

**BOOK-ENTRY ONLY****RATING: Moody's: "A1"**  
See "MISCELLANEOUS -Rating" herein.

In the opinion of Gray & Pannell LLP, Bond Counsel, under existing law, and assuming compliance with the tax covenant described herein, interest on the Series 2011 Bonds is exempt from present State of Georgia income taxation and is excluded from gross income for federal income tax purposes, except for interest on any Series 2011B Bonds for any period during which such Series 2011B Bonds are held by a "substantial user" or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986 and the regulations thereunder. Interest on the Series 2011A Bonds will not be included as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2011B Bonds constitutes an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. See "LEGAL MATTERS -Federal Tax Matters" herein for a brief description of certain other possible federal tax consequences to certain recipients of interest on the Series 2011 Bonds.

**\$15,010,000**  
**City of Savannah, Georgia**  
**Airport Refunding Revenue Bonds**

**\$6,665,000**  
**Series 2011A**  
**(non-AMT)**

**\$8,345,000**  
**Series 2011B**  
**(AMT)**

Dated: Date of Issuance and Delivery

Due: January 1, in the years shown  
on the inside front cover hereof

The City of Savannah Airport Refunding Revenue Bonds, Series 2011A (the "**Series 2011A Bonds**") and the City of Savannah Airport Refunding Revenue Bonds, Series 2011B (the "**Series 2011B Bonds**") will be issued in registered form in the name of Cede and Co., as the nominee for The Depository Trust Company ("**DTC**"), New York, New York. Individual purchases of the Series 2011A Bonds and Series 2011B Bonds (collectively, the "**Series 2011 Bonds**") must be made in book-entry form only in authorized denominations of \$5,000 or any integral multiple thereof. Individual purchasers ("**Beneficial Owners**") of the Series 2011 Bonds will not receive physical delivery of the Series 2011 Bonds. Transfers of the Series 2011 Bonds will be effected through a book-entry system as described herein.

Interest on the Series 2011 Bonds will be payable on January 1 and July 1 of each year (each an "**Interest Payment Date**"), beginning January 1, 2012. So long as Cede and Co., or such other nominee as may be requested by an authorized representative of DTC, is the registered owner of the Series 2011 Bonds, disbursements of payments of principal of and interest on the Series 2011 Bonds to Cede and Co. is the responsibility of The Bank of New York Mellon Trust Company, N.A., Atlanta, Georgia, as Paying Agent; disbursements of such payments to DTC Participants is the responsibility of DTC; and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants as more fully described herein. See "THE SERIES 2011 BONDS -Book-Entry Only System of Delivery of the Series 2011 Bonds" herein.

The Bonds are not subject to redemption prior to maturity.

The maturities, principal amounts, interest rates, and yields are set forth on the inside front cover of this Official Statement.

The Series 2011 Bonds are being issued, together with other available funds, to (i) currently refund all of the outstanding City of Savannah Airport Revenue Bonds, Series 2001A Bonds and Series 2001B Bonds (the "**Series 2001A Bonds**," the "**Series 2001B Bonds**" and, collectively, the "**Series 2001 Bonds**"), (ii) fund a debt service reserve, and (iii) pay certain costs of issuance. The Series 2011 Bonds will be payable from and secured by a lien on Net Revenues derived by the City of Savannah (the "**City**") and the Savannah Airport Commission (the "**Commission**") from the operation of the Savannah/Hilton Head International Airport (the "**Airport**"). **The Series 2011 Bonds are limited obligations of the City and do not constitute and are not an obligation or indebtedness of the City, Chatham County, the State of Georgia or any political subdivision thereof within the meaning of any constitutional or statutory limitation or provision or a pledge of faith and credit of the City and the City is not obligated to levy taxes of any nature for the payment thereof. The properties forming a part of the Airport and certain monies as described in the Resolution (as defined herein) have not been pledged as security for the Series 2011 Bonds, and no mortgage or security interest has been granted or lien created thereon for the benefit of the holders of the Series 2011 Bonds.**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SERIES 2011 BONDS OR THE SECURITY THEREFOR. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2011 Bonds are offered when, as and if issued and accepted by the Underwriters subject to the approval of legality by Gray & Pannell LLP, Savannah, Georgia, and Charles W. Bell & Associates, P.C., Savannah, Georgia, Bond Counsel, and certain other conditions, including validation of the Series 2011 Bonds and the security therefor by the Superior Court of Chatham County, Georgia. Certain legal matters will be passed upon for the Underwriters by their counsel, Golden & Associates, P.C., Savannah, Georgia, and for the City and the Commission by James B. Blackburn, Esq., Savannah, Georgia. Gray & Pannell LLP, Savannah, Georgia, is serving as Disclosure Counsel. Robert W. Baird & Co., Atlanta, Georgia, and M. Johnson Consultants, LLC, Atlanta, Georgia, are serving as financial advisors. Delivery of the Series 2011 Bonds in definitive form is expected to be made through DTC on or about June 29, 2011.

**Siebert Brandford Shank & Co., L.L.C.****Morgan Keegan**

Official Statement Date: June 2, 2011.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES & YIELDS

\$6,665,000  
City of Savannah  
Airport Refunding Revenue Bonds, Series 2011A

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
2015	\$1,115,000	5.00%	2.02%	804821EW2
2016	2,705,000	5.00	2.26	804821EX0
2017	845,000	3.00	2.69	804821EZ5
2017	2,000,000	5.00	2.69	804821EY8

\$8,345,000  
City of Savannah  
Airport Refunding Revenue Bonds, Series 2011B

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
2012	\$2,275,000	1.50%	1.20%	804821FA9
2013	2,350,000	4.00	1.68	804821FB7
2014	2,445,000	4.00	2.23	804821FC5
2015	1,275,000	2.25	2.65	804821FD3

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<sup>†</sup> CUSIP numbers have been assigned to the Series 2011A Bonds and the Series 2011B Bonds by an organization not affiliated with the City. The City is not responsible for the selection or use of CUSIP numbers in this Official Statement nor is any representation being made as to their accuracy on the Series 2011A Bonds or the Series 2011B Bonds, or as indicated above. The CUSIP numbers are included herein solely for the convenience of the readers of this Official Statement.

**CITY OF SAVANNAH**  
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EDNA BRANCH JACKSON  
VAN R. JOHNSON, II  
CLIFTON JONES, JR.  
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LARRY STUBER  
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RICHARD M. EVANS, DIRECTOR OF FINANCE

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STEPHEN S. GREEN, VICE-CHAIRMAN  
SHIRLEY B. JAMES, COMMISSIONER  
SHELDON TENENBAUM, COMMISSIONER  
LOIS C. WOOTEN, COMMISSIONER

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**AIRPORT INDEPENDENT AUDITORS**

HANCOCK ASKEW & Co, LLP  
SAVANNAH, GEORGIA

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\* \* \* \* \*

No dealer, broker, salesman or other person has been authorized by the City, by Siebert Brandford Shank & Co., L.L.C. and Morgan Keegan and Company, Inc. (the “**Underwriters**”), or any other person to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Commission, the Underwriters, or any other person. Except where otherwise indicated, all information contained in this Official Statement has been provided by the City or the Commission. Sources other than the City and the Commission are believed to be reliable, but are not guaranteed as to accuracy or completeness by the City, the Commission, or the Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the City or the Commission or in any of the information set forth herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The Series 2011 Bonds have not been registered under the Securities Act of 1933, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## OFFICIAL STATEMENT

Relating to the

**\$15,010,000**  
**City of Savannah, Georgia**  
**Airport Refunding Revenue Bonds**

**\$6,665,000**  
**Series 2011A**  
**(non-AMT)**

**\$8,345,000**  
**Series 2011B**  
**(AMT)**

### INTRODUCTION

This Official Statement, including the cover page, inside front cover, and the Appendices hereto, of the Mayor and Aldermen of the City of Savannah, Georgia (the “**City**”) and the Savannah Airport Commission (the “**Commission**”) sets forth information concerning the City’s Airport Refunding Revenue Bonds, Series 2011A (the “**Series 2011A Bonds**”) and the City’s Airport Refunding Revenue Bonds, Series 2011B (the “**Series 2011B Bonds**” and collectively with the Series 2011A Bonds, the “**Series 2011 Bonds**”).

The information contained in this section entitled “INTRODUCTION” is a brief description of the terms of and security for the Series 2011 Bonds and does not purport to be comprehensive or definitive. A full review of the entire Official Statement, as well as the documents summarized or described herein, should be made. All undefined, capitalized terms used herein shall have the meaning ascribed to such terms in the Resolution unless the context requires otherwise. For more detailed information on the terms used herein, see “Appendix B: FORM OF THE RESOLUTION -Definitions.”

#### The City

The City is a municipal corporation of the State of Georgia, located in southeast Georgia and was created and is existing under the laws of the State of Georgia. The 2010 population estimate by the U.S. Census Bureau recorded the population of the City as 136,286. For more detailed information, see “THE CITY.”

#### The Commission

The Commission is a constitutional body corporate and politic and an operating agency of the City, established pursuant to the Constitution and laws of the State of Georgia. Its purpose is to administer the improvement, maintenance, and operation of municipally owned airports of the City. For more detailed information, see “THE COMMISSION.”

#### Purpose of the Series 2011 Bonds

The Series 2011 Bonds are being issued, together with other available funds, to (i) currently refund all of the outstanding City of Savannah Airport Revenue Bonds, Series 2001A and Series 2001B, (ii) fund a debt service reserve, and (iii) pay certain costs of issuance of the Series 2011 Bonds. For more detailed information, see “THE SERIES 2011 BONDS - Sources and Uses of Funds; -Refunding Program” herein.

#### Security and Sources of Payment for the Series 2011 Bonds

The Series 2011 Bonds will be payable from and secured by a lien on Net Revenues derived by the City and the Commission from the operation of the Savannah/Hilton Head International Airport (the “**Airport**”). The Series 2011 Bonds are limited obligations of the City and do not constitute and are not an obligation or indebtedness of the City, Chatham County, the State of Georgia or any political subdivision thereof within the meaning of any constitutional or statutory limitation or provision or a pledge of faith and credit of the City, and the City is not obligated to levy taxes of any nature for the payment thereof. The properties forming a part of the Airport and certain monies as described in the Resolution have not been pledged as security for the Series 2011 Bonds, and no mortgage or security interest has been granted or lien created thereon for the benefit of the holders of the Series 2011 Bonds. For more detailed information, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS” herein.

## **Description of the Series 2011 Bonds**

*Redemption.* The Bonds are not subject to redemption prior to maturity.

*Denominations.* Individual purchases of the Series 2011 Bonds may be made in book-entry form only in denominations of \$5,000 or any higher integral multiple thereof.

*Registration and Transfer.* The Series 2011 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2011 Bonds.

*Manner of Making Payment.* Interest on the Series 2011 Bonds is payable on January 1 and July 1 in each year (each an “**Interest Payment Date**”), commencing January 1, 2012. The Series 2011 Bonds bear interest at the rates per annum and mature in the amounts and at the times as set forth on the inside front cover page hereof.

So long as the Book-Entry System is in effect, principal of and interest on the Series 2011 Bonds are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC which, in turn, will remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners (as defined herein).

In the event the Book-Entry Only System is discontinued, the following provisions would apply. Interest will be payable on each Interest Payment Date by first class mail (or, if requested, by wire transfer, to the registered owner of Series 2011 Bonds in the minimum aggregate principal amount of \$1,000,000) at the address shown on the registration books maintained by the Registrar at the close of business on the 15th day of the month preceding each such Interest Payment Date (the “**Record Date**”), notwithstanding any registration or transfer of such Bond after such Record Date and before the Interest Payment Date. The principal of and premium, if any, on each Series 2011 Bond will be payable upon surrender thereof at the Principal Office of the Paying Agent, The Bank of New York Mellon Trust Company, N.A., Atlanta, Georgia.

For more detailed information on the Series 2011 Bonds, see “THE SERIES 2011 BONDS.”

## **Additional Bonds**

The City and the Commission may issue additional bonds on a parity with the lien of the Series 2011 Bonds on the Net Revenues of the Airport. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS -Additional Bonds” and “Appendix B: FORM OF THE RESOLUTION.”

## **Tax Status**

In the opinion of Gray & Pannell LLP, Bond Counsel, subject to the limitations and conditions described under “LEGAL MATTERS -Federal Tax Matters,” interest on the Series 2011 Bonds is exempt from present State of Georgia income taxation and is excluded from gross income for federal income tax purposes, except for interest on any Series 2011B Bonds for any period during which such Series 2011B Bonds are held by a “substantial user” or a “related person” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986 and the regulations thereunder. Interest on the Series 2011A Bonds will not be included as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2011B Bonds constitutes an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. See Appendix E for the proposed form of opinions of Gray & Pannell LLP, Bond Counsel, to be delivered in connection with the issuance of the Series 2011 Bonds.

## **Registrar and Paying Agent**

The Bank of New York Mellon Trust Company, N.A., Atlanta, Georgia, will act as Registrar and Paying Agent for the Series 2011 Bonds.

## **Professionals Involved in the Offering**

Certain legal matters pertaining to the City and the Commission and the authorization and issuance of the Series 2011 Bonds are subject to the approval of Gray & Pannell LLP, Savannah, Georgia, and Charles W. Bell & Associates, P.C., Savannah, Georgia, Bond Counsel. See Appendix E for the proposed forms of opinions of Gray & Pannell LLP, Bond Counsel, to be delivered in connection with the issuance of the Series 2011 Bonds. Certain legal matters will be passed upon by Gray & Pannell LLP, Savannah, Georgia, as Disclosure Counsel. Certain other legal matters will be passed upon for the City and the Commission by their counsel, James B. Blackburn, Esq., Savannah, Georgia and by Golden & Associates, P.C., Savannah, Georgia, as Underwriters' Counsel. The general purpose financial statements of the Commission as of December 31, 2010 and for the fiscal year then ended, included in Appendix A, have been audited by Hancock Askew & Co., LLP, Certified Public Accountants, Savannah, Georgia, to the extent and for the period indicated in their report thereon which appears in Appendix A hereto. Robert W. Baird & Co., Atlanta, Georgia, and M. Johnson Consultants, LLC, Atlanta, Georgia, are serving as Financial Advisors.

## **Terms of the Offering**

*Authority for Issuance.* The Series 2011 Bonds are to be issued under the authority of the Constitution of the State of Georgia, the general laws of the State of Georgia, in particular the Revenue Bond Law of the State of Georgia, codified at Official Code of Georgia Annotated (“**O.C.G.A.**”) § 36-82-60 through § 36-82-85 (the “**Revenue Bond Law**”), and the laws of the State of Georgia relating to the City and the Commission. The Series 2011 Bonds are being issued in accordance with the provisions of an Airport Revenue Bond Resolution of the City and the Commission adopted on September 6, 2001 (the “**Bond Resolution**”), as supplemented by a First Supplemental Airport Revenue Bond Resolution of the City and the Commission adopted on September 6, 2001 (the “**First Supplemental Resolution**”), as further supplemented by a Second Supplemental Airport Revenue Bond Resolution of the City and the Commission adopted on June 2, 2011 (the “**Second Supplemental Resolution**,” which, together with the Bond Resolution and the First Supplemental Resolution, are herein referred to together as the “**Resolution**”). With respect to contractual obligations imposed by the Resolution as described herein, the term “City” shall also include the Commission.

*Offering.* The Series 2011 Bonds are offered when, as, and if issued by the City and the Commission and accepted by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice, to approval of legality by Gray & Pannell LLP, Savannah, Georgia, Bond Counsel, and to validation by the Superior Court of Chatham County, Georgia.

*Delivery.* The Series 2011 Bonds in definitive form are expected to be delivered through DTC in New York, New York on or about June 29, 2011.

## **Continuing Disclosure**

The Commission will sign a Continuing Disclosure Certificate on the date of the sale of the Series 2011 Bonds, which will allow the Underwriters of the Series 2011 Bonds to comply with Securities and Exchange Commission Rule 15c2-12(b)(5). See “MISCELLANEOUS -Continuing Disclosure” and “Appendix D: FORM OF THE CONTINUING DISCLOSURE CERTIFICATE.” The Commission is in compliance with all outstanding continuing disclosure obligations.

## **Additional Information**

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Series 2011 Bonds, the City, the Commission, the Resolution, and the security and sources of payment for the Series 2011 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution or any other document or any constitutional provision or statute are intended as summaries only and are qualified in their entirety to the exact terms of such documents or constitutional provision or statute. The forms of the Bond Resolution and the Second Supplemental Resolution are attached hereto as Appendix B. Copies of the Resolution and other documents and information referred to herein are available upon request, prior to the delivery of the Series 2011 Bonds, from Robert W. Baird & Co., 3282 Northside Parkway, Suite 225, Atlanta, Georgia, 30327, contact: Dick Layton, telephone (404) 264-2230, email: dlayton@rwbaird.com, and after delivery of the Series 2011 Bonds upon payment to the City of a charge for copying, mailing, and handling from the Director of Finance, City of Savannah, P.O. Box 1027, Savannah, Georgia 31402, telephone (912) 651-6429.

## THE SERIES 2011 BONDS

### General Description

The Series 2011 Bonds, dated as of the date of issuance and delivery thereof, will bear interest at the rates per annum, calculated on the basis of a 360-day year consisting of twelve 30-day months, and mature on January 1 in the years and amounts, set forth on the inside front cover page hereof. Interest shall be payable on January 1 and July 1 of each year, beginning January 1, 2012.

### Book-Entry Only System of Delivery of Bonds

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2011 Bonds, in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011 Bond (a “**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 2011 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 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 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 the Series 2011 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 2011 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011 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 the Series 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 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 2011 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 the Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, the City or the Commission, 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 City or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2011 Bonds purchased or tendered, through its Participant, to Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011 Bonds, on DTC's records, to Paying Agent. The requirement for physical delivery of Series 2011 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

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

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

### **Redemption of Bonds**

The Bonds are not subject to redemption prior to maturity.

### **Validation of the Series 2011 Bonds**

As required by the Revenue Bond Law, the City and the Commission will cause proceedings to be instituted in the Superior Court of Chatham County, Georgia to validate the Series 2011 Bonds and the security therefor prior to the issuance and delivery thereof. Entry of the final judgment confirming and validating the Series 2011 Bonds and the security therefor is a condition to the issuance and sale of the Series 2011 Bonds.

## Sources and Uses of Funds

	<u>Series 2011A Bonds</u>	<u>Series 2011B Bonds</u>	<u>Total</u>
<u>Sources of Funds</u>			
Par Amount of Series 2011 Bonds	\$6,665,000.00	\$8,345,000.00	\$15,010,000.00
Net Original Issue Premium	675,940.30	172,007.30	847,947.60
Transfers from Accounts for Series 2001 Bonds and other Amounts Available to the City	<u>848,463.76</u>	<u>1,051,468.13</u>	<u>1,899,931.89</u>
Total Sources of Funds:	\$8,189,404.06	\$9,568,475.43	\$17,757,879.49
<u>Uses of Funds</u>			
Redemption and Payment of Series 2001 Bonds <sup>1</sup>	\$7,411,963.76	\$8,616,968.13	\$16,028,931.89
Deposit to Debt Service Reserve Fund	666,500.00	834,500.00	1,501,000.00
Costs of Issuance <sup>2</sup>	<u>110,940.30</u>	<u>117,007.30</u>	<u>227,947.60</u>
Total Uses of Funds:	\$8,189,404.06	\$9,568,475.43	\$17,757,879.49

<sup>1</sup> See "THE SERIES 2011 BONDS -Refunding Program."

<sup>2</sup> Includes fees of attorneys, accountants, and financial advisors, underwriters' discount and expenses, cost of printing, bond validation fees, rating agency fee, initial fee of Registrar and Paying Agent, and other miscellaneous fees and expenses.

## Refunding Program

*Series 2001A Bonds.* The City has heretofore issued and delivered, pursuant to the Bond Resolution and the First Supplemental Resolution (together, the "**Series 2001 Resolution**"), its City of Savannah Airport Revenue Refunding Bonds, Series 2001A, dated October 1, 2001, in the original, aggregate principal amount of \$7,425,000 (the "**Series 2001A Bonds**"), \$7,230,000 of which is presently outstanding and unpaid.

The Commission has determined that refunding the Series 2001A Bonds will result in debt service cost savings to the Commission; therefore, proceeds from the sale of the Series 2011A Bonds shall be deposited with the Series 2001 Registrar and Paying Agent, pursuant to the Escrow Deposit Agreement, in an amount which, together with the other amounts available to the Commission, shall be sufficient to pay on July 1, 2011, the principal of and accrued interest on all of the outstanding Series 2001A Bonds.

*Series 2001B Bonds.* The City has heretofore issued and delivered, pursuant to the Series 2001 Resolution, its City of Savannah Airport Revenue Refunding Bonds, Series 2001B, dated October 1, 2001, in the original, aggregate principal amount of \$24,830,000 (the "**Series 2001B Bonds**"), \$8,400,000 of which is presently outstanding and unpaid.

The Commission has determined that refunding the Series 2001B Bonds will result in debt service cost savings to the Commission; therefore, proceeds from the sale of the Series 2011B Bonds shall be deposited with the Series 2001 Registrar and Paying Agent, pursuant to the Escrow Deposit Agreement, in an amount which, together with the other amounts available to the Commission, shall be sufficient to pay on July 1, 2011, the principal of and accrued interest on all of the outstanding Series 2001B Bonds.

None of the moneys and investments deposited with the Series 2001 Registrar and Paying Agent for redemption of the Series 2001A Bonds and the Series 2001B Bonds (collectively, the "**Series 2001 Bonds**") will be available to pay the principal of and premium, if any, or interest on the Series 2011 Bonds, and the owners of the Series 2011 Bonds will have no claim to any of said amounts.

The City acknowledges and intends that, by virtue of the aforesaid deposits with the Series 2001 Registrar and Paying Agent, the Series 2001 Bonds will be deemed to have been paid and that, consequently, the rights granted to the Holders of the Series 2001 Bonds under the Series 2001 Resolution (except as specifically reserved in said document) will have been fully discharged and satisfied concurrently with the issuance and delivery of the Series 2011 Bonds. After giving effect to the refunding and defeasance of the Series 2001 Bonds, the only outstanding airport revenue bonds of the City secured by a first and prior pledge or lien on the Net Revenues of the Airport will be the Series 2011 Bonds.

## DEBT STRUCTURE OF THE AIRPORT

### Debt Service Schedule

The principal and interest payment requirements with respect to the Series 2011 Bonds are as follows:

Year	Series 2011A Bonds			Series 2011B Bonds			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2012		\$159,932.50	\$159,932.50	\$2,275,000	\$128,720.76	\$2,403,720.76	\$2,563,653.26
2013		316,350.00	316,350.00	2,350,000	220,487.50	2,570,487.50	2,886,837.50
2014		316,350.00	316,350.00	2,445,000	126,487.50	2,571,487.50	2,887,837.50
2015	\$1,115,000	316,350.00	1,431,350.00	1,275,000	28,687.50	1,303,687.50	2,735,037.50
2016	2,705,000	260,600.00	2,965,600.00	--	--	--	2,965,600.00
2017	<u>2,845,000</u>	<u>125,350.00</u>	<u>2,970,350.00</u>	--	--	--	<u>2,970,350.00</u>
Total:	\$6,665,000	\$1,494,932.50	\$8,159,932.50	\$8,345,000	\$504,383.26	\$8,849,383.26	\$17,009,315.76

### Passenger Facility Charges

On July 1, 1992, the Federal Aviation Administration (the “FAA”) authorized the Commission to impose a \$3.00 passenger facility charge (“PFC”) on each enplaning passenger. On January 3, 2001, the FAA increased this amount to authorize the Commission to impose a \$4.50 PFC on each enplaning passenger. These funds are restricted cash and must be used for airport planning and development projects approved by the FAA or for bond-associated debt service and financing costs incurred on that portion of a bond issued to carry out approved projects. Through the year ended December 31, 2000, the Commission accounted for PFCs as contributed capital. Effective January 1, 2001, the Commission adopted Governmental Accounting Standards Board (“GASB”) Statement No. 33, which requires governments to recognize capital contributions to proprietary funds as revenues, not contributed capital. The total amount, which includes the charges and interest earned, reflected as non-operating revenue during 2009 and 2010 was \$3,088,060 and \$2,717,454, respectively. Currently, PFCs pay 62.5% of the debt service on the Series 2001 Bonds. For further information on PFCs, see Note 1, Passenger Facility Charges, of the Commission’s financial statements, included as Appendix A to this Official Statement.

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## Debt Service Coverage Ratios

*Historical Debt Service Coverage.* Set forth below are the Airport's historical debt service coverage ratios of Net Revenues to debt service on its Series 2001 Bonds for the past five fiscal years. For further information on Net Revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS -Pledge of Net Revenues."

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$19,391,213	\$22,101,175	\$24,310,518	\$22,599,982	\$22,188,184
Interest Revenues	<u>2,263,045</u>	<u>1,275,478</u>	<u>781,817</u>	<u>890,682</u>	<u>866,356</u>
Gross Income	\$21,654,258	\$23,376,653	\$25,092,335	\$23,490,664	\$23,054,540
Operating and Maintenance Expenses	(12,601,935)	(15,480,458)	(16,454,231)	(15,742,600)	(16,157,761)
Net Revenues	\$9,052,323	\$7,896,195	\$8,638,104	\$7,748,064	\$6,896,779
Debt Service on Series 2001 Bonds <sup>1</sup>	\$3,056,841	\$3,053,766	\$3,052,623	\$3,055,643	\$3,058,999
Debt Service Coverage Ratio	2.96x	2.59x	2.83x	2.54x	2.25x

<sup>1</sup> Source: Airport Management.

*Historical Debt Service Coverage Adjusted by Application of PFC Receipts.* The FAA authorizes the Commission to impose PFCs on each enplaning passenger. PFCs may be used, among other things, for improvements to the Airport or retirement of debt of the Commission. Although PFCs are excluded from the definition of Gross Income, historically the Airport has applied a portion of its PFCs to the payment of debt service on its Series 2001 Bonds. The Commission intends to continue this practice with respect to the Series 2011 Bonds; however, such practice does not obligate the Commission to continue to apply PFC receipts to debt service in the future. Set forth below are the Airport's historical debt service coverage ratios of Net Revenues adjusted for PFCs actually applied to debt service on the Series 2001 Bonds for the past five fiscal years.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$19,391,213	\$22,101,175	\$24,310,518	\$22,599,982	\$22,188,184
Interest Revenues	<u>2,263,045</u>	<u>1,275,478</u>	<u>781,817</u>	<u>890,682</u>	<u>866,356</u>
Gross Income	\$21,654,258	\$23,376,653	\$25,092,335	\$23,490,664	\$23,054,540
Operating and Maintenance Expenses	(12,601,935)	(15,480,458)	(16,454,231)	(15,742,600)	(16,157,761)
Net Revenues	\$9,052,323	\$7,896,195	\$8,638,104	\$7,748,064	\$6,896,779
PFCs Applied to Debt Service <sup>1</sup>	<u>\$1,910,526</u>	<u>\$1,908,604</u>	<u>\$1,907,889</u>	<u>\$1,909,777</u>	<u>\$1,911,874</u>
Total:	\$10,962,849	\$9,804,799	\$10,545,993	\$9,657,841	\$8,808,653
Debt Service on Series 2001 Bonds <sup>2</sup>	\$3,056,841	\$3,053,766	\$3,052,623	\$3,055,643	\$3,058,999
Debt Service Coverage Ratio	3.59x	3.21x	3.45x	3.16x	2.88x

<sup>1</sup> PFCs pay for 62.5% of the debt service on the Series 2001 Bonds.

<sup>2</sup> Source: Airport Management.

The financial information presented above, which is based upon historical financial results, should not be considered to represent future results that may be obtained by the Airport. Although Airport management believes that future financial results will be comparable to those set forth above, certain of the assumptions that management is presently relying upon may not materialize, and unanticipated events and circumstances may occur that may adversely affect such results.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS

### Pledge of Net Revenues

The Series 2011 Bonds will be payable from and secured by a first and prior pledge of and lien on Net Revenues derived by the City, including the Commission, from the ownership and operation of the Airport. The Net Revenues so pledged shall immediately be subject to such pledge and lien without any physical delivery thereof or further act, and such pledge or lien shall be valid and binding against the City. The lien created on the Net Revenues of the Airport by the Resolution to secure payment of the Series 2011 Bonds and any additional parity bonds hereafter issued shall be prior and superior to any pledge or lien that may be created hereafter to secure any obligations having as their security a lien on the Net Revenues of the Airport. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS -Rate Covenant" and "Appendix B: FORM OF THE RESOLUTION -Funds and Accounts."

Net Revenues of the Airport represent Gross Income less Operation and Maintenance Expenses.

*Gross Income.* Subject to certain exclusions, Gross Income is generally defined under the Resolution to include the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Commission in connection with the Airport, including all rates, charges, rentals, fees and any other compensation, investment income earned by the Commission on moneys held in certain funds or accounts established under the Resolution, and those amounts on deposit in (a) the General Fund, which are transferred or credited by the Commission to the Revenue Fund pursuant to the Resolution, except as provided in the Resolution to the contrary, or (b) the Debt Service Reserve Fund consisting of excess amounts on deposit therein which do not otherwise constitute Gross Income. Among other exclusions, Gross Income does not include the proceeds of any PFCs or analogous charge or fee received by the Commission. In addition, certain revenues may be excluded from Gross Income and become "Released Revenues" upon compliance with certain requirements set forth in the Resolution. For a complete definition of Gross Income and Released Revenues, see "Appendix B: FORM OF THE RESOLUTION -Definitions." The major portion of the Gross Income is derived from the following sources:

- Airline Revenues. The Commission has entered into certain airport use and lease agreements (the "**Primary Agreements**") with five primary airline carriers: American Eagle Airlines, Continental Airlines, Delta Airlines, US Airways and United Airlines (collectively, the "**Primary Airlines**"). See Appendix C: FORM OF THE PRIMARY AGREEMENTS. The Primary Agreements provide for a passenger terminal building rental for space leased in the Terminal, fuel farm fees, fuel flow fees, usage charges, apron fees and for landing fee payments. For the fiscal year ended December 31, 2010, payments made pursuant to the Primary Agreements constituted approximately 35.7% of total Airport income.

- Concession Revenues. Concession revenues are derived from, among other sources, (1) restaurant services (including in-flight meals) and gift shops which are currently under contract to Host, Incorporated and Paradies Shops, (2) automobile rentals, which are under concession leases to various car rental firms, (3) automobile parking, (4) display advertising, and (5) telephones and vending. For the fiscal year ended December 31, 2010, concession revenues constituted approximately 44.4% of total Airport income.

- General Aviation Revenues and Other Sources. Additionally, the Commission derives revenues from other Airport land and buildings, including two fixed base operators, fourteen hotels, two restaurants, an 18 hole golf course and a trailer park. The Commission also receives revenues for utilities, custodial services, and other management services provided in Airport buildings. The Commission derives other revenues from the leasing of land or buildings to various industrial users and investment of Commission funds. For the fiscal year ended December 31, 2010, amounts from all such general aviation and other sources constituted approximately 19.9% of total Airport income, a substantial part of the Commission's overall income when compared to other airports.

*Operation and Maintenance Expenses.* Operation and Maintenance Expenses are defined generally under the Resolution to include all reasonable and necessary expenses paid or accrued in administering, operating, maintaining, and repairing the Airport. The major portion of the Operation and Maintenance Expenses includes expenses for personnel, contractual service, materials, and supplies and product sales. For purposes of calculating debt service coverage, Operation and Maintenance Expenses do not include, among other things, depreciation and bond interest and amortization. For a historical summary of Gross Income and Operation and Maintenance Expenses, and Airport Management's discussion thereof, see "FINANCIAL INFORMATION CONCERNING THE AIRPORT -Summary of Five Year Operating History" herein.

