemption Price of any Bond; (b) failure to make the due and punctual payment of any installment of interest on any Bond or any Sinking Fund Installment; (c) failure by the Authority to observe any of the covenants, agreements or conditions on its part contained in the Master Indenture or any Supplemental Indenture or in the Bonds contained, and failure to remedy the same for a period of 60 days after written notice given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; provided that, if such default can not be corrected within such 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and is diligently pursued until the default is corrected; (d) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 30 days after such institution; and (e) any event specified in a Supplemental Indenture as constituting an Event of Default under the Indenture. (Section 9.01)

Acceleration. Upon the occurrence of an Event of Default, unless the principal of all the Bonds shall have already become due and payable: (1) the Trustee may, or (2) upon receipt of the written request of the Holders of not less than 25% of the aggregate principal amount of the Bonds at the time Outstanding, the Trustee shall, upon notice in writing to the Authority, or (3) the Trustee shall, if an Event of Default shall have occurred under a Supplemental Indenture and the Supplemental Indenture requires acceleration upon occurrence of such Event of Default, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration such principal and interest shall be immediately due and payable, notwithstanding anything the contrary contained in the Master Indenture or any Supplemental Indenture or in the Bonds, and the Trustee shall give notice thereof to the Authority, any other Paying Agent or Transfer Agent, any Remarketing Agent, any issuer of a Credit Facility and any other person required by law, and shall give notice thereof by first class mail, postage prepaid to each Bondholder; provided that with respect to any Event of Default relative to any Series of Bonds Outstanding secured by a Credit Facility which is in full force and effect, no acceleration shall occur without the written consent of the issuer that provided such Credit Facility.

The right of the Trustee, or of the issuer of any Credit Facility or of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding, to request the Trustee to make any such declaration as aforesaid, however, is subject to the conditions that: (1) if any overdue installments of interest upon the Bonds, and all other sums then payable by the Authority under the Master Indenture or any Supplemental Indenture (except the principal of, and interest accrued since the next preceding interest payment date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Master Indenture or any Supplemental Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor; (2) if, at any time after such declaration, no event of default, however defined in any agreement with respect to a Credit Facility, has occurred and is continuing under such agreement; (3) if any other requirement specified in a Supplemental Indenture shall have been

satisfied; then and in every such case such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. (Section 9.02)

Application of Revenues and Other Moneys after Default. During the continuance of an Event of Default, the Trustee shall apply all moneys credited to all Funds and Accounts (other than the Surplus Fund, Rebate Fund or any Fund or Account established under a Supplemental Indenture that explicitly excepts such Fund or Account from such pledge) available for or pledged for the payment of Bonds as follows and in the following order:

(a) to the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel;

(b) to the payment of the Operation and Maintenance Expenses;

(c) the payment of the interest and principal or Redemption Price then due on the Bonds and any amounts due under a Credit Facility, as follows:

(d) unless the principal of all of the Bonds shall have become or have been declared due and payable, FIRST: To the payment of interest then due on the Bonds and the amounts due under any Credit Facility in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, and SECOND: To the payment of the unpaid principal or Redemption Price of any Bonds and any amounts due under a Credit Facility which shall have become due, and, if the amount available shall not be sufficient to pay in full all the Bonds and any amounts due under a Credit Facility due on any date, then to the payment thereof ratably.

(e) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds and any amounts due under a Credit Facility, without preference or priority and ratably; and

(f) to the payment of all obligations owed to any issuer of a Reserve Credit Facility. (Section 9.04)

Rights and Remedies of Bondholders. No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Master Indenture or any Supplemental Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Holder has previously given written notice to the Trustee of a continuing Event of Default; (ii) the Holders of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder; (iii) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; (v) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Holders of a majority in principal amount of the Outstanding Bonds; and

(vi) any consent required by a Supplemental Indenture by an issuer of a Credit Facility with respect to any Outstanding Bonds shall have been obtained; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under the Master Indenture or any Supplemental Indenture, except in the Manner herein and therein provided and for the equal and ratable benefit of all the Holders of Bonds. Notwithstanding the foregoing the Holder of any Bond shall have the absolute and unconditional right to receive payment of the principal of, Redemption Price and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment, subject only to any conditions of any issuer providing a Credit Facility or securing such Bond. Such right to receive payment shall not be impaired without the consent of such Holder.

The Holders of a majority of the principal amount of the Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that: (i) such direction shall not be in conflict with any rule of law or the Master Indenture or any Supplemental Indenture, (ii) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (iv) any consent required by an issuer of a Credit Facility with respect to any Outstanding Bonds shall have been obtained.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate created hereby, including, without limitation, the proceeds of the sale of the Bonds, the Revenues and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer. (Sections 9.05 and 9.06)

Discharge of Indebtedness. The pledge of any Revenues and other moneys, securities, Funds and Accounts pledged under the Master Indenture or any Supplemental Indenture and all covenants, agreements and other obligations of the Authority to the Bondholders, issuers of Credit Facilities and issuers of Reserve Credit Facilities shall cease, terminate and become void and be discharged and satisfied if there has been paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due on the Bonds, and all amounts due under a Credit Facility or a Reserve Credit Facility, if any, in the manner stipulated in the Master Indenture or any Supplemental Indenture.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside at the maturity or redemption date thereof shall be deemed to have been paid if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys or Government Obligations in an amount which shall be sufficient to pay when

due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, first class postage prepaid, notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Master Indenture or any Supplemental Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price if applicable, on said Bonds. (Section 11.01)

Limited Liability of Authority. Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Net Revenues and other moneys, securities, Funds and Accounts pledged under the Master Indenture or any Supplemental Indenture for the payment of the principal or Redemption Price of or interest on the Bonds, for amounts due under any Credit Facility or Reserve Credit Facility or for the operation and maintenance of the Aviation System. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be available to it for such purposes. (Section 12.01)

SUMMARY OF THE FOURTH SUPPLEMENTAL INDENTURE

Authorization of Bonds, Principal Amount, Designation and Series. The Fourth Supplemental Indenture authorizes a Series of Airport Revenue Bonds to be issued in the aggregate original principal amount of \$20,855,000. Such Series of Bonds shall be designated "Greater Rochester International Airport Revenue Refunding Bonds, Series 2004."

The Series 2004 Bonds are authorized to be issued for the purposes of funding a debt service reserve relating thereto, refunding the Refunded Bonds and paying certain expenses properly incident to the issuance of the Series 2004 Bonds.

Series 2004 Project Account. The Fourth Supplemental Indenture establishes a Project Account in the Construction Fund designated as the "Series 2004 Project Account" for the purposes of and as authorized by the Master Indenture. (Section 301)

Series 2004 Bond Service Subaccount. The Fourth Supplemental Indenture establishes a subaccount in the Bond Service Account in the Principal and Interest Fund designated as the "Series 2004 Bond Service Subaccount." Moneys shall be deposited into and paid from the Series 2004 Bond Service Subaccount in accordance with the provisions of the Master Indenture to pay Debt Service on the Series 2004 Bonds subject to any limitations contained in the Fourth Supplemental Indenture. (Section 302)

Series 2004 Debt Service Reserve Subaccount. The Fourth Supplemental Indenture establishes a subaccount in the Debt Service Reserve Account designated as the "Series 2004 Debt Service Reserve Subaccount." Moneys shall be deposited into and paid from the Series 2004 Debt Service Reserve Subaccount, if, when and as required by the Master Indenture, to remedy deficiencies in the Series 2004 Bond Service Subaccount in accordance with the Master Indenture subject to any limitations contained in the Fourth Supplemental Indenture. For any

Fiscal Year, the Series 2004 Debt Service Reserve Requirement for the Series 2004 Debt Service Reserve Subaccount shall be an amount equal to the least of (i) 10% of the principal amount of the Series 2004 Bonds Outstanding, (ii) 125% of the average annual Debt Service on the Series 2004 Bonds or (iii) an amount which is equal to the difference between (x) the aggregate maximum Debt Service due on all Series of Bonds Outstanding in the then current or any succeeding year ending January 1 and (y) the sum of the Debt Service Requirements for all Series of Bond Outstanding other than the Series 2004 Bonds. The Series 2004 Debt Service Reserve Requirement may be satisfied with moneys, Investment Securities, a Reserve Credit Facility or any combination thereof. The moneys, the Investment Securities, the Reserve Credit Facility or the combination thereof, or any portion thereof, which at any time is on deposit in or to the credit of the Series 2004 Debt Service Reserve Subaccount, may be withdrawn from such Subaccount at such time, upon the written direction of the Authority, for deposit in the Series 2004 Bond Service Subaccount to redeem Series 2004 Bonds; provided that (x) immediately after such withdrawal there is on deposit in or to the credit of the Series 2004 Debt Service Reserve Subaccount moneys, Investment Securities, a Reserve Credit Facility or any combination thereof sufficient to meet the Series 2004 Debt Service Reserve Requirement and (y) prior to any such withdrawal there has been delivered to the Trustee an Opinion of Counsel of nationally recognized standing in the field of law relating to municipal bonds to the effect that such withdrawals and deposits will not adversely affect the exclusion of interest on the Series 2004 Bonds from gross income for federal income tax purposes.

On or before August 31 of each year and immediately following any transfer of funds from the Series 2004 Debt Service Reserve Subaccount, the Authority shall cause the value of all Investment Securities then on deposit in the Series 2004 Debt Service Reserve Subaccount to be calculated by its Treasurer or such other Authorized Officer in accordance with Section 10.04 of the Master Indenture.

If it is determined upon making such calculation that the value of the Investment Securities on deposit in the Series 2004 Debt Service Reserve Subaccount, together with any uninvested moneys or moneys available pursuant to a Reserve Credit Facility and accrued interest on the Investment Securities is less than the amount then required to be on deposit pursuant to the Fourth Supplemental Indenture, the Authority shall deposit in the Series 2004 Debt Service Reserve Subaccount, within 30 days, such amount as shall be required to cause the value of the Investment Securities, together with any uninvested moneys or moneys available pursuant to a Reserve Credit Facility and accrued interest on the Investment Securities, in the Series 2004 Debt Service Reserve Subaccount to be equal to the amount then required to be on deposit pursuant to the Fourth Supplemental Indenture.

If it is determined upon making such calculation that the value of the Investment Securities on deposit in the Series 2004 Debt Service Reserve Subaccount, together with any uninvested moneys or moneys available pursuant to a Reserve Credit Facility and accrued interest on the Investment Securities is greater than the amount then required to be on deposit thereon the Trustee shall credit such excess amount against the next succeeding monthly payment or payments to be made by the Authority into the Series 2004 Debt Service Reserve Subaccount pursuant to the Fourth Supplemental Indenture; provided, however, that if the value of the Investment Securities, together with any uninvested moneys or moneys available pursuant to a Reserve Credit Facility and accrued interest on the Investment Securities in the Series 2004

Debt Service Reserve Subaccount exceeds the then existing Series 2004 Debt Service Reserve Requirement, such excess shall be withdrawn by the Trustee at the written direction of the Authority and deposited into the Revenue Fund.

If on the final day of any month, the amount in the Series 2004 Bond Service Subaccount shall be less than the amount required to be on deposit therein, the Trustee shall use the moneys in the Series 2004 Debt Subaccount solely to make good the deficiency as provided in the Master Indenture. No part of the to be in the Series 2004 Debt Service Reserve Subaccount shall ever be expended or used by the y purpose other than as aforesaid so long as any Series 2004 Bonds are Outstanding, except as otherwise provided in the Master Indenture. (Section 303)

Escrow Fund. The Fourth Supplemental Indenture establishes a fund designated as the "Series 2004 Escrow Fund." There shall be deposited into the Series 2004 Escrow Fund, representing proceeds of the Series 2004 Bonds together with any moneys transferred thereto from the Bond Service Account and the Debt Service Reserve Account of the Series 1993 Principal and Interest Fund and other available funds, \$21,387,456.31 which amount shall be invested and disbursed by the Escrow Agent in accordance with the terms of the Escrow Agreement.

Upon deposit of the moneys and other amounts required for the payment of the Refunded Bonds as set forth above, the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Holders of such Refunded Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. (Section 306)

Other Uses of Series 2004 Bond Proceeds. The Authority has determined that (a) the Operation and Maintenance Reserve Fund is currently funded at or in excess of the Operation and Maintenance Reserve Requirement, as previously established by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, and (b) the Renewal and Replacement Fund is currently funded at or in excess of the Renewal and Replacement Requirement, as previously established by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture. Accordingly, the Authority re-affirms the respective Requirement for each of said Funds and hereby determines that no proceeds from the Series 2004 Bonds shall be deposited into either of such Funds. (Section 307)

Tax Covenants. The Authority covenants and certifies to and for the benefit of the purchasers of the Series 2004 Bonds that: (i) it will at all times comply with the provisions of the Fourth Supplemental Indenture and the rebate requirements contained in Section 148(f) of the Code; (ii) no use will be made of the proceeds of the issue and sale of the Series 2004 Bonds, or any funds or accounts of the Authority which may be deemed to be proceeds of the Series 2004 Bonds, which pursuant to Section 148 of the Code and applicable regulations (proposed or promulgated), if such use had been reasonably expected on the date of issuance of the Series 2004 Bonds, would have caused the Series 2004 Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code; and (iii) it will not take any action that will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2004 Bonds, nor will it omit to take any action necessary to preserve the exclusion

from gross income for federal income tax purposes of interest on the Series 2004 Bonds. (Section 501)

Pursuant to these covenants, the Authority obligates itself to comply throughout the term of issue of the 2004 Bonds with the requirements of Section 103 of the Code and the regulations proposed or promulgated thereunder.

Trustee to Comply with Provisions of Credit Facility. The Trustee is directed to comply with the terms of any Credit Facility in effect with respect to the Series 2004 Bonds. (Section 502)

Credit Facility. The Indenture may not be amended in any manner without the prior written consent of the Issuer of the Credit Facility. In the event that the Issuer of the Credit Facility consents to any such amendment, a copy of such amendment shall be sent by the Trustee to Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc., 25 Broadway, New York, New York 10004 or to any other rating agency (then rating the Series 2004 Bonds) requesting same.

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default, and the Issuer of the Credit Facility is qualified to do business and is not in bankruptcy or receivership, the Issuer of the Credit Facility shall be deemed to be the Holder of the Outstanding Series 2004 Bonds when the approval, consent or action of the Bondholders for Series 2004 Bonds is required or may be exercised under the Indenture.

Notwithstanding the foregoing, the Issuer of the Credit Facility shall not be deemed to be the Holder of the Series 2004 Bonds with respect to any amendment, change or modification to the Indenture which would have the effect of (i) changing the terms of redemption or maturity of the principal or the interest on any Outstanding Series 2004 Bonds or the rate of interest thereon, or (ii) giving any Series 2004 Bond or Bonds a preference or priority over any other Series 2004 Bond or Bonds (except as permitted in the Indenture).

In the event that the Principal and Redemption Price, if applicable, and interest due on any Series 2004 Bonds Outstanding shall be paid under the provisions of the Credit Facility, all covenants, agreements and other obligations of the Authority to such Bondholders shall continue to exist and such Issuer of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility. (Section 503)

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND OPERATING AGREEMENT

The following is a brief summary of the "Lease and Operating Agreement" between the County and the Authority. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Lease and Operating Agreement. Words used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" herein.

"Agreement" shall mean the Lease and Operating Agreement, dated as of September 15, 1989, by and between the County and the Authority as from time to time amended or supplemented.

"Construction" shall have the meaning accorded such term in Section 2752(6) of the Act.

"Effective Date" shall mean 12:01 a.m. on the issue date of the Series 1989 Bonds.

"Fiscal Year" shall mean the twelve-month period commencing on January 1 of each year; provided, however, that the Authority and the County may, from time to time, agree on a different twelve-month period as the Fiscal Year.