## **Debt Service Reserve**

Payment of principal of and interest on the Series 2011 Bonds will also be secured by monies held in the Debt Service Reserve Account, 2011, which the Commission shall establish for the Series 2011 Bonds. Concurrently with the issuance and delivery of the Series 2011 Bonds, the Commission shall deposit from available cash to the Debt Service Reserve Account, 2011, the Debt Service Reserve Fund Requirement for the Series 2011 Bonds. The Debt Service Reserve Fund Requirement is defined in the Second Supplemental Resolution and means, with respect to the Series 2011 Bonds, an amount equal to the lesser of (i) Combined Maximum Annual Debt Service, (ii) 125% of average annual Combined Debt Service or (iii) 10% of the original principal amount of the Series 2011 Bonds.

## **Limited Obligations**

The Series 2011 Bonds are limited obligations of the City. The principal of and redemption premium, if any, and interest on the Series 2011 Bonds are not payable from nor are a charge upon any funds of the City other than the Net Revenues of the Airport. The Series 2011 Bonds do not constitute and are not an obligation or indebtedness of the City, Chatham County, the State of Georgia or any political subdivision thereof within the meaning of any constitutional or statutory limitation or provision of a pledge of the faith and credit of the City and the City is not obligated to levy taxes of any nature for the payment thereof. The properties forming a part of the Airport and certain moneys as described in the Resolution have not been pledged as security for the Series 2011 Bonds, and no mortgage or security interest has been granted or lien created thereon for the benefit of the holders of the Series 2011 Bonds.

## **Rate Covenant**

The City has covenanted in the Resolution that it will impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of, and facilities and commodities furnished by, the Airport, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport shall be and always remain financially self-sufficient and self-sustaining. Amounts to be collected are required to be such as will produce Gross Income at least sufficient (i) to pay principal of, premium, if any, and interest on the Bonds, including the Series 2011 Bonds, (ii) to pay Operation and Maintenance Expenses, and (iii) to carry out all provisions and covenants of the Resolution. Without limiting the foregoing, the City has covenanted that at all times and in any and all circumstances, such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected so as to yield Net Revenues with respect to the immediately ensuing fiscal year in an amount at least equal to 125% of Debt Service in such fiscal year on all Bonds outstanding, plus any annual payment on an Interest Rate Swap Agreement which is not related to the Bonds.

The failure to comply with the covenant in the preceding paragraph shall not constitute an Event of Default under the Resolution if the City shall promptly (i) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport in order to provide funds for all the payments and other requirements as specified in the preceding paragraph; (ii) consider the recommendations of the Airport Consultant; and (iii) take such action as the City, in its discretion, may deem necessary to comply with the preceding paragraph.

## **Additional Bonds**

The City and the Commission may issue additional bonds ranking as to the charge or lien on the Net Revenues of the Airport on a parity with the Series 2011 Bonds provided certain conditions are met. For information on the conditions that must be met for parity bonds to be issued, see "Appendix B: FORM OF THE RESOLUTION -Additional Obligations of the City."

## **Investment of Moneys**

Moneys in the Operation and Maintenance Fund, the Debt Service Fund, the Renewal and Replacement Fund, and the General Fund shall be invested and reinvested by the Commission to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the Commission so that the payments required to be made from such Fund may be made when due. Moneys on credit to the Debt Service Reserve Fund shall be invested in Investment Securities so as to mature by no later than the earlier of six months from the date of investment or the final maturity date of all Bonds then Outstanding. All Investment Securities shall constitute a part of the respective Fund (other than the Construction Fund) and Account therein from which the investment in Investment Securities was made. See "Appendix B: FORM OF THE RESOLUTION -Investments.

## THE CITY

### General

The City of Savannah is the county seat of Chatham County and is located in southeast Georgia at the mouth of the Savannah River, 22 miles inland from the Atlantic Ocean. The City is approximately 250 miles southeast of Atlanta, and serves as the retail trade, distribution, manufacturing, medical and financial center for coastal Georgia and portions of South Carolina. The City is also the center of the Savannah Metropolitan Statistical Area (“**Savannah MSA**”).

### Government Format and Principal Officials

*Mayor and Aldermen.* The City is a municipal corporation organized pursuant to the laws of the State of Georgia. It has operated under the Council-Manager form of government since 1953. The legislative powers are vested in a governing body composed of the Mayor and eight Aldermen. The Mayor and Aldermen, the City’s only elected officials, are elected to four-year concurrent terms. The Mayor is a full voting member of City Council and is directly elected on a city-wide basis. Two Aldermen are elected at-large on a city-wide basis and the remaining six aldermen are elected by district. Information about the present Mayor and Aldermen is as follows:

<u>Name</u>	<u>Position</u>	<u>Occupation</u>	<u>Term Expiration</u>
Otis S. Johnson, Ph.D.	Mayor	Retired Dean of Savannah State University	December 31, 2011
Edna Branch Jackson	Mayor Pro Tem	Retired Savannah State University Employee	December 31, 2011
Tony Thomas	Chairman	Self-employed	December 31, 2011
Van R. Johnson, II	Vice Chairman	Training Manager for Chatham County	December 31, 2011
Jeff Felser	Alderman	Attorney	December 31, 2011
Clifton Jones, Jr.	Alderman	Retired Postal Service Employee	December 31, 2011
Mary Osborne	Alderman	Retired Nurse	December 31, 2011
Mary Ellen Sprague	Alderman	Public Accountant	December 31, 2011
Larry Stuber	Alderman	Retired Founder/CEO of EMC Engineering	December 31, 2011

*City Manager.* The Mayor and Aldermen appoint the City Manager, who is chosen on the basis of executive and administrative qualifications. As its Chief Executive Officer, the City Manager has general supervisory and administrative responsibility for all departments and personnel of the City and is responsible to the Mayor and Aldermen for the proper administration of the City’s affairs. The City Manager, Rochelle Small-Toney, served as acting City Manager from May 4, 2010, until her formal appointment as City Manager on March 24, 2011. Ms. Small-Toney has 27 years of public administration experience in a Council-Manager form of government. Prior to becoming City Manager, Ms. Small-Toney served as assistant city manager for the City of Savannah, the City of Charlottesville, Virginia and the City of Danville, Virginia. Ms. Small-Toney received a Bachelor of Arts degree and a Master of Public Administration degree from The University of North Carolina at Chapel Hill in 1978 and 1981, respectively.

*Director of Finance.* Richard M. Evans has been Director of Finance for the City since 1982. Prior to joining the City, Mr. Evans was an assistant town manager of Upper St. Clair, Pennsylvania from 1976 to 1982, and an accounting and finance officer in the US Air Force from 1974 to 1976. Mr. Evans received a Bachelor of Science degree from Allegheny College, Meadville, Pennsylvania in 1972 and a Master of Science degree from Carnegie-Mellon University, Pittsburgh, Pennsylvania in 1974.

### Population

In 1970 and 1980, Chatham and Effingham Counties comprised the Savannah MSA. In 1993, Bryan County was added to the Savannah MSA. The City’s population, together with the population trends for the Savannah MSA counties are shown in the table below:

	<u>Savannah</u>	<u>Savannah MSA</u>			<u>Total</u>
		<u>Chatham</u>	<u>Effingham</u>	<u>Bryan</u>	
1970	118,349	187,816	13,632	6,539	207,987
1980	141,634	197,388	18,221	10,175	225,784
1990	137,560	216,935	25,687	15,438	258,060
2000	131,510	232,347	37,535	23,417	293,299
2010	136,286	265,128	52,250	30,233	347,611

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

In 1970, the City’s population amounted to 63.0% of Chatham County’s population and 56.9% of the total Savannah MSA population. In 1980, the City’s population amounted to 71.8% of Chatham County’s population and 62.7% of the Savannah MSA population. In 1990, the City’s population amounted to 63.4%

of Chatham County's population and 53.3% of the Savannah MSA population. In 2000, the City's population amounted to 56.6% of Chatham County's population and 44.8% of the Savannah MSA population. In 2010, the City's population amounted to 51.4% of Chatham County's population and 39.2% of the Savannah MSA population.

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## THE COMMISSION

### Organization and Principal Officials

The Airport is operated by the Commission, a constitutional body corporate and politic, operating as a stand-alone enterprise fund. The Commission is not a component unit of the City of Savannah and has no component units of its own. The Mayor and Alderman of the City of Savannah appoint five Commissioners to serve staggered five year terms. Members of the Commission elect a chairman, vice-chairman, and secretary.

Information about the present members of the Commission is as follows:

<u>Name</u>	<u>Position</u>	<u>Employer</u>	<u>Term Expiration</u>
Sylvester C. Formey	Chairman	Vanguard Distributers	March 31, 2014
Stephen S. Green	Vice-Chairman	Stephen Green Properties	March 31, 2012
Shirley B. James	Commissioner	The Savannah Tribune	March 31, 2015
Sheldon Tenenbaum	Commissioner	Chatham Steel Corporation	March 31, 2013
Lois C. Wooten	Commissioner	Self Employed	March 31, 2016

The Commission is charged with the administration of the improvement, maintenance, and operation of municipally owned airports of the City. The Commission is authorized to enter into contracts for the rental of buildings, land, office space, equipment, and any other property now owned by the City located at or on airport property, to adopt rules and regulations for the operation of the Commission and City airports, to receive all revenues from the sale or lease of any properties used in connection with any City airport rentals, fees, grants and contributions and to make payment out of such funds for all necessary expenses, salaries, improvements, to hire and discharge all employees necessary to fill the duties of said Commission and to fix salaries and compensation, and to have exclusive control, custody and direction of all lands, properties and improvements fixed in them by the Acts of the General Assembly and to have general direction of the same.

The Commission has the right to acquire, own, lease, and to hold title in its own name to all lands and improvements for airport purposes, and to convey, sell and lease lands and improvements acquired by the Commission. All right, title, equity and interest to all lands and improvements now used or which may hereafter be used or acquired, whether within or without the corporate limits of the City, are vested in the Commission. All sales or conveyances or agreements for the lease, grant or sale of any of the properties acquired for airport purposes and all agreements or contracts for the expenditure of any sums in excess of one thousand dollars for any single project or purchase or undertaking are subject to the approval of the City.

*Executive Director.* Patrick S. Graham was appointed executive director of the Commission in 1992. Prior to serving as executive director Mr. Graham had served in various positions with the Commission for eight years. Mr. Graham is also a licensed certified public accountant, an accredited airport executive, and an instrument rated private pilot. Mr. Graham received his B.A. degree in business administration from Armstrong State College in 1977 and a M.A. in business administration from Central Michigan University in 1983.

*Assistant Executive Director.* Greg B. Kelly has been employed by the Commission since August 1989. Mr. Kelly is currently the Assistant Executive Director at the Airport. He presently serves on the Board of Directors and Planning Committee for the Southeast Chapter of the American Association of Airport Executives and the Small Airports Committee for Airports Council International. Mr. Kelly is currently on the Georgia Airports Association (GAA) Board of Directors, where he served as a past president and was a recipient of the GAA Presidents Award. Mr. Kelly is a primary coordinator for the Southeast Airports Disaster Operations Group (SEADOG). He serves on the Board of Directors for the Savannah Area Tourism Leadership Council. Mr. Kelly is a past president of the Savannah Aviation Association and a recipient of the Savannah Community STAR award. Mr. Kelly is an accredited airport executive and a private pilot. Mr. Kelly is a 1985 graduate of the University of Florida.

*Director of Administration & Finance.* John F. Rauback was appointed Director of Administration and Finance in July 2008. Prior to serving as Director of Administration and Finance for the Commission, Mr. Rauback was the Chief Financial Officer (“CFO”) for Savannah Air Center, a completion/refurbishment center for Gulfstream & Bombardier Jets. Mr. Rauback has over seven years experience in the aviation field. Prior to his career in aviation, Mr. Rauback worked for fifteen years in the Consulting/Engineering field as an accounting manager, controller and CFO with several medium and large firms, with clients such as BP/Amoco, Texaco, The Florida Department of Transportation and the Environmental Protection Agency. Mr. Rauback has a MBA and BSBA in Accounting from the University of Central Florida, Orlando, Florida, and an AA, with a concentration in Engineering, from the University of Florida, Gainesville, Florida.

## Pension and OPEB Matters

Permanent Employees of the Commission participate in the City of Savannah Employees' Retirement Plan (the "Plan"). The Plan is administered by a pension board pursuant to the ordinance of the City, and is included as a pension trust fund in the financial statements of the City. The Mayor and Aldermen of the City have the authority to establish and amend pension plan provisions. A stand-alone financial report is not issued for the Plan. Plan members are required to contribute 6.65% of their annual covered salary, and the Commission contributes such additional amounts as are necessary, based on actuarial valuations, to provide the Plan with assets sufficient to meet future benefits payable to Plan members. For 2010, the Commission's required contribution was \$465,257, and the Commission's annual pension costs for the Plan was equal to the Commission's required actual contributions. The required contribution was determined as part of the January 1, 2009, actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included a 7.75% invested rate of return (net of investment and administrative expenses). The actuarial assumptions also include future salary increases ranging from 4.67% to 6.36% depending on age. These salary increases include an allowance for inflation of 3.75% per year. Cost of living increases were 5.00% at participant's adjustment date and 1.00% annual thereafter. The Plan's policy is to amortize the unfunded actuarial accrued liability over 30 years as a level percentage of payroll costs on a closed basis. The remaining amortization period at December 31, 2010 was 23 years. The table below sets forth the three year trend for the Commission's participation in the Plan:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of Annual APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2008	\$400,056	100%	--
December 31, 2009	\$482,160	100%	--
December 31, 2010	\$465,257	100%	--

In the last available actuarial valuation for the Plan, which was dated as of January 1, 2010, the Actuarial Accrued Liability ("AAL") assigned to the Commission was \$13,007,722, and the Actuarial Value of Assets assigned to the Commission was \$10,041,628, leaving an Unfunded Actuarial Accrued Liability of \$2,966,094.

The Commission participates in the City's agent multiple-employer defined benefit for the other post employment benefits plan ("OPEB"), which provides medical and life insurance benefits to its retirees. Membership in OPEB is voluntary. For the fiscal year ended December 31, 2010, the Commission's annual OPEB cost was \$1,025,003, which was made up exclusively of the annual required contribution ("ARC"). The dollar amount contributed by the Commission toward the OPEB cost was \$121,702. As of December 31, 2010, the Commission had a net OPEB obligation of \$2,406,126, the components of which are disclosed as follows:

Annual Required Contribution	\$1,025,003
Less Contributions Made by Commission	(121,702)
Net Increase in net OPEB obligation	903,301
<u>Net OPEB obligation beginning of year</u>	<u>1,502,825</u>
Net OPEB obligation end of year	2,406,126

The Commission's annual OPEB costs, the percentage of annual OPEB cost contributed to OPEB and the net OPEB obligation for 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2010	\$1,025,003	11.87%	\$2,406,126

As of the Commission's most recent OPEB actuarial valuation, dated December 31, 2007, the actuarial accrued liability for benefits was \$6,320,226, all of which was unfunded. As of the valuation date, OPEB had no assets; therefore, the actuarial value of assets was zero. Other information about the funded status of OPEB is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Total Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>
December 31, 2007	-0-	\$6,320,266	\$6,320,266	0.0%

## THE AIRPORT

### General Description

The Airport is located on a 3,638 acre site located eight miles northwest of the City's business district and consists of two major runways; the east-west runway measuring 9,351 feet x 150 feet and the north-south runway measuring 7,002 feet x 150 feet. Navigation aids include the control tower with radar approach control, instrument landing systems available for runways 1 and 10, and a RNP approach available for runway 28. The runway system accommodates all types of aircraft. A national weather service with radar is located on the Airport. U.S. Customs and Border Protection Services are available in a new 3,394 square foot facility constructed in 2009 at the Airport Business Center. General aviation activities and the 165th Tactical Airlift Unit utilizing C-130 transport aircraft and the Combat Ready Training Center of the Georgia Air National Guard are also situated on the Airport. Terminal operations are conducted at a 352,641 square foot building, which includes the terminal expansion from 2007 (the main facility was constructed in 1994 on the northwest side of the Airport site). The Terminal has a total of fifteen gates with loading bridges for aircraft and can be expanded to 44 gates. The Airport currently has 8 of 15 gates in use to service a total of 22 airlines. The Terminal currently houses 16 concessionaires.

The Airport currently has service from five Primary Airlines: Delta Air Lines, US Airways, United Airlines, Continental Airlines, and American Eagle Airlines. These carriers, along with Allegiant Air, provide non-stop service to 13 destinations. Federal Express, Air Cargo Carriers, Martinaire Aviation, Ram Air Freight and Suburban Air provide air cargo services at the Airport. The Airport currently accommodates 7 rental car agencies on the property and 63 taxi/limousine companies service the Airport.

In April 2009, SheltAir Aviation Services opened as a Fixed Base Operator ("FBO"), offering fueling and general aviation services. The Airport now has two FBOs serving general aviation enthusiasts.

In May 2009, the Airport assumed full management duties associated with the day-to-day operations of the Airport's public parking facilities, which includes approximately 3,954 parking spaces. The Airport had previously outsourced these management duties for the past 40 years.

In November 2009, Gulfstream Aerospace's G650 completed its first flight at the Airport and is on schedule for type certification by 2011 and entry into service in 2012.

In December 2009, G-Force Technologies ("GFT"), a division of Goodwill Industries of the Coastal Empire, Inc., leased 21,321 square feet of office space at the Airport Business Center for a partnership with Gulfstream. GFT will produce and install thermal and acoustic insulation for the G400 and G500 series aircraft.

In the first of calendar year 2010, at the I-95 interchange at Airways Avenue, the Airport completed a new 3,978 square foot Wendy's restaurant. This is the first full service fast food restaurant on the Airport property outside of the terminal building.

In March 2010, the Commission started construction of the South Rental Car Canopies, which will offer additional parking spaces to the rental car companies doing business on Airport property. The total estimated cost is \$1,557,270. At the end of 2010, this project was not yet completed and only \$1,422,689 had been spent. The project is funded 100% by the rental car companies customer facility charges (CFC).

### Primary Airline Agreements

In 2010, the Commission and the airlines negotiated and implemented new airline agreements known as the Primary Agreements. The Primary Agreements replaced "Signatory" airlines with "Primary" airlines. In past years, the Airport-Airline Operating Agreements executed between the airlines and the Commission included a majority-in-interest ("MII") provision, allowing airlines to approve or disapprove certain capital projects. Airline rates and charges were calculated with a residual rate-making methodology for the airfield (landing fee calculation) and a hybrid residual rental rate methodology for the terminal and apron (rental rate calculation). The Primary Agreements eradicated the MII provision and instead structured new, five-year agreements with the Primary Airlines based on a fixed monthly rate and pre-established annual adjustments. In addition, new financial controls were added to the Primary Agreements requiring that the Primary Airlines be responsible for any and all charges incurred by their respective affiliate airlines. In addition, with the enplanements for fiscal year 2009 as the base, if the total annual enplanements at any time during the contract term of the Primary Agreements increase or decrease by 25% or more, either the Primary Airlines or the Airport may request a renegotiation of the rates. The Airport has experienced no material adverse effect in

operations by replacing the “Signatory” airline agreements with the Primary Agreements. For more information on Primary Agreements see “Appendix C: FORM OF THE PRIMARY AGREEMENTS.”

A comparison of actual rates and charges for primary and affiliated airlines for the past three years follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Landing Fees (per 1,000 lbs. Maximum Gross Landing Weight)	\$1.65 Jan-July \$1.80 Aug-Dec	\$1.99 Jan-June \$2.50 July-Dec	\$2.20 Jan-Dec
Terminal Rental Rates (per square foot)	\$35.00 Jan-July \$40.00 Aug-Dec	\$44.89 Jan-June \$48.00 July-Dec	\$48.50 Jan-Dec
Apron Rental Fee	\$7,000.00 Jan-July \$10,000.00 Aug-Dec	\$5,161.00 Jan-Dec	\$6,500.00 Jan-Dec
Fuel Flow Fee	\$0.025	\$0.025	\$0.025

The agreed upon fixed annual rates and charges for Primary and Affiliate airlines pursuant to the newly executed Primary Agreements are as follows:

<u>Airline Rates</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Terminal Rental Rates	\$48.50	\$49.50	\$50.50	\$51.50	\$52.50
Landing Fee	2.20	2.30	2.40	2.50	2.60
Apron Fee	6,500	6,500	6,500	6,500	6,500
Fuel Flow Fee	0.025	0.025	0.025	0.025	0.025

### **Future Capital Improvements**

Additionally, in anticipation of future growth, the Savannah Airport Commission began preparing for Gulfstream’s new expansion on Airport property, which is anticipated to begin in 2013. A contract lease agreement was executed between the Commission and Gulfstream for Gulfstream to lease up to 159.062 acres of land in the north quadrant to be used for aviation development. The initial term of the lease will be 45 years with one 5-year option thereafter. The Airport has been preparing, via planning and completing an environmental assessment, traffic survey, water drainage update, and designs to the Airport’s North Aviation Development (“**NAD**”) plans north of terminal. These projects will relocate Gulfstream Road, extend T/WA, construct a new taxiway H, and construct a new electrical vault, all of which are estimated to be completed by December 31, 2012. Gulfstream’s seven year expansion is estimated to cost approximately \$500 million and to create an estimated 1,000 new jobs in the Savannah area. Gulfstream has already begun hiring for the expansion with training support that includes the State of Georgia’s commitment of Quick Start program resources to assist in building necessary job skills. This expansion on Airport property will mean an increase of more than 15.0% in employment from Gulfstream’s current Savannah employment level of 5,500 people. Total estimated costs of these projects to be paid by the Commission will be approximately \$28,659,640, which will be funded by Airport Improvement Program (“**AIP**”) grants, PFCs, the Georgia Department of Transportation and any discretionary funds available by the FAA.

### **Future Impacts**

In calendar year 2010, the Airport experienced a stable year, with insignificant economic growth in passenger traffic that was in line with the national trend by airlines, especially at smaller airports. Enplanements were up 1.77% versus 2009; however, the Airport’s 2011 projection for passenger traffic has only slightly increased compared to 2010. Due to Allegiant Air’s two weekly nonstop flights to Fort Lauderdale that began in late 2010 and Vision Air’s three weekly nonstop flights to Destin, Florida in March 2011, the Airport’s nonstop destinations have increased to fourteen and the Airport now operates in eleven markets. Furthermore, in April 2011, all of the Airports current airlines have added flights and increased the number of available seats. Based on the Airport’s consistent load factor of 70% or greater, this will equate to a minimum increase of at least 3% in enplanements; however, the increased fuel prices resulting from the unrest in the Middle East could have a negative impact on the 2011 year end results.

## AIR TRADE AREA

### General Description

The Airport's primary air trade area (the "**Primary Air Trade Area**") consists of the Savannah MSA and Beaufort County, South Carolina and accounts for approximately 93.0% of the Airport's origin-destination passenger traffic. The Savannah MSA, as defined by the federal government's Office of Management and Budget consists of the Georgia counties of Chatham, Effingham, and Bryan. The Airport's total trade area is a 19-county area encompassing approximately 8,863 land area square miles which includes 16 counties in Georgia (Appling, Bryan, Bulloch, Candler, Chatham, Effingham, Evans, Jeff Davis, Liberty, Long, McIntosh, Montgomery, Screven, Tattnall, Toombs, and Wayne), and three counties in South Carolina (Beaufort, Hampton, and Jasper).

### Demographic Characteristics

*Population.* The following table sets forth the population, including percentage of annual increase, in the Primary Air Trade Area, the State of Georgia, the State of South Carolina, and the United States.

Year	Primary Air Trade Area	% Change	Georgia	% Change	South Carolina	% Change	United States	% Change
1960	248,856	-	3,943,116	-	2,382,594	-	179,323,175	-
1970	259,123	4.1%	4,589,575	16.4%	2,590,516	8.7%	203,211,926	13.3%
1980	291,148	12.4	5,462,982	19.0	3,121,820	20.5	226,505,000	11.5
1990	344,485	18.3	6,478,149	18.6	3,486,703	11.7	248,710,000	9.8
2000	413,937	20.2	8,186,453	26.4	4,012,012	15.1	281,421,906	13.2
2010	509,844	23.2	9,687,653	18.3	4,625,364	15.3	308,745,538	9.7

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

*Civilian Employment Statistics of Primary Air Trade Area.* Employment includes nonagricultural wage and salary employment, self-employed, unpaid family and private household workers, and agricultural workers. Persons in labor disputes are counted as employed. The use of rounded data does not imply that the numbers are exact.

	2006	2007	2008	2009	2010
Employment	225,044	233,504	230,193	221,159	216,815
Unemployment	9,607	9,712	13,177	20,108	21,269
Total Labor Force	<u>234,651</u>	<u>243,216</u>	<u>243,370</u>	<u>241,267</u>	<u>238,084</u>
Primary Air Trade Area Unemployment Rate	4.1%	4.0%	5.4%	8.3%	8.9%
Georgia Unemployment Rate	4.6%	4.6%	6.2%	9.6%	10.2%
South Carolina Unemployment Rate	6.4%	5.9%	6.9%	11.3%	11.2%
U.S. Unemployment Rate	4.6%	4.6%	5.8%	9.3%	9.6%

Sources: State of Georgia, Department of Labor, Labor Information Systems; State of South Carolina, Employment Security Commission, Labor Market Information.

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*Per Capita Personal Income.* The following table sets forth the per capita personal income in the Primary Air Trade Area, the State of Georgia, the State of South Carolina, and the United States for the years 2004 – 2008. Information for 2009 and 2010 is not yet available.

<u>Year</u>	<u>Primary Air Trade Area</u>	<u>Georgia</u>	<u>South Carolina</u>	<u>United States</u>
2004	\$35,037	\$30,629	\$27,903	\$33,881
2005	37,043	32,164	29,223	35,424
2006	39,919	33,432	30,927	37,698
2007	41,442	34,612	31,925	39,392
2008	41,687	34,849	32,495	40,166

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data.

*Industry and Employment.* Set forth below are the ten largest employers located in the Primary Air Trade Area as of March 1, 2011, their location, type of enterprise, and approximate number of full-time employees. There can be no assurance that any employer listed below will continue to be located in the Primary Air Trade Area or will continue employment at the stated level. No independent investigation has been made of, and no representation can be made as to, the stability or financial condition of the employers listed.

<u>Employer</u>	<u>County</u>	<u>Type of Enterprise</u>	<u>Employees</u>
Memorial Health University Medical Center	Chatham	Hospital	5,351
Gulfstream Aerospace Corporation	Chatham	Aviation Manufacturer	5,000
Savannah-Chatham County Board of Ed.	Chatham	Local Government	4,781
St. Joseph's/Candler	Chatham	Hospital	3,300
Ft. Stewart/Hunter Army Airfield	Chatham	Military Base	3,200
City of Savannah	Chatham	Local Government	2,500
Wal-Mart	Chatham	Retail	2,182
Savannah College of Art & Design	Chatham	Education	1,457
Momentum Resources II, Inc.	Chatham	Employment Services	1,438
Chatham County	Chatham	Local Government	1,356

Source: Savannah Area Chamber of Commerce.

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## SUMMARY OF AIRPORT OPERATING INFORMATION

### Airline Enplanements

The following table presents a summary of the number of certain airline enplanements at the Airport for the past five fiscal years.

Airline <sup>1</sup>	2006		2007		2008		2009		2010	
	No.	Share	No.	Share	No.	Share	No.	Share	No.	Share
Delta Airlines	348,371	36.01%	343,265	33.93%	356,262	36.03%	247,429	30.13%	241,441	28.89%
Continental	77,456	8.01	77,869	7.70	87,758	8.87	74,225	9.04	71,114	8.51
US Airways Express (Mesa)	66,070	6.83	56,750	5.61	38,758	3.92	68,842	8.38	69,174	8.28
US Airways Express (Republic Airlines)	2,986	0.31	19,933	1.97	50,036	5.06	61,406	7.48	64,578	7.73
Delta Connection (ASA)	20,064	2.07	19,164	1.89	4,885	0.49	59,165	7.20	62,067	7.43
American Eagle	32,754	3.39	35,185	3.48	45,401	4.59	52,665	6.41	49,445	5.92
Delta Connection (Comair)	80,663	8.34	81,431	8.05	69,102	6.99	48,627	5.92	11,012	1.32
United Express (Mesa)	68,273	7.06	87,669	8.66	71,374	7.22	48,467	5.90	19,821	2.37
PSA Airlines	15,574	1.61	38,928	3.85	44,766	4.53	45,702	5.57	47,225	5.65
Trans State Airline	-0-	0.00	-0-	0.00	9,438	0.95	29,236	3.56	14,917	1.78
Pinnacle Airlines	30,559	3.16	18,172	1.80	52,925	5.35	23,480	2.86	-0-	0.00
Express Jet – United Airlines	-0-	0.00	-0-	0.00	2,351	0.24	18,762	2.28	16,196	1.94
Delta Connection (Chautauqua)	-0-	0.00	6,585	0.65	3,893	0.39	11,459	1.40	40,263	4.82
US Airways Express	51,849	5.36	58,636	5.80	49,370	4.99	11,448	1.39	3,141	0.38
Delta Connection (Pinnacle)	-0-	0.00	-0-	0.00	660	0.07	11,323	1.38	45,511	5.41
US Airways Express (Air Wisconsin)	21,873	2.26	18,978	1.88	7,354	0.74	4,375	0.53	14,576	1.74
Shuttle America	-0-	0.00	1,859	0.18	3,070	0.31	1,155	0.14	7,596	0.90
United Express (Sky West)	48,897	5.06	28,757	2.84	25,877	2.62	1,131	0.14	-0-	0.00
Delta Connection (Sky West)	-0-	0.00	-0-	0.00	-0-	0.00	790	0.10	255	0.03
US Airways Express (Piedmont)	-0-	0.00	430	0.04	957	0.10	590	0.07	8	0.00
US Airways Express (Chautauqua)	5,169	0.53	9,591	0.95	1,859	0.19	149	0.02	-0-	0.00
AirTran Airlines	89,839	9.29	94,940	9.38	62,450	6.31	-0-	0.00	-0-	0.00
Northwest Airlines	5,889	0.61	13,307	1.32	-0-	0.00	-0-	0.00	-0-	0.00
Independence Air	603	0.06	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
United Express (Air Wisconsin)	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
United Express (ASA)	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	48,920	5.85
Delta Connection (Compass)	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	5,749	0.69
Allegiant Air	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	1,122	0.13
Total Scheduled:	966,889	99.96%	1,011,449	99.96%	988,546	99.96%	820,426	99.90%	833,831	99.77%
Non-Scheduled:	321	0.04%	366	0.04%	383	0.04%	790	0.10%	1,897	0.23%
Grand Total:	967,210	100.00%	1,011,815	100.00%	988,929	100.00%	821,216	100.00%	835,728	100.00%

<sup>1</sup> For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table; however, the activity for the airlines that are now part of the surviving airline is included in the information presented.

Source: Savannah Airport Commission.

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## Landed Weights

The following table sets forth a summary of historical landed weight (thousands of pounds) at the Airport for the past five fiscal years.