"Grant Aid" shall mean any grants in aid made for the Leased Property by the federal government (now called "AIP") or by the State.

"Leased Property" shall mean the real and personal property and other rights leased by the County to the Authority pursuant to Article II of the Agreement.

"Lease Term" shall mean the term of the Agreement determined pursuant to Section 2.1(a) and 12.3 thereof.

Term of Lease; Demise of Leased Property. The term of the leasehold estate created in favor of the Authority pursuant to the Agreement shall commence on the Effective Date and shall continue until the thirtieth (30th) day following the date on which all Bonds are paid in full or provision therefor shall have been made in accordance with the Indenture.

The County leases the Leased Property to the Authority, and the Authority hires, takes and leases the Leased Property from the County, to be used for its corporate purposes and solely upon the terms and conditions expressed in the Agreement, for the Lease Term.

Grant of Revenues, Grant Aid and Insurance Proceeds to the Authority. Subject to Section 9.1 of the Agreement, the County gives, grants, conveys and transfers to the Authority all of its right, title and interest in the Revenues, Grant Aid and proceeds received from insurance resulting from casualty damage to the Leased Property.

All Revenues, Grant Aid and proceeds received from insurance resulting from casualty damage to the Leased Property received or receivable by the Authority shall belong to the Authority, and shall be applied as provided in the Indenture.

Transfer of Applications, Proceedings, Approvals and Permits. As provided in Section 2773 of the Act, where necessary or desirable and to the extent not prohibited by any State or Federal law, the County assigns and transfers to the Authority any and all licenses, approvals, permits, determinations, findings, awards or decisions heretofore or hereafter issued or granted pursuant to or as a result of any application, review or process in relation to or in furtherance of the purposes of or contemplated by the Act heretofore filed or undertaken, or any proceeding heretofore commenced by the County with the United States Environmental Protection Agency, the Federal Aviation Administration, the State Department of Environmental Conservation, the State Department of Transportation, any other Federal or State agency or instrumentality or other Public Corporation.

Indemnification. (a) To the extent permitted by law and subject to Section 3.2 of the Agreement, the County releases the Authority and its members, officers and employees (collectively, the "Indemnified Parties") from, agrees that the Indemnified Parties shall not be liable for and agrees to defend, indemnify and hold harmless the indemnified Parties from and against, any and all (i) liability for loss or damage to property or injury to or death of any and all persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Leased Property or arising by reason of or in connection with the occupation or the use thereof or the presence of any person or property on, in or about the Leased Property, or (ii) liability arising from the Authority's leasing of the Leased Property and all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing; provided that any such losses, damages, liabilities or expenses of any of the Indemnified Parties are not incurred by reason of or do not result from the gross negligence or willful misconduct of such indemnified Party. Except as provided above, the foregoing indemnities shall apply notwithstanding the fault or negligence on the part of any of the Indemnified Parties and irrespective of the breach of a statutory obligation or the application of any rule of comparative or apportioned liability. The willful misconduct or gross negligence of any party indemnified hereunder will not affect the indemnity of any other party so indemnified. Nothing herein contained shall be construed to affect, impair or limit in any manner whatever the Authority's obligations under Section 8.1(a) of the Agreement to pay to the County the amount of any judgment or settlement paid by the County arising out of a tort claim as specified therein.

(b) Notwithstanding any other provisions of the Agreement, the obligations of the County pursuant to subparagraph (a) above shall remain in full force and effect after the expiration or earlier termination of the Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses and charges incurred by any of the Indemnified Parties relating to the enforcement of the provisions specified in the Agreement.

County to Operate and Maintain. The County shall continue to administer and operate the Leased Property, maintain the Leased Property in good and safe order and condition and make all repairs therein. As used in this section, "maintain" and "repair" shall include all necessary repairs, replacements, renewals, alterations and additions, whether structural, non-structural, ordinary or extraordinary and "administer" shall include, without limitation, the enforcement of regulations of the County relating to the use of the Leased Property, or any portion thereof. Nothing contained in this provision is to be construed to impose any obligation or liability on the County not heretofore imposed on it.

Compliance with Regulations. The Leased Property shall be used, operated and maintained in accordance with all applicable law, including the applicable rules and regulations of the County. The Director of Public Works of the County shall continue to exercise his powers pursuant to the laws of the United States, the State of New York, the County Charter, and local law to administer, operate, maintain and regulate the use of the Leased Property; provided, however, that nothing herein contained shall diminish the power of the Authority pursuant to the Act to promulgate such rules and regulations as it deems necessary or appropriate from time to time.

County to Construct. The Authority appoints the County its true and lawful agent, and the County accepts such agency, to construct the Project, execute all contracts and agreements, authorize payments for all Costs of Construction and enforce all contracts and agreements entered into on behalf of the Authority.

Title to Vest in Authority. Title to all materials, machinery, Equipment and Facilities intended to be incorporated or installed in any Project shall vest in the Authority immediately upon deposit on the Leased Property or incorporation or installation in the Project, whichever shall first occur.

Property Acquisition. Nothing contained in the Agreement shall limit the County's right and power to eminent domain and condemnation, and the County may acquire all real and personal property or any interest therein necessary or useful for the Construction or effectuation of a Project.

Authority Retention of County. The Authority hires, retains and employs the County and the County agrees to render for and on behalf of and, when appropriate or necessary, in the name of and as agent for the Authority, any and all services necessary or desirable to construct any Project, operate the Leased Property and, to the extent permitted by law, carry out all public and corporate purposes and powers of the Authority pursuant to and by virtue of the Act.

Operation and Engineering Services. The County's Departments of Public Works and Engineering shall, as the case may be, plan and supervise the planning for, construct, maintain, repair, operate and administer the Leased Property.

Budgeting Services. The County's Office of Management and Budget shall, together with the County's Department of Public Works, supervise the preparation and administration of the annual capital and operating budgets for the Leased Property.

Fiscal Services. The County's Department of Finance shall supervise, audit and control the financial affairs of the Authority and the Leased Property, including, without limitation, the collection of all Revenues, the making of all expenditures, and the purchase and sale of all supplies, materials, equipment and services.

Legal Services. Subject to the provisions of Section 3.3 of the Agreement, the County's Law Department, by the County Attorney, shall serve as the legal advisor of the Authority and, on its behalf in Authority matters, of its officers and employees. The County Attorney shall prosecute and defend all actions or proceedings of a civil nature brought by or against the Authority and shall prepare resolutions to be presented for action by the Authority, together with notices and other items in connection therewith.

Police, Fire and Health Protection Services. Pursuant to Section 2757(5) of the Act, the County shall provide to the Leased Property police, fire and health protection services.

Insurance. The County agrees to procure and maintain such policies of insurance so as to satisfy the Authority's obligations under the Indenture.

Tax Covenants. The County covenants that it shall take no action, nor shall it approve the taking of any action or making of any investment or use of the proceeds of any Bonds (the interest on which is intended to be excluded from gross income for federal income tax purposes), which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986. Further, the County shall at all times do and perform all acts and things necessary or desirable and within its power in order to assure that interest paid on any Bonds (the interest on which is intended to be excluded from gross income for federal income tax purposes) shall be excluded from gross income for federal income tax purposes.

County to Provide Initial Contribution to Authority. The County agrees to contribute to the Authority from its airport enterprise fund the sum of Two Million Eight Hundred Thousand and No/100 Dollars (\$2,800,000) of which the sum of \$1,000,000 is to be applied by the Authority toward "Cost of Construction" as defined in the Indenture and the balance thereof to be used by the Authority for its corporate purposes.

Payments by Authority for Operation, Maintenance and Reimbursement of County Expenses. Subject to the provisions of the Indenture, the Authority shall reimburse the County for:

1. (i) County costs of administration, maintenance, repair and operation of the Leased Property, including, without limitation, salaries, wages and fringe benefits of any full or part-time County employees providing services on, at or with respect to the Leased Property or on behalf of the Authority, (ii) the cost of materials and supplies, and (iii) the amount of any judgment or settlement paid by the County (and not otherwise reimbursed) arising out of a tort claim against the County or, pursuant to Article III of the Agreement, the Authority, but only to the extent that the County's liability therefor is related to Construction of a Project, the administration, operation, maintenance or repair of the Leased Property or the provision of services to the Authority and further limited to the extent of any monies in the Surplus Fund of the Authority established pursuant to the Indenture;

2. An amount sufficient to reimburse the County for Costs of Construction (as defined in the Indenture);

3. An amount sufficient to pay the cost of services provided by the County pursuant to Article VI of the Agreement;

4. An amount sufficient to reimburse the County for the compensation, or the costs of the services, of any County officers and employees provided on a full-time or part-time basis to the Authority pursuant to Article X of the Agreement.

Base Rental Payments. In addition to the payments described above, the Authority shall pay to the County for deposit in its Airport Enterprise Fund, from available funds in the Surplus Fund, as a rental payment for the Leased Property, the amount of \$300,000 in each of 1992, 1993, 1994, 1995, 1996 and 1997. In the event monies on deposit in the Surplus Fund are insufficient to make scheduled payments, the unpaid portion shall accrue and be payable in the next year. The Authority shall also pay to the County as rent an amount equal to the principal and interest payable on general obligation notes and bonds heretofore or hereafter issued by the County in accordance with the provisions of the Airline Agreements for Projects or with respect to the Leased Property, and certified by the County to be paid within such Fiscal Year.

Rate Covenants. The Authority has covenanted in Section 6.12 of the Indenture to establish, fix and revise its rates and charges in the manner therein set forth, and the covenants and agreements contained in such Section 6.12 are expressly incorporated by reference in the Lease and Operating Agreement as if fully set forth therein. The Agreement provides that the Authority's rates, charges and fees shall be subject to the approval of the County; provided, however, that the County's approval shall not be required in those instances when the rates, charges or fees are established, fixed or revised by the Authority for the purposes of complying with the provisions of Section 6.12 of the Indenture (the Rate Covenant Requirement).

County Officers and Employees. Subject to the approval of the County Executive, the County and the Authority may enter into agreements whereby the County will provide to the Authority the services of officers and employees of the County to carry out the public purposes of the Authority.

Disposition of Property. (a) The Authority agrees that it will not sell, lease, sublease, pledge, assign, transfer, mortgage, hypothecate, encumber or otherwise dispose of all or any part of the Leased Property, or any other real property or personal property which may be acquired by the Authority, or any interest (legal or equitable) therein, or its interest in the Agreement, except (i) in compliance with the terms and conditions of Section 6.04 of the Indenture, and (ii) with the prior approval of the County.

(b) The County will not sell, transfer, or otherwise dispose of real property included in the Leased Property without the Authority's written consent. The Authority shall give such consent upon compliance with the terms and conditions of Section 6.04(a) of the Indenture. If the Authority consents, it shall release its leasehold interest in the property being disposed of.

Contracts. The Authority covenants that it will not, without the consent of the County, enter into any contracts requiring the payment of funds or the performance of work or the delivery of goods that extend beyond the end of the Lease Term or any renewal thereof.

Encumbrances. The Authority may not authorize any use of, or grant any lien, encumbrance, security interest, license, easement or right-of-way in connection with, the Leased Property without the prior written approval of the County. The County may grant temporary licenses to use the Leased Property which do not interfere with the operation and maintenance of the Leased Property and do not adversely affect Revenues.

No Personal Liability. Nothing contained in this Agreement and no act of the Authority, any member or group of members thereof, or of the County or any official, officer or employee of the County performed or omitted in pursuance, effectuation or implementation thereof shall be construed to give rise to or create any personal liability whatsoever on the part of any present or future individual member or group of individual members of the Authority or any official, officer or employee of the County.

No County Indebtedness Created. Nothing contained in the Agreement shall be deemed to create an indebtedness on the part of the County nor obligate the County to issue its general obligation notes or bonds for the purposes of carrying out its duties and obligations under the Agreement; provided, however, that the County may, in its discretion, issue such notes or bonds for such purposes. Nothing contained in the Agreement shall be deemed to create any liability on the part of the County on or with respect to the Bonds.

Indenture to be Controlling. In the event of any conflict between the terms of the Indenture and the Agreement, the terms of the Indenture shall be controlling.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS

The following is a brief summary of the Airline-Airport Use and Lease Agreement between the Authority and each Signatory Airline. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Airline Agreements. Words used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" in the Official Statement.

DEFINITIONS

"Agreement" shall mean the Airline-Airport Use and Lease Agreement between Authority and Airline, as the same may be amended or supplemented from time to time pursuant to the terms hereof.

"Air Transportation Business" shall mean that business operated by Airline at the Airport for the commercial transportation by air of persons, property, mail and/or cargo.

"Aircraft Aprons" shall mean those parts of the Ramp Area immediately adjacent to the Terminal that are used for the parking of aircraft and support vehicles, and the loading and unloading of aircraft.

"Airfield" shall mean the Landing Area and Ramp Area.

"Airline" shall mean the Scheduled Air Carrier executing a particular Agreement.

"Airline Premises" shall mean those areas assigned to Airline as Exclusive Use, Preferential Use, and Joint Use Premises, as defined herein, and shown on Exhibits "B" and "C" of each Agreement.

"Airport" shall mean the Greater Rochester International Airport owned by the County and operated by the Authority, including all real property and easements, improvements and appurtenances thereto, structures, buildings, fixtures, machinery, equipment, vehicles, supplies and other tangible personal property, or interest in any of the foregoing, now or hereafter leased or acquired by Authority, less any thereof which may be consumed, sold or otherwise disposed of, all as defined and limited by the Indenture and the Lease.

"Airport Affairs Committee" (AAC) shall mean collectively the authorized representatives of each Signatory Airline which shall meet from time to time with the representatives of the Authority to receive information and provide input from the Signatory Airlines with regard to the operation and development of the Airport.

"Authority" shall mean the Monroe County Airport Authority, a body politic, created pursuant to the Monroe County Airport Authority Act, which succeeded to all rights and obligations of the County with respect to the operation of the Airport.

“Aviation System” shall mean all real property and easements, including improvements thereto structures, buildings, fixtures and other tangible personal property which are located on any airport now or hereafter owned or operated by the Authority, all as set forth in the Act.

“Bonds” shall mean any bonds or other financing instrument or obligation of the Authority, issued pursuant to the Indenture.

“Capital Charge Coverage” shall mean, for any Fiscal Year, the amount equal to twenty-five percent (25%) of the Debt Service, as defined in the Indenture, for all series of Bonds plus such other amount as may be established by any financing agreement with respect to Other Indebtedness or Subordinated Indebtedness.

“Capital Charges” shall mean (i) Debt Service, (ii) Other Debt Service, (iii) Amortization Requirements and (iv) the cost of any other single capital item made to improve, maintain or develop the Aviation System which is not a Capital Expenditure.

“Chargeable Landings” shall mean those aircraft landings for which landing fees shall be due and payable by Airline, as set forth in Section 7.01. Such landings shall include all Revenue Landings during any period plus Non Revenue Landings exceeding ten percent (10%) in number of Revenue Landings during said period.

“Debt Service” shall mean the required amounts to be deposited within the Principal and Interest Fund created by the Indenture, and such other fund which may be established for payment of Subordinated Indebtedness, during any period for the payment of principal of, interest on, and other fees and amounts associated with such debt.

“Enplaned Passenger” shall mean any revenue passenger boarding at the Airport, including any such passenger that previously disembarked from another aircraft of the same or a different Air Transportation Company.

“Exclusive Use Premises” shall mean those areas assigned exclusively to Airline, as shown on Exhibits “B” and “C” of each Agreement.

“FAA” shall mean the Federal Aviation Administration, or its authorized successor(s).

“Fiscal Year” shall mean the annual accounting period of Authority for its general accounting purposes which, at the time of entering into this Agreement, is the period of twelve consecutive months, beginning with the first day of January of any year.

“Funds Remaining” shall mean those amounts as described in Section 8.04.