Airlines <sup>1</sup>	2006		2007		2008		2009		2010	
	Landed Weight	Share								
Delta Airlines	434,229	34.77%	448,204	33.48%	457,462	35.05%	309,843	29.10%	314,574	29.67
US Airways Express (Mesa)	67,733	5.42	74,825	5.59	51,232	3.92	88,198	8.28	79,894	7.53
Continental	82,971	6.64	84,523	6.31	99,977	7.66	80,720	7.58	82,057	7.74
US Airways Express (Republic Airlines)	3,326	0.27	25,924	1.94	58,622	4.49	80,587	7.57	86,301	8.14
Delta Connection (ASA)	21,912	1.75	23,680	1.77	5,953	0.46	69,199	6.50	69,302	6.53
American Eagle	33,800	2.71	38,162	2.85	51,826	3.97	66,683	6.26	58,273	5.49
Delta Connection (Comair)	102,632	8.22	101,872	7.61	83,289	6.38	61,572	5.78	13,323	1.26
United Express (Mesa)	82,076	6.57	103,186	7.71	87,773	6.72	59,232	5.56	25,256	2.38
PSA Airlines	20,445	1.64	46,334	3.46	55,836	4.28	54,451	5.11	52,395	4.94
Trans State Airline	-0-	0.00	-0-	0.00	10,084	0.77	34,252	3.22	16,255	1.53
Pinnacle Airlines	35,612	2.85	19,834	1.48	60,583	4.64	24,742	2.32	-0-	0.00
Express Jet – United Airlines	-0-	0.00	-0-	0.00	2,255	0.17	20,069	1.88	17,304	1.63
US Airways Express	66,284	5.31	76,090	5.68	74,513	5.71	19,788	1.86	7,926	0.75
Delta Connection (Pinnacle)	-0-	0.00	-0-	0.00	750	0.06	12,300	1.15	45,477	4.29
Delta Connection (Chautauqua)	-0-	0.00	8,789	0.66	6,345	0.49	11,914	1.12	36,252	3.42
US Airways Express (Air Wisconsin)	25,286	2.02	21,620	1.61	8,648	0.66	5,217	0.49	17,625	1.66
Sky West Airlines (United)	60,428	4.84	38,418	2.87	35,229	2.70	1,206	0.11	-0-	0.00
Shuttle America	-0-	0.00	2,115	0.16	3,090	0.24	1,181	0.11	8,755	0.83
Sky West Airlines (Delta)	-0-	0.00	-0-	0.00	-0-	0.00	1,051	0.10	300	0.03
US Airways Express (Piedmont)	341	0.03	1,147	0.09	2,475	0.19	926	0.09	305	0.03
US Airways Express (Chautauqua)	5,148	0.41	10,807	0.81	2,510	0.19	213	0.02	-0-	0.00
AirTran Airlines	103,064	8.25	117,568	8.78	71,432	5.47	-0-	0.00	-0-	0.00
Northwest Airlines	5,738	0.46	14,578	1.09	99	0.01	-0-	0.00	-0-	0.00
Independence Air	658	0.05	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
United Express (Air Wisconsin)	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
United Express (ASA)	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	58,092	5.48
Delta Connection (Compass)	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	6,147	0.58
Allegiant Air	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	2,083	0.20
Total Scheduled:	1,151,683	92.19%	1,257,676	93.91%	1,229,983	94.21%	1,003,344	94.21%	997,896	94.11
Non-Scheduled:	567	0.05%	916	0.07	937	0.07%	4,439	0.41	5,000	0.46
<b>Cargo Carriers</b>										
Federal Express	42,008	3.37%	42,166	3.16%	44,800	3.44%	45,978	4.32%	44,578	4.20
Suburban Air Freight	-0-	0.00	-0-	0.00	-0-	0.00	4,233	0.40	4,294	0.40
Air Cargo Carriers	-0-	0.00	-0-	0.00	-0-	0.00	4,046	0.38	6,232	0.59
Air Now	28,699	2.30	12,339	0.92	3,574	0.27	1,326	0.12	-0-	0.00
Martinaire, Inc.	-0-	0.00	-0-	0.00	-0-	0.00	896	0.08	2,408	0.23
ABX Air, Airborne	26,288	2.10	26,072	1.95	26,274	2.01	510	0.05	-0-	0.00
Ram Air Freight	-0-	0.00	-0-	0.00	-0-	0.00	276	0.03	77	0.01
Superior Aviation	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
Jim Hankins Air	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
ABX Air, Inc.	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00	-0-	0.00
Total Cargo:	96,995	7.76%	80,577	6.02%	74,648	5.72%	57,265	5.38%	57,589	5.43%
Grand Total:	1,249,245	100.00%	1,339,169	100.00%	1,305,568	100.00%	1,065,048	100.00%	1,060,485	100.00%

<sup>1</sup> For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table; however, the activity for the airlines that are now part of the surviving airline is included in the information presented.

Source: Savannah Airport Commission.

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## FINANCIAL INFORMATION CONCERNING THE AIRPORT

### Summary of Five Year Operating History

The following table sets forth an historical, comparative summary of revenues, expenses, and retained earnings of the Commission for the past five fiscal years. Information in the table has been extracted from the audited general purpose financial statements and supplemental schedules of the Commission for the fiscal years ended December 31, 2006 to December 31, 2010. Although taken from audited financial statements, no representation is made that the information is comparable from year to year, or that the information as shown, taken by itself, presents fairly the results of operation of the Airport for the fiscal years shown. For more complete information, reference is made to the audited financial statements of the Commission for fiscal year 2010, which are included in this Official Statement as Appendix A, and to the audited financial statements of the Commission for fiscal years 2006 through 2009, copies of which are available from the Commission upon request.

	Fiscal Years Ended December 31				
	2006	2007	2008	2009	2010
<b>Revenues</b>					
Airfield	\$2,259,931	\$2,768,868	\$2,771,892	\$2,903,967	\$2,878,057
Terminal One	9,091,507	10,175,024	10,716,291	10,511,017	10,442,756
Airport Business Center	587,187	602,030	538,080	304,387	190,912
Commercial Aviation	881,942	1,142,107	1,796,019	1,521,800	1,337,406
Apron	90,726	63,000	91,338	44,947	58,804
Parking	4,876,777	5,390,209	6,249,602	5,104,720	5,021,958
Non-Aviation	1,342,969	1,601,366	1,845,216	1,908,538	1,949,889
Foreign Trade Zone	260,174	358,571	302,080	300,606	308,402
Total Operating Revenues	<u>\$19,391,213</u>	<u>\$22,101,175</u>	<u>\$24,310,518</u>	<u>\$22,599,982</u>	<u>\$22,188,184</u>
<b>Expenses</b>					
Airfield	1,034,422	1,137,787	1,409,678	1,381,902	1,410,421
Terminal	5,506,419	6,495,956	7,102,240	7,125,571	7,382,021
Airport Business Center	214,219	198,642	256,319	212,080	272,540
Commercial Aviation	119,130	653,935	902,736	372,715	211,397
Apron	56,620	60,522	50,594	37,239	29,406
Parking	1,656,356	2,557,176	1,698,719	1,626,661	1,516,103
Non-Aviation	579,969	682,054	978,005	999,068	1,058,883
Foreign Trade Zone	264,117	263,515	285,211	308,761	309,242
Administrative Expenses	3,170,683	3,430,871	3,770,729	3,678,603	3,967,748
Depreciation	6,176,867	5,893,481	8,139,215	9,496,476	9,768,006
Total Operating Expenses	<u>\$18,778,802</u>	<u>\$21,373,939</u>	<u>\$24,593,446</u>	<u>\$25,239,076</u>	<u>\$25,925,767</u>
<b>Operating Income (Loss)</b>	612,411	727,236	(282,928)	(2,639,094)	(3,737,583)
<b>Non-Operating Revenues (Expenses)</b>					
Passenger Facility Charges	\$4,051,496	\$4,005,853	\$3,696,856	\$3,088,060	\$2,717,454
Customer Facility Charges	-	-	-	-	510,033
General Aviation Charges	-	-	-	-	77,291
Savannah Aviation Village Fund Charges	-	-	-	-	59,250
Interest Revenue	2,263,045	1,275,478	781,817	890,682	866,356
Interest Expense	(1,276,841)	(1,188,766)	(1,097,623)	(1,005,643)	(903,999)
Bond Issuance Cost Amortization	(83,194)	(83,194)	(83,194)	(83,194)	(83,194)
Bond Premium Amortization	76,139	76,139	76,139	76,139	76,139
Loss on Bond Refunding	(114,711)	(114,711)	(114,711)	(114,711)	(114,711)
Increase (Decrease) Fair Value of Investments	68,712	152,389	111,400	(65,848)	185,027
Recovery of Bad Debt	-	148,455	5,401	13,557	9,822
Gain on Disposal of Capital Assets	21,987	(2,699)	5,610	82,598	85,647
Total non-operating revenues (expenses)	<u>\$5,006,633</u>	<u>\$4,268,944</u>	<u>\$3,381,695</u>	<u>\$2,881,640</u>	<u>\$3,485,115</u>
<b>Income (Loss) before Capital Contributions</b>	5,619,044	4,996,180	3,098,767	242,546	(252,468)
<b>Capital Contributions</b>	8,238,803	5,093,541	5,351,676	4,988,367	4,842,933
<b>Net Asset Adjustments</b>	-	-	-	-	7,208,040
<b>Increase in Net Assets</b>	13,857,847	10,089,721	8,450,443	5,230,913	11,798,505
<b>Retained Earnings - Beginning of Year</b>	132,501,750	146,359,597	156,449,318	164,899,761	170,130,674
<b>Retained Earnings - Ending of Year</b>	<u>\$146,359,597</u>	<u>\$156,449,318</u>	<u>\$164,899,761</u>	<u>\$170,130,674</u>	<u>\$181,929,179</u>

## **Management Discussion of Airport Operations**

The Airport has generally not been adversely affected by liquidations, mergers or consolidation in the airline industry. Since 1995, the Airport has increased the number of carriers serving the Airport from three (Delta Air Lines, US Airways, and AirTran) to six (Delta Air Lines, US Airways, United Airlines, Continental Airlines, American Eagle Airlines, and Allegiant Air). The Airport has benefitted significantly from the introduction of regional jets into the marketplace. Currently, over one-half of the Airport Commission's airline operations are conducted by carriers using Bombardier regional jets and Canadian regional jets.

The Airport entered 2010 with economic conditions continuing to decrease as did all airlines activities. The Primary Airlines at the Airport offered 1,091,052 seats in 2010 versus the 1,093,625 seats offered in 2009. This was 0.24% fewer seats offered in 2010 than in 2009. The demand for the available seats was stabilizing in 2010; however, since the available seats were reduced by the airlines, the resulting load factor of 76.60% for 2010 was very similar to the 2009 load factor of 75.09%. Two major factors affecting airport revenues are (a) operations, which generate landed weight fee revenues plus usage charges for apron and (b) enplanements, which generate concessions, parking and rental car revenues. The factors contributing to a slight increase in activities during 2010 include a 1.36% increase in the total number of airline operations with 16,273 for the year 2010 versus 16,054 for the year 2009. Total enplanements were also up 1.77% with 835,728 for the year 2010 versus 821,216 for the year 2009. Airlines destinations in 2010 remained the same as 2009 with 44 daily departures. Overall, airline numbers of operations were stable due to the slow economic growth in 2010. Although the Airport does have competition in Jacksonville to the south and the smaller Hilton Head Island Airport to the north, Airport management does not perceive either airport to be a material competitive threat.

Total passenger traffic (enplaned and deplaned) was stable with a slight increase of 0.18% over 2009, with approximately 1.6 million passengers passing through the Airport. Financially, 2010 remained relatively stable and the Airport was able to end the year 2010 with an \$11.8 million increase in its total net assets as compared to \$5.2 million in 2009. This \$6.6 million overall increase in total net assets was primarily due to the recognition of projects that were funded by customer facility charges in prior years totaling \$6.1 million, which was added to 2010 capital assets.

## **Accounting Policies**

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to government units. The Commission uses an individual fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Commission uses the proprietary fund type. This fund type is used to account for those operations that are financed and operated in a manner similar to the private sector or where the Commission has decided that the determination of revenues earned, costs incurred, and/or net income is necessary or useful for management accountability. The Enterprise Fund uses the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

The audit reports on the general purpose financial statements of the Commission for the fiscal years ended December 31, 2006 through December 31, 2010 state that the general purpose financial statements present fairly, in all material respects, the financial position of the Commission as of each respective fiscal year, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Note 1 of the Commission's financial statements, included as Appendix A to this Official Statement, contains a detailed discussion of the Commission's significant accounting policies.

## **Budgetary Process**

The Executive Director submits an annual budget to the Commission. The budget is prepared on a detailed line item basis, by department, on an accrual basis. Revenues are budgeted in the year receipt is expected and expenses are budgeted in the year that the applicable purchase orders are expected to be issued. All budget appropriations lapse at year-end.

As part of preparing its budget, the Commission prepares a multi-year projection of revenues and expenses covering the next five years. The projections normally include an annual compounded growth rate of 3% to 5% for enplanements and revenues with operating expense projections ranging from 3% to 5%

annually. For its 2011 budget, the Commission projected enplanements to increase by 3%; however, for the 2011 budget, the Commission budgeted flat at 2010 levels with the exception of parking, terminal gift shop revenues and food concessions, and rental car revenues. These revenues were budgeted at 3% increases, which were impacted by the projected 3% increase in enplanements. Projections for 2012 and 2013 showed an annual compounded growth rate increase of 3% for enplanements and revenues with operating expense projections ranging at current percentages from 3% to 5% annually. Certain assumptions are used in determining the projected growth rates at the Airport and accordingly, subsequent actual results in any one year, or for the entire period, could differ substantially from those projected.

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## INVESTMENT CONSIDERATIONS

Prospective purchasers of the Series 2011 Bonds are urged to read this Official Statement, including all Appendices, in its entirety, giving particular attention to the following matters.

### General

The financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic at the Airport. The Airport's ability to generate Net Revenues securing the Series 2011 Bonds will be affected by the ability of the Primary Airlines, individually or collectively, to meet their respective obligations under the Primary Agreements. Each of the Primary Airlines, or its respective parent corporation, is subject to the information reporting requirements of the Securities Exchange Act of 1934, and in accordance therewith, certain information, including financial information, concerning such domestic airlines or their parent corporations, is disclosed in certain reports and statements filed with the Securities and Exchange Commission (the "SEC"). Such reports and statements can be inspected at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, and the public may obtain certain information by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site (<http://www.sec.gov>) that makes available reports, proxy statements, and other information regarding these companies. In addition, the principal domestic airlines serving the Airport file periodic reports of financial and operating statistics with the United States Department of Transportation (the "U.S. DOT"). Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, Room 4201, 400 Seventh Street, S.W. Washington, DC 20590, and copies of such reports may be obtained from the Department of Transportation at prescribed rates.

*Neither the City, the Commission nor the Underwriters undertake any responsibility for nor make any representations as to the accuracy or completeness of the content or information available from the SEC or the U.S. DOT as discussed in the preceding paragraph, including updates of such information or links to other Internet sites accessed through the SEC's website.*

### General Factors Affecting the Industry

Future traffic at the Airport is sensitive to population trends and overall economic conditions in the Primary Air Trade Area and the Savannah MSA, as well as a variety of general factors affecting the aviation industry, including (1) national and international economic conditions, (2) airline economics and airfares, (3) the availability and price of labor, aviation fuel, aircraft and insurance, (4) airline service and routes, (5) the capacity of the air traffic control system, (6) the capacity of the Airport, (7) international trade, (8) currency values, (9) governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, and (10) aviation safety and security concerns and/or disruption caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism, such as the events of September 11, 2001. Slow or negative traffic growth in many areas; increased competition among air carriers; consolidation and mergers among airlines; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for the airlines.

The September 11, 2001 terrorist attacks against the United States, the military conflict in Afghanistan, continued hostilities in Iraq, unrest in the Middle East, the global economic downturn, increased fuel costs and other factors have had a significant adverse impact on the air transportation industry. The air transportation industry has sustained substantial losses, which have led to industry-wide layoffs and a reduction in the number of flights offered by major airlines. Several airlines, including Delta, filed for protection under the U.S. Bankruptcy Code in the early part of the industry's downturn. Many airlines have had their credit ratings downgraded by national credit rating agencies. Potential investors are urged to review the airlines' financial information on file with the SEC and the U.S. DOT.

*National and International Economic Conditions.* Historically, airline passenger traffic both nationwide and at the Airport has fluctuated with the state of the U.S. economy and real disposable income levels. Thus, a downturn in the economy and/or a decline in real disposable income will usually result in a decline in airline passenger traffic. Also, international economics, currency exchange rates, trade balances, and political relationships and conflicts are increasingly important influences on passenger traffic at major U.S. airports. National and international economic conditions will continue to affect airline traffic at the Airport. An airline's financial performance can be significantly affected by periodic fluctuations in traffic levels. Traffic levels and, accordingly, an airline's financial results of operations, are sensitive to general economic trends applicable to the economy as a whole.

*Airline Economics and Airfares.* Airline fares have an important effect on airline passenger traffic demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive “discretionary” travel, such as vacation travel. Airfares are influenced by airline competition and operating economics, which are, in turn, influenced by fuel, labor, and other operating costs; debt burden, passenger demand, yield management, and capacity, market presence, and service levels.

To the extent that decreased competition leads to higher fares, airline traffic demand tends to be reduced, particularly with respect to those flying for discretionary purposes. While airlines, in general, will attempt to increase fares to improve profitability, fare competition is likely to continue in those markets where there is effective competition among airlines either through direct service or through alternative hub cities. In particular, price competition is provided by new entrant and other airlines with lower cost structures.

Because the air transport industry is capital intensive, the profitability of an airline is also dependent upon general interest rate levels.

*Aviation Safety and Security Concerns.* Concerns about the safety of airline travel and the effectiveness of airport security precautions influence passenger travel behavior. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures can lead to both the avoidance of travel and switching from air to surface modes of transportation for short trips. Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for a steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In April 2010, airports and airspace across much of Europe were closed for 6 days because of the threat posed to flight safety from a volcanic eruption in Ireland.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, natural disasters, public health and safety concerns and international hostilities. Provided that precautions by government agencies, airlines and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security factors.

The Airport is in material compliance with all current federal, State and local security requirements.

Neither the City nor the Commission can predict the likelihood of future terrorist attacks (whether involving the airline industry or not), or the effect on the air transportation system if there are more terrorist attacks or continued, increased or new international hostilities. Similarly, the City and the Commission cannot predict the duration or extent of the impact on the financial condition of the Airport as a result of any of the significant events described above, including the potential that any one or more of these events may lead one or more airlines to seek bankruptcy protection.

*Fuel and Labor Costs.* Fuel and labor costs comprise a significant portion of an airline’s operating costs. Fluctuations in the price of fuel significantly affect the financial performance of all airline companies. Similarly, an airline’s financial performance is significantly affected by the existence and terms of collective bargaining agreements with the labor unions, if any, representing its employees. There has been no shortage of aviation fuel since the “fuel crisis” of 1974; however, the price of aviation fuel continues to be an important and increasingly uncertain factor affecting airline operating economics. In the long term, fuel prices are likely to increase as worldwide oil reserves gradually are depleted.

*Airline Service and Routes.* Domestic airlines are free to enter or leave individual air traffic markets, and to increase or decrease service, at will. Consequently, it is uncertain which airlines will serve particular origin-destination markets. The overall level of airline service and the number of passengers using the Airport to transfer between flights depend largely on the route networks of the airlines serving the Airport. Particularly since deregulation, most airlines have emphasized the development of “hub-and-spoke” route networks as a means of increasing their effective service frequencies, passenger volumes, and profitability.

The poor financial performance of some airlines in the face of changing competitive conditions and their vulnerability to adverse economic conditions and increased fuel prices have also lead periodically to concerns about the ability of individual airlines to continue to provide services.

*Air Traffic Control System Capacity.* Increased demands by airlines on the air traffic control system have resulted in aircraft delays and restrictions on the number of aircraft movements, including “flow controls” on movements in certain air routes between airports and “slot” restrictions on landings and takeoffs at certain busy airports. These restrictions affect airline schedules and passenger enplanements throughout the national airport system. The FAA is gradually implementing its Next Generation Air Transport System (“NextGen”) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Further demands on the existing air traffic control system could cause additional delays and restrictions and tend to constrain airline traffic growth.

*Airport Capacity.* In addition to any future constraints that may be imposed by the capacity of the national air traffic control system and airport systems, future growth at the Airport will depend on the provision of increased capacity at the Airport itself.

### **Regulation of Passenger Facility Charges**

The Commission’s authority to impose and use PFCs is subject to certain terms and conditions provided in the Aviation Safety and Capacity Expansion Act of 1990, Section 9110 (the “**PFC Enabling Act**”), as amended, the PFC Regulations and each PFC Authority. If the Commission fails to comply with these requirements, the FAA may take action to terminate or reduce the Commission’s authority to impose or to use PFCs. Some of the events that could cause the Commission to violate these provisions are outside of the Commission’s control. There is no assurance that the PFC Enabling Act will not be repealed or amended or that the PFC Regulations or any PFC Authority will not be amended in a manner that would adversely affect the Commission’s ability to collect and use PFC revenues. The Commission is in compliance with all applicable provisions of the PFC Enabling Act and PFC Regulations.

### **Effect of Bankruptcy on Primary Agreements**

When a Primary Airline seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the Airport (a) within 60 days or later, if ordered by the court, with respect to its Primary Agreement or other leases of real property, or (b) prior to the confirmation of a plan of reorganization with respect to any other agreement. In the event of assumption, the airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the applicable Primary Agreement or other agreements. Rejection of a Primary Agreement or other agreement or executory contract would give rise to an unsecured claim of the Airport for damages, the amount of which in the case of a Primary Agreement or other agreement is limited by the U.S. Bankruptcy Code generally to the amounts accrued but unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of a Primary Agreement or other agreement could be considerably less than the maximum amounts allowed under the U.S. Bankruptcy Code. There is no assurance that the remaining Primary Airlines would be financially able to absorb the additional costs resulting from the bankruptcy of other Primary Airlines.

Additionally, during the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Airport on account of goods and services provided prior to the bankruptcy. Thus, the Airport’s stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including rent and landing fees. It is expected that the impact of any such interruption on the Airport, while adverse, would be of a relatively short duration.

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## LEGAL MATTERS

### Litigation

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of the affairs of the Airport. The City, after reviewing the current status of all pending and threatened litigation relating to the Airport with its counsel, James B. Blackburn, Esq., Savannah, Georgia, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the City relating to the Airport or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the Airport.

There is no litigation now pending or, to the knowledge of the City or the Commission, threatened against the City or the Commission which restrains or enjoins the issuance or delivery of the Series 2011 Bonds, the provision for the security for the payment of the Series 2011 Bonds, the use of the proceeds of the Series 2011 Bonds to refund the Series 2001 Bonds, or which questions or contests the validity of the Series 2011 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, or existence of the City or the Commission nor the title of the present members or other officials of the City and the Commission to their respective offices is being contested or questioned.

### Legal Proceedings

*Validation of the Series 2011 Bonds.* In accordance with the laws of the State, the Series 2011 Bonds and the security therefor will be confirmed and validated prior to the issuance thereof by judgment of the Superior Court of Chatham County, Georgia. Under State law, the judgment of validation is forever conclusive against the City with respect to such validation of the Series 2011 Bonds and the security therefor.

*Opinions of Counsel.* All legal matters incidental to authorization and issuance of the Series 2011 Bonds are subject to the approval of Gray & Pannell LLP, Savannah, Georgia, and Charles W. Bell & Associates, P.C., Savannah, Georgia, Bond Counsel. It is anticipated that the approving opinions of Gray & Pannell LLP, Bond Counsel, will be in substantially the forms included in Appendix E. Certain legal matters will be passed upon for the City and the Commission by its counsel, James B. Blackburn, Esq., Savannah, Georgia. Certain other legal matters will be passed upon by Gray & Pannell LLP, Savannah, Georgia, Disclosure Counsel, and by Golden & Associates, P.C., Savannah, Georgia, Underwriters' Counsel. The payment of legal fees is contingent upon issuance of the Series 2011 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2011 Bonds express the professional judgment of the attorneys or law firms rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion the attorney or law firm does not become an insurer or guarantor of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### Federal Tax Matters

*Exclusion from Gross Income.* The Internal Revenue Code of 1986 (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2011 Bonds for interest thereon to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Series 2011 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issue of the Series 2011 Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2011 Bonds are to be invested and require that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States. The City and the Commission have covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the Series 2011 Bonds from gross income for federal income tax purposes.

- Series 2011A Bonds. In the opinion of Gray & Pannell LLP, Bond Counsel, under existing law, and assuming compliance with the aforementioned covenant, interest on the Series 2011A Bonds (a) is excluded from gross income for purposes of federal income taxation and (b) will not be included as an item of tax preference in computing the federal alternative minimum tax on individuals and corporations; however, such interest will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

- **Series 2011B Bonds.** In the opinion of Gray & Pannell LLP, Bond Counsel, under existing law, and assuming compliance with the aforementioned covenant, interest on the Series 2011B Bonds (a) is excluded from gross income for purposes of federal income taxation, except for any period during which such Series 2011B Bonds are held by a “substantial user” or a “related person” as such terms are used in Section 147(a) of the Code and the regulations thereunder, and (b) constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

Although Gray & Pannell LLP, Bond Counsel, has rendered an opinion that interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes, ownership of the Series 2011 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, foreign corporations which conduct a trade or business in the United States, Subchapter S Corporations, certain recipients of social security or railroad retirement benefits, property and casualty insurance corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2011 Bonds. Gray & Pannell LLP, Bond Counsel, has expressed no opinion regarding any such other tax consequences. Prospective purchasers of the Series 2011 Bonds should consult with their own tax advisors as to the consequences of acquiring, carrying or disposing of the Series 2011 Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Series 2011 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Series 2011 Bonds) issued prior to enactment.

*Original Issue Discount.* With respect to the Series 2011B Bonds maturing January 1, 2015 (the “Original Issue Discount Bond”), the difference between the initial public offering prices of such Original Issue Discount Bond and its respective stated principal amount constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes subject to the caveats and provisions described in the foregoing section.

In the case of an owner of an Original Issue Discount Bond, the amount of original issue discount which is treated as having accrued with respect to such Original Issue Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of an Original Issue Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of an Original Issue Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at the yield to maturity of each individual Original Issue Discount Bond, on days which are determined by reference to the maturity date of such Original Issue Discount Bond. The amount treated as original issue discount on an Original Issue Discount Bond for a particular semiannual accrual period is equal to (i) the product of (a) the yield to maturity for such Original Issue Discount Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis for such Original Issue Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (ii) less the amount of any interest payable for such Original Issue Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Original Issue Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If an Original Issue Discount Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

*Original Issue Premium.* The difference between the principal amount of the Series 2011A Bonds maturing January 1, 2015 through January 1, 2017 and the Series 2011B Bonds maturing January 1, 2012 through January 1, 2014 (collectively, the “**Premium Bonds**”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such Premium Bond in the initial offering to the public at the initial offering price is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium

Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

**State Tax Matters**

In the opinion of Gray & Pannell LLP, Bond Counsel, under existing law, interest on the Series 2011 Bonds is exempt from all present income taxation within the State of Georgia. Interest on the Series 2011 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Prospective purchasers of the Series 2011 Bonds should consult their own tax advisors regarding the tax-exempt status of the interest on the Series 2011 Bonds in a particular state or local jurisdiction other than Georgia.

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## MISCELLANEOUS

### Rating

Moody's Investors Service has assigned an underlying rating of "A1" to the Series 2011 Bonds with a stable outlook.

This rating reflects only the views of the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of the rating may be obtained from the rating agency furnishing such rating. There is no assurance that the rating will remain unchanged for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency furnishing the same, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the liquidity and market price of the Series 2011 Bonds.

The rating agency may be contacted as follows: Moody's Investors Service Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10041, telephone (212) 553-1362.

### Underwriting

Pursuant to a bond purchase agreement executed by and among the City, the Commission, and the Underwriters on June 2, 2011, the Underwriters have agreed to purchase the Series 2011 Bonds at a price of \$15,794,387.73, which represents the par amount of the Series 2011 Bonds, \$15,010,000.00, less Underwriters' Discount of \$63,559.87, plus net Original Issue Premium of \$847,947.60. The obligation of the Underwriters to accept delivery of the Series 2011 Bonds is subject to numerous conditions set forth in the bond purchase agreement.

The Underwriters' obligation is subject to certain conditions precedent, and it will be obligated to purchase all of the Series 2011 Bonds if any Series 2011 Bonds are purchased. The Underwriters may offer and sell the Series 2011 Bonds to certain dealers and others at prices lower than the public offering price stated on the inside front cover page hereof, and such initial public offering price may be changed from time to time by the Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

### Continuing Disclosure

Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**") under the Securities Exchange Act of 1934 imposes continuing disclosure obligations on the issuers of certain state and municipal securities to permit participating underwriters to offer and sell the issuer's securities. In order to assist the Underwriters of the Series 2011 Bonds in complying with the Rule, the Commission will sign a Continuing Disclosure Certificate on the date of issuance and delivery of the Series 2011 Bonds, under the provisions of which it shall covenant for the benefit of the beneficial owners of the Series 2011 Bonds to provide (i) certain financial information and/or operating data relating to the Commission (the "**Annual Report**") and (ii) notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed electronically with the Electronic Municipal Market Access website ("**EMMA**"), an Internet based electronic filing system supported by the Municipal Securities Rulemaking Board ("**MSRB**").

The Annual Report shall contain or incorporate by reference, among other items, the general purpose financial statements of the Commission for the prior Fiscal Year. The City's current fiscal year began on January 1, 2011 and will end December 31, 2011. The specific nature of the information to be contained in the Annual Report or in the notices of material events is in "Appendix D: FORM OF THE CONTINUING DISCLOSURE CERTIFICATE."

The undertakings described above may be amended or modified from time to time in accordance with the terms of the Continuing Disclosure Certificate. The Commission will reserve the right to terminate its obligation to provide annual financial information and notices of material events if and when the Commission no longer remains an obligated person with respect to the Series 2011 Bonds within the meaning of the Rule.

The Commission agrees that its undertaking pursuant to the Rule described in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Series 2011

Bonds and shall be enforceable by such holders and beneficial owners; provided that the right to enforce the provisions of this undertaking shall be limited to a right to seek mandamus or specific performance to cause the Commission to comply with its obligations. Any failure by the Commission to comply with the provision of the undertaking shall not be an event of default with respect to the Series 2011 Bonds under the Resolution. With respect to the Series 2011 Bonds, no party other than the Commission is obligated to provide, nor is expected to provide, any continuing disclosure information. The Commission fully anticipates satisfying all obligations in connection therewith.

The Commission is currently obligated to make such annual disclosures on the Series 2001 Bonds, and the Commission has never failed to comply in all material respects with its previous undertakings with regard to the Rule to provide such annual reports or to file any necessary notices of material events.

### **Financial Statements**

The general purpose financial statements of the Commission for the fiscal year ended December 31, 2010, and for the year then ended, included hereto as Appendix A, have been audited by Hancock Askew & Co., LLP, independent Certified Public Accountants, Savannah, Georgia, to the extent and for the periods indicated in their report thereon which appears in such appendix. Such financial statements have been included herein in reliance upon the report of Hancock Askew & Co., LLP, given upon the authority of such firm as experts in accounting and auditing.

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (the “**Certificate of Achievement**”) to the Commission for its comprehensive annual financial reports for the fiscal years ended December 31, 2008 and December 31, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be eligible for a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting procedures and applicable legal requirements.

### **Financial Advisors**

Robert W. Baird & Co., Atlanta, Georgia, and M. Johnson Consultants, LLC, Atlanta, Georgia, have been employed by the City and the Commission as their financial advisors for the offering. The financial advisors have not conducted a detailed investigation of the affairs of the City and the Commission to determine the completeness or accuracy of this Official Statement. Because of its limited participation, the financial advisors have not independently verified any of the data contained herein and have no responsibility for the accuracy or completeness thereof.

### **Miscellaneous**

Insofar as any statement in this Official Statement involves matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Series 2011 Bonds.

### **Certification**

The City and the Commission have duly authorized and approved the execution and delivery of this Official Statement and its distribution and use by the Underwriters.

CITY OF SAVANNAH, GEORGIA

SAVANNAH AIRPORT COMMISSION

/s/ Otis Johnson  
Title: Mayor

/s/ Sylvester C. Formey  
Title: Chairman

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Appendix A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SAVANNAH AIRPORT  
COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

The general purpose financial statements of the Commission as of and for the year ended December 31, 2010, included as part of this Appendix A, have been audited by Hancock Askew & Co., LLP, Certified Public Accountants, Savannah, Georgia, to the extent and for the period indicated in their report thereon which also appears in this Appendix A. Such financial statements have been included herein in reliance upon the report of Hancock Askew & Co., LLP, Certified Public Accountants, given upon the authority of such firm as experts in accounting and auditing.