“Indenture” shall mean the Trust Indenture and the First Supplemental Trust Indenture authorizing the issuance by the Authority of the Series 1989 Bonds, as such may be supplemented or amended from time to time.

“Joint Use Premises” shall mean those areas which may be assigned to two or more Scheduled Carriers, as shown on Exhibits “B” and “C” of each Agreement.

“Majority-in-Interest” (MII) for the Airfield shall mean such group of Signatory Airlines representing greater than sixty-six and two-thirds percent (66.67%) in number and greater than thirty-three and one-third percent (33.33%) of Maximum Gross Landed Weight of all Signatory Airlines at the Airport for the most recent six (6) month period for which statistics are available, or such group of Signatory Airlines representing greater than thirty-three and one-third percent (33.33%) in number and greater than sixty-six and two-thirds percent (66.67%) of Maximum Gross Landed Weight of all Signatory Airlines at the Airport for the same six (6) month period. MII for the Terminal shall mean such group of Signatory Airlines representing greater than sixty-six and two-thirds percent (66.67%) in number and having paid greater than thirty-three and one-third percent (33.33%) of the total Signatory Airline Terminal rentals for the most recent six (6) month period for which the information is available.

“Net Requirement” with respect to the Terminal Cost Center, shall mean the direct and allocated O&M Expenses for the Terminal and Auto Parking cost centers and reserves therefore, plus direct and allocated Capital Charges, Capital Charge Coverage, the Renewal and Replacement Requirement and expenditures attributable to the Terminal and Auto Parking cost centers, existing general obligation debt service and reimbursable debt service, less the Non-Airline Revenues and investment earnings attributable to the Terminal and Auto Parking cost centers, and other Available Funds; with respect to the Airfield shall mean the direct and allocated O&M Expenses for the Airfield, Freight Service, General Aviation, and Commercial and Government Service cost centers and reserves therefore, plus direct and allocated Capital Charges, Capital Charge Coverage, the Renewal and Replacement Requirement and expenditures, existing general obligation debt service, and reimbursable debt service less the Non-Airline Revenues and investment earnings attributable to the Aviation System, other than the Terminal and Auto Parking Cost Centers, and other Available Funds.

“Other Available Funds” shall mean for any Fiscal Year, amounts retained in the Revenue Fund that are credited to Signatory Airline rentals, fees and charges for the next ensuing Fiscal Year.

“Preferential Use Premises” shall mean those portions of the Terminal and Ramp Area assigned to Airline, as shown on Exhibits “B” and “C” of each Agreement, to which Airline shall have priority over all other users, subject to the provisions of Article XVI.

“Ramp Area” shall mean the aircraft parking and maneuvering areas adjacent to the Terminal, and shall include within its boundaries all Aircraft Aprons.

“Scheduled Air Carrier” shall mean any Air Transportation Company performing or desiring to perform, pursuant to published schedules, non-seasonal commercial air transportation services, over specified routes to and from the Airport and holding the necessary authority from the appropriate Federal or state agencies to provide such transportation.

“Signatory Airline” shall mean a Scheduled Air Carrier which has an agreement with Authority substantially similar to the Agreement.

“Special Purpose Facility” shall mean any capital improvement, equipment, or facility hereafter acquired, constructed or leased by Authority from funds other than Revenues, or

obligations payable from Revenues, all as defined and determined in accordance with the Indenture.

“Substantial Completion” shall mean the date on which Authority’s architects and engineers certify any premises at the Airport to be available for beneficial occupancy.

“Terminal” shall mean the airline passenger terminal facilities at the Airport as they exist prior to and after completion of the Project.

Additional words and phrases used in this Appendix but not defined herein shall have the meanings as set forth in the Indenture or, if not so set forth, shall have their usual and customary meaning.

EFFECTIVE DATE AND TRANSACTION PROVISIONS

The Agreement shall be effective upon execution by the parties thereto. The determination of rentals, fees and charges set forth herein shall be effective as of July 1, 1989. Airline shall begin its operations from its new or expanded Airline Premises on the date of Substantial Completion thereof.

TERM

The Agreement shall terminate at midnight on December 31, 2004, unless cancelled sooner as provided therein.

PREMISES

Authority leases and demises to Airline, and Airline leases and accepts from Authority, Exclusive Use Premises, Preferential Use Premises and Joint Use Premises, as set forth specifically for each Airline in Exhibits “B” and “C” of each respective Agreement.

USE OF THE AIRPORT AND RELATED FACILITIES

In addition to all rights granted elsewhere in the Agreement, Airline shall have the right to use, in common with others so authorized by the Authority, areas, other than areas leased exclusively or preferentially to others, facilities, equipment and improvements at the Airport for the operation of Airline’s Air Transportation Business.

OPERATION AND MAINTENANCE OF THE AIRPORT

Authority shall with reasonable diligence, prudently develop, improve and at all times maintain and operate the Aviation System with adequate qualified personnel and keep the Aviation System in good repair, unless such maintenance, operation or repair shall be Airline’s obligation.

Each Airline shall, at all times and at its own expense, preserve and keep Airline premises in an orderly, clean, neat and sanitary condition.

RENTALS, FEES AND CHARGES

Airline shall pay Authority rentals for use of Airline Premises, and fees and charges for the other rights, licenses and privileges granted hereunder during the Term of the Agreement. The rentals, fees and charges payable by all Signatory Airlines for the Airfield and, with respect to the Terminal, the rentals, fees and charges payable by Signatory Airlines leasing space in the Terminal, shall be equal to the Net Requirement in each respective area for the Aviation System.

Landing Fees. Airline shall pay monthly to Authority fees for Chargeable Landings for the preceding month. Airline's landing fees shall be determined as the product of the landing fee rate for the period, calculated in accordance with Exhibit "G" attached hereto, and Airline's total landed weight for the month.

Terminal Rentals. Upon the earlier of (i) Substantial Completion of the Project, or (ii) the date to which interest has been capitalized for the Bonds:

Airline's annual Terminal rentals shall be determined as the sum of Airline's rentals for Exclusive Use, Preferential Use, and Joint Use Premises. Airline's rental payment for Exclusive Use and Preferential Use Premises shall be determined as the sum of the products obtained by multiplying each differential Terminal rental rate for the period, calculated in accordance with Exhibit "G", by the amount of the corresponding type of space leased by Airline as Exclusive Use and Preferential Use Premises. Rentals for Joint Use Premises shall be calculated as the product of the appropriate differential Terminal rates for the period calculated in accordance with Exhibit "G."

Aircraft Apron Fees. For the period beginning at the earlier of Substantial Completion of the Aircraft Aprons or the date on which Debt Service becomes payable from Revenues, Airline's fee for its Preferential Use Premises on the Ramp Area shall be determined as the product obtained by multiplying the linear footage of Airline's Aircraft Apron(s) times the Aircraft Apron rate for the period calculated in accordance with Exhibit "G".

Terminal Equipment Charges. Airline's charges for Terminal equipment, including baggage claim conveyors and devices, shall be based on the capital, operating and maintenance cost incurred by Authority therefor and included in the rental rates for the areas in which such equipment is located.

Passenger Screening Reimbursements. Airline shall pay monthly a Passenger Screening Charge which shall be determined as the total costs incurred by Authority in providing law officers for passenger screening, as required by the appropriate screening index for the Airport prorated among the Scheduled Air Carriers based upon each such Scheduled Air Carrier's Enplaned Passengers during the month as a percentage of total Enplaned Passengers of all Scheduled Air Carriers.

Other Fees and Charges. Authority expressly reserves the right to assess and collect the following:

- (a) Certain concession and other services fees provided by Airline.

- (b) Certain non-enumerated fees, including, but not limited to, Federal Inspection Services (FIS) facility fees.
- (c) Pro rata shares of any charges for services or facilities which Authority is required to provide by any governmental entity having jurisdiction over the Airport.

Airline shall pay the required fees for all permits and licenses necessary for the conduct of its Air Transportation Business at the Airport. Airline shall also pay all taxes, assessments and charges, including water and pure water fees and charges, which during the Term of this Agreement may become a lien or which may be levied by the State, County, City or any other tax levying body, upon any taxable interest by Airline acquired in this Agreement.

Payments. Payments of one-twelfth ($1/12$) of the total annual rentals for Airline's Exclusive Use Premises and Preferential Use Premises, shall be due in advance, without demand or invoice, on the first day of each month. Payment of Airline's Landing Fees shall be due on the twentieth (20) day of each month following the month in which such activity occurs without demand or invoice. Payment for Joint Use Premises shall be due as of the date of Authority's invoice. Payment for all other fees and charges due hereunder shall be due as of the date of the Authority's invoice.

Airline shall file with Authority written reports on forms provided by Authority for activity conducted by Airline during said month. Airline shall at all times maintain and keep books, ledgers, accounts or other records, wherein are accurately kept all entries reflecting the activity statistics to be reported. Such records shall be retained by Airline for a period of three (3) years subsequent to the activities reported therein, or such other retention period as set forth in Federal Aviation Regulation part 249.7, and made available at Rochester, New York for audit and/or examination by Authority or its duly authorized representative during all normal business hours.

CHANGES IN RATES FOR RENTALS, FEES AND CHARGES

No later than ninety (90) days prior to the end of each Fiscal Year, Authority shall notify Airline of the proposed schedule of rates for rentals, fees and charges for the ensuing Fiscal Year. The Signatory Airlines through its AAC shall have the right to review and comment upon the proposed operating budget. Prior to the Fiscal Year end, Authority shall notify Airline of the rates for rentals, fees and charges to be established for the ensuing Fiscal Year.

Rates for rentals, fees and charges may be changed at any other time that unaudited monthly Aviation System financial data indicates that total rentals, fees and charges payable pursuant to the then current rate schedules are estimated and anticipated by Authority to vary by more than ten percent (10%) from the total rentals, fees and charges that would be payable based upon the use of the monthly financial data then available for said Fiscal Year.

Authority and Airline estimate that certain Revenues not required for payments, deposits to reserves pursuant to the Indenture, and deposits to the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund will be generated from Aviation System operations in each Fiscal Year ("Funds Remaining"). Except as otherwise provided in the

Agreement, ninety percent (90%) of such shall be applied to Other Available Funds for inclusion in the annual calculation of rates for rentals, fees and charges for the next ensuing Fiscal Year, as set forth in the following paragraph, and the remaining portion ("Retained Funds") shall be transferred to the Authority's Surplus Fund.

Beginning in the Fiscal Year immediately following Substantial Completion of the Project, Authority shall determine Other Available Funds from Funds Remaining in the Revenue Fund. Said Other Available Funds, if any, shall directly reduce rates for rentals, fees and charges payable by the Signatory Airlines. Such Other Available Funds shall be allocated to the Airfield and Terminal cost centers for calculation of Signatory Airlines' rates for landing fees and Signatory Airlines' Terminal rental rates, unless otherwise determined by an MII.

The Surplus Fund shall be established by Authority on the Effective Date of the Agreement. Funds credited to said Fund may be used at the discretion of Authority for any lawful purpose related to the Aviation System, including, but not limited to, the payment of Other Debt Service. Signatory Airlines constituting an MII may request that Authority pay the costs of requested or required capital improvements to the Airfield or Terminal from such funds. In the event Authority agrees to pay such costs, Amortization Requirements for such expenditures shall be included in the determination of the particular rate(s) for rentals, fees and charges applicable to the Cost Center (Airfield or Terminal) in which such funds are expended.

Within 120 days following the close of each Fiscal Year, or as soon as audited financial data for said Fiscal Year is available, rates for rentals, fees and charges for the preceding Fiscal Year shall be recalculated using audited financial data and the methods set forth in Exhibit "G" of the Agreement. Upon the determination of any difference(s) between the actual rentals, fees and charges paid by Signatory Airlines during the preceding Fiscal Year and the rentals, fees and charges that would have been paid by Signatory Airlines using said recalculated rates, Authority shall; in the event of overpayment, promptly credit to Airline the amount of such overpayment, and in the event of underpayment, invoice Airline for the amount of such underpayment.

AIRLINE APPROVAL; IMPROVEMENTS

The Signatory Airlines shall have the right to review and comment upon the proposed operating budget for the Airport each year in connection with the annual review of rental, fees and charges. The Authority agrees that off-Airport administrative overhead allocated by the County in the administrative cost center for administrative services to the Airport shall not exceed in FY 1989, \$754,785 and shall thereafter not increase by more than eight percent (8%) per year without Majority in Interest (MII) approval. The Authority agrees that it shall not impose any unreasonable increases in payroll costs in its annual Airport operating budget, provided, however, wage increases as a result of collective bargaining agreements shall not be deemed unreasonable.

In the event the Authority plans to make any Capital Expenditures in excess of the amount set forth under "Damage or Destruction" in the Agreement, it shall provide written notice to all Signatory Airlines. In the event no meeting is requested, any Signatory Airline which does not object in writing within 60 calendar days of such notice will be deemed to have consented.

In the event that the total actual costs of the Project are estimated to be greater than \$109,279,000 then the Authority shall have the option, subject to the conditions below, to (i) request approval by a MII of the Signatory Airlines for an increase in the Project cost, (ii) pay for the cost overruns out of other funds available to the Authority for such purposes, or (iii) implement reductions in the Project to reduce the costs thereof to no more than \$109,279,000.

In the event the Authority elects to pursue the option set forth in (ii) above, the costs paid from such other funds will not be included in the calculation of Signatory Airline rates for rentals, fees and charges. In the event the Authority elects to pursue the option set forth in (iii) above, the Authority agrees that any such reductions in the Project shall not result in the elimination of either the second level Terminal concourse or the second level roadway adjacent to such Terminal or the reduction of the number of passenger gates below twenty-two (22), and that the parking garage shall not be reduced to less than 1,000 spaces without approval of an MII. Decreases in project costs shall not be made in such a way that the level or quality of finishes in the west concourse would be substantially different from the finishes in the east concourse.

DAMAGE OR DESTRUCTION

If any part of Airline Premises, or adjacent facilities directly and substantially affecting the use of Airline Premises, shall be partially damaged by fire or other casualty, but said circumstances do not render Airline Premises untenable, as reasonably determined by Authority, the same shall be repaired to usable condition with due diligence by Authority, as hereinafter provided and limited. No abatement of rentals shall accrue to Airline. If any part of Airline Premises, or adjacent facilities directly and substantially affecting the use of Airline Premises, shall be so extensively damaged by fire or other casualty as to render any portion of said Airline Premises untenable but capable of being repaired, as reasonably determined by Authority, the same shall be repaired to usable condition with due diligence by Authority, as hereinafter provided and limited. In such case, the rentals payable shall be abated equitably.

If any part of Airline Premises, or adjacent facilities directly and substantially affecting the use of Airline Premises, shall be damaged by fire or other casualty, and is so extensively damaged as to render any portion of said Airline Premises incapable of being repaired, as reasonably determined by Authority, Authority shall notify Airline within a period of 60 days after the date of such damage of its decision whether to reconstruct or replace said space; provided, however, Authority shall be under no obligation to replace or reconstruct such premises. The rentals payable shall abate until such time as replacement or reconstructed space becomes available for use by Airline.

In the event that due to the negligence or willful act or omission of Airline, its employees, its agents or licensees, Airline Premises shall be damaged or destroyed by fire, other casualty or otherwise, there shall be no abatement of rent during the repair or replacement of said Airline Premises. To the extent that the costs of repairs shall exceed the amount of any insurance proceeds payable to Authority by reason of such damage or destruction, Airline shall pay the amount of such additional costs to Authority.

INDEMNIFICATION AND INSURANCE

Airline shall indemnify, save, hold harmless and defend Authority, its officials, agents and employees, its successors and assigns, individually or collectively, from and against any claim, action, loss, damage, injury, liability and the cost and expense of whatsoever kind or nature (including, but not limited to, reasonable attorney fees, disbursements, court costs and expert fees) based upon (i) injury to persons or damage to property arising out of Airline's use and occupancy of Airline Premises or use of the Airport, unless such injury or damage is occasioned by the negligence or willful misconduct of Authority, its officers, employees or agents, and (ii) any fines arising from the violation of any laws, statutes, resolutions or regulations by Airline.