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# SAVANNAH HILTON HEAD

INTERNATIONAL



## 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT



Savannah, Georgia

Years Ended

December 31, 2010 and 2009





## **SAVANNAH AIRPORT COMMISSION**

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### **Comprehensive Annual Financial Report** Years Ended December 31, 2010 and 2009

**Prepared By: Finance Department**  
Savannah, Georgia

**Airport Website: [www.savannahairport.com](http://www.savannahairport.com)**

# Savannah Airport Commission

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# Savannah Airport Commission

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# Savannah Airport Commission

## Introductory Section

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- Letter of Transmittal
- Air Service Map 2010
- Air Service Map 2009
- Principal Officials
- Organization Chart
- Certificate of Achievement for Excellence in Financial Reporting



# SAVANNAH HILTON HEAD

INTERNATIONAL 

**TO:** Savannah Airport Commissioners  
City Attorney

**SAVANNAH AIRPORT COMMISSION** **DATE:** April 25, 2011

**SUBJ:** Commission's Comprehensive Annual Financial Report

**CHAIRMAN**  
Sylvester C. Formey

**VICE-CHAIRMAN**  
Stephen S. Green

**COMMISSIONERS**  
Shirley B. James  
Sheldon Tenenbaum  
Lois C. Wooten

**LEGAL COUNSEL**  
James B. Blackburn

**EXECUTIVE DIRECTOR**  
Patrick S. Graham, A.A.E.

**ASSISTANT EXECUTIVE DIRECTOR**  
Gregory B. Kelly, A.A.E.

In accordance with state statutes and local charter provisions, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the Savannah / Hilton Head International Airport for the year ended December 31, 2010. Responsibility for both the accuracy of the information contained in this report, and the completeness and fairness of the presentation, including all disclosures, rests with the Savannah Airport Commission (Commission). To the best of our knowledge and belief, and as indicated by the opinion of our independent auditors, the report is accurate in all material aspects and presents the Commission's financial position, the results of operations and cash flows. It also includes disclosures necessary to enable the reader to gain the maximum understanding of the Commission's financial affairs. This report was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and in conformity with generally accepted accounting principles (U.S. GAAP) promulgated by the Government Accounting Standards Board (GASB).

The independent audit of the financial statements is part of the broader mandated provisions of the Single Audit Act of 1984, as amended in 1996, and the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, relative to federal financial awards received from the U.S. Government and in conformity with the provisions of the November 1994 Audit Compliance and Reporting Guide for Public Agencies relative to the collection and use of Passenger Facility Charges. The independent auditor not only has to report on the fair presentation of the financial statements, but also on the Commission's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. See the independent auditor's reports presented in the compliance section of this report.

GASB requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditor in the Financial Section of this report.

### Description of Airport / Reporting Entity

In 1940, the City of Savannah acquired a 600-acre tract to construct an airfield but before it was completed, the United States entered WWII and the U.S. Army Air Corps took over construction and named the airfield Chatham Field. After WWII, the airfield was turned over to the Georgia Air National Guard and they renamed it Travis Field. In 1949, the City of Savannah received a quitclaim deed to Travis Field. The Savannah Airport Commission was created in March 1955 by act of the Georgia State Legislature. The Commission was declared a body corporate and politic and operates as a stand-alone enterprise fund, which is not a component unit of the City of Savannah and has no component units. The Mayor and City Council of the City of Savannah appoint five Commissioners to serve five year staggered terms. The financial reporting entity of the Commission includes all activities related to the operation and maintenance of the Savannah / Hilton Head International Airport.

### Economic Condition / Airline Activity / Enplanements

In 2010, the airlines continued their effort to reduce costs and keep fares stable by operating fewer flights and utilizing smaller equipment. The Savannah / Hilton Head International Airport had stable enplanements for 2010 vs. 2009 compared to their last year decrease due to the downward economy. The airlines offered 1,091,052 seats in 2010 vs. the 1,093,625 offered in 2009. This was -.24% fewer seats than was offered in 2009. The demand for the available seats was stabilizing in 2010, however since the available seats were reduced by the airlines, the resulting load factor of 76.60% for 2010 was very similar to the 2009 load factor of 75.09%. Total enplanements for 2010 were 835,728 vs. 821,216 for 2009, an increase of 1.77%. The numbers of daily departures remained the same at 44 in 2010. During 2010, six major scheduled airline carriers served the Airport. The market share for the airlines that served the Airport in 2010 follows: Delta Air Lines (Delta, Comair, Atlantic Southeast, Chautauqua, Pinnacle, Skywest and Shuttle America) had a market share of 49.49% for the year, followed by US Air Express (US Airways, Republic Airlines, Mesa, PSA Airlines, Air Wisconsin, Chautauqua and Piedmont) with 23.78%; United Express (Mesa, TranStates, Express Jet, and Atlantic Southeast) captured 11.95%; Continental Express garnered 8.51%; American Eagle Airlines took 5.92% of the market share while Allegiant Air which started towards the end of the year, added .13%; and the remaining .22% was from non-scheduled flights.

The outlook for 2010 ended in a positive note. In late 2010, Allegiant added their nonstop departure to Fort Lauderdale. As of December 31, 2010, enplanements were stable, with a slight increase of 1.77% and available seats were stable with a slight decrease of -.24% over 2009. These stable signs have brought some new outlooks for future growth. The current outlook for 2011 remains positive. In addition to Allegiant Air's two weekly nonstop flights to Fort Lauderdale that began in late 2010, Vision Air began operating three weekly nonstop flights to NW Florida Regional Airport (Destin, FL) in March of

**2011. Our nonstop destinations have increased to thirteen and we now operate into ten markets. In April all our current airlines have added flights and increased the number of available seats. Based on our consistent load factor of 70% percent or greater this will equate to a minimum increase of at least 3% in enplanements. While we remain positive, the increased fuel prices because of unrest in the Middle East could have a negative impact on the year end results.**

**In the beginning of 2010, at the I-95 interchange at Airways Avenue, the Airport completed a new 3,978 square foot Wendy's restaurant. This is the first full service fast food restaurant on the airport property outside of the terminal building.**

**In March of 2010, the Savannah Airport Commission started the construction of the South Rental Car Canopies, which will offer additional parking spaces to the rental car companies doing business here on airport property. The total estimated cost is \$1,557,270. At the end of 2010, this project was not yet completed and only \$1,422,689 had been spent. This project is funded 100% by the rental car companies customer facility charges (CFC).**

**In May of 2010, the Executive Director, Patrick S. Graham, was interviewed by local news channel WTOC on a special assignment titled Undercover Boss. The focus wasn't for Patrick to be unrecognized to employees, but to perform various work tasks momentarily that are accomplished on a daily basis at the airport. Patrick was filmed working various jobs around the terminal such as cleaning the carpets, driving the courtesy shuttle, and performing airfield duties. This was broadcast on Savannah's local channel WTOC on May 24th and 25th of 2010.**

**By midyear 2010, the Savannah Airport Commission started to prepare for Gulfstream's new expansion to start on Airport property in 2013. A new contract lease agreement was executed with Gulfstream to lease up to 159.062 acres of land north quadrant for aviation development. Initial term of lease will be 45 years with one 5-year option thereafter. Gulfstream announced a \$500 million expansion that will result in an additional 1,000 jobs, an increase of more than 15% from Gulfstream's current Savannah employment level of approximately 5,500. The Airport has been preparing via planning and completing an environmental assessment, traffic survey, water drainage update, and designs to the Airport's North Aviation Development (NAD) plans - north of terminal. Total estimated cost of Airport projects will cost \$28,659,640, which will be funded by Airport Improvement Program (AIP) grants, Passenger Facility Charges (PFC), State of Georgia DOT funds GADOT, and any Discretionary funds available by FAA. These projects are to relocate Gulfstream Road, Extend T/W A, Construct New Taxiway H, and Construct new Electrical vault which are estimated to be complete by the end of year 2012.**

## Major Initiatives

One major FAA-AIP grant was finalized and closed in 2010. Closeout documents were submitted May 4, 2010 for the AIP-48 Discretionary Grant, which was awarded on May 15, 2009, for one project, the Improve Runway Safety Area-Runway 18/36. This was an American Recovery and Reinvestment Act (ARRA) stimulus grant with the total amount awarded of 100% of the total cost of \$1,620,034.

During 2010, the Savannah Airport Commission had two AIP Grants awarded for use on three separate projects. AIP-50 Entitlement Grant was awarded on March 30, 2010, for (Part A) of our 2010 Entitlements. This grant included one project, the GA Connector Taxiway/ Site Development totaling \$2,138,853. The total estimated cost of project was \$2,251,424. At the end of 2010, this project was not completed and only \$1,608,652 had been spent. FAA funded \$1,528,219, and the remaining costs were funded by the Savannah Airport Commission of \$80,433. The dollars expended by the Airport Commission will be reimbursed in 2011 with PFC funds. This project is to be completed and the grant will be closed in 2011.

The AIP-51 Entitlement Grant was awarded on August 12, 2010, for the remaining 2010 Entitlements (Part B). This grant included three projects totaling \$2,138,852. The first project was the final cost of the GA Connector Taxiway/Site Development. The total estimated cost was \$1,405,798. At the end of 2010, this project was not completed and only \$1,036,184 had been spent. FAA funded \$984,375 and the remaining costs were funded by the Savannah Airport Commission \$51,809. The dollars expended by the Airport Commission will be reimbursed in 2011 with PFC funds. The second project was North Development Environmental Assessment. The project cost was \$448,384 with FAA funding \$203,344 and remaining costs were funded by the Savannah Airport Commission \$245,040. The dollars expended by the Airport Commission will be reimbursed in 2011 with AIP and PFC funds. The third project was the Airport Master Plan Update. The project estimated cost is \$631,579. At the end of 2010, this project had yet to commence. FAA funds available for this project are \$600,000 and the remaining cost \$31,579 will be funded by PFC Funds. This project is to begin and complete in 2011.

AIP-47 Entitlement Grant was awarded on February 11, 2009, for (Part A) of our 2009 Entitlements. This grant included four projects and totaled \$1,305,111. The first project was the final cost of the Extend Taxiway B Phase II, which totaled \$217,241. FAA funded \$94,033 of the Phase II and the remaining costs were funded by PFC funds totaling \$123,208. The second project was Runway 09/27 and 18/36 Renumbering. The project total cost was \$103,433 with FAA funding \$36,390, PFC funding \$66,087, and State of Georgia DOT funding \$956. The third project was the Rehabilitate Taxiways B2, B North, C3, and E1. The project total cost was \$695,929 with FAA funding \$661,129, State of Georgia DOT funding \$16,325 and the remaining costs were funded with the Savannah

**Airport Commission \$18,475. The dollars expended by the Airport Commission will be reimbursed in 2011 with PFC funds. The fourth project was the Extend Taxiway A (Design and Construction). The total cost was \$413,895. FAA funded \$393,200, and the remaining costs were funded with State of Georgia DOT funds \$4,811 and the Savannah Airport Commission funded \$15,884. The dollars expended by the Airport Commission will be reimbursed in 2011 with PFC funds. These projects were finalized in 2010 and the grant closeout documents were submitted to FAA on February 24, 2011 with a remaining balance of \$120,359.**

**The AIP-49 Entitlement Grant was awarded on August 18, 2009, for the remaining 2009 Entitlements (Part B). This grant included four projects and totaled \$2,414,345. The first project was the final cost of the Taxiway A Extension Phase II. The total cost was \$2,131,312. At the end of 2010, this project was completed. FAA funded \$1,851,760 and the remaining costs were funded by State of Georgia DOT funds totaling \$45,554 and the Savannah Airport Commission \$233,998. The dollars expended by the Airport Commission will be reimbursed in 2011 with AIP and PFC funds. The second project was Improve Runway Safety Area (Design). The project design cost was \$29,412 with FAA funding \$28,304 and remaining costs were funded by the Savannah Airport Commission \$1,108. The third project was the General Aviation Taxiway 4 and 5 Shoulder and Edge light. The project total cost was \$372,783. At the end of 2010, this project was completed. FAA funding \$354,143 and the remaining costs were funded with the Savannah Airport Commission \$18,640. The dollars expended by the Airport Commission will be reimbursed in 2011 with PFC funds. The fourth project was the Entrance Walkways-Terminal Building. The total cost was \$131,592. At the end of 2010, this project was completed. FAA funded \$96,400, and the Savannah Airport Commission totaling \$35,192 funded the remaining costs. The dollars expended by the Airport Commission will be reimbursed in 2011 with PFC funds. These projects were finalized in 2010 and the grant closeout documents were submitted to FAA on February 24, 2011.**

**A schedule of the AIP projects that are currently open follows:**

	PROJECTED COST	FAA GRANT APPROVED	PFC SHARE	STATE SHARE	AIRPORT SHARE
<b>FAA AIP-47 (2/11/09 Awarded)</b>					
<b>Part A - 2009 Entitlement Funds</b>					
Extend Taxiway B- Phase II	\$217,241	\$94,033	\$123,208	\$0	\$0
Runway 09/27 and 18/36 Renumbering	\$103,433	\$36,390	\$66,087	\$956	\$0
Rehabilitate Taxiways B2, B North, C3, and E1	\$695,929	\$661,129	\$0	\$16,325	\$18,475
Extend Taxiway A- Phase I	\$413,895	\$393,200	\$0	\$4,811	\$15,884
<b>FAA AIP-49 (8/18/09 Awarded)</b>					
<b>Part B - 2009 Entitlement Funds</b>					
Extend Taxiway A- Phase II (Sweeper)	\$2,131,312	\$1,935,498	\$0	\$45,554	\$150,260
Improve Runway Safety Area (Design)	\$29,412	\$28,304	\$0	\$0	\$1,108
General Aviation Taxiway 4 and 5 Shoulder and Edge light	\$372,783	\$354,143	\$0	\$0	\$18,640
Entrance Walkways- Terminal Building	\$131,592	\$96,400	\$0	\$0	\$35,192
<b>FAA AIP-50 (3/30/10 Awarded)</b>					
<b>2010 Entitlement Funds</b>					
GA Connector Taxiway/Site Development	\$2,251,424	\$2,138,853	\$0	\$0	\$112,571
<b>FAA AIP-51 (8/12/10 Awarded)</b>					
<b>Part B - 2010 Entitlement Funds</b>					
GA Connector Taxiway/Site Development	\$1,405,798	\$1,335,508	\$0	\$0	\$70,290
North Development Environmental Assessment	\$448,384	\$203,344	\$0	\$0	\$245,040
Airport Master Plan Update	\$631,579	\$600,000	\$31,579	\$0	\$0
 <b>Total Cost</b>	 <b>\$8,832,782</b>	 <b>\$7,876,802</b>	 <b>\$220,874</b>	 <b>\$67,646</b>	 <b>\$667,460</b>

All projects in FAA AIP-47 and AIP- 49 were completed and finalized in year 2010.

Grant closeout documents were submitted to FAA on Feb. 24, 2011.

**The costs detailed above include total projected costs and the construction contract commitments (Note 8) in the auditor report are authorized contractor project costs through December 31, 2010.**

**Financial Information**

**In developing and evaluating the Commission's accounting system, consideration is given to the adequacy of internal accounting controls. Internal**

accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

**AIRLINE PRIMARY RATES AND CHARGES**

Effective January 1, 2010, a new five year Airline Use and Lease Agreement was adopted with a major change in the rates and charges. The Airline Use and Lease Agreement with the signatory and non-signatory airlines Rates and Charges section was simplified and fixed rates are established for the next five years. The fixed rates are based on our past residual ratemaking methodology for the airfield (landing fee calculation) and a hybrid residual rental rate methodology for the terminal and apron (rental rate calculation) but with a discount. Airlines and the Airport agreed upon fixed annual rates and charges for Primary and Affiliate airlines as stated in the table below. Under the new Agreement, rates increase annually based on estimated increases in enplanements, with the enplanements of fiscal year 2009 as the base. If the total annual enplanements at any time during the contract term increase or decrease by twenty-five (25%) or more, either the Airline or the Airport may request a renegotiation of the rates.

Airline Rates	2010	2011	2012	2013	2014
Terminal	\$ 48.50	\$ 49.50	\$ 50.50	\$ 51.50	\$ 52.50
Landing Fee	2.20	2.30	2.40	2.50	2.60
Apron Fee	6,500	6,500	6,500	6,500	6,500
Fuel Farm Fee	.025	.025	.025	.025	.025

- 1) **Landing Fee:** This fee is charged to each airline based on the airline’s number of landings at the Airport times the maximum certified landing weight of each aircraft. Per 1,000 pounds.
- 2) **Terminal Rental Rate:** This fee is for terminal square footage rental rate each year that will be applied to the space leased by airlines and other tenants who lease Airline space on a square foot basis.
- 3) **Fuel Flowage Fee:** The Savannah/ Hilton Head International Airport maintain the fuel farm, which is necessary for fueling commercial jet aircraft at the Airport. The fuel farm is maintained by Airport Staff in accordance with state and local regulations and, additionally, in accordance with a standard operating agreement with each airline. The fuel farm

flowage fees are established each year based on anticipated expenses divided by volume.

- 4) **Apron Fee:** This fee is charged to each airline based on the number of gates assigned to them for the use of parking of aircraft and support vehicles and the loading and unloading of their aircraft. It is based on a per gate/per year fee.

#### **Capital Financial Planning**

The Savannah Airport Commission has a 5 year Airport Capital Improvement Plan (Strategic Plan) for the years 2012 – 2016 totaling \$49.9 million. The plan consists of \$45 million for airside projects, \$2.2 million for terminal improvements, and \$2.7 million for major equipment and vehicles. Many of the projects included are dependent on their eligibility for available Federal and State funding. Therefore, the projected timing for starting each project is dependent upon the Airport's growth and ability to obtain adequate funding. The remaining projects, if initiated, will require future Federal and State entitlement and discretionary funds, plus Passenger Facility Charges and Airport funds.

All the projects included in the five-year capital plan are designed to meet the objectives as set forth in the Airport's Master Plan and Safety Improvement Program. All prior year capital projects initiated and the 2010 capital plan have been approved by the primary airlines. All projects have or will be subject to a Federal Environment Assessment (FEA) pursuant to the National Environmental Policy Act of 1969 (NEPA). Specific airfield related projects eligible for Federal or State-funding support will also be subject to Federal Aviation Administration review and approval.

The total effect any capital plan will have on future operating budgets is evaluated at the time a specific project is authorized by the Commission to be started unless a project is mandated for safety or health purposes. All other projects are undertaken based on a cost-benefit analysis. All capital projects completed in 2010, or scheduled for completion in 2011, have their projected additional operating costs and related revenues incorporated into the Commission's 2011 operating budget.

#### **Operating Financial Planning**

As part of preparing its operating budget each year, the Commission prepares a multi-year projection of revenues and expenses covering the next 5 years. The projections normally include an annual compounded growth rate of 3% to 5% for enplanements and revenues with operating expense projections ranging from 3% to 5% annually. For our 2011 budget our projected enplanements increased by 3%; however, for 2011 we budgeted flat at 2010 levels with the exception to our parking, terminal gift shop and food concessions, and rental car revenues. These revenues were budgeted at a 3% increase which was

impacted by our projected enplanements. Our projections for 2012 and 2013 annual compounded growth rate increased to 3% for enplanements and revenues with operating expense projections ranging at current percentages from 3% to 5% annually. Certain assumptions are used in determining the projected growth rates at this Airport and accordingly subsequent actual results in any one year, or for the entire period, could differ substantially from those projected. Details for these projections are available upon request.

### **Financial Controls**

In 2010, the Commission and Airlines have negotiated and implemented a new Airline Agreement. In past years, the Airport-Airline Operating Agreements executed between the airlines and the Commission included a majority-in-interest (MII) provision, allowing airlines to approve or disapprove certain capital projects. Airline rates and charges were calculated with a residual rate-making methodology for the airfield and a hybrid residual methodology for the terminal and apron. In 2010, the airport executed new Airline Operating Agreements which replaced “Signatory” airlines with “Primary” airlines. The new agreements eradicated the MII provision and instead structured new, five-year agreements with the Primary Airlines based on a fixed monthly rate and pre-established annual adjustments. In addition, new financial controls were added to the agreements requiring that the Primary airlines be responsible for any and all charges incurred by their respective affiliate airlines.

### **Debt Administration**

The financial reporting structure of the Commission includes the establishment of Funds as outlined in the Bond Covenants for the 1992 Airport Revenue Bond Issue and as agreed to between the Commission Staff and the Airport Affairs Committee. On October 4, 2001, the Commission concluded an advance refunding of the 1992 Series A & B Revenue Bonds. The 2001 Revenue Bond Series A & B Issues have the same covenants as the 1992 Revenue Bond Issues A & B. A brief explanation of the funds follows:

**Revenue Fund:** This fund requires a deposit of all gross income into the Revenue Fund. The moneys in this fund are to be used for the following purposes and in the following order of priority. After making all the deposits described below, the remaining balance is to be transferred to the General Fund.

**Operation & Maintenance Fund (O & M Account and O & M Reserve Account):** This fund requires a deposit equal to the anticipated annual expenditures on a periodic basis and an additional amount necessary to maintain three months or 25% reserve for ordinary expenses. Expenditures are made on monthly expenses with the balance maintained being sufficient to meet a three-month reserve requirement.

**Debt Service Fund (Bond Principal & Interest Account and Debt Service Reserve Account):** This fund requires a deposit in the amount sufficient to pay annual principal and interest on the Airport Revenue Bonds in an amount equal to debt service as required in the Bond covenants. It also requires a reserve equal to 25% times the yearly Principal & Interest Bond payment due for the year. Payment on the 2001 Bonds are made twice annually (June and December).

**Renewal & Replacement Fund:** As agreed upon by the Staff and the Airport Affairs Committee, the Renewal & Replacement Fund is set at \$2 million each year. Funds are deposited on an annual basis in an account to equal capital needs for the Airport for the period in question with payments for capital expenditures.

**General Fund:** Deposits are made for all remaining revenues directly from the Revenue Fund and any other miscellaneous sources of revenue not covered in other funds operated by the Airport.

### **Cash Management**

Cash on hand during the year is invested in the State of Georgia Local Government Investment Pool, Certificates of Deposit with local banks, and a Working Capital Management Account and Money Market fund with Merrill Lynch to purchase Certificates of Deposit up to \$250,000 (includes accrued interest). A new banking policy was proposed by the Executive Director and approved by the Savannah Airport Commission on January 28, 2009. It was approved that the Airport establish a policy similar to the City's in that we allocate \$1 Million to invested in local minority banks on a competitive rate basis and allocate \$3 Million to be invested in local banks similar to the City's match deposit program. This is an attempt to help reinvigorate local institutions. The Commission's investment policy is to totally eliminate the potential for loss of capital; therefore, all investment vehicles are such that capital losses are precluded and pledged securities are required from all local banks holding CD's above the \$250,000 FDIC limit. In 2010, BB&T Bank handled our regular checking account and is required to maintain pledged securities.

### **Risk Management**

The Savannah/ Hilton Head International Airport has the following insurance policies; airport liability, property, crime, public officials and employee theft, worker's compensation, automobile liability, general liability, and medical and dental coverage which are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

## **Other Information**

### **Technological Advances:**

The conversion to “paperless” document retention through electronic filing and storage has become more familiar and comfortable to airport staff, resulting in a significantly streamlined process of filing and dissemination of documents. Large numbers of bulky filing cabinets continue to disappear as staff members store and access critical documents directly from their desktop computers. The accounting department continues to progress to an increasing number of ACH payment of vendors as opposed to issuing paper checks. Future technological improvements include the elimination of a central facsimile machine by replacing its function through electronic faxes sent and received through desktop computers. The Commission’s meeting room was significantly upgraded with a built-in computer and sound presentation system, enhancing board and staff meetings with remote-controlled, wireless access to the airport’s server.

### **Independent Audit:**

The Commission and State & Federal Regulations require an annual audit of the financial records of the Commission by an independent certified public accountant selected by the Commission. The accounting firm of Hancock Askew and Co. LLP was selected to perform the audit. The audit was designed to meet the requirements of the Federal Single Audit Act of 1984, as amended in 1996, and related OMB Circular A-133. The auditor’s report on the basic financial statements and schedules is included in the financial section of this report. The auditor’s reports on compliance are found in the compliance section of this report.

### **Awards:**

In November of 2010, the Executive Director, Patrick S. Graham received top honor as ARN’s Director of the Year for Small Airports in Airport Revenue News Magazine, Vol.8/issue 110. ARN solicited for candidates by asking members of the airport industry to nominate their favorite directors that have excelled in the categories such as leadership, innovation, revenue generation, marketing, customer services, community services and proactive efforts to advance the airport industry.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This

report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staffs of the Finance Department, and the Marketing Department, as well as the independent auditors. We express appreciation to all Commission staff members who contributed to its preparation.

In conclusion, the financial condition of the Savannah Airport Commission is very good. The Commission has sufficient funds on hand to operate in accordance with the 2001 Bond covenants and resolution and, additionally, to self-fund the majority of its internal capital needs for the next five year strategic plan. The Commission is charged by the Federal Aviation Administration to be self-sufficient and its current rate structure and negotiated minimum rate structure will ensure sufficient revenue sources to maintain the self-sufficient status.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Patrick S. Graham', is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

Patrick S. Graham  
Executive Director

# *Savannah/Hilton Head International Airport*



13 Nonstop Destinations, 10 Major Markets  
44 Daily Departures  
[www.savannahairport.com](http://www.savannahairport.com)

# *Savannah/Hilton Head International Airport*



12 Nonstop Destinations, 10 Major Markets  
44 Daily Departures  
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**Savannah Airport Commission  
Savannah, Georgia**

**Principal Officials 2010**

**Appointed Officials**

**Commissioners**

**Sylvester C. Formey, Chairman  
Stephen S. Green, Vice Chairman  
Shirley B. James  
Sheldon Tenenbaum  
Louis C. Wooten**

**Other Officials**

**Executive Director**

**Patrick S. Graham, AAE**

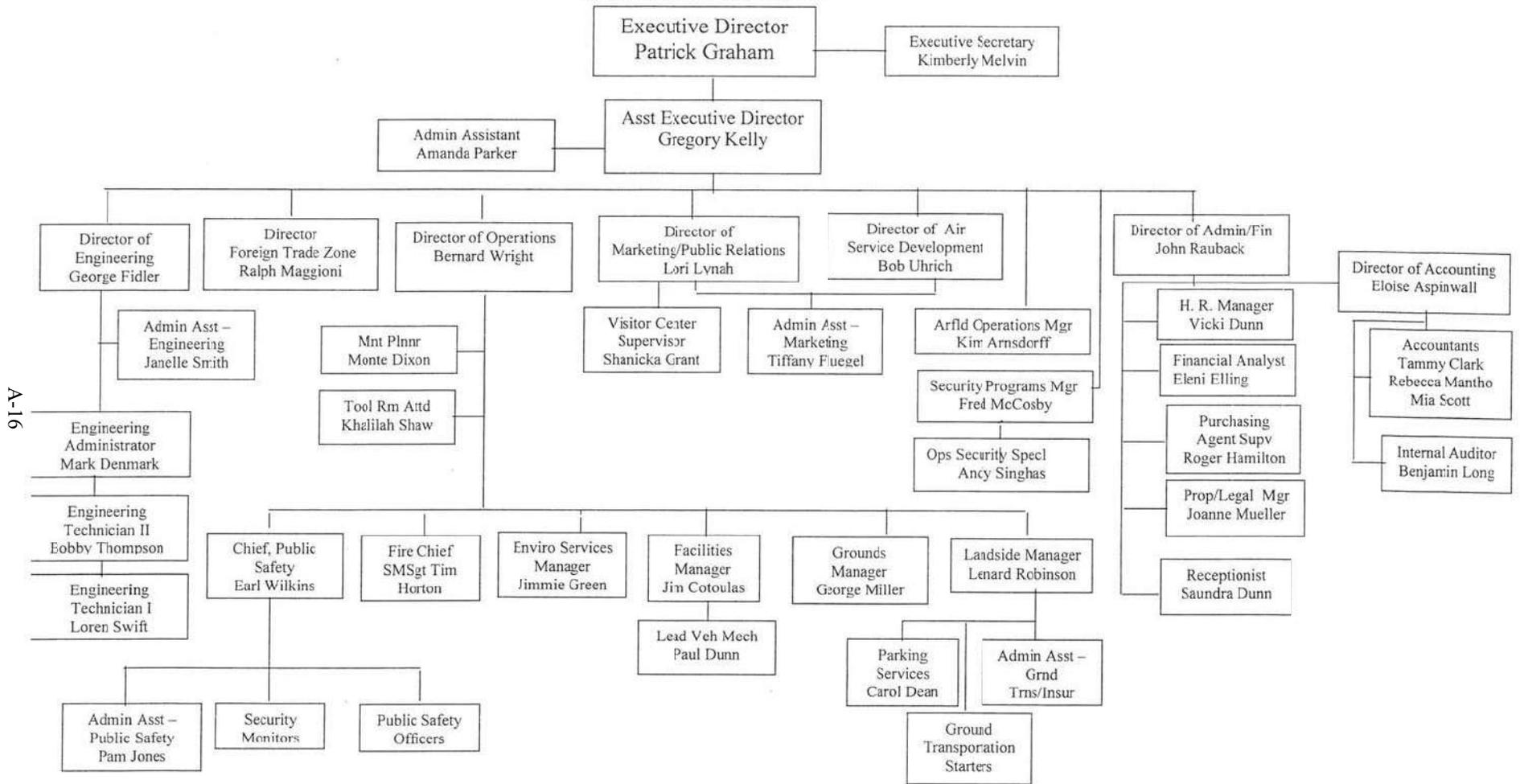
**Assistant Executive Director**

**Greg B. Kelly, AAE**

**Commission Attorney**

**James B. Blackburn – City Attorney**

**SAVANNAH AIRPORT COMMISSION  
ORGANIZATIONAL CHART**



91-V

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Savannah Airport Commission  
Georgia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

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



A stylized, handwritten signature in black ink, likely belonging to the President mentioned in the text below.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

- **Independent Auditors' Report**
- **Management's Discussion and Analysis of Financial Statements**
- **Basic Financial Statements**
- **Supplementary Information**





HANCOCK ASKEW & CO LLP  
ACCOUNTANTS & ADVISORS

## Independent Auditors' Report

The Commissioners  
Savannah Airport Commission

We have audited the accompanying statement of net asset of the Savannah Airport Commission (the Commission) as of December 31, 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the year ended December 31, 2010. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements as of and for the year ended December 31, 2009 were audited by other auditors whose report dated June 28, 2010 expressed an unqualified opinion thereon.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011 on our consideration of the Savannah Airport Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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B-1

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F | 678-387-3964

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages C-1 through C-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of the Commission's management. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and therefore, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Savannah Airport Commission's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Savannah Airport Commission. The supplementary information and the schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Respectfully submitted,

*Hancock Askew & Co., LLP*

Savannah, Georgia  
April 25, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the Savannah / Hilton Head International Airport provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and financial statements of the Savannah Airport Commission (Commission) for the fiscal year ended December 31, 2010. The information contained in this MD&A prepared by management should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historic summaries of activities and financial performance included in the Statistical and Compliance Sections of this report. Following this MD&A are the basic financial statements of the Commission together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

The Commission is self-supporting using aircraft landing fees, fees from terminal and other rentals as well as revenues from concessions and non-aviation revenues such as motels, a golf course, service stations, and fast food establishments to fund operating expenses. The Commission is not taxpayer funded. The capital program is funded by Bonds, Federal and State grants, Passenger Facility Charges, Customer Facility Charges, and net remaining revenues after O&M and debt service.

### AIRPORT ACTIVITIES & HIGHLIGHTS

Savannah / Hilton Head International Airport entered 2010 with economic conditions continuing to decrease as did all airlines' activities. In September of 2010, airline activities started to increase, which gave an overall 2010 stable year compared to 2009. The following shows major indicators of total airline activities during the past three years.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Enplanements - Scheduled and Non-Scheduled</b>	835,728	821,216	988,929
% increase / decrease	1.77 %	-17 %	-2.3%
<b>Aircraft Operations - All Types</b>	99,787	95,206	94,306
% increase / decrease	4.81%	.95%	-5.7%
<b>Landed Weight - Scheduled and Non-Scheduled</b>	1,060,485	1,065,048	1,305,568
% increase / decrease	-43%	-18.4%	-2.5%
<b>Mail / Express / Freight Cargo (Tons)</b>	8,177	7,132	9,020
% increase / decrease	14.6%	-20.9%	-16.3%
<b>Airline Available Seats</b>	1,091,052	1,093,625	1,319,020
% increase / decrease	-2.4%	-17%	-1.1%

Two major factors affect airport revenues: operations, which generate landed weight fee revenues plus usage charges for apron; and enplanements, which generate concessions, parking and rental car revenues. Factors contributing to a slight increase in activities during 2010 include a 1.36 % increase in the total number of airline operations with 16,273 for year 2010 versus 16,054 for year 2009. Total enplanements were up 1.77%. Airline destinations in 2010 remained the same at 44 daily departures. Overall, airline numbers of operations were stable due to the sluggish economic growth in 2010.

### STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the Commission at the end of the fiscal year. The Statement includes all assets and liabilities of the Commission. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Commission. A summarized comparison of the Commission's assets, liabilities and net assets at December 31, 2010, 2009 and 2008 follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets	\$19,342,903	\$15,817,746	\$7,813,892
Current restricted assets	8,465,063	6,243,580	6,006,576
Non-current assets			
Capital assets, net	163,099,685	159,052,566	162,609,887
Other non-current assets	2,650,877	2,899,905	3,159,080
Long-term investments	8,531,384	9,230,290	9,168,000
<b>Total Assets</b>	<u><u>202,089,912</u></u>	<u><u>193,244,087</u></u>	<u><u>188,757,435</u></u>
<b>Liabilities</b>			
Current Liabilities	2,481,354	4,220,908	3,778,222
Non-current liabilities			
Long-term debt outstanding	17,679,379	18,892,505	20,079,452
<b>Total Liabilities</b>	<u><u>20,160,733</u></u>	<u><u>23,113,413</u></u>	<u><u>23,857,674</u></u>
<b>Net Assets</b>			
Invested in capital assets, net of debt	147,826,432	141,662,886	143,208,779
Restricted	8,465,063	6,243,580	6,006,576
Unrestricted	25,637,684	22,224,208	15,684,406
<b>Total Net Assets</b>	<u><u>\$181,929,179</u></u>	<u><u>\$170,130,674</u></u>	<u><u>\$164,899,761</u></u>

The Commission's financial position remained strong at December 31, 2010 with total assets of \$202.1 million and total liabilities of \$20.2 million. Current assets increased by \$3.5 million and total assets increased \$8.9 million. Major increase in total assets was the recognition of projects that were funded by Customer Facility Charges in prior years totaling \$6.1 million, which was added to the Airport's capital assets. In the past, the Commission recognized Customer Facility Charge collections as a liability versus a restricted cash asset.

Total net assets, which represent the equity of the Commission's assets after liabilities are deducted, are \$181.9 million at December 31, 2010, an increase of \$11.8 million over 2009. Capital assets net of debt increased by \$6.2 million to \$147.8 million. The restricted and unrestricted remaining net assets are derived from the Commission's operations, customer facilities charges, general aviation funding, Savannah aviation facility charges, federal and state grants, and PFC collections. The 2010 restricted assets of \$8.5 million are subject to external restrictions on how they may be used under the 2001 airport revenue bond resolution. The remaining unrestricted assets of \$25.6 million may be used to meet any of the Commission's ongoing operations, subject to approval by the Commission's Board.

**SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Operating Revenues</b>			
Airfield	\$2,878,057	\$2,903,967	\$2,771,892
Terminal One	10,442,756	10,511,017	10,716,291
Airport Business Center	190,912	304,387	538,080
Commercial Aviation	1,337,406	1,521,800	1,796,019
Apron	58,804	44,947	91,338
Parking	5,021,958	5,104,720	6,249,602
Non- Aviation	1,949,889	1,908,538	1,845,216
Foreign Trade Zone	308,402	300,606	302,080
<b>Total Operating Revenues</b>	<b>22,188,184</b>	<b>22,599,982</b>	<b>24,310,518</b>
<b>Operating Expenses</b>			
Airfield	(1,410,421)	(1,381,902)	(1,409,678)
Terminal One	(7,382,021)	(7,125,571)	(7,102,240)
Airport Business Center	(272,540)	(212,080)	(256,319)
Commercial Aviation	(211,397)	(372,715)	(902,736)
Apron	(29,406)	(37,239)	(50,594)
Parking	(1,516,103)	(1,626,661)	(1,698,719)
Non- Aviation	(1,058,883)	(999,068)	(978,005)
Foreign Trade Zone	(309,242)	(308,761)	(285,211)
Administration	(3,967,748)	(3,678,603)	(3,770,729)
<b>Total Operating Expenses</b>	<b>(16,157,761)</b>	<b>(15,742,600)</b>	<b>(16,454,231)</b>
<b>Excess before Depreciation and other non-operating income and expenses</b>	<b>6,030,423</b>	<b>6,857,382</b>	<b>7,856,287</b>
<b>Depreciation</b>	<b>(9,768,006)</b>	<b>(9,496,476)</b>	<b>(8,139,215)</b>
<b>Excess (loss) before other non-operating income and expenses</b>	<b>(3,737,583)</b>	<b>(2,639,094)</b>	<b>(282,928)</b>
<b>Other Non-Operating Income and (Expenses), net</b>	<b>3,485,115</b>	<b>2,881,640</b>	<b>3,381,695</b>
<b>Income before Capital Contributions</b>	<b>(252,468)</b>	<b>242,546</b>	<b>3,098,767</b>
<b>Capital Contributions</b>	<b>4,842,933</b>	<b>4,988,367</b>	<b>5,351,676</b>
<b>Net Asset Adjustments</b>	<b>7,208,040</b>	<b>0</b>	<b>0</b>
<b>Increase in Net Assets</b>	<b>\$11,798,505</b>	<b>\$5,230,913</b>	<b>\$8,450,443</b>

## SUMMARY OF OPERATIONS HIGHLIGHTS

Total passenger traffic (enplaned + deplaned) was stable with a slight increase of .18%, remaining the same at about 1.6 million passengers passing through the Airport. Financially, the year remained relatively stable. The Airport was able to end the year 2010 with an \$11.8 million increase in its total net assets as compared to \$5.2 million in 2009. This was a \$6.6 million overall increase in total net assets primarily due to the recognition of projects that were funded by customer facility charges in prior years totaling \$6.1 million which was added to 2010 capital assets.

Significant items affecting the Summary of Revenue, Expenses and Changes in Net Assets for 2010 follows:

- Operating revenues decreased -1.8%, or \$.4 million, from \$22.6 million in 2009 to \$22.2 million in 2010 primarily due to the following:
  - The Parking cost center revenues decreased by \$82,762 or -1.6% over 2009 mainly due to the slow economic growth in 2010. Passengers still chose to park in the Airport economy lot (least expensive) more frequently, versus the hourly long-term lot thus generating less revenue.
  - In the Commercial cost center, revenues decreased by \$184,394 or -12.1% over 2009 as a result from eliminating ground support services due to the Delta and Northwest merger in May 2009. In addition, the loss of Gulfstream space rental in 2010 contributed to this decrease.
  - The Airport Business Center cost center revenues decreased by \$190,912 or -37.8% over 2009, mainly due to the loss of Gulfstream space rental year-end 2009. Even though Goodwill Industries International, Inc. commenced operations early in 2010, the space leased was less.
  - In the Non-Aviation cost center, revenues increased by \$41,351 or 2.2% over 2009, mainly due to hotel revenues and the fixed rental fees on land leases that increased in 2010.
  
- Operating expenses increased 2.6%, or \$0.4 million, from \$15.7 million in 2009 to \$16.1 million in 2010 due primarily to the following:
  - In the Commercial Aviation cost center, expenses decreased by \$161,318 mainly due to the Delta and Northwest merger in May 2009, which caused the Airport to stop operating the ground handling services. In November 2010, the Airport began operating Allegiant Air's ground handling services.
  - In the Administration cost center, expenses increased by \$289,145 due to employee benefits, sponsorships/ special events, the Airport revamping their website and advertising on Travelocity's website.
  - In the Terminal cost center, expenses increased by \$256,450 due to minor maintenance projects, such as the terminal carpet replacement, replacement of LCD FIDS monitors, and the refurbishing of the cooling tower.
  - The Parking cost center expenses decreased by \$110,558 due to eliminating cost associated with third party management fees. In June of 2009, the

Commission took over parking operations, which reduced expenses considerably in 2010.

- The Airport Business Center cost center expenses increased by \$60,460 due to a minor maintenance project that renovated the building before Goodwill Industries International, Inc. leased out in early 2010.
  - In the Non-Aviation cost center, expenses increased by \$59,815 mainly due to the minor maintenance project of adding in a portion of an irrigation system to the property.
  - The Airfield cost center expenses increased by \$28,519 due to a minor maintenance project at the fuel farm, which extended the canopies.
- The net result of the above was an operating loss before depreciation of -\$0.8 million from 2009.
- Non-Operating Income increased 20.9% or \$0.6 million from a net income of \$2.9 million in 2009 to \$3.5 million in 2010 due principally to the additional collections of restricted revenues from rental cars' customer facility charges (CFC), general aviation funding and Savannah aviation facility charges. The Airport re-classed and recognized these revenues as restricted cash assets versus liabilities on the balance sheet this year. In addition, the Airport had a net increase in the fair market value of investments.
- Capital contributions received in the form of grants from the Federal and State governments decreased from \$5.0 million in 2009 to \$4.8 million in 2010 as a result of when expenditures were paid and thus becoming eligible for Federal or State funding. The major projects covered in 2010 were GA Connector Taxiway and Site Development via AIP- 50 and 51, as well as North Development Environmental Assessment via AIP- 51.

## COST PER ENPLANEMENT

The Savannah Airport Commission measures its performance in several areas to determine the effectiveness of programs. The most commonly used measurement is cost per enplanement. Increasing costs alert management to potential problems while decreasing costs often reflect the results of marketing activity, cost containment, and economic growth. In 2010, with the Airlines' new agreement to fixed rates, the cost per enplanements does not change by much as long as enplanements do not drastically decrease and/or increase. The method the Commission uses to calculate cost per enplanement, as well as a comparison for the last three years follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Airline Landing Fees	\$2,325,064	\$2,398,293	\$2,232,669
Airline Terminal Rentals	5,391,560	5,201,280	4,223,596
Airline Apron Fees	<u>58,804</u>	<u>44,947</u>	<u>91,338</u>
Total Airline Revenues	7,775,428	7,644,513	6,547,603
Total Enplanements	835,728	821,216	988,929
Cost per Enplanement (rev. ÷ enp.)	\$9.30	\$9.31	\$6.62
% Increase / Decrease	-0.1%	40.63%	14.73%

The following table compares the Commission cost per enplanement with a few other airports of similar size.

### Cost Per Enplanement

	<u>Savannah Hilton Head International</u>	<u>Columbia Metropolitan</u>	<u>Des Moines International</u>	<u>Charleston International *</u>
2010	\$9.30	\$12.02	\$8.25	\$4.36
2009	\$9.31	\$8.16	\$9.83	\$4.23
2008	\$6.62	\$7.39	\$8.72	\$3.72

\* Terminal cost only, Airfield operated by the US Airforce.

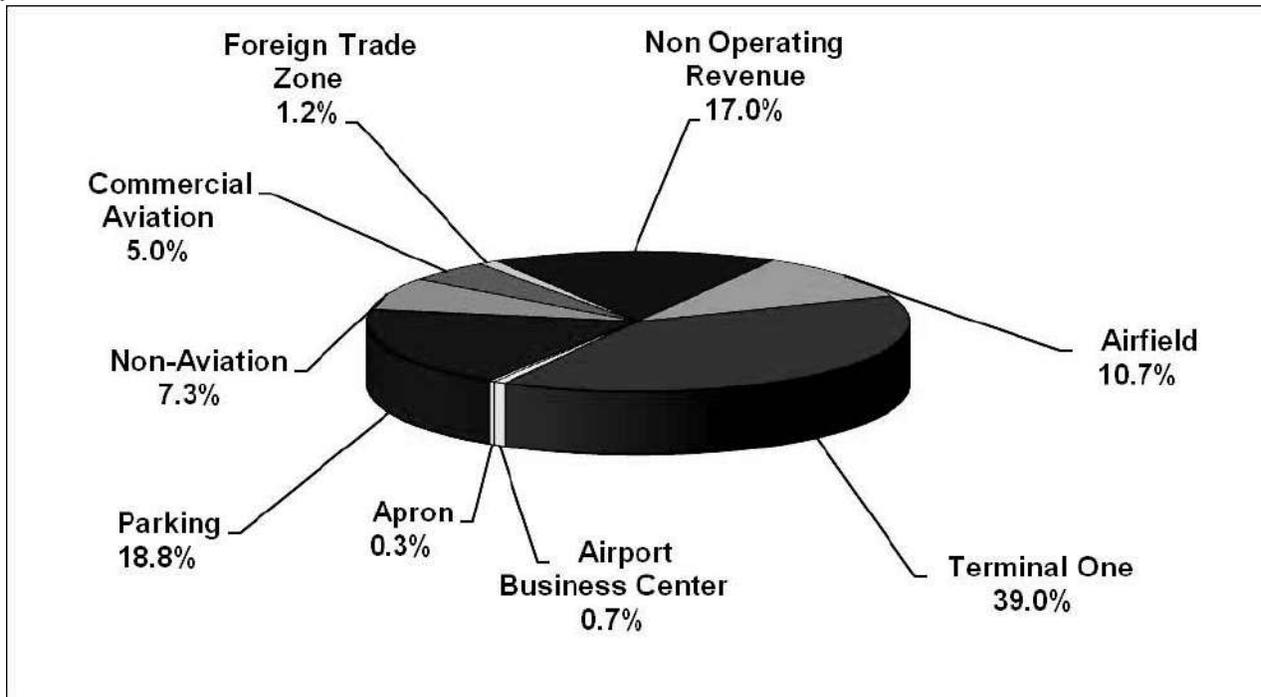
## AIRLINE SIGNATORY RATES AND CHARGES

Effective January 1, 2010, a five year Airline Use and Lease Agreement (covering years 2010-2014) was adopted with a few major changes in the rates and charges. In past years, the Airport-Airline Operating Agreements executed between the airlines and the Commission included a majority-in-interest (MII) provision, allowing airlines to approve or disapprove certain capital projects. Airline rates and charges were calculated with a residual rate-making methodology for the airfield and a hybrid residual methodology for the terminal and apron. In 2010, the airport executed new Airline Operating Agreements which replaced “Signatory” airlines with “Primary” airlines. The new agreements eradicated the MII provision and instead structured new, five-year agreements with the Primary Airlines based on a fixed monthly rate and pre-established annual adjustments. In addition, new financial controls were added to the agreements requiring that the Primary airlines be responsible for any and all charges incurred by their respective affiliate airlines. In addition, with the enplanements of fiscal year 2009 as the base, if the total annual enplanements at any time during the contract term increase or decrease by twenty-five (25%) or more, either the Airlines or the Airport may request a renegotiation of the rates. A comparison of actual rates and charges for primary and affiliated airlines follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Landing Fees (Per 1,000 lbs. Maximum Gross Landing Weight)	\$2.20 Jan-Dec	\$1.99 Jan-Jun \$2.50 Jul-Dec	\$1.65 Jan-July \$1.80 Aug-Dec
Terminal Rental Rates (Per square foot)	\$48.50 Jan-Dec	\$44.89 Jan-Jun \$48.00 Jul- Dec	\$35.00 Jan-July \$40.00 Aug- Dec
Apron Rental Fee	\$6,500 Jan-Dec	\$5,161 Jan-Dec	\$7,000 Jan-July \$10,000 Aug-Dec
Fuel Flow Fee	\$0.025	\$0.025	\$0.025

## REVENUES

The following chart shows the major cost centers and the percentage of total revenues for the year ended December 31, 2010:

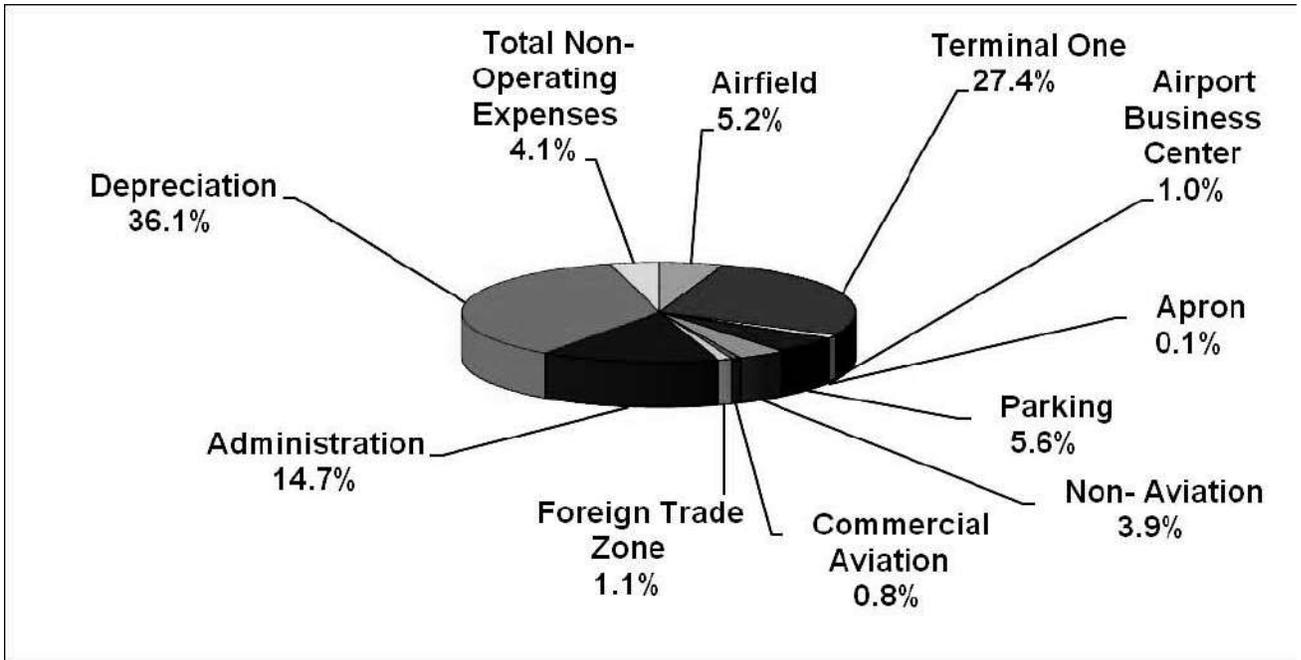


A summary of revenues for the year ended December 31, 2010, and the amounts and percentage of total in relation to prior year's amount's follow:

	<u>2010</u> <u>Amount</u>	<u>%</u> <u>of Total</u>	<u>2009</u> <u>Amount</u>	<u>%</u> <u>of Total</u>	<u>2008</u> <u>Amount</u>	<u>%</u> <u>of Total</u>
<b>Operating Revenues:</b>						
Airfield	\$ 2,878,057	10.7%	\$ 2,903,967	10.9%	\$ 2,771,892	9.7%
Terminal One	\$10,442,756	39.0%	\$10,511,017	39.3%	\$ 10,716,291	37.0%
Airport Business Center	\$ 190,912	0.7%	\$ 304,387	1.1%	\$ 538,080	1.9%
Apron	\$ 58,804	0.3%	\$ 44,947	0.2%	\$ 91,338	0.3%
Parking	\$ 5,021,958	18.8%	\$ 5,104,720	19.1%	\$ 6,249,602	21.6%
Non- Aviation	\$ 1,949,889	7.3%	\$ 1,908,538	7.1%	\$ 1,845,216	6.4%
Commercial Aviation	\$ 1,337,406	5.0%	\$ 1,521,800	5.7%	\$ 1,796,019	6.2%
Foreign Trade Zone	\$ 308,402	1.2%	\$ 300,606	1.1%	\$ 302,080	1.0%
<b>Total Operating Revenues</b>	<b>\$22,188,184</b>	<b>83.0%</b>	<b>\$22,599,982</b>	<b>84.5%</b>	<b>\$ 24,310,518</b>	<b>83.9%</b>
<b>Non- Operating Revenue:</b>						
Passenger Facility Charges	\$ 2,717,454	10.1%	\$ 3,088,060	11.5%	\$ 3,696,856	12.8%
Customer Facility Charges	\$ 510,033	1.9%	\$ -	0.0%	\$ -	0.0%
General Aviation Fund Charges	\$ 77,291	0.3%	\$ -	0.0%	\$ -	0.0%
Savannah Aviation Village Charges	\$ 59,250	0.2%	\$ -	0.0%	\$ -	0.0%
Interest Revenue	\$ 866,356	3.2%	\$ 890,682	3.3%	\$ 781,817	2.6%
Bond Premium Amortization	\$ 76,139	0.3%	\$ 76,139	0.3%	\$ 76,139	0.3%
Gain on Disposal of Assets	\$ 85,647	0.3%	\$ 82,598	0.3%	\$ 5,610	0.0%
Increase in the Fair Value Invest	\$ 185,027	0.7%	\$ -	0.0%	\$ 111,400	0.4%
Recovery of Bad Debt	\$ 9,822	0.0%	\$ 13,557	0.1%	\$ 5,401	0.0%
<b>Total Non-Operating Revenues</b>	<b>\$ 4,587,019</b>	<b>17.0%</b>	<b>\$ 4,151,036</b>	<b>15.5%</b>	<b>\$ 4,677,223</b>	<b>16.1%</b>
<b>TOTAL REVENUES:</b>	<b>\$26,775,203</b>	<b>100.0%</b>	<b>\$26,751,018</b>	<b>100.0%</b>	<b>\$ 28,987,741</b>	<b>100.0%</b>

## EXPENSES

The following chart shows the major cost centers and the percentage of total expenses for the year ended December 31, 2010:



A summary of expenses for the year ended December 31, 2010, and the amounts and percentage of total in relation to prior year's amount's follow:

	<u>2010</u> <u>Amount</u>	<u>%</u> <u>of Total</u>	<u>2009</u> <u>Amount</u>	<u>%</u> <u>of Total</u>	<u>2008</u> <u>Amount</u>	<u>%</u> <u>of Total</u>
<b>Operating Expenses:</b>						
Airfield	\$ 1,410,421	5.2%	\$ 1,381,902	5.1%	\$ 1,409,678	5.3%
Terminal One	\$ 7,382,021	27.4%	\$ 7,125,571	26.9%	\$ 7,102,240	27.4%
Airport Business Center	\$ 272,540	1.0%	\$ 212,080	0.8%	\$ 256,319	1.0%
Apron	\$ 29,406	0.1%	\$ 37,239	0.1%	\$ 50,594	0.2%
Parking	\$ 1,516,103	5.6%	\$ 1,626,661	6.1%	\$ 1,698,719	6.6%
Non- Aviation	\$ 1,058,883	3.9%	\$ 999,068	3.8%	\$ 978,005	3.8%
Commercial Aviation	\$ 211,397	0.8%	\$ 372,715	1.4%	\$ 902,736	3.5%
Foreign Trade Zone	\$ 309,242	1.1%	\$ 308,761	1.2%	\$ 285,211	1.1%
Administration	\$ 3,967,748	14.7%	\$ 3,678,603	13.9%	\$ 3,770,729	14.6%
Total Operating Expenses	\$ 16,157,761	59.8%	\$ 15,742,600	59.4%	\$ 16,454,231	63.6%
<b>Depreciation:</b>						
Depreciation	\$ 9,768,006	36.1%	\$ 9,496,476	35.8%	\$ 8,139,215	31.4%
<b>Non- Operating Expenses:</b>						
Interest Expense	\$ 903,999	3.4%	\$ 1,005,643	3.8%	\$ 1,097,623	4.2%
Amortization of Bond Issue cost	\$ 197,905	0.7%	\$ 197,905	0.7%	\$ 197,905	0.8%
Dec. in the Fair Value Investments	\$ -	0.0%	\$ 65,848	0.2%	\$ -	0.0%
Loss on Disposal of Capital Assets	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Total Non-Operating Expenses	\$ 1,101,904	4.1%	\$ 1,269,396	4.8%	\$ 1,295,528	5.0%
<b>TOTAL EXPENSES:</b>	<b>\$ 27,027,671</b>	<b>100.0%</b>	<b>\$ 26,508,472</b>	<b>100.0%</b>	<b>\$ 25,888,974</b>	<b>100.0%</b>

## **SUMMARY OF CASH FLOW ACTIVITIES**

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Cash flows from:</b>			
<b>Operating Activities</b>	\$5,655,831	\$6,982,478	\$7,363,705
<b>Investing Activities</b>	(1,019,862)	(9,805,627)	(3,522,501)
<b>Capital &amp; Related Financing Activities</b>	<u>(1,665,287)</u>	<u>315,306</u>	<u>340,389</u>
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	2,970,682	(2,507,843)	4,181,593
<b>Cash and Cash Equivalents:</b>			
<b>Beginning of Year</b>	<u>\$5,529,609</u>	<u>8,037,452</u>	<u>3,855,859</u>
<b>End of Year</b>	<u><u>\$8,500,291</u></u>	<u><u>\$5,529,609</u></u>	<u><u>\$8,037,452</u></u>

The Commission's available cash and cash equivalents increased from \$5.5 million at the end of 2009 to \$8.5 million at the end of 2010 primarily due to a decrease in capital related financing activities and investing activities, where the Commission had recognized customer facilities charges, general aviation funding, and Savannah aviation facility charges as restricted cash verses a liability.

## **CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

Funds from various sources (AIP, PFC, CFC, State and Airport revenues) totaling \$6.9 million were expended during 2010 on capital activities which have not been closed out of construction-in-progress as follows:

GA Connector T/W North of Term Development	\$ 3.3 million
South Rental Car Canopies	\$ 1.4 million
North Development Environmental Assessment: Design Costs for Gulfstream Road Realignment & Tunnel, T/W A Extension North, T/W H & Electrical Vault; Storm water Master Plan Update and Traffic Survey.	\$ 1.9 million
Entrance Walkways-Terminal Bldg.	\$ .1 million
CCTV System Replacement	\$ .1 million
Design Costs: R/W Light Reseal Joints, and McKenna/ Airways Ave Improvements; and Site Mitigation Costs	<u>\$ .2 million</u>
Total	\$ 7.0 million

During 2010, completed projects totaling \$4.9 million were closed from construction-in-progress to their respective capital accounts while another \$ .5 million in maintenance and administration equipment was capitalized.

GA T/W 4 & 5 Improvements-AIP47	\$ .4 million
Improve Runway Safety Areas-AIP48	\$ 1.7 million
Extend T/W A –AIP 47 & 49	\$ 2.5 million
Pre-Cool Additional 9 Jet bridges	\$ .1 million
Surface Painted Hold Position Signs	<u>\$ .2 million</u>
Total	\$ 4.9 million

Capital asset acquisitions, those exceeding \$1,000, are capitalized at cost. Acquisitions are funded using a variety of financing techniques including Federal grants, State grants, CFC, debt issuances and Airport revenues. Additional information on the Commission's capital assets and commitments can be found in Note 8, Construction Contract Commitments, in the notes to the financial statements.

### **DEBT ACTIVITY**

On October 20, 1992, the Commission issued a total of \$38,910,000 for Airport Revenue Bonds, Series 1992 A (\$7,140,000), and for Airport Revenue Bonds, Series 1992 B (\$31,770,000), (collectively the "Series 1992 Bonds"). This bond issue was authorized to help fund the \$68.5 million relocation and construction of a new 299,195 sq. ft. Terminal One and associated infrastructure such as new roads, new aircraft taxiway, parking apron, storm water ponds and a new interchange at I-95 for entry into the Airport (Exit 104). Prior to the issuing of the Series 1992 Bonds, the Commission deceased the balance of the Series 1972 Bonds.

On October 4, 2001, the Commission issued \$32,255,000 in revenue bonds, Series 2001 A and 2001 B to advance refund \$32,125,000 of outstanding Series 1992 A & 1992 B Bonds. This advance refunding was done to take advantage of a reduction in the average interest rate from 6.19% to 4.94% or a \$2.4 million reduction in interest expense over the life of the Series 2001 Bonds.

Outstanding debt at December 31, 2010, December 31, 2009, and December 31, 2008 consists of one revenue bond issue as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Revenue Bonds:</b>			
Series 2001 A	\$7,230,000	\$7,255,000	\$7,275,000
Series 2001 B	<u>8,400,000</u>	<u>10,530,000</u>	<u>12,560,000</u>
<b>Total</b>	<u><u>\$15,630,000</u></u>	<u><u>\$17,785,000</u></u>	<u><u>\$19,835,000</u></u>

Computation for debt coverage ratio follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Total Revenues</b>	\$31,618,136	\$31,739,385	\$34,339,417
Less: PFC	(2,717,454)	(3,088,060)	(3,696,856)
Less: Capital Contribution	<u>(4,842,933)</u>	<u>(4,988,367)</u>	<u>(5,351,676)</u>
<b>Total Gross Revenues</b>	24,057,749	23,662,958	25,290,885
<b>Less:</b>			
<b>Total Expenses</b>	\$27,027,671	\$26,508,472	\$25,888,974
Less: Depreciation	(9,768,006)	(9,496,476)	(8,139,215)
Less: Interest Exp.	<u>(903,999)</u>	<u>(1,005,643)</u>	<u>(1,097,623)</u>
<b>Total Net Expenses</b>	16,355,666	16,006,353	16,652,136
<b>Total Net Revenues Available For Debt Service</b>	<u><u>\$7,702,083</u></u>	<u><u>\$7,656,605</u></u>	<u><u>\$8,638,749</u></u>
<b>Total Revenue Bond Debt Service (Principal &amp; Interest)</b>	\$3,058,999	\$3,055,643	\$3,052,623
<b>Bond Debt Service Coverage</b>	\$2.52	\$2.51	\$2.83

The 2010 Savannah / Hilton Head International Airport credit ratings by each of the three major rating agencies are: Moody's Investors Services "A1", Fitch Ratings "AA" and Standard and Poor's Rating Group "AA."

The current City of Savannah, Georgia, Airport Revenue Refunding Bonds, Series 2001 Bonds, are payable from and secured by a lien on Net Revenue derived by the operation of the Savannah / Hilton Head International Airport. The Series 2001 Bonds are limited obligations of the City and do not constitute and are not an obligation or indebtedness of the City, Chatham County, the State of Georgia or any political subdivision thereof within the meaning of any constitutional or statutory limitation or provision or a pledge of faith and credit of the City and the City is not obligated to levy taxes of any nature for the payment thereof. The properties forming a part of the Airport and certain monies as described in the resolution have not been pledged as security for the Series 2001 Bonds,

and no mortgage or security interest has been granted or lien created thereon for the benefit of the holders of the Series 2001 Bonds.

In connection with the sale of each 2001 Bond issue, an insurance policy secured from Financial Security Assurance, Inc. was purchased by the Commission to guarantee the payment of principal and interest when due.

Under the Commission's master bond resolution adopted on October 20, 1992 and advance refunded on October 4, 2001, it is required to maintain an operating reserve equal to three months operating expenses and a repair and replacement reserve of \$2,000,000. The Commission has never had to use funds from either of these two reserves. Further details on debt can be found in Note 9 of the Financial Statements.

### **FINANCIAL STATEMENTS SUMMARY**

The Commission's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles. The Commission is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized (except land) and are depreciated over their useful lives. Amounts are restricted for debt service, operations and maintenance reserves and, where applicable, for construction activities. See Note 1 to the financial statements for a summary of the Commission's significant accounting policies.

### **FUTURE IMPACTS**

In calendar year 2010, the Savannah / Hilton Head International Airport experienced an overall stable year, with insignificant economic growth in passenger traffic which was in line with the national trend by the airlines, especially at small airports. Enplanements were up 1.77% versus 2009; however, our 2011 projection for passenger traffic has fairly increased compared to 2010. The growth is partially due to Allegiant Air's two weekly nonstop flights to Fort Lauderdale that began in late 2010 and Vision Air, which began operating three weekly nonstop flights to NW Florida Regional Airport (Destin, FL) in March of 2011. Our nonstop destinations have increased to thirteen, and we now operate into ten markets.

Furthermore, in April, all our current airlines have added flights and increased the number of available seats. Based on our consistent load factor of 70% percent or greater, this will equate to a minimum increase of at least 3% in enplanements. While we remain positive, the increased fuel prices because of unrest in the Middle East could have a negative impact on the year end results.

Although economic indicators are continuing to create challenges for the Airport, business and leisure travelers, and other tenants, Savannah/ Hilton Head International is staying focused on the goal of being "First In Service" with anyone who comes in contact with the Airport.

**REQUEST FOR INFORMATION**

This Comprehensive Annual Financial Report is designed to provide detailed information on the Commission's operations to all those with an interest in the Commission's financial affairs. The Commission's website, [www.savannahairport.com](http://www.savannahairport.com) is also a valuable source for financial, statistical and other related data. In addition, our link to view the 2010 CAFR is <http://www.savannahairport.com/quicklinks/news/>. Questions concerning any of the information provided in this report or any request for additional information should be addressed to the Executive Director by email: [pgraham@savannahairport.com](mailto:pgraham@savannahairport.com) or in writing to Savannah Airport Commission, 400 Airways Avenue, Savannah, Georgia 31408.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Patrick S. Graham', with a long horizontal line extending to the right.

**Patrick S. Graham**  
**Executive Director**

# Savannah Airport Commission

## Statements of Net Assets

<i>December 31,</i>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Unrestricted assets		
Cash and cash equivalents	\$ 778,443	\$ 361,550
Short-term investments	16,248,384	12,878,429
Accounts receivable, net of allowance for doubtful accounts of \$13,392 and \$47,057, respectively	1,754,036	2,033,288
Inventories	161,584	153,109
Prepaid expenses and other	202,617	215,553
Leases receivable - current portion	197,839	175,817
<b>Total current unrestricted assets</b>	<b>19,342,903</b>	<b>15,817,746</b>
Restricted assets		
Restricted cash	6,257,300	4,243,580
Revenue bond renewal and replacement fund	2,000,000	2,000,000
Facility charges and other receivables	207,763	-
<b>Total current restricted assets</b>	<b>8,465,063</b>	<b>6,243,580</b>
<b>Total current assets</b>	<b>27,807,966</b>	<b>22,061,326</b>
<b>Non-current assets</b>		
Capital assets		
Land	11,561,094	11,561,094
Construction in progress	7,533,416	3,690,853
Buildings and improvements	152,839,920	146,313,884
Runways, taxiways and lights	72,468,436	67,661,241
Equipment	15,673,694	15,970,491
Access roads	17,983,302	17,983,302
	<b>278,059,862</b>	<b>263,180,865</b>
Less accumulated depreciation	114,960,177	104,128,299
Total capital assets	163,099,685	159,052,566
Bond issuance cost	499,162	582,356
Leases receivable, net of current portion	2,151,715	2,317,549
Investments	8,531,384	9,230,290
<b>Total non-current assets</b>	<b>174,281,946</b>	<b>171,182,761</b>
<b>Total assets</b>	<b>\$ 202,089,912</b>	<b>\$ 193,244,087</b>

*The accompanying notes are an integral part of these financial statements.*

# Savannah Airport Commission

## Statements of Net Assets (cont.)

<i>December 31,</i>	<b>2010</b>	<b>2009</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,171,325	\$ 3,152,748
Security deposits	61,237	62,125
Salaries and wages payable	89,550	29,593
Contracts payable - retainage	337,054	150,315
Deferred revenue	133,430	182,422
Accrued vacation liability	688,758	643,705
<b>Total current liabilities</b>	<b>2,481,354</b>	<b>4,220,908</b>
<b>Non-current liabilities</b>		
Net OPEB obligation	2,406,126	1,502,825
Revenue bonds, includes an unamortized premium of \$331,519 and \$407,658 as of December 31, 2010 and 2009, respectively	15,961,519	18,192,658
Deferred loss on bond refunding	(688,266)	(802,978)
<b>Total non-current liabilities</b>	<b>17,679,379</b>	<b>18,892,505</b>
<b>Total liabilities</b>	<b>20,160,733</b>	<b>23,113,413</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	147,826,432	141,662,886
Restricted:		
Renewal and replacement fund	2,000,000	2,000,000
Operation and maintenance fund	3,814,015	3,729,529
Passenger facility charges	1,311,623	514,051
Customer facility charges	1,349,504	-
Savannah aviation village fund charges	39,288	-
Total restricted	8,514,430	6,243,580
Unrestricted	25,588,317	22,224,208
<b>Total net assets</b>	<b>181,929,179</b>	<b>170,130,674</b>
<b>Total liabilities and net assets</b>	<b>\$ 202,089,912</b>	<b>\$ 193,244,087</b>

*The accompanying notes are an integral part of these financial statements.*

# Savannah Airport Commission

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

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Operating revenues</b>		
Airfield	\$ 2,878,057	\$ 2,903,967
Terminal one	10,442,756	10,511,017
Airport business center	190,912	304,387
Commercial aviation	1,337,406	1,521,800
Apron	58,804	44,947
Parking	5,021,958	5,104,720
Non-aviation	1,949,889	1,908,538
Foreign trade zone	308,402	300,606
<b>Total operating revenues</b>	<b>22,188,184</b>	<b>22,599,982</b>
<b>Operating expenses</b>		
Airfield	1,410,421	1,381,902
Terminal one	7,382,021	7,125,571
Airport business center	272,540	212,080
Commercial aviation	211,397	372,715
Apron	29,406	37,239
Parking	1,516,103	1,626,661
Non-aviation	1,058,883	999,068
Foreign trade zone	309,242	308,761
Administrative expenses	3,967,748	3,678,603
Depreciation	9,768,006	9,496,476
<b>Total operating expenses</b>	<b>25,925,767</b>	<b>25,239,076</b>
<b>Operating loss</b>	<b>(3,737,583)</b>	<b>(2,639,094)</b>
<b>Non-operating revenues (expenses)</b>		
Passenger facility charges	2,717,454	3,088,060
Customer facility charges	510,033	-
General aviation fund charges	77,291	-
Savannah aviation village charges	59,250	-
Interest revenue	866,356	890,682
Interest expense	(903,999)	(1,005,643)
Bond issuance cost amortization	(83,194)	(83,194)
Bond premium amortization	76,139	76,139
Loss on bond refunding	(114,711)	(114,711)
Net increase (decrease) in the fair value of investments	185,027	(65,848)
Recovery of bad debt	9,822	13,557
Gain on disposal of capital assets	85,647	82,598
<b>Total non-operating revenues</b>	<b>3,485,115</b>	<b>2,881,640</b>
<b>(Loss) income before capital contributions</b>	<b>(252,468)</b>	<b>242,546</b>
<b>Capital contributions</b>	<b>4,842,933</b>	<b>4,988,367</b>
<b>Net asset adjustment (note 1)</b>	<b>7,208,040</b>	<b>-</b>
<b>Increase in net assets</b>	<b>11,798,505</b>	<b>5,230,913</b>
<b>Total net assets, beginning of year</b>	<b>170,130,674</b>	<b>164,899,761</b>
<b>Total net assets, end of year</b>	<b>\$ 181,929,179</b>	<b>\$ 170,130,674</b>

*The accompanying notes are an integral part of these financial statements*

# Savannah Airport Commission

## Statements of Cash Flows

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Cash received from providing services	\$ 22,596,391	\$ 22,287,493
Cash paid to suppliers	(7,392,932)	(5,887,439)
Cash paid to employees	(9,547,628)	(9,417,576)
<b>Net cash provided by operating activities</b>	<b>5,655,831</b>	<b>6,982,478</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(8,040,571)	(4,788,076)
Principal paid on revenue bonds	(2,155,000)	(2,050,000)
Interest paid on revenue bonds	(903,999)	(1,005,643)
Receipts from capital grants	4,842,933	4,988,367
Proceeds from sale of capital assets	92,344	82,598
Receipts and interest from:		
Passenger facility charges	2,905,622	3,088,060
Customer facility and other charges	1,593,384	-
<b>Net cash (used in) provided by capital and financing activities</b>	<b>(1,665,287)</b>	<b>315,306</b>
<b>Cash flows from investing activities</b>		
Interest received	948,408	783,043
Sale of investments	9,257,422	5,002,044
Purchase of investments	(11,411,137)	(15,429,421)
Change in lease receivables	185,445	(161,293)
<b>Net cash used in investing activities</b>	<b>(1,019,862)</b>	<b>(9,805,627)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,970,682</b>	<b>(2,507,843)</b>
<b>Net cash and cash equivalents, beginning</b>	<b>5,529,609</b>	<b>8,037,452</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 8,500,291</b>	<b>\$ 5,529,609</b>

*The accompanying notes are an integral part of these financial statements.*

# Savannah Airport Commission

## Statements of Cash Flows (cont.)

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (3,737,583)	\$ (2,639,094)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	9,768,006	9,496,476
Provision for losses on accounts receivable	40,238	49,357
Provision for OPEB obligation	903,301	824,481
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	416,962	(392,186)
Inventories	(8,475)	25,040
Prepaid expenses	12,936	199
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(1,921,466)	(420,838)
Security deposits	(888)	880
Contracts payable - retainage	186,739	(72,118)
Deferred revenue	(48,992)	30,340
Accrued vacation liability	45,053	79,941
<b>Net cash provided by operating activities</b>	<b>\$ 5,655,831</b>	<b>\$ 6,982,478</b>

*The accompanying notes are an integral part of these financial statements.*

# Savannah Airport Commission

## Statements of Cash Flows (cont.)

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Reconciliation of cash and cash equivalents to the statements of net assets</b>		
Cash	\$ 778,443	\$ 361,550
Cash equivalents included in investments	(743,215)	(1,075,521)
Total restricted assets	<b>8,465,063</b>	<b>6,243,580</b>
Cash and cash equivalents, ending	\$ <b>8,500,291</b>	\$ 5,529,609
<b>Schedule of non-cash investing and capital and related financing activities</b>		
Bond issuance cost amortization	\$ (83,194)	\$ (83,194)
Bond premium amortization	\$ 76,139	\$ 76,139
Loss on bond refunding	\$ (114,711)	\$ (114,711)
Change in fair value of investments	\$ 185,027	\$ (65,848)

*The accompanying notes are an integral part of these financial statements.*

# Savannah Airport Commission

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### Nature of Business

The Savannah Airport Commission (the Commission) provides an airline terminal, runways, and other aeronautical facilities in Savannah, Georgia, for passenger and freight airlines and private aircraft.

#### Financial Reporting Entity

The Commission is a municipal corporation established by the Savannah City Code and governed by five members who are appointed by the Mayor and Aldermen of the City of Savannah. The Commission is a public corporation created by an act of the general assembly of the State of Georgia as a public agency of the City of Savannah but is not considered a component unit of the City of Savannah.

Criteria for determining if other entities are potential component units which should be reported within the Commission's financial statements are identified and described in the GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600. The application of these criteria provide for identification of any entities for which the Commission is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Commission.

The Commission receives funding from state and federal government sources and must comply with the accompanying requirements of these funding source entities.

The Commission applies all applicable Governmental Accounting Standards Board Statements (GASB) pronouncements as well as following all Financial Accounting Standards Board Statements, Interpretations and related guidance issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### Basis of Presentation - Fund Accounting

The operations of the Commission are accounted for as using separate funds as required, which are combined for financial reporting purposes into a single enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Commission has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

# Savannah Airport Commission

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies (cont.)

#### **Basis of Accounting and Measurement Focus**

The economic measurement focus and the accrual basis of accounting are used by the Commission. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and all liabilities associated with the operation of the Commission are included in the balance sheet.

#### **Budgets and Budgetary Accounting**

The Executive Director submits an annual budget to the Commission. The budget is prepared on a detailed line item basis, by department. Revenues are budgeted in the year receipt is expected and expenses are budgeted in the year that the applicable purchase orders are expected to be issued and materials are expected to be received. All budget appropriations lapse at year-end.

The 2010 budget was approved by the Commission members on December 16, 2009. Once approved, the Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Encumbrance accounting is not used in proprietary fund types used by the Commission. Budgetary data is not included in the basic financial statements.

#### **Estimates Used in Financial Statements**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Reclassifications**

Certain prior year amounts have been reclassified to conform with current year presentation.

#### **Cash and cash equivalents**

Cash deposits consist of demand deposit accounts held by banks. For purposes of the statements of cash flows, the Commission considers demand deposit accounts, as well as all highly liquid investments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

# Savannah Airport Commission

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies (cont.)

#### Investments

Investments consist of amounts placed with the Office of Treasury and Fiscal Services for participation in the State Investment Pool and those made locally. Commission monies placed in the State Investment Pool represent an interest in the pool rather than ownership of specific securities. These investments have short-term maturities and are considered cash equivalents. The fair value of the position in this State Investment Pool is the same as the cost of the pool shares.

Other investments are reported at fair value, based on quoted market prices.

The Commission is authorized by Georgia Code 36-83-4 (1993) statutes to invest in the following:

1. Deposit accounts with eligible depository institutions 36-80-3,
2. Obligations of the State of Georgia or of other states,
3. Obligations issued by the United States government,
4. Obligations fully insured or guaranteed by the United States government or a United States government agency,
5. Obligations of any corporation of the United States government,
6. Prime bankers' acceptances,
7. The local government investment pool established by Georgia Code Section 36-83-8,
8. Repurchase agreements, and
9. Obligations of other political subdivisions of the State of Georgia.

#### Restricted Assets

Restricted assets consist of cash and cash equivalents, investments and other resources which are restricted by bond indenture, legally or by enabling legislation, or by other authoritative or legal documents as is the case with the collection of funds from Customer Facility Charges, General Aviation Fund Charges and the Savannah Aviation Village Fund Charges. The Commission's policy when appropriately permitted under grant and funding agreements, is to use restricted assets first, then unrestricted assets when both are available for use. Certain restricted funds such as the bond renewal and replacement fund and the operating and maintenance reserve fund are not permitted to be used until after all unrestricted funds are used.

# Savannah Airport Commission

## Notes to Financial Statements

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**1. Summary of Significant Accounting Policies (cont.)**

**Inventories**

Inventories consist of expendable materials and supplies held for consumption in the course of the Commission's operations. Inventories are stated at cost on a first-in, first-out basis (FIFO).

**Capital Assets**

Capital assets are stated at cost, or, as in the case of assets donated by federal and local governments, the estimated fair market value at the time of the donation. Tangible assets having a useful life in excess of one year and costs exceeding \$1,000 are capitalized. Expenditures for maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged directly to operations when incurred, while betterments and major renovations are capitalized. The cost of assets retired or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts and any gain or loss is credited or charged to income.

Provision for depreciation is made by charges to income at rates based upon the estimated useful lives of the assets and is computed by the straight-line method.

Net interest costs are capitalized when incurred on debt where the proceeds were used to finance the construction of capital assets.

Construction in progress is the total actual cost incurred to date on uncompleted construction projects. Depreciation expense is based on the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 30
Runways, taxiways & lights	10 - 30
Equipment	1 - 20
Access roads	5 - 20

# Savannah Airport Commission

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies (cont.)

#### **Bond Premiums and Bond Issuance Costs**

Bond premiums and bond issuance costs are deferred and amortized over the term of the bonds using the effective interest method, or the straight-line method when not materially different. Issuance costs associated with refunded bonds are reclassified from unamortized issue costs assets to deferred loss on refunding at the time of the refunding and amortized over the shorter of the term of the new bonds or the old bonds. Bond premiums are presented as an addition to the face amounts of the revenue bonds payable, and issuance costs are recorded as a deferred charge.

#### **Compensated Absences**

Compensated absences, i.e. paid absences for employee vacation leave, are accrued as expenses when leave is earned. The Commission recognizes a liability for vacation leave only if the employee's right to receive benefits are attributable to services already rendered. The Commission classifies the accrued liability as current or non-current depending on when the leave is expected to be used, which is typically a current item in anticipation of leave being paid or used in the upcoming year.

#### **Postemployment Benefits**

For post employment pension benefits, the Commission follows the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This standard establishes the provisions for recognition and measurement of expense and related assets and liabilities as well as the required disclosures.

For post employment healthcare benefits other than pensions, the Commission follows the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This standard establishes the provisions for recognition and measurement of expense and related assets and liabilities as well as the required disclosures.

#### **Net Assets**

Nets assets are defined in the following components:

*Invested in capital assets, net of related debt* – This component consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

# Savannah Airport Commission

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies (cont.)

#### Net Assets (cont.)

*Restricted* – This component is used when there are limitations imposed on their use either through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

*Unrestricted* – This component consists of net assets that do not meet the definition of “Invested in capital assets, net of related debt” or “Restricted”.

During 2010, the Commission made an adjustment to its net assets in the amount of \$7,208,040. The adjustment was necessary to properly state the restricted assets balances as a result of collections of Customer Facility Charges and General Aviation Fund Charges through December 31, 2009. In prior years, such had accumulated as a net liability on the statement of net assets. The amounts were not considered material to restate prior year financial statements and were therefore recorded as an adjustment to net assets in 2010.

#### Operating and Non-operating Revenues and Expenses

The Commission distinguishes operating revenues and operating expenses from non-operating revenues and non-operating expenses. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations and include such items as space rental, landing fees parking and other miscellaneous items. Such items are reported in the accompanying statements of revenues, expenses and changes in net assets according to the respective commission cost centers. Transactions that are capital in nature such as passenger facility charges and customer facility charges, which are received for the restricted purpose of investing in future facilities, as well as financing type items such as interest on bonds and earnings or losses on investments, are considered non-operating items. Expenses associated with operating the airport such as employee wages and benefits as well as purchases of services and materials are considered operating expenses and are recorded in or allocated to a cost center for presentation purposes.

The Commission grants unsecured credit to its customers and receives payments from them monthly, in accordance with lease and user fee agreements. Deferred revenue generally represents amounts lease rental payments received in advance and is recognized over the appropriate lease term.

# Savannah Airport Commission

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies (cont.)

#### Passenger Facility Charges

On July 1, 1992, the Federal Aviation Administration (the FAA) authorized the Commission to impose a \$3.00 Passenger Facility Charge (PFC) on each enplaning passenger. On January 3, 2001, the FAA increased this amount to authorize the Commission to impose a \$4.50 passenger facility charge on each enplaning passenger. These funds are restricted cash and must be used for airport planning and development projects approved by the FAA or for bond-associated debt service and financing costs incurred on that portion of a bond issued to carry out approved projects. Through the year ended December 31, 2000, the Commission accounted for passenger facility charges as contributed capital. Effective January 1, 2001, the Commission adopted GASB Statement No. 33, which requires governments to recognize capital contributions to proprietary funds as revenues, not contributed capital. The total amount, which includes the charges and interest earned, reflected as non-operating revenue during 2010 and 2009 was \$2,717,454 and \$3,088,060, respectively. PFC reports to the FAA are based on actual collections and do not include accounts receivable. Such amounts collected in 2010 are \$2,743,681 and remaining collections unspent as of December 31, 2010 are \$1,149,684.

#### Customer Facility Charges

The Commission requires car rental companies to charge a Customer Facility Charge (CFC), currently \$3.00 per rental, to be used to reimburse the Commission for costs, fees and expenses associated with capital improvements to the rental car facilities. These funds are restricted cash and must be used for airport planning and development projects approved by the rental car companies. In accordance with GASB Statement No. 33, which requires governments to recognize capital contributions to proprietary funds as revenues and not contributed capital, the total amount, which includes the charges and interest earned, reflected as non-operating revenue during 2010 was \$510,033.

#### General Aviation Fund Charges

The Commission requires companies that operate general aviation facilities at the airport to charge a General Aviation Fund Charge (GAF) to be used to reimburse the Commission for costs, fees and expenses associated with capital improvements to the general aviation facilities. These funds are restricted cash and must be used for airport planning and development projects approved by the general aviation companies. In accordance with GASB Statement No. 33, which requires governments to recognize capital contributions to proprietary funds as revenues and not contributed capital, the total amount, which includes the charges and interest earned, reflected as non-operating revenue during 2010 was \$77,291.

# Savannah Airport Commission

## Notes to Financial Statements

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**1. Summary of Significant Accounting Policies (cont.)**

**Savannah Aviation Village Fund Charges**

The Commission requires the hotels and other businesses that operate in the development on the airport property to charge a Savannah Aviation Village Fund Charge (SAV) to be used to reimburse the Commission for costs, fees and expenses associated with capital improvements to the roadways and common areas of the development. These funds are restricted cash and must be used for airport planning and development projects approved by the businesses operating in the Savannah Aviation Village development. In accordance with GASB Statement No. 33, which requires governments to recognize capital contributions to proprietary funds as revenues and not contributed capital, the total amount, which includes the charges and interest earned, reflected as non-operating revenue during 2010 was \$59,250.

**Federal and State Financial Assistance**

The Commission receives federal and state financial assistance for various airport planning and development projects. This assistance is generally received based on applications submitted to and approved by the granting agencies, the Federal Aviation Administration and the Georgia Department of Transportation. In accordance with GASB Statement No. 33, which requires governments to recognize capital contributions to proprietary funds as revenues (non-operating revenues noted in the accompanying statements of revenue, expenses and changes in net assets as "Capital Contributions"). The total amount, which includes the charges and interest earned, reflected as non-operating revenue during 2010 and 2009, was \$4,842,933 and \$4,988,367, respectively.

**Concentrations**

For the year ended December 31, 2010, the Commission's revenues from one customer, Delta Airlines with revenues of approximately \$3.3 million or 15% of total operating revenues, represented a concentration of risk.

**Taxes**

The Commission is exempt from payment of federal and state income, property and certain other taxes.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2010 and 2009 were \$503,501 and \$560,140, respectively.

# Savannah Airport Commission

## Notes to Financial Statements

### 2. Deposits and Investments

*Custodial credit risk* is the risk that in the event of a bank failure, the Commission's deposits may not be returned to the Commission. The Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by a surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of depository insurance. The Commission has no custodial credit risk policy that would require additional collateral requirements.

At December 31, 2010, the Commission had the following investments and maturities:

Investment Maturities (in years)						
Type of investment	Average credit rating	Fair value	Less than 1	1-3	4-5	Greater than 5
Primary government		\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	NR	25,666,286	10,026,786	11,816,500	3,823,000	-
Georgia fund 1	AAA	6,364,401	6,364,401	-	-	-
		\$ 32,030,687	\$ 16,391,187	\$ 11,816,500	\$ 3,823,000	\$ -

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk* is the risk that issuer or counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk that a significant portion of investments are concentrated with a single or small number or group of counterparties. Custodial credit risk is the risk that that third party providing safekeeping services for the Commission's investments fails to act properly in its fiduciary capacity. State law governs the investment of retirement funds (OCGA 47-20-84) and limits investments to maximum concentrations by investment category (at cost). The Commission has no formal investment policy that would further limit its investment choices or custodial risk.

# Savannah Airport Commission

## Notes to Financial Statements

- 2. Deposits and Investments (cont.)** Section 36-83-4, Code of Georgia, authorizes the Commission to participate in the Office of Treasury and Fiscal Services State Investment Pool (the State Investment Pool), and Section 36-80-3, Code of Georgia, authorizes the Commission to invest in U.S. Treasury Notes and Certificates of Deposit.

The State Investment Pool complies with all state statutes regarding investment of public funds and has an internal investment policy with portfolio restrictions. In addition, it is monitored by Standard and Poors, as weekly reports are submitted to maintain the pool's AAA rating.

Reconciliation to Statements of Net Assets at December 31, 2010:

Investments as reported above	\$ 32,030,687
Less amount included in the State Investment Pool, but reported on the statements of net assets in the following account:	
Operations and maintenance reserve	(3,814,015)
Revenue bond renewal and replacement fund	(2,000,000)
Other restricted funds (CFC, SAV, GAF)	(1,293,601)

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Investments shown on statements of net assets	\$ 24,923,071
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Investments shown on statements of net assets:	
Investments - included in cash equivalents	\$ 143,303
Short-term investments	16,248,384
Non-current investments	8,531,384

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Investments shown on statements of net assets	\$ 24,923,071
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- 3. Restricted Cash and Investments** The Commission is required under a bond resolution, dated September 6, 2001, to maintain: (1) an operating and maintenance reserve account for the payment of operating and maintenance expenses in the event that insufficient funds are available to pay the same when due, and (2) a renewal and replacement fund to be used solely for non-recurring capital costs. At December 31, 2010 and 2009, \$5,814,015 and \$5,729,529, respectively, are invested by the Commission in the State Investment Pool to satisfy these reserve requirements. As of December 31, 2010 and 2009, \$3,814,015 and \$3,729,529, respectively, of the total in the State Investment Pool represents funds required by bond resolution to be held as an operating and maintenance reserve. The remaining \$2,000,000 represents the renewal and replacement fund.

# Savannah Airport Commission

## Notes to Financial Statements

**3. Restricted Cash and Investments (cont.)**

Restricted cash consists of the following at December 31:

	2010	2009
Operating and maintenance reserve account	\$ 3,814,015	\$ 3,729,529
Revenue bond renewal and replacement fund	2,000,000	2,000,000
Passenger Facility Charge Fund	1,149,684	514,051
Customer Facility Charge Fund	1,317,905	-
Savannah Aviation Village Fund	32,538	-
General Aviation Fund deficiency	(56,842)	-
	<b>\$ 8,257,300</b>	<b>\$ 6,243,580</b>

**4. Accounts Receivable**

Accounts receivable consists mainly of trade receivables and are shown net of allowance for doubtful accounts of \$13,392 and \$47,057 as of December 31, 2010 and 2009, respectively.

**5. Direct Financing Leases**

The Commission has financed the construction of certain buildings and improvements for its customers using direct financing leases.

**Federal Express**

On August 21, 1996, the Commission entered into a lease agreement with Federal Express in which the Commission agreed to finance the construction of a package distribution center at a cost of \$2,136,390. The direct financing lease has a term of 20 years and an interest rate of 9.00%.

**Delta Airlines**

On September 28, 2000, the Commission entered into a lease agreement with Delta Airlines (Delta) in which the Commission agreed to finance the modification of Delta's outboard bag conveyor system at a cost \$111,450. The direct financing lease has a term of 15 years and an interest rate of 6.91%.

# Savannah Airport Commission

## Notes to Financial Statements

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### 5. Direct Financing Leases (cont.)

#### Signature Flight Support

On November 1, 1997, the Commission entered into a lease agreement with Signature in which the Commission agreed to finance the construction of general improvements to facilities leased by Signature, at a cost of \$66,821. The direct financing lease has a term of 30 years and an interest rate of 10.00%.

On November 1, 1997, the Commission entered into a lease agreement with Signature in which the Commission agreed to finance the construction of an office and lounge, at a cost of \$422,970. The direct financing lease has a term of 30 years and an interest rate of 10.00%.

On November 1, 1997, the Commission entered into a lease agreement with Signature in which the Commission agreed to finance the construction of a hanger, at a cost of \$284,412. The direct financing lease has a term of 30 years and an interest rate of 10.00%.

On July 1, 2002, the Commission entered into a lease agreement with Signature in which the Commission agreed to finance the construction of a hangar, at a cost of \$212,509. The direct financing lease has a term of 20 years and an interest rate of 8.00%.

On July 1, 2004, the Commission entered into a lease agreement with Signature in which the Commission agreed to finance the construction of a hangar, at a cost of \$42,597. The direct financing lease has a term of 10 years and an interest rate of 6.91%.

#### Savannah Aviation

On January 1, 1999, the Commission entered into a lease agreement with Savannah Aviation in which the Commission agreed to finance the construction of a hangar at a cost of \$298,601. The direct financing lease has a term of 20 years and an interest rate of 8.00%.

On August 1, 2000, the Commission entered into a lease agreement with Savannah Aviation in which the Commission agreed to finance the construction of a Plane Port Importment, at a cost of 72,493. The direct financing lease has a term of 15 years and an interest rate of 8.00%.

On January 1, 2002, the Commission entered into a lease agreement with Savannah Aviation in which the Commission agreed to finance the construction of an apron at a cost of \$87,368. The direct financing lease has a term of 27 years and an interest rate of 6.08%.

# Savannah Airport Commission

## Notes to Financial Statements

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**5. Direct  
Financing  
Leases (cont.)**

**Quality Self Service**

On December 12, 2002, the Commission entered into a lease agreement with Quality Self Service in which the Commission agreed to finance a self-service aircraft fuel facility at a cost of \$36,752. The direct financing lease has a term of 15 years and an interest rate of 8.00%.

Minimum lease payments to be received under direct financing leases as of December 31, 2010, for each of the next five years and thereafter are:

*Years ended December 31,*

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2011	\$	400,478
2012		400,478
2013		400,478
2014		397,522
2015		391,105
Thereafter		1,629,828
Total minimum lease payments		3,619,889
Less interest		1,307,787

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Present value of minimum lease payments	\$	2,312,102
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# Savannah Airport Commission

## Notes to Financial Statements

### 6. Capital Assets

Capital assets consist of the following at December 31, 2010:

	Total 2009	Increases/ Additions	Deletions/ Transfers	Total 2010
Capital assets, not being depreciated				
Land	\$ 11,561,094	\$ -	\$ -	\$ 11,561,094
Construction in progress	3,690,853	8,760,230	(4,917,667)	7,533,416
<b>Total capital assets not being depreciated</b>	<b>15,251,947</b>	<b>8,760,230</b>	<b>(4,917,667)</b>	<b>19,094,510</b>
Capital assets being depreciated				
Buildings and improvements	146,313,884	6,526,036	-	152,839,920
Runways, taxiways, and lights	67,661,241	4,807,195	-	72,468,436
Equipment	15,970,491	469,285	(766,082)	15,673,694
Access roads	17,983,302	-	-	17,983,302
<b>Total capital assets being depreciated</b>	<b>247,928,918</b>	<b>11,802,516</b>	<b>(766,082)</b>	<b>258,965,352</b>
Less accumulated depreciation for				
Buildings and improvements	50,878,750	7,413,681	-	58,292,431
Runways, taxiways, and lights	34,407,336	2,169,783	-	36,577,119
Equipment	8,469,509	1,033,997	(759,385)	8,744,121
Access roads	10,372,704	973,802	-	11,346,506
<b>Total accumulated depreciation</b>	<b>104,128,299</b>	<b>11,591,263</b>	<b>(759,385)</b>	<b>114,960,177</b>
<b>Net capital assets</b>	<b>\$ 159,052,566</b>	<b>\$ 8,971,483</b>	<b>\$ (4,924,364)</b>	<b>\$ 163,099,685</b>

# Savannah Airport Commission

## Notes to Financial Statements

### 6. Capital Assets (cont.)

Capital assets consist of the following at December 31, 2009:

	Total 2008	Increases/ Additions	Deletions/ Transfers	Total 2009
Capital assets not being depreciated				
Land	\$ 11,561,094	\$ -	\$ -	\$ 11,561,094
Construction in progress	2,812,944	5,418,019	(4,540,110)	3,690,853
<b>Total capital assets not being depreciated</b>	<b>14,374,038</b>	<b>5,418,019</b>	<b>(4,540,110)</b>	<b>15,251,947</b>
Capital assets being depreciated				
Buildings and improvements	146,074,440	239,444	-	146,313,884
Runways, taxiways, and lights	63,273,787	4,387,454	-	67,661,241
Equipment	15,921,403	438,539	(389,451)	15,970,491
Access roads	17,983,302	-	-	17,983,302
<b>Total capital assets being depreciated</b>	<b>243,252,932</b>	<b>5,065,437</b>	<b>(389,451)</b>	<b>247,928,918</b>
Less accumulated depreciation for				
Buildings and improvements	45,513,949	5,364,801	-	50,878,750
Runways, taxiways, and lights	32,361,681	2,045,655	-	34,407,336
Equipment	7,742,551	1,112,218	(385,260)	8,469,509
Access roads	9,398,902	973,802	-	10,372,704
<b>Total accumulated depreciation</b>	<b>95,017,083</b>	<b>9,496,476</b>	<b>(385,260)</b>	<b>104,128,299</b>
<b>Net capital assets</b>	<b>\$ 162,609,887</b>	<b>\$ 986,980</b>	<b>\$ (4,544,301)</b>	<b>\$ 159,052,566</b>

# Savannah Airport Commission

## Notes to Financial Statements

- 7. Lease Revenue** The Commission leases its property to commercial airlines, car rental companies, concessionaires, several fixed based operators who service the airline industry, and the Federal Aviation Administration. These leases are cancelable operating leases, with notification requirements ranging from 15 days to six months. Rental income for 2010 and 2009, received through these leases was approximately \$5.4 million and \$5.9 million, respectively.