Without limiting Airline's obligation to indemnify Authority, Airline shall procure and maintain in force at all times during the Term of the Agreement occurrence form, comprehensive airport premises liability and aviation insurance to protect against personal injury and bodily injury liability and property damage liability in accordance with the Agreement.

CANCELLATION BY AUTHORITY

The events described below shall be deemed events of default by Airline under the Agreement and shall entitle the Authority to cancel the Agreement:

Upon the occurrence of any one of the following events of default, Authority may give written 10 day notice: the appointment of a trustee, custodian or receiver of all or a substantial portion of Airline's assets; the divestiture of Airline's estate in the Agreement by operation of law, by dissolution or by liquidation; the insolvency of Airline; the voluntary discontinuance for a period of at least 30 consecutive days by Airline of its operations at the Airport; the conduct of any business or performance of any acts at the Airport not specifically authorized herein or by other agreements between Authority and Airline, and said business or acts do not cease within 10 days of receipt of Authority's written notice to cease said business or acts; the failure to cure a default in the performance of any of the material terms, covenants and conditions required in the Agreement within 10 days of receipt of written notice by Authority to do so.

Upon the occurrence of any one of the following events of default, Authority may immediately issue written notice of default: the failure by Airline to pay any part of the rentals, fees and charges due hereunder and the continued failure to pay said amount in full within 10 days of Authority's written notice of payments past due; the failure by Airline to provide and keep in force required insurance coverage.

CANCELLATION BY AIRLINE

The events described below shall be deemed events of default by Authority under the Agreement and shall entitle Airline to cancel the Agreement:

Authority fails to keep, perform or observe any material term, covenant or condition herein contained to be kept, performed or observed by Authority and such failure continues for 30 days after receipt of written notice from Airline; Airport is closed to flights in general or the flights of Airline, for reasons other than those circumstances within Airline's control, and

Airport fails to be reopened to such flights within 60 consecutive days from such closure; the Airport is permanently closed as an air carrier airport by act of any Federal, state or local government agency having competent jurisdiction; the United States Government or any authorized agency of the same (by executive order or otherwise) assumes the operation, control or use of the Airport for 60 consecutive days.

ASSIGNMENT, SUBLETTING AND HANDLING AGREEMENTS

Airline shall not, directly or indirectly, assign, sell, hypothecate or otherwise transfer the Agreement, or any portion of Airline Premises, without the prior written consent of the Authority.

GOVERNMENT INCLUSION

The Agreement is subordinate to the provisions of any existing or future agreements between Authority and the United States Government or other governmental authority, relative to the operation or maintenance of the Aviation System. All provisions of the Agreement are subordinate to the rights of the United States of America to operate the Aviation System or any part thereof during time of war or national emergency.

GENERAL PROVISIONS

The Agreement and all rights granted to Airline are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation or assignment made by Authority in the Indenture. Authority and Airline agree that to the extent required by the Indenture or law, the holders of the Bonds or their designated representatives shall have the right to exercise any and all rights of Authority hereunder.

No member, officer, agent, director or employee of Authority or Airline shall be charged personally or held contractually liable by or to the other party under the terms or provisions of the Agreement or because of any breach thereof or because of its or their execution or attempted execution.

Authority covenants and agrees not to enter into any agreement with any Scheduled Air Carrier which (i) makes substantially similar use of the Airport, (ii) operates substantially similar aircraft, and (iii) utilizes substantially similar facilities to that of Airline, which contains more favorable terms than the Agreement, or to grant to any such Scheduled Air Carrier rights or privileges with respect to the Airport which are not afforded to Airline under the Agreement unless substantially the same terms, rights, privileges and facilities are concurrently made available to Airline.

APPENDIX E

FORM OF BOND COUNSEL OPINION

Fulbright & Jaworski I.L.P.

A Registered Limited Liability Partnership
666 Fifth Avenue, 31st Floor
New York, New York 10103-3198
www.fulbright.com

telephone: (212) 318-3000

facsimile: (212) 318-3400

[Date]

Monroe County Airport Authority
Greater Rochester International Airport
1200 Brooks Avenue
Rochester, New York 14620

WE HAVE ACTED AS BOND COUNSEL to the Monroe County Airport Authority (the "Issuer") in connection with the issuance of the Issuer's Greater Rochester International Airport Revenue Refunding Bonds, Series 2004 (the "Bonds") pursuant to Title 31 of Article 8 of the Public Authorities Law of the State of New York, enacted into law as Chapter 663 of the Laws of 1989 of the State of New York, as amended (the "Act"), a resolution of the Issuer adopted on February 11, 2004 and a Trust Indenture dated as of September 15, 1989 (the "Master Indenture"), as supplemented by a Fourth Supplemental Trust Indenture dated as of March 1, 2004 between the Issuer and JPMorgan Chase Bank, as Trustee (the "Series Indenture" and collectively with the Master Indenture, the "Indenture"). The Bonds are issuable in fully registered form in the denominations stated therein, aggregating \$20,855,000 in principal amount, mature on the maturity dates stated therein, and bear interest from the date hereof or from the most recent interest payment date to which interest has been paid or duly provided for, at per annum rates of interest established in accordance with the provisions of the Indenture. The Bonds are subject to redemption as provided in the Indenture. The Bonds are limited recourse obligations of the Issuer payable solely from and to the extent of the property of the Issuer pledged and collaterally assigned to the Trustee under the Indenture.

WE HAVE EXAMINED Bonds executed or certified to our satisfaction. We have also examined, and in expressing the opinions hereinafter described we rely upon, the representations, warranties, and covenants of the parties thereto contained in the Indenture and the Tax Agreement of the County of Monroe, New York; original or certified copies of the proceedings of the members of the Issuer authorizing issuance of the Bonds; certificates of the Issuer and the County of Monroe, New York relating to the expected use, expenditure, and investment of certain funds of the Issuer and relating to other material facts within the sole knowledge of the Issuer and the County of Monroe, New York which we have not independently verified; and

such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We are relying upon the opinion of Daniel M. DeLaus, Esq., counsel to the Issuer, to the effect that the Issuer is a corporate governmental agency constituting a public benefit corporation duly established and validly existing under the laws of the State of New York, including the Act.

WE ARE OF THE OPINION, based upon the foregoing, that:

- (ii) The Issuer is duly established and validly existing under the Act and has the power under the Act to adopt and perform its obligations under the Indenture and to issue the Bonds.
- (iii) Under applicable law of the State of New York and federal law of the United States of America in force and effect on the date hereof, the Indenture has been duly authorized, executed and delivered by the Issuer, and is the valid and legally binding obligation of the Issuer, enforceable in accordance with the terms and conditions, described herein and therein, except to the extent that the enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.
- (iv) Under applicable law of the State of New York and federal law of the United States of America in force and effect on the date hereof, the Bonds have been duly authorized, executed and delivered and are valid and legally binding special limited recourse obligations of the Issuer, enforceable in accordance with the terms and conditions, described herein and therein, except to the extent that the enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.
- (v) Under existing law, except during any period when such Bonds are held by a substantial user of any facility financed with proceeds of the Bonds, or any related person to such a substantial user, as such terms are defined or used in section 147(a) of the Code, that interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. **Notwithstanding the foregoing, the Bonds are "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will be treated as an item of tax preference for purposes**

of computing the alternative minimum tax imposed by section 55 of the Code.

- (vi) Interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The opinions set forth in the second preceding paragraph assume continuous compliance by the Issuer and the County of Monroe, New York with provisions of the Indenture and the Tax Agreement of the County of Monroe, New York, and have been reached in reliance upon representations and certifications of the Issuer in its No-Arbitrage Certificate, pertaining to such requirements. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issue of the Bonds.