As of December 31, 2010, estimated cost of leased land and buildings was \$41 million net of accumulated depreciation of \$19.5 million for a carrying value of \$21.5 million.

The Commission also has numerous leases that require the lessee to remit a percentage of its revenue as the rental charge. Rental income for 2010 and 2009, received through these leases was approximately \$3.9 million and \$3.8 million, respectively. Although the actual income to be received in future periods cannot be estimated due to the nature of these leases, management does not anticipate a significant decrease in these rental amounts.

Minimum lease payments to be received under operating leases as of December 31, 2010, for each of the next five years and thereafter are:

<i>Year ended December 31,</i>	
2011	\$ 5,808,312
2012	6,017,445
2013	6,629,977
2014	6,868,695
2015	7,115,968
Thereafter	29,488,737
<b>Total minimum lease payments</b>	<b>\$ 61,929,134</b>

# Savannah Airport Commission

## Notes to Financial Statements

- 8. Construction Contract Commitments** The Commission has entered into contracts for construction. Status of such contracts as of December 31, 2010 are as follows:

	Project Authorization	Expended To Date	Balance on Contract	Required Further Financing
Taxiway A extension	\$ 2,061,061	\$ 2,061,061	\$ -	None
Pre-cool additional 9 boarding bridges	109,350	109,350	-	None
Replace entrance walkways	129,706	123,220	6,486	None
Runways improvement (safety areas)	1,546,520	1,546,520	-	None
GA taxiway 4 & 5 improvements	461,804	461,804	-	None
Surface Painted Hold Signs	176,107	176,107	-	None
GA Taxiway Connector & Site Development North	3,112,669	2,471,471	641,198	None
South Rental Car Canopies	1,247,000	771,089	475,911	None
CCTV Upgrade	48,485	48,485	-	None
	<b>\$ 8,892,702</b>	<b>\$ 7,769,107</b>	<b>\$ 1,123,595</b>	

- 9. City of Savannah Airport Revenue Bonds** On October 4, 2001, the Commission issued \$32,255,000, in revenue bonds, Series 2001 A and 2001 B with an average interest rate of 4.94% to advance refund \$32,125,000 of outstanding Series 1992 A and 1992 B bonds with an average interest rate of 6.19%.

A summary of the long-term indebtedness changes during 2010 and 2009 is as follows at December 31:

	Beginning Balance 2009	Additions	Decreases	Ending Balance 2010	Amounts Due Within One Year
<b>Revenue bonds</b>					
Series 2001 A	\$ 7,255,000	\$ -	\$ (25,000)	\$ 7,230,000	\$ -
Series 2001 B	10,530,000	-	(2,130,000)	8,400,000	-
Total revenue bonds	\$ 17,785,000	\$ -	\$ (2,155,000)	\$ 15,630,000	\$ -

	Beginning Balance 2008	Additions	Decreases	Ending Balance 2009	Amounts Due Within One Year
<b>Revenue bonds</b>					
Series 2001 A	\$ 7,275,000	\$ -	\$ (20,000)	\$ 7,255,000	\$ -
Series 2001 B	12,560,000	-	(2,030,000)	10,530,000	-
Total revenue bonds	\$ 19,835,000	\$ -	\$ (2,050,000)	\$ 17,785,000	\$ -

# Savannah Airport Commission

## Notes to Financial Statements

**9. City of Savannah Airport Revenue Bonds (cont.)**

Annual requirements to amortize all bonded debt outstanding as of December 31, 2010, are as follows:

Revenue Bonds, Series 2001 A			
Year	Principal	Interest	Total
2011	-	-	-
2012	\$ 25,000	\$ 363,928	\$ 388,928
2013	25,000	362,896	387,896
2014	25,000	361,834	386,834
2015	1,275,000	353,457	1,628,457
2016-2017	5,880,000	439,413	6,319,413
	\$ 7,230,000	\$ 1,881,528	\$ 9,111,528

Revenue Bonds, Series 2001 B			
Year	Principal	Interest	Total
2011	-	-	-
2012	\$ 2,235,000	\$ 433,936	\$ 2,668,936
2013	2,350,000	318,826	2,668,826
2014	2,475,000	194,658	2,669,658
2015	1,340,000	61,975	1,401,975
	\$ 8,400,000	\$ 1,009,395	\$ 9,409,395

On December 21, 2010, the Commission prepaid the Series 2001 A and 2001 B revenue bond principal and interest due on January 1, 2011. On December 19, 2008, the Commission prepaid the Series 2001 A and 2001 B revenue bond principal and interest due on January 1, 2010. Accordingly, no portion of the revenue bonds outstanding at the end of 2010 and 2009 was classified as current.

**10. Pension Plans Plan Description**

Permanent employees of the Commission participate in the City of Savannah Employees' Retirement Plan (the Plan). The Plan is an agent multiple-employer defined benefit pension plan, which was established in July 1972, to provide retirement and disability for all full-time general and uniformed personnel of the City of Savannah, the Commission, Metropolitan Planning Commission, and Youth Futures Authority. Membership by all full-time city employees is required by a city ordinance. The Plan is administered by a pension board pursuant to the ordinance of the City of Savannah, and is included as a pension trust fund in the financial statements of the City of Savannah. The Mayor and Aldermen of the City of Savannah have the authority to establish and amend pension plan provisions. A stand-alone financial report is not issued for the Plan.

# Savannah Airport Commission

## Notes to Financial Statements

### 10. Pension Plans Funding Policy (cont.)

Plan members are required to contribute 6.65% of their annual covered salary, and the Commission contributes such additional amounts as are necessary, based on actuarial valuations, to provide the Plan with assets sufficient to meet future benefits payable to Plan members. For 2010, the Commission's required contribution was \$465,257. The contribution requirements of Plan members and the employers are established and may be amended by the Pension Board.

#### Annual Pension Cost

For 2010, the Commission's annual pension costs for the Plan was equal to the Commission's required and actual contributions. The required contribution was determined as part of the January 1, 2009, actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included a 7.75% invested rate of return (net of investment and administrative expenses). The actuarial assumptions also include future salary increases ranging from 4.67% to 6.36% depending on age. These salary increases include an allowance for inflation of 3.75% per year. Cost of living increases were 5.00% at participant's adjustment date and 1.00% annual thereafter. The Plan's policy is to amortize the unfunded actuarial accrued liability over 30 years as a level percentage of payroll costs on a closed basis. The remaining amortization period at December 31, 2010 was 23 years.

#### Three-Year Trend Information for the Commission's Participation in the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC contributed	Net Pension Obligation
12/31/2008	\$ 400,056	100%	\$ -
12/31/2009	\$ 482,160	100%	\$ -
<b>12/31/2010</b>	<b>\$ 465,257</b>	<b>100%</b>	<b>\$ -</b>

#### City of Savannah Employees' Retirement Plan Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ 8,203	\$ 10,324	\$ 2,121	79.5%	\$ 6,085	0.035%
1/1/2009	\$ 8,610	\$ 11,041	\$ 2,431	78.0%	\$ 6,283	0.039%
<b>1/1/2010</b>	<b>\$ 10,042</b>	<b>\$ 13,008</b>	<b>\$ 2,966</b>	<b>77.20%</b>	<b>\$ 6,741</b>	<b>0.044%</b>

# Savannah Airport Commission

## Notes to Financial Statements

**11. Risk Management** The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are handled through the purchase of commercial insurance. There have been no reductions in insurance coverage from the prior year. The amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

**12. Fair Value of Financial Instruments** The following methods and assumptions were used by the Commission to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash, cash equivalents, and accounts receivable due in less than one year:* The carrying amounts reported in the statements of net assets approximate fair values because of the short maturities of these financial instruments.

*Long-term investments:* The fair values of these investments are estimated based on quoted market prices for those investments.

*Direct financing leases:* The fair values of these receivables are estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

*Accounts payable and accrued expenses:* The carrying amounts reported in the statements of net assets approximate fair values because of the short maturities of these financial instruments.

*Revenue bonds payable:* The fair values of these bonds are estimated by discounting the future cash flows using current market rates for bonds with similar maturities and credit quality.

The estimated fair values of the Commission's financial instruments are as follows:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and short-term investments	\$ 17,026,827	\$ 17,026,827	\$ 14,537,595	\$ 14,537,595
Accounts receivable	\$ 1,583,321	\$ 1,583,321	\$ 1,780,519	\$ 1,780,519
Long-term investments	\$ 8,531,384	\$ 8,531,384	\$ 14,176,254	\$ 14,176,154
Leases receivable	\$ 2,349,554	\$ 2,745,014	\$ 2,493,366	\$ 3,561,951
Accounts payable and accrued expenses	\$ 1,171,325	\$ 1,171,325	\$ 3,152,748	\$ 3,152,748
Revenue bonds payable	\$ 15,961,519	\$ 14,422,789	\$ 18,192,658	\$ 17,992,539

# Savannah Airport Commission

## Notes to Financial Statements

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### 13. Operating Leases

The Commission leases various equipment under operating leases.

Minimum future rental payments under the non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2010, for the next three years are:

*Years ended December 31,*

2011	\$	13,099
2012		6,672
2013		2,728
	\$	22,499

### 14. Post-Employment Benefits Other Than Pensions (OPEB)

#### Plan Description

The Savannah Airport Commission participates in the City of Savannah's agent multiple-employer defined benefit OPEB Plan (the City of Savannah Employee Benefit Plan) which provides medical and life insurance benefits to its retirees. Membership in the Plan by city retirees is voluntary.

The Plan covers both general and uniform employees of the participating employers. As of December 31, 2010, employee membership data related to the City of Savannah OPEB Plan was as follows:

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Retirees and beneficiaries currently receiving benefits	1,058
Terminated participants entitled to, but not yet receiving benefits	78
Active Plan participants	2,627
Total	3,763

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# Savannah Airport Commission

## Notes to Financial Statements

### 14. Post-Employment Benefits Other Than Pensions (OPEB) (cont.)

#### Plan Description (cont.)

The Plan provides members, upon eligible retirement, with healthcare insurance and life insurance benefits. The benefits provided are not guaranteed and are subject to change at any time. The Plan document specifies the types and levels of Plan benefits as well as member contribution requirements. The City of Savannah provides administration of the Plan, including setting funding policies, and reports the Plan as an agency fund in its Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report.

The accrual basis of accounting is used with respect to the recognition in the financial statements of contributions, benefits paid, and with refunds paid. Plan investments, if any, are reported at their fair value at the reporting date. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller and for financial reporting purposes is measured by the market price unless such prices are not available, in which case, fair value is estimated. As of December 31, 2010, the Plan reported no assets.

#### Contributions and Reserves

As administrator of the Plan, the Mayor and Aldermen of the City of Savannah are the authority under which the obligations of the Plan members and the employers to contribute to the Plan are established and are amended.

The funding of the Plan is derived from two sources: member contributions and employer contributions. Member contributions are set at a level sufficient to achieve 30 percent of the expected funding target. Employers are required to contribute 70 percent of the expected funding target. The funding target for a given year is set at a level sufficient to cover expected medical and prescription claims, insurance premiums and administration costs.

The Plan is funded on a pay-as-you-go basis by both the City and the other participating employers. Required contribution rates of Plan members for the valuation dated December 31, 2007 were set as follows:

Class of Retiree	Contribution Per Retiree
Single retiree with Medicare	\$ 53.73
Single retiree without Medicare	\$ 192.33
2-Party retiree, one with Medicare and one without Medicare	\$ 248.00
2-Party retiree, both with Medicare	\$ 101.33
2-Party retiree, neither with Medicare	\$ 362.42

# Savannah Airport Commission

## Notes to Financial Statements

### 14. Post-Employment Benefits Other Than Pensions (OPEB) (cont.)

#### Contributions and Reserves (cont.)

The Plan has entered into no long-term contracts for contributions to the Plan with either employers or participants and, therefore, no amounts of contractually required contributions were outstanding at the reporting date.

As a participating employer, the Savannah Airport Commission is required by Statement No. 45 of GASB to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

#### OPEB Cost

For the fiscal year ended December 31, 2010, the Savannah Airport Commission's annual OPEB cost was \$1,025,003, which was made up exclusively of the annual required contribution (ARC). The dollar amount contributed by the Savannah Airport Commission toward the OPEB cost was \$121,702. As of December 31, 2010, the Commission had a net OPEB obligation of \$2,406,126, the components of which are disclosed as the following:

Annual required contribution	\$	1,025,003
Contributions made		121,702
Increase in net OPEB obligation		903,301
Net OPEB obligation beginning of year		1,502,825
Net OPEB obligation end of year	\$	2,406,126

The Commission's annual OPEB costs, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 are as follows:

Plan Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 1,025,003	11.87%	\$ 2,406,126

#### Funded Status and Funding Process

As of the Commission's most recent OPEB actuarial valuation, dated December 31, 2007, the actuarial accrued liability for benefits was \$6,320,226, all of which was unfunded. As of the valuation date, the Plan had no assets; therefore, the actuarial value of assets was zero.

# Savannah Airport Commission

## Notes to Financial Statements

### 14. Post-Employment Benefits Other Than Pensions (OPEB) (cont.)

#### Funded Status and Funding Process (cont.)

Other information about the funded status of the Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio
12/31/2007	\$ -	\$ 6,320,266	\$ 6,320,266	-

#### Future Benefit Payments Projection

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about where the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the actuarial valuation dated December 31, 2007, the actuarial cost method used in determining the Commission's Annual Required Contribution (ARC) was the projected unit credit method. In addition, the asset valuation method used was the market value. Other significant assumptions used to determine the ARC were as follows:

# Savannah Airport Commission

## Notes to Financial Statements

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**14. Post-Employment Benefits Other Than Pensions (OPEB) (cont.)**

**Methods and Assumptions (cont.)**

- The inflation rate was assumed to be 4% annually.
- The investment rate of return was assumed to be 5% annually.
- Projected salary increases were 5.85% at age 20 graded to 4% at age 62.
- The medical cost trend used was 9.50% graded to 5.00% over nine years.
- The drug cost trend used was 10.00 % graded to 5.00% over ten years.
- The amortization method used was level percent of pay and the amortization period for the most recent actuarial valuation was thirty years with the period is closed.

# Savannah Airport Commission

## Supplementary Information

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- Schedules of Net Airfield Operations
- Schedules of Net Terminal One Operations
- Schedules of Net Airport Business Center Operations
- Schedules of Net Commercial Aviation Operations
- Schedules of Net Apron and Parking Operations
- Schedules of Net Non-Aviation and Foreign Trade Zone Operations
- Schedules of Administrative Expenses



# Savannah Airport Commission

## Schedules of Net Airfield Operations

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Airfield income</b>		
Landing fees	\$ 2,325,064	\$ 2,398,293
Usage charge	151,830	129,643
Fuel farm fees	244,723	243,859
Fuel flow	156,440	132,172
	<b>2,878,057</b>	<b>2,903,967</b>
<b>Airfield expenses</b>		
General	757,921	744,257
Maintenance		
Buildings	5,877	2,813
Grounds	272,928	284,739
Equipment	110,606	89,429
Janitorial	46	141
Runway	66,722	84,895
Fuel farm expenses	134,178	109,239
Depreciation	1,897,888	1,778,110
Utilities	62,143	66,389
	<b>3,308,309</b>	<b>3,160,012</b>
<b>Net airfield loss</b>	\$ <b>(430,252)</b>	\$ <b>(256,045)</b>

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Net Terminal One Operations

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Terminal income</b>		
Car rentals	\$ 3,028,204	\$ 3,198,637
Airlines	5,391,560	5,201,281
Ground transportation	143,596	138,889
Gift shop	484,475	470,797
Restaurant	392,080	405,250
Space rental	295,187	294,694
Advertising	366,463	482,013
Telephone	13,094	13,620
Vending	12,072	12,308
Passport club	50	-
Mini mall	9,038	8,228
Business center	33,000	33,000
Baggage handling	2,400	2,400
Miscellaneous	5,453	7,140
Common charge/ticket checkers	266,084	242,760
	<b>10,442,756</b>	<b>10,511,017</b>
<b>Terminal expenses</b>		
General	1,858,954	1,641,933
Maintenance		
Buildings	1,524,534	1,458,152
Grounds	164,718	154,907
Janitorial	757,234	775,306
Equipment	151,180	96,121
Security	1,304,435	1,242,099
Depreciation	3,673,820	3,591,588
Utilities	789,820	814,290
Advertising	84,801	222,331
Passport club	107,031	69,460
Visitors center	210,028	229,035
Ticket checkers	306,852	285,288
Starters	122,434	136,649
	<b>11,055,841</b>	<b>10,717,159</b>
<b>Net terminal loss</b>	<b>\$ (613,085)</b>	<b>\$ (206,142)</b>

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Net Airport Business Center Operations

<i>Years ended December 31,</i>	<b>2010</b>		<b>2009</b>
<b>Airport business center income</b>			
Space rental	\$ 189,662	\$	303,087
Food and beverage	50		100
Telephone	1,200		1,200
	<b>190,912</b>		<b>304,387</b>
<b>Airport business center expenses</b>			
General	127,378		98,315
Maintenance			
Buildings	53,757		61,805
Grounds	1,968		2,461
Depreciation	11,758		3,958
Utilities	89,437		49,499
	<b>284,298</b>		<b>216,038</b>
<b>Net airport business center (loss) income</b>	\$ (93,386)	\$	88,349

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Net Commercial Aviation Operations

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Commercial aviation income</b>		
Fixed base operators	\$ 611,328	\$ 595,739
Air cargo building	221,615	291,834
Space rental	-	32,198
Land lease	368,344	364,213
Airline freight facility	128,969	123,509
Ground support	7,150	114,307
	<b>1,337,406</b>	<b>1,521,800</b>
<b>Commercial aviation expenses</b>		
General	54,131	64,740
Maintenance		
Buildings	84,300	77,445
Grounds	101	829
Janitorial	-	(1,548)
Apron	5,600	-
Depreciation	206,316	213,097
Utilities	43,770	38,276
Ground support	23,495	192,973
	<b>417,713</b>	<b>585,812</b>
<b>Net commercial aviation income</b>	<b>\$ 919,693</b>	<b>\$ 935,988</b>

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Net Apron and Parking Operations

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Apron income</b>		
Airline fixed payments	\$ 58,804	\$ 44,940
Miscellaneous	-	7
	<b>58,804</b>	<b>44,947</b>
<b>Apron expenses</b>		
General	2,240	2,461
Maintenance	2,326	9,941
Depreciation	423,794	424,300
Utilities	24,840	24,837
	<b>453,200</b>	<b>461,539</b>
<b>Net apron loss</b>	<b>\$ (394,396)</b>	<b>\$ (416,592)</b>
<b>Parking income</b>		
Parking	\$ 5,021,958	\$ 5,104,720
	<b>5,021,958</b>	<b>5,104,720</b>
<b>Parking expenses</b>		
General	1,216,290	1,291,829
Buildings	138,588	148,793
Grounds	9,731	27,439
Depreciation	1,955,895	1,981,878
Utilities	151,494	158,601
	<b>3,471,998</b>	<b>3,608,540</b>
<b>Net parking income</b>	<b>\$ 1,549,960</b>	<b>\$ 1,496,180</b>

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Net Non-Aviation Operations

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Non-aviation income</b>		
Land leases	\$ 601,816	\$ 558,029
Space rental	368,851	374,426
Motel	944,750	935,081
Industrial park	8,400	8,400
Food and beverage	22,869	18,823
Miscellaneous	3,203	13,779
	<b>1,949,889</b>	<b>1,908,538</b>
<b>Non-aviation expenses</b>		
General	486,846	253,580
Maintenance		
Buildings	3,412	24,745
Grounds	268,775	408,351
Equipment	184,106	219,306
Depreciation	1,511,122	1,406,046
Utilities	102,272	93,086
General – Other	13,472	-
	<b>2,570,005</b>	<b>2,405,114</b>
<b>Net non-aviation loss</b>	\$ <b>(620,116)</b>	\$ <b>(496,576)</b>

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Net Foreign Trade Zone Operations

<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Foreign trade zone income</b>		
Space rental	\$ 33,676	\$ 36,066
Handling fees	143,275	118,073
Storage fees	107,413	95,900
Tally fees	11,538	30,033
Subzone fees	12,500	20,000
Miscellaneous	-	534
	<b>308,402</b>	<b>300,606</b>
<b>Foreign trade zone expenses</b>		
General	282,230	277,765
Maintenance		
Buildings	5,526	11,110
Grounds	449	383
Janitorial	-	362
Equipment	1,182	(83)
Depreciation	58,081	57,616
Utilities	19,855	19,224
	<b>367,323</b>	<b>366,377</b>
<b>Net foreign trade zone loss</b>	\$ (58,921)	\$ (65,771)

*See Independent Auditors' report.*

# Savannah Airport Commission

## Schedules of Administrative Expenses

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<i>Years ended December 31,</i>	<b>2010</b>	<b>2009</b>
Salaries	\$ 2,072,120	\$ 2,001,894
Employee benefits	884,950	830,577
Marketing	418,700	337,809
Professional fees	89,847	96,510
Miscellaneous	129,456	35,243
Dues, travel, and meetings	156,695	118,127
Office supplies and postage	49,539	55,947
Depreciation	29,332	39,883
Contract labor	-	775
Telephone	25,036	30,278
Insurance	77,588	78,450
Equipment rental and service contracts	61,397	91,227
Printing and advertising	2,420	1,766
	<b>\$ 3,997,080</b>	<b>\$ 3,718,486</b>

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*See Independent Auditors' report.*

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# Savannah Airport Commission

## Statistical Section

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This part of the Savannah Airport Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the Commission's overall financial health.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue sources.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Years ended December 31,

	2001	2002	2003	2004
<b>Operating Revenues</b>				
Airfield	\$ 1,553,011	\$ 1,930,656	\$ 1,831,783	\$ 2,280,792
Terminal one	6,365,658	7,287,769	7,317,229	7,697,188
Airport business center	407,242	492,013	541,869	548,834
Commercial aviation	694,995	702,465	718,496	807,004
Apron	70,059	123,295	108,067	98,918
Parking	3,039,937	3,029,815	3,108,353	3,679,735
Non-aviation	526,582	525,437	955,986	1,088,499
Foreign trade zone	246,669	233,561	202,611	215,980
<b>Total operating revenues</b>	<b>12,904,153</b>	<b>14,325,011</b>	<b>14,784,394</b>	<b>16,416,950</b>
<b>Operating Expenses</b>				
Airfield	829,461	818,332	891,954	940,552
Terminal one	3,871,473	3,508,202	3,834,582	4,841,379
Airport business center	272,935	288,227	197,388	190,761
Commercial aviation	148,911	89,365	115,945	277,217
Apron	56,258	43,159	44,037	40,552
Parking	876,799	835,007	880,994	1,267,012
Non-aviation	372,508	340,410	396,389	356,163
Foreign trade zone	195,108	192,802	194,651	215,420
Administrative expenses	2,442,472	2,482,693	2,599,656	3,014,391
Depreciation	5,339,623	5,870,397	6,260,776	6,584,874
<b>Total operating expenses</b>	<b>14,405,548</b>	<b>14,468,594</b>	<b>15,416,372</b>	<b>17,728,321</b>
<b>Operating income</b>	<b>(1,501,395)</b>	<b>(143,583)</b>	<b>(631,978)</b>	<b>(1,311,371)</b>
<b>Non-operating revenues (expenses)</b>				
Passenger facility charges	-	3,509,252	3,386,888	3,829,650
Customer facility charges	-	-	-	-
General aviation charges	-	-	-	-
Savannah aviation village fund charge	-	-	-	-
Interest revenue	1,295,142	1,132,688	830,657	910,531
Interest expense	(1,840,525)	(1,501,662)	(1,439,644)	(1,391,064)
Bond issuance cost amortization	(54,338)	(83,194)	(83,194)	(83,194)
Bond premium amortization	6,222	76,139	76,139	76,139
Loss on bond refunding	(28,678)	(114,711)	(114,711)	(114,711)
Net increase (decrease) in the fair value investments	61,414	92,139	(35,989)	(178,018)
Recovery of bad debt	-	-	-	2,593
Gain on disposal of capital assets	9,143	7,926	64,060	643
<b>Total non-operating (expenses) revenues</b>	<b>(551,620)</b>	<b>3,118,577</b>	<b>2,684,206</b>	<b>3,052,569</b>
<b>Income before capital contributions</b>	<b>(2,053,015)</b>	<b>2,974,994</b>	<b>2,052,228</b>	<b>1,741,198</b>
Capital contributions	7,278,878	2,810,425	2,911,180	4,246,670
Net asset adjustment	-	-	-	-
<b>Increase in net assets</b>	<b>\$ 5,225,863</b>	<b>\$ 5,785,419</b>	<b>\$ 4,963,408</b>	<b>\$ 5,987,868</b>
<b>Net assets at year-end composed of:</b>				
Invested in capital assets, net of related debt	\$ 84,141,502	\$ 86,831,311	\$ 87,719,878	\$ 89,058,124
Restricted	4,296,586	4,553,433	4,398,448	5,610,249
Unrestricted	19,003,147	21,841,910	26,071,736	29,509,557
<b>Total net assets</b>	<b>\$ 107,441,235</b>	<b>\$ 113,226,654</b>	<b>\$ 118,190,062</b>	<b>\$ 124,177,930</b>

# Savannah Airport Commission

## Total Annual Revenues, Expenses and Changes in Net Assets

	2005	2006	2007	2008	2009	2010
\$	2,272,267	\$ 2,259,931	\$ 2,768,868	\$ 2,771,892	\$ 2,903,967	\$ 2,878,057
	8,540,575	9,091,507	10,175,024	10,716,291	10,511,017	10,442,756
	554,520	587,187	602,030	538,080	304,387	190,912
	856,596	881,942	1,142,107	1,796,019	1,521,800	1,337,406
	115,983	90,726	63,000	91,338	44,947	58,804
	5,013,113	4,876,777	5,390,209	6,249,602	5,104,720	5,021,958
	1,236,087	1,342,969	1,601,366	1,845,216	1,908,538	1,949,889
	299,124	260,174	358,571	302,080	300,606	308,402
	18,888,265	19,391,213	22,101,175	24,310,518	22,599,982	22,188,184
	1,100,309	1,034,422	1,137,787	1,409,678	1,381,902	1,410,421
	5,447,364	5,506,419	6,495,956	7,102,240	7,125,571	7,382,021
	213,311	214,219	198,642	256,319	212,080	272,540
	216,259	119,130	653,935	902,736	372,715	211,397
	45,410	56,620	60,522	50,594	37,239	29,406
	1,121,765	1,656,356	2,557,176	1,698,719	1,626,661	1,516,103
	564,047	579,969	682,054	978,005	999,068	1,058,883
	258,802	264,117	263,515	285,211	308,761	309,242
	3,031,925	3,170,683	3,430,871	3,770,729	3,678,603	3,967,748
	6,333,162	6,176,867	5,893,481	8,139,215	9,496,476	9,768,006
	18,332,354	18,778,802	21,373,939	24,593,446	25,239,076	25,925,767
	555,911	612,411	727,236	(282,928)	(2,639,094)	(3,737,583)
	4,260,863	4,051,496	4,005,853	3,696,856	3,088,060	2,717,454
	-	-	-	-	-	510,033
	-	-	-	-	-	77,291
	-	-	-	-	-	59,250
	1,446,491	2,263,045	1,275,478	781,817	890,682	866,356
	(1,337,001)	(1,276,841)	(1,188,766)	(1,097,623)	(1,005,643)	(903,999)
	(83,194)	(83,194)	(83,194)	(83,194)	(83,194)	(83,194)
	76,139	76,139	76,139	76,139	76,139	76,139
	(114,711)	(114,711)	(114,711)	(114,711)	(114,711)	(114,711)
	(226,315)	68,712	152,389	111,400	(65,848)	185,027
	2,380	-	148,455	5,401	13,557	9,822
	31	21,987	(2,699)	5,610	82,598	85,647
	4,024,683	5,006,633	4,268,944	3,381,695	2,881,640	3,485,115
	4,580,594	5,619,044	4,996,180	3,098,767	242,546	(252,468)
	3,743,226	8,238,803	5,093,541	5,351,676	4,988,367	4,842,933
	-	-	-	-	-	7,208,040
\$	8,323,820	\$ 13,857,847	\$ 10,089,721	\$ 8,450,443	\$ 5,230,913	\$ 11,798,505
\$	89,015,246	\$ 109,720,286	\$ 143,893,975	\$ 143,208,779	\$ 141,662,886	\$ 147,826,432
	6,173,970	5,867,757	6,035,431	6,006,576	6,243,580	8,465,063
	37,312,534	30,771,554	6,519,912	15,684,406	22,224,208	25,637,684
\$	132,501,750	\$ 146,359,597	\$ 156,449,318	\$ 164,899,761	\$ 170,130,674	\$ 181,929,179

# Savannah Airport Commission

## Major Employers in Primary Air Trade Area Current Year and Ten Years Ago

Employer	2010	2000
	Employees	Employees
Memorial Health University Medical Center	5,000 - 9,999	3,370
Gulfstream Aerospace Corporation	5,000 - 9,999	3,750
Savannah-Chatham County Board of Education	5,000 - 9,999	4,579
St. Joseph's/Candler	1,000 - 4,999	3,270
Ft. Stewart/Hunter Army Airfield	1,000 - 4,999	693
City of Savannah	1,000 - 4,999	2,065
Wal-Mart	1,000 - 4,999	*
Savannah College of Art and Design	1,000 - 4,999	*
Momentum Resources II, Inc.	1,000 - 4,999	*
Chatham County	1,000 - 4,999	1,638
International Paper/Union Camp	*	1,640
Great Dane	*	1,100
Kemira	*	700

**Source:** Savannah Area Chamber of Commerce

\*Such employers were not considered top ten major employers in respective year.

# Savannah Airport Commission

## Revenue Bond Coverage Last Ten Calendar Years (thousands of dollars)

Year	Gross Revenue	Total Expenses (Excluding Depreciation & Interest)	Net Revenue Available for Debt Service	Current Revenue Bond Debt Service				Coverage
				Principal	Interest	Total		
2001	\$ 14,276	\$ 9,149	\$ 5,127	\$ 1,197	\$ 1,841	\$ 3,038	1.69	
2002	\$ 15,634	\$ 8,796	\$ 6,838	\$ 1,555	\$ 1,502	\$ 3,057	2.24	
2003	\$ 15,755	\$ 9,390	\$ 6,365	\$ 1,620	\$ 1,440	\$ 3,060	2.08	
2004	\$ 17,407	\$ 11,519	\$ 5,888	\$ 1,665	\$ 1,391	\$ 3,056	1.93	
2005	\$ 20,413	\$ 12,423	\$ 7,990	\$ 1,720	\$ 1,337	\$ 3,057	2.61	
2006	\$ 21,752	\$ 12,731	\$ 9,021	\$ 1,780	\$ 1,277	\$ 3,057	2.95	
2007	\$ 23,601	\$ 15,529	\$ 8,072	\$ 1,865	\$ 1,189	\$ 3,054	2.64	
2008	\$ 25,179	\$ 16,256	\$ 8,923	\$ 1,955	\$ 1,098	\$ 3,053	2.92	
2009	\$ 23,663	\$ 15,941	\$ 7,722	\$ 2,050	\$ 1,006	\$ 3,056	2.53	
<b>2010</b>	<b>\$ 24,058</b>	<b>\$ 16,356</b>	<b>\$ 7,702</b>	<b>\$ 2,155</b>	<b>\$ 904</b>	<b>\$ 3,059</b>	<b>2.52</b>	

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Gross revenue excludes passenger facility charges included in non-operating revenue and capital contributions of \$7,560,387 in 2010 and \$8,076,427 in 2009.

Years ended December 31,

	2001	2002	2003	2004
<b>Ratio of authority issued revenue bond debt service to total expenses</b>				
Principal	\$ 1,197,000	\$ 1,555,000	\$ 1,620,000	\$ 1,665,000
Interest	1,840,525	1,501,662	1,439,644	1,391,064
Total debt service	\$ 3,037,525	\$ 3,056,662	\$ 3,059,644	\$ 3,056,064
Total expenses	\$ 16,267,675	\$ 16,076,022	\$ 17,089,910	\$ 19,495,308
Ratio of debt service to total expenses	19%	19%	18%	16%
<b>Debt service per enplaned passenger</b>				
Net debt service	\$ 3,037,525	\$ 3,056,662	\$ 3,059,644	\$ 3,056,064
Enplaned passengers	\$ 855,429	\$ 863,417	\$ 834,077	\$ 969,173
Debt service per enplaned passenger	\$ 3.55	\$ 3.54	\$ 3.67	\$ 3.15
<b>Debt limit per enplaned passenger</b>				
Debt limit	No limit	No limit	No limit	No limit
Enplaned passengers	855,429	863,417	834,077	969,173
Debt limit per enplaned passenger	N/A	N/A	N/A	N/A
<b>Outstanding debt per enplaned passenger</b>				
Revenue bonds	\$ 33,011,769	\$ 31,380,630	\$ 29,684,491	\$ 27,943,353
Notes payable	-	-	-	60,832
Total outstanding debt	\$ 33,011,769	\$ 31,380,630	\$ 29,684,491	\$ 28,004,185
Outstanding debt per enplaned passenger	\$ 39	\$ 36	\$ 36	\$ 29

# Savannah Airport Commission

## Ratios of Outstanding Debt

	2005	2006	2007	2008	2009	2010
\$	1,720,000	\$ 1,780,000	\$ 1,865,000	\$ 1,955,000	\$ 2,050,000	\$ <b>2,155,000</b>
	1,337,001	1,276,841	1,188,766	1,097,623	1,005,643	<b>903,999</b>
\$	3,057,001	\$ 3,056,841	\$ 3,053,766	\$ 3,052,623	\$ 3,055,643	\$ <b>3,058,999</b>
\$	20,093,575	\$ 20,184,836	\$ 22,608,221	\$ 25,777,574	\$ 26,508,472	\$ <b>27,027,671</b>
	15%	15%	14%	12%	12%	<b>11%</b>
\$	3,057,001	\$ 3,056,841	\$ 3,053,766	\$ 3,052,623	\$ 3,055,643	\$ <b>3,058,999</b>
\$	1,048,372	\$ 967,210	\$ 1,011,815	\$ 988,929	\$ 821,216	\$ <b>835,728</b>
\$	2.92	\$ 3.16	\$ 3.02	\$ 3.09	\$ 3.72	\$ <b>3.66</b>
	No limit	No limit	No limit	No limit	No limit	<b>No limit</b>
	1,048,372	967,210	1,011,815	988,929	821,216	<b>835,728</b>
	N/A	N/A	N/A	N/A	N/A	<b>N/A</b>
\$	26,147,213	\$ 24,291,074	\$ 22,349,935	\$ 20,318,797	\$ 18,192,658	\$ <b>15,961,519</b>
	53,392	44,549	100,093	-	-	-
\$	26,200,605	\$ 24,335,623	\$ 22,450,028	\$ 20,318,797	\$ 18,192,658	\$ <b>15,961,519</b>
\$	25	\$ 25	\$ 22	\$ 21	\$ 22	\$ <b>19</b>

# Savannah Airport Commission

## Demographic Statistics Last Ten Calendar Years

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Year	Population (1)	Chatham County Per Capita Income (2)	Personal Income (000's) (2)	School Enrollment (3)	Unemployment Rate (4)
2001	131,510	\$ 32,079	\$ 8,180,148	35,344	4.30
2002	131,510	\$ 34,445	\$ 8,428,177	34,681	4.60
2003	131,510	\$ 35,391	\$ 8,805,642	34,554	4.10
2004	131,510	\$ 36,453	\$ 9,407,809	34,507	4.00
2005	131,510	\$ 36,790	\$ 10,183,000	34,544	4.40
2006	131,510	\$ 36,790	\$ 10,998,000	33,962	3.90
2007	131,510	\$ 36,790	\$ 11,272,950	33,962	4.50
2008	130,331	\$ 37,850	\$ 9,407,040	33,962	8.10
2009	127,889	\$ 41,022	\$ 10,303,000	34,500	8.70
<b>2010</b>	<b>265,128</b>	<b>\$ 40,178</b>	<b>\$ 10,325,000</b>	<b>35,362</b>	<b>9.00</b>

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Sources: (1) U.S. Census Bureau  
(2) Bureau of Economic Analysis  
(3) Savannah-Chatham County Board of Education  
(4) State Department of Labor

# Savannah Airport Commission

## Industry Specific Trend Data Last Ten Calendar Years

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Year	Enplanements	Deplanements	Total Passengers	Available Seats	Load Factor
2001	855,429	846,855	1,702,284	1,266,395	68%
2002	863,417	856,002	1,719,419	1,292,421	67%
2003	834,077	827,167	1,661,244	1,128,227	74%
2004	969,173	960,795	1,929,968	1,365,210	71%
2005	1,048,372	1,056,519	2,104,891	1,412,194	74%
2006	967,210	965,383	1,932,593	1,224,943	79%
2007	1,011,815	1,017,634	2,029,449	1,333,908	76%
2008	988,929	981,036	1,969,965	1,319,254	75%
2009	821,216	829,167	1,650,383	1,093,625	75%
<b>2010</b>	<b>835,723</b>	<b>817,574</b>	<b>1,653,301</b>	<b>1,091,052</b>	<b>77%</b>

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Source: Savannah Airport Commission, Finance Department

	2010	Percent of Total 2010	2009	Percent of Total 2009
<b>Airline</b>				
Delta Air Lines	314,574	29.67%	309,843	29.10%
US Airways Express (Republic Airlines)	86,301	8.14%	80,587	7.57%
Continental	82,057	7.74%	80,720	7.58%
US Airways Express (Mesa)	79,894	7.53%	88,198	8.28%
Delta Atlantic Southeast Airlines	69,302	6.53%	69,199	6.50%
American Eagle	58,273	5.49%	66,683	6.26%
United Express (ASA)	58,092	5.48%	-	-
PSA Airlines	52,395	4.94%	54,451	5.11%
Delta Connections (Pinnacle)	45,477	4.29%	12,300	1.15%
Delta Connection (Chautauqua)	36,252	3.42%	11,914	1.12%
United Express (Mesa)	25,256	2.38%	59,232	5.56%
US Airways Express (Air Wisconsin)	17,625	1.66%	5,217	.49%
United Airlines	17,304	1.63%	20,069	1.88%
Trans States Airline	16,255	1.53%	34,252	3.22%
Delta Connection (Comair)	13,323	1.26%	61,572	5.78%
Shuttle America	8,755	.83%	1,181	.11%
US Airways Express	7,926	.75%	19,788	1.86%
Delta Connection Compass	6,147	.58%	-	-
Allegiant Air	2,083	.20%	-	-
US Airways Express (Piedmont)	305	.03%	926	.09%
Sky West Airlines (Delta)	300	.03%	1,051	.10%
Pinnacle Airlines	-	-	24,742	2.32%
Sky West Airlines	-	-	1,206	.11%
US Airways Express (Chautauqua)	-	-	213	.02%
Air Tran Airlines	-	-	-	-
Northwest Airlines	-	-	-	-
Independence Air	-	-	-	-
United Express (Air Wisconsin)	-	-	-	-
Air Tran Airlines (Air Wisconsin)	-	-	-	-
Northwest Airlin	-	-	-	-
Atlantic Coast	-	-	-	-
Air Savannah, Inc.	-	-	-	-
Delta Connection (ACA)	-	-	-	-
Total scheduled	997,896	94.11%	1,003,344	94.21%
Total non-scheduled	5,000	.46%	4,439	.41%
<b>Cargo carriers</b>				
Federal Express	44,578	4.20%	45,978	4.32%
Air Cargo Carriers	6,232	.59%	4,046	.38%
Suburban Air Freight	4,294	.40%	4,233	.40%
Martinaire, Inc.	2,408	.23%	896	.08%
Ram Air Freight	77	.01%	276	.03%
Air Now	-	-	1,326	.12%
ABX Air, Inc.	-	-	510	.05%
Business Air DBA	-	-	-	-
DHL Express	-	-	-	-
Superior Aviation	-	-	-	-
Jim Hankins Air	-	-	-	-
Flight Express	-	-	-	-
Telford Aviation	-	-	-	-
Airborne Express	-	-	-	-
Corp. Jet	-	-	-	-
Total cargo	57,589	5.43%	57,265	5.38%
<b>Grand total</b>	<b>1,060,485</b>	<b>100.00%</b>	<b>1,065,048</b>	<b>100.00%</b>

# Savannah Airport Commission

## Airline Landed Weights (1,000 lbs.) 2001 - 2010

2008	2007	2006	2005	2004	2003	2002	2001
457,462	448,204	434,229	473,090	498,132	431,138	605,998	610,401
58,622	25,924	3,326	-	-	-	-	-
99,977	84,523	82,971	73,171	70,298	50,978	39,891	52,813
51,232	74,825	67,733	27,680	-	-	-	-
5,953	23,680	21,912	5,491	47,846	65,659	49,491	48,786
51,826	38,162	33,800	36,140	-	-	24,932	54,960
-	-	-	-	-	-	-	-
55,836	46,334	20,445	6,110	3,196	-	-	-
750	-	-	-	-	-	-	-
6,345	8,789	-	-	-	-	-	-
87,773	103,186	82,076	16,320	19,629	1,081	-	1,781
8,648	21,620	25,286	1,034	-	-	-	-
2,255	-	-	-	-	-	-	-
10,084	-	-	596	1,404	-	-	-
83,289	101,872	102,632	158,907	141,893	105,488	95,457	25,850
3,090	2,115	-	-	-	-	-	-
74,513	76,090	66,284	161,047	202,760	182,061	230,981	210,707
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,475	1,147	341	5,804	2,732	21,875	14,532	8,068
-	-	-	-	-	-	-	-
60,583	19,834	35,612	49,742	-	-	-	-
35,229	38,418	60,428	19,766	-	-	-	-
2,510	10,807	5,148	15,560	12,425	4,597	2,212	2,409
71,432	117,568	103,064	89,232	57,200	4,257	71,973	95,436
99	14,578	5,738	-	-	-	-	-
-	-	658	88,031	44,697	-	-	-
-	-	-	74,448	59,361	7,849	-	-
-	-	-	-	40,937	77,503	8,272	-
-	-	-	-	42,090	24,769	35,479	12,784
-	-	-	-	48,786	88,736	118,440	98,653
-	-	-	-	-	-	-	7
-	-	-	-	-	-	4,042	29,046
1,229,983	1,257,676	1,151,683	1,302,169	1,293,386	1,065,991	1,301,700	1,251,701
937	916	567	2,084	2,731	2,802	1,986	3,768
44,800	42,166	42,008	42,135	41,968	37,584	37,063	36,399
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	12,339	28,699	8,981	247	-	-	-
-	-	-	-	-	-	-	896
-	-	-	-	-	-	-	-
26,274	-	-	25,751	25,830	25,990	25,974	25,533
3,574	-	-	-	-	-	-	-
-	26,072	26,288	-	-	-	-	-
-	-	-	2,346	-	-	-	-
-	-	-	4,036	1,776	-	-	-
-	-	-	-	-	431	1,997	1,697
-	-	-	-	-	440	1,584	3,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,186	1,116
74,648	80,577	96,995	83,249	69,821	64,445	67,804	68,641
1,305,568	1,339,169	1,249,245	1,387,502	1,365,938	1,133,238	1,371,490	1,324,110

	2010	Percent of Total 2010	2009	Percent of Total 2009
<b>Airline</b>				
Delta Air Lines	241,441	28.89%	247,429	30.13%
Continental	71,114	8.51%	74,225	9.04%
US Airways Express (Mesa)	69,174	8.28%	68,842	8.38%
US Airways Express (Republic Airlines)	64,578	7.73%	61,406	7.48%
Atlantic Southeast Airlines	62,067	7.43%	59,165	7.20%
American Eagle	49,445	5.92%	52,665	6.41%
United Express (ASA)	48,920	5.85%	-	-
PSA Airlines	47,225	5.65%	45,702	5.57%
Delta Connections (Pinnacle)	45,211	5.41%	11,323	1.38%
Delta Connection (Chautauqua)	40,263	4.82%	11,459	1.40%
United Express (Mesa)	19,821	2.37%	48,467	5.90%
Express Jet - United Airlines	16,196	1.94%	18,762	2.28%
Trans States Airline	14,917	1.78%	29,236	3.56%
US Airways Express (Air Wisconsin)	14,576	1.74%	4,375	.53%
Delta Connection (Comair)	11,012	1.32%	48,627	5.92%
Shuttle America	7,596	.90%	1,155	.14%
Delta Connection (Compass)	5,749	.69%	-	-
US Airways Express	3,141	.38%	11,448	1.39%
Allegiant Air	1,122	.13%	-	-
Delta Connection (Sky West)	255	.03%	790	.10%
US Airways Express (Piedmont)	8	.00%	590	.07%
Pinnacle Airlines	-	-	23,480	2.86%
Sky West Airlines	-	-	1,131	.14%
US Airways Express (Chautauqua)	-	-	149	.02%
Air Tran Airlines	-	-	-	-
Northwest Airlines	-	-	-	-
Independence Air	-	-	-	-
United Express (Air Wisconsin)	-	-	-	-
Air Savannah, Inc.	-	-	-	-
Atlantic Coast	-	-	-	-
Delta Connection (ACA)	-	-	-	-
Northwest Airlinck	-	-	-	-
Air Tran Airlines (Air Wisconsin)	-	-	-	-
<b>Total</b>	<b>833,831</b>	<b>99.77%</b>	<b>820,426</b>	<b>99.90%</b>
<b>Non-scheduled</b>	<b>1,897</b>	<b>.23%</b>	<b>790</b>	<b>.10%</b>
<b>Grand total</b>	<b>835,728</b>	<b>100.00%</b>	<b>821,216</b>	<b>100.00%</b>

# Savannah Airport Commission

## Enplaned Passengers 2001 - 2010

2008	2007	2006	2005	2004	2003	2002	2001
356,262	343,265	348,371	378,044	364,431	339,589	366,939	373,573
87,758	77,869	77,456	68,131	64,170	48,143	34,110	48,000
38,758	56,750	66,070	24,901	17,262	988	-	1,320
50,036	19,933	2,986	-	-	-	-	-
4,885	19,164	20,064	5,435	39,987	48,171	32,144	28,435
45,401	35,185	32,754	34,375	-	-	21,646	42,506
-	-	-	-	-	-	-	-
44,766	38,928	15,574	5,114	2,490	-	-	-
660	-	-	-	-	-	-	-
3,893	6,585	-	-	-	-	-	-
71,374	87,669	68,273	13,098	-	-	-	-
2,351	-	-	-	-	-	-	-
9,438	-	-	578	1,315	-	-	-
7,354	18,978	21,873	989	-	-	-	-
69,102	81,431	80,663	117,387	104,342	78,112	71,437	18,715
3,070	1,859	-	-	-	-	-	-
-	-	-	-	-	-	-	-
49,370	58,636	51,849	128,543	142,274	122,964	143,351	157,338
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
957	430	-	3,496	1,213	21,497	12,345	3,422
52,925	18,172	30,559	41,944	-	-	-	-
25,877	28,757	48,897	15,941	-	-	-	-
1,859	9,591	5,169	10,837	10,938	4,041	2,171	2,281
62,450	94,940	89,839	73,570	36,141	1,775	49,929	69,943
-	13,307	5,889	-	-	-	-	-
-	-	603	60,926	25,310	-	-	-
-	-	-	63,742	50,095	5,036	-	-
-	-	-	-	-	-	-	1
-	-	-	-	40,576	76,400	89,555	76,839
-	-	-	-	-	-	2,322	23,347
-	-	-	-	34,263	20,877	29,381	8,028
-	-	-	-	33,535	64,711	6,767	-
988,546	1,011,449	966,889	1,047,051	968,342	832,304	862,097	853,748
383	366	321	1,321	831	1,773	1,320	1,681
988,929	1,011,815	967,210	1,048,372	969,173	834,077	863,417	855,429

# Savannah Airport Commission

## Aircraft Operations 2001-2010

Year	Airlines	Cargo	General Aviation	Military	Total
2001	12,632	20,196	68,896	7,323	109,047
2002	12,727	23,498	69,996	8,053	114,274
2003	10,454	25,338	64,201	7,306	107,299
2004	12,279	30,445	54,517	7,197	104,438
2005	13,815	31,002	52,584	6,587	103,988
2006	16,353	23,399	55,332	7,844	102,928
2007	18,458	24,267	51,242	6,042	100,009
2008	17,983	23,786	46,173	6,364	94,306
2009	15,572	22,512	50,501	6,621	95,206
<b>2010</b>	<b>14,378</b>	<b>24,173</b>	<b>52,867</b>	<b>8,369</b>	<b>99,787</b>
Annual Compounded Growth					
2001-2010	12.1%	16.5%	(30.3)%	12.5%	(9.3)%

# Savannah Airport Commission

## Airlines Serving the Savannah/Hilton Head International Airport

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### **PRIMARY CARRIERS**

Allegiant Air  
American Eagle Airlines  
Continental Airlines  
Delta Air Lines  
United Airlines  
US Airways

### **AFFILIATE CARRIERS**

Air Wisconsin d/b/a US Airways Express  
ASA d/b/a Delta Connection  
ASA d/b/a United Express  
Chautauqua d/b/a Delta Connection  
Comair d/b/a Delta Connection  
Express Jet d/b/a United Express  
Mesa d/b/a United Express  
Mesa d/b/a/ US Airways Express  
Piedmont d/b/a US Airways Express  
Pinnacle Airlines d/b/a Delta Connection  
PSA d/b/a US Airways Express  
Republic Airlines d/b/a US Airways Express  
Shuttle America d/b/a Delta Connection  
Sky West Airlines d/b/a Delta Connection  
Sky West Airlines d/b/a United Express  
Trans States Airlines d/b/a United Express

### **ALL CARGO CARRIERS**

Air Cargo Carriers  
Federal Express  
Martinaire Aviation  
Ram Air Freight  
Suburban Air Freight

Source: SAC – Air Service Department

Customer Name	Revenue From Customers 2010	Percent of Total Revenue 2010	Revenue From Customers 2009	Percent of Total Revenue 2009	2008
Standard Parking (APCOA)	\$ 5,021,958	25.54%	\$ 5,104,720	28.54%	\$ 6,290,983
Delta Airlines	\$ 3,265,473	16.60%	\$ 2,738,673	15.31%	\$ 2,491,672
US Airways	\$ 1,128,906	5.75%	\$ 699,034	3.74%	\$ 641,262
Hertz Rent A Car	\$ 1,063,263	5.41%	\$ 809,929	4.53%	\$ 961,052
Vanguard (ANC Car Rental)*	\$ 906,650	4.61%	\$ 766,853	4.29%	\$ 745,783
Continental Express	\$ 798,798	4.06%	\$ 711,378	3.98%	\$ 633,977
Signature Flight Support	\$ 706,978	3.59%	\$ 510,884	2.86%	\$ 595,720
Avis Rent A Car	\$ 640,891	3.26%	\$ 539,353	3.02%	\$ 625,343
American Eagle	\$ 639,325	3.25%	\$ 664,881	3.72%	\$ 370,834
Mesa-United	\$ 600,664	3.05%	\$ 580,607	3.25%	\$ 521,219
Budget Car Rental	\$ 565,758	2.88%	\$ 457,249	2.56%	\$ 562,422
Paradies	\$ 527,667	2.68%	\$ 503,995	2.82%	\$ 623,988
Enterprise	\$ 523,937	2.66%	\$ 372,726	2.08%	\$ 318,859
Gulfstream	\$ 523,246	2.66%	\$ 841,326	4.70%	\$ 774,954
Host, Inc.	\$ 451,941	2.30%	\$ 436,546	2.44%	\$ 554,488
Federal Express	\$ 410,431	2.14%	\$ 420,864	2.35%	\$ -
Chatham Co. Mosq Control	\$ 376,313	1.91%	\$ 374,259	2.09%	\$ 372,006
Thrifty	\$ 354,420	1.80%	\$ -	\$ -	\$ 300,477
TSA	\$ 322,992	1.64%	\$ -	\$ -	\$ -
Mesa-US Airways	\$ 284,567	1.45%	\$ 490,780	2.74%	\$ -
Republic Airlines	\$ 282,057	1.43%	\$ 452,333	2.53%	\$ -
Atlantic Southeast Airlines	\$ 262,115	1.33%	\$ 439,794	2.46%	\$ -
United Express	\$ -	\$ -	\$ -	\$ -	\$ -
Air Tran Airways	\$ -	\$ -	\$ -	\$ -	\$ 469,323
Comair	\$ -	\$ -	\$ -	\$ -	\$ 320,252
Independence Air	\$ -	\$ -	\$ -	\$ -	\$ -
Air Wisconsin	\$ -	\$ -	\$ -	\$ -	\$ -
Atlantic Coast-United	\$ -	\$ -	\$ -	\$ -	\$ -

\*Alamo and National merged in 2002 becoming Vanguard, ANC Car Rental

# Savannah Airport Commission

## Principal Customers

	2007	2006	2005	2004	2003	2002	2001
\$	5,468,650	\$ 4,876,777	\$ 5,012,550	\$ 3,679,735	\$ 3,108,353	\$ 3,029,815	\$ 3,039,937
\$	2,100,166	\$ 1,842,419	\$ 1,736,863	\$ 1,713,728	\$ 1,620,014	\$ 1,782,427	\$ 1,295,388
\$	541,167	\$ 440,194	\$ 620,027	\$ 692,442	\$ 673,459	\$ 714,439	\$ 533,460
\$	1,085,563	\$ 1,117,707	\$ 1,163,564	\$ 1,092,789	\$ 1,019,562	\$ 1,015,960	\$ 921,633
\$	805,604	\$ 761,032	\$ 675,938	\$ 642,678	\$ 616,083	\$ 683,587	\$ 981,366
\$	477,213	\$ 414,703	\$ 348,477	\$ 340,553	\$ 298,314	\$ 247,774	\$ 237,038
\$	552,708	\$ 584,616	\$ 563,131	\$ 620,639	\$ 555,642	\$ 569,495	\$ 418,043
\$	684,938	\$ 664,571	\$ 594,036	\$ 624,932	\$ 618,132	\$ 671,129	\$ 510,203
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,822
\$	505,220	\$ 379,163	\$ -	\$ -	\$ -	\$ -	\$ -
\$	507,984	\$ 513,434	\$ 536,982	\$ 357,523	\$ 366,672	\$ 417,981	\$ 410,428
\$	531,282	\$ 471,828	\$ 527,399	\$ 500,167	\$ 444,053	\$ 425,173	\$ 346,325
\$	283,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	652,344	\$ 512,047	\$ 494,885	\$ 453,718	\$ 430,859	\$ 363,871	\$ 328,102
\$	512,734	\$ 476,812	\$ 524,277	\$ 398,443	\$ 343,600	\$ 334,695	\$ 329,084
\$	278,024	\$ 274,565	\$ 276,609	\$ 283,063	\$ 280,492	\$ 284,187	\$ 276,506
\$	369,852	\$ 369,852	\$ 369,852	\$ 333,510	\$ -	\$ -	\$ -
\$	-	\$ 234,132	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	613,014	\$ 544,032	\$ 451,266	\$ 356,964	\$ 365,102	\$ 412,690	\$ 377,276
\$	348,653	\$ 292,933	\$ 388,780	\$ 340,138	\$ -	\$ -	\$ -
\$	-	\$ -	\$ 346,606	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ 318,698	\$ 243,818	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ 393,618	\$ 430,449	\$ 304,922

# Savannah Airport Commission

## Miscellaneous Statistical Information

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Date of Incorporation	1952
Form of Government	Commission - Executive Director
Number of Employees	173
Terminal Building	352,641 square feet
Land Owner	3,638 acres
Airport Business Center	112,000 square feet
Runways	
Runway 10/28	9,351 ft x 150 ft
Runway 19/1	7,002 ft x 150 ft
Total Gates	15
Terminal Gates in Use	8
Number of Airlines Serviced	22
Number of Rental Car Agencies on Property	7
Number of Taxi/Limousine Companies Servicing Airport	63
Number of Concessionaires in Terminal Building	16
Number of Public Parking Spaces	3,954

# Savannah Airport Commission

## Compliance Section

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Independent auditor's report on compliance and on internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*.

Independent auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Independent auditor's report on compliance with the revenue use requirements of 49 U.S.C. section 47107(B) and the Federal Aviation Administration's policy and procedures regarding the use of airport revenues.

Report on passenger facility charge program compliance and on internal control compliance.



HANCOCK ASKEW & CO LLP  
ACCOUNTANTS & ADVISORS

**Independent Auditors' Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of the Basic Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Commissioners  
Savannah Airport Commission

We have audited the basic financial statements of the Savannah Airport Commission (the Commission) as of and for the year ended December 31, 2010 and have issued our report thereon dated April 25, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Savannah Airport Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs and noted as 2010-1, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*

This report is intended solely for the information and use of the Commissioners of the Savannah Airport Commission, management, the United States Department of Transportation, the Federal Aviation Administration, and the Georgia Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Respectively submitted,

*Hancock Ashken Co., LLP*

Savannah, Georgia  
April 25, 2011

# Savannah Airport Commission

## Schedule of Findings and Questioned Costs

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### **Finding 2010-1 :**

*Criteria:* The Commission adopted GASB 33 on January 1, 2001, requiring governmental entities to recognize capital contributions as revenues.

*Condition:* During our 2010 testing procedures related to capital contributions, we noted that for years prior to December 31, 2010, the Commission failed to implement GASB 33 with respect to Customer Facility Charges (CFC) and General Aviation Fund Charges (GAF).

*Context:* This is a condition identified per review of the Commission's capital contributions and compliance with the specified requirements of GASB 33.

*Cause:* The Commission's management mistakenly believed GASB 33 applicable to Passenger Facility Charges (PFC) only, not recognizing the similarities in accounting practices for CFC and GAF.

*Effect or Potential Effect:* Due to cumulative misstatements in CFC and GAF revenue recognition and related capital assets, net assets were understated by approximately \$7.2 million and capital assets and receivables were understated by \$5.8 million and \$1.4 million, respectively, as of December 31, 2009. These amounts were not considered material to restate the prior year financial statements and were therefore recorded in the current year as an adjustment to net assets.

*Recommendation:* The governing body and management of the Commission should ensure that procedures and internal controls are in place which result in all CFC and GAF receipts being appropriately recorded as revenues and that related capital expenditures are recorded as fixed assets and depreciated on the Commission's financial statements.

*Responsible Official's Response and Corrective Action:* Management of the Commission, upon learning of the error, promptly implemented corrective action and recorded an adjustment to correct the cumulative balances of CFC and GAF through December 31, 2009 through an adjustment to net assets. Further, management of the Commission implemented a policy that ensures that 2010 amounts were properly recorded and 2011 and future amounts will be recorded in accordance with the appropriate guidance under GASB 33.

**SAVANNAH  
HILTON HEAD**  
INTERNATIONAL 



HANCOCK ASKEW & CO LLP  
ACCOUNTANTS & ADVISORS

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

The Commissioners  
Savannah Airport Commission

Compliance

We have audited Savannah Airport Commission's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Savannah Airport Commission's major Federal programs for the year ended December 31, 2010. The Savannah Airport Commission's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Savannah Airport Commission's management. Our responsibility is to express an opinion on the Savannah Airport Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Savannah Airport Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Savannah Airport Commission's compliance with those requirements.

In our opinion, the Savannah Airport Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Savannah Airport Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Savannah Airport Commission's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our

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opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Savannah Airport Commission as of and for the year ended December 31, 2010, and have issued our report thereon dated April 25, 2011. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Savannah Airport Commission's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Savannah Airport Commission. The supplementary information and the schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

This report is intended solely for the information and use of the Commissioners of the Savannah Airport Commission, management, the United States Department of Transportation, the Federal Aviation Administration, and the Georgia Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Hancock Askew & Co, LLP*

Savannah, Georgia  
April 25, 2011



**HANCOCK ASKEW & CO LLP**  
ACCOUNTANTS & ADVISORS

**Independent Auditors' Report on Compliance with the Revenue Use Requirements of 49 U.S.C. Section 47107(B) and the Federal Aviation Administration's Policy and Procedures Regarding the Use of Airport Revenues**

The Commissioners  
Savannah Airport Commission

We have audited the basic financial statements of the Savannah Airport Commission as of and for the year ended December 31, 2010, and have issued our report thereon dated April 25, 2011.

Compliance

We have audited the compliance of the Savannah Airport Commission with the revenue use requirements of 49 U.S.C. Section 47107(B) and the Federal Aviation Administration's Policy and Procedures Regarding the Use of Airport Revenues. Compliance with these requirements is the responsibility of the Savannah Airport Commission's management. Our responsibility is to express an opinion on the Savannah Airport Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Savannah Airport Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Savannah Airport Commission's compliance with those requirements.

In our opinion, the funds paid and property or services transferred from the Savannah Airport Commission were paid or transferred in a manner consistent with 49 U.S.C. Section 47107(B) and the Federal Aviation Administration's Policy and Procedures Regarding the Use of Airport Revenues for the year ended December 31, 2010.

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### Internal Control Over Compliance

The management of the Savannah Airport Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of 49 U.S.C. Section 47107(B) and the Federal Aviation Administration's Policy and Procedures Regarding the Use of Airport Revenues. In planning and performing our audits, we considered the Savannah Airport Commission's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Commissioners of the Savannah Airport Commission, management, the United States of Department of Transportation, the Federal Aviation Administration, and the Georgia Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Hancock Askew Hoyle LLP*

Savannah, Georgia  
April 25, 2011

# Savannah Airport Commission

## Schedule of Expenditures of Federal Awards

*December 31, 2010*

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor Numbers	Amount of Federal Expenditures
<b>Capital contributions</b>			
Federal Department of Transportation, Federal Aviation Administration:			
Airport Improvement Program	20.106*	N/A	\$ 4,752,268
Airport Improvement Program - Stimulus	20.106.001*	N/A	40,839
			\$ 4,793,107

\*Major program as defined by United States Office of Management and Budget Circular A-133

# Savannah Airport Commission

## Notes to Schedule of Expenditures of Federal Awards December 31, 2010

- 
- 1. General** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the Commission. The Commission's reporting entity is defined in Note 1 to the Commission's basic financial statements. All Federal awards received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included on the schedule.
- 2. Basis of Accounting** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Commission's basic financial statements. The Commission accounts for this Federal financial assistance as non-operating revenue.
- 3. Relationship to Financial Statements** Federal program award revenues are reported as non-operating revenue in the Commission's basic financial statements as follows:
- |                              |              |
|------------------------------|--------------|
| <hr/>                        |              |
| Federal constructions grants | \$ 4,793,107 |
| <hr/>                        |              |
- 4. Relationship to Federal Financial Reports** Amounts reported in the accompanying schedule agree with amounts reported in the related Federal financial reports.

# Savannah Airport Commission

## Schedule of Findings and Questioned Costs December 31, 2010

---

### Summary of Independent Auditors' Results

We have audited the basic financial statements of the Savannah Airport Commission as of and for the year ended December 31, 2010, and have issued an unqualified opinion thereon dated April 25, 2011.

In performing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, we noted no matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses.

The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

In performing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, we noted no matters involving the internal control over compliance and its operations that we consider to be significant deficiencies or material weaknesses.

We have audited the compliance of the Savannah Airport Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended December 31, 2010, and have issued an unqualified opinion thereon dated April 25, 2011.

The Savannah Airport Commission had one major Federal program, the Airport Improvement Program (CFDA No. 20.106).

Federal award programs are classified under OMB Circular A-133 as Type A and Type B Programs. Under the criteria established by OMB Circular A-133, a type A program for the Savannah Airport Commission is any program for which Federal expenditures during the applicable year exceeds the larger of \$300,000 or 3% of such total Federal awards expenditures.

OMB Circular A-133 establishes certain conditions under which an auditee shall qualify as a low-risk auditee and be eligible for reduced audit