EXCEPT AS SET FORTH ABOVE, we express no opinion as to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain "S corporations" with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for an earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, such tax-exempt obligations. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other bond counsel.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

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APPENDIX F

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY
FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504**

[NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to

or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

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, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

March 4, 2004

JPMorgan Chase Bank, as Trustee
Four New York Plaza, 15th Floor
New York, New York 10004
Attention: Corporate Trust Department

Re: \$20,855,000 Monroe County Airport Authority
Greater Rochester International Airport
Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds")

Ladies and Gentlemen:

In connection with issuance of the Series 2004 Bonds and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934 (the "1934 Act"), as amended effective July 3, 1995 (the "Rule"), the Monroe County Airport Authority (the "Authority") shall engage in the undertaking described in Paragraphs 1, 2, 3 and 4 herein for the benefit of the registered owners of the Series 2004 Bonds (the "Bondowners") and the beneficial owners of the Series 2004 Bonds, subject to the conditions and limitations specified herein.

1. Within the expiration of one hundred and eighty (180) calendar days after the close of each fiscal year of the Authority (the "Filing Deadline") following the date hereof, and commencing with the fiscal year ending December 31, 2003, the Authority will provide to each of (i) the Trustee, for the benefit of the Bondowners, (ii) any Bondowner who provides the Authority with a written request for such information, (iii) each beneficial owner of the Series 2004 Bonds who provides the Authority with a written request for such information, (iv) each nationally recognized municipal securities information repository ("NRMSIR") and (v) the appropriate state information depository for the State of New York ("SID"), if any:

(a) Financial information and operating data relating to the Authority updating the financial information and operating data presented in the Official Statement dated February 20, 2004, relating to the issuance of the Series 2004 Bonds to the extent necessary and appropriate to disclose material changes in such information; and

(b) Audited financial statements of the Authority for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles; provided if such audited financial statements are unavailable at such time, the Authority will provide unaudited financial statements of the Authority for such period and thereafter will provide the audited financial statements if and when they become available.

Items (a) and (b) are sometimes referred to herein respectively as the "Annual Report."

The Authority shall:

- (i) determine each year within five (5) Business Days of the date for providing the Annual Report the name and address of each NRMSIR and the SID, if any (insofar as determinations regarding repositories are concerned, the Authority may rely conclusively on the list of repositories maintained by the United States Securities and Exchange Commission); and
- (ii) file a report with the Trustee certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided and listing all the repositories to which it was provided (the "Compliance Certificate"); such report shall include a certification from the Authority that the Annual Report complies with the requirements of this Continuing Disclosure Agreement.

If the Trustee has not received a Compliance Certificate by the Filing Deadline, the Trustee shall upon receipt of all necessary information send, and the Authority hereby authorizes and directs the Trustee to submit on its behalf, a notice to each NRMSIR, the Municipal Securities Rulemaking Board (the "MSRB") and the SID, if any, in substantially the form attached hereto as Exhibit A.

The Authority reserves the right to modify from time to time the specific types of information provided under subparagraph (a) above or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Authority; provided that any such modification will be done in a manner consistent with the Rule.

2. The Authority promptly will provide to each of (i) the Trustee, for the benefit of the Bondowners, (ii) any Bondowner who provides the Authority with a written request for such information, (iii) each beneficial owner of the Series 2004 Bonds who provides the Authority with a written request for such information, (iv) each NRMSIR or the MSRB and (v) the SID, if any, written notice of the occurrence of any of the following events with respect to the Series 2004 Bonds, if such event is material;

- (a) Principal or interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Series 2004 Bonds;
- (g) Modifications to rights of Bondowners;
- (h) Bond calls (provided, however, that the giving of notice of regularly scheduled mandatory sinking fund redemptions shall not be deemed material for the purpose of this Continuing Disclosure Agreement);
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing the repayment of the Series 2004 Bonds; or
- (k) Ratings changes.

The Authority from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Authority, such other events are material with respect to the Series 2004 Bonds, but the Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Authority will provide, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure to satisfy the requirements of Paragraph 1 herein.

4. The Trustee shall, within two (2) Business Days (as defined in the Trust Indenture, dated as of September 15, 1989, as amended by the Fourth Supplemental Indenture, dated as of March 1, 2004, each being by and between the Authority and the Trustee), of obtaining actual knowledge of the alleged or actual occurrence of any of the events listed in Paragraph 2 (except for events listed in Paragraph 2(h) or (i)), contact the person specified pursuant to Paragraph 6, inform such person of the event, and request that the Authority promptly notify the Trustee in writing whether or not the Authority will report the event pursuant to Paragraph 2. Whenever the Authority obtains knowledge of the occurrence of any event listed in Paragraph 2, because of a notice from the Trustee pursuant to the preceding sentence above, or otherwise, the Authority shall as soon as possible determine if such event would constitute material information for the Bondowners and provide appropriate notice to the Trustee, provided, that any event under Paragraph 2(k) will always be deemed to be material, and shall require notice pursuant to Paragraph 2.

5. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Authority and the Trustee may amend this Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Authority provided, however, the Trustee shall not be required to accept or acknowledge any amendment of this Continuing Disclosure Agreement if the amendment adversely affects its rights or immunities or increases its duties hereunder) and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws

acceptable to the Authority and the Trustee to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

6. The Authority, or the Authority's designee from time to time, shall be the contact persons on behalf of the Authority from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person for the Authority is Stephen G. Gleason, Treasurer, County of Monroe Office Building, 39 West Main Street, Room 400, Rochester, New York, 14614, (585) 428-5257.

7. The Authority's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2004 Bonds.

8. In the event of a failure by the Authority or the Trustee to comply with any provision of this Continuing Disclosure Agreement, the Trustee may (and, at the request of any underwriter, placement agent or remarketing agent for the Series 2004 Bonds or any Bondowner holding at least 25% aggregate principal amount of outstanding Bonds, shall), or any Bondowner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority or the Trustee, as the case may be, to comply with their obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Authority, or the Trustee to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

9. The Trustee is authorized to make such securities disclosures to the Bondowners as may be required hereunder including providing notices from the Authority pursuant to Paragraph 2 to the Bondowners. The Trustee is entitled to rely on the notices described in this Continuing Disclosure Agreement from the Authority in making or not making any securities disclosure. The Trustee shall have no liability to the Authority or any Bondowners or anyone else for any disclosure or nondisclosure which is undertaken in reliance on notices from the Authority.

10. The Trustee shall have any such duties as are specifically set forth herein. The Trustee (i) shall not be liable for any error of judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except for its own gross negligence or willful misconduct, (ii) shall not be obligated to take any legal action or other action hereunder which might in its judgment involve any expense or liability unless it has been furnished with indemnification satisfactory to it, and (iii) shall be entitled to consult with counsel satisfactory to it, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel. The Authority covenants and agrees to indemnify the Trustee and hold it harmless without limitation from and against any loss, liability or expense of any nature incurred by the Trustee arising out of or in connection with this Continuing Disclosure

Agreement except due to its own gross negligence or willful misconduct. In no event shall the Trustee be liable for indirect, special or consequential damages. This Paragraph 10 shall survive termination of this Continuing Disclosure Agreement.

Very truly yours,

MONROE COUNTY AIRPORT AUTHORITY

By: _____
Name: _____
Title: _____

The foregoing is agreed to:

JPMORGAN CHASE BANK, AS TRUSTEE

By: _____
Name: _____
Title: _____

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Authority: Monroe County Airport Authority
Name of Bond Issue: \$20,855,000 Greater Rochester
International Airport Revenue
Refunding Bonds, Series 2004
Date of Issuance: March 4, 2004

NOTICE IS HEREBY GIVEN that Monroe County Airport Authority (the "Authority") has not provided an Annual Report with respect to the above-named Series 2004 Bonds as required by the Continuing Disclosure Agreement dated March 4, 2004 between the Authority and JPMorgan Chase Bank, as Trustee.

JPMORGAN CHASE BANK, AS TRUSTEE

By: _____
Name: _____
Title: _____

cc: Monroe County Airport Authority





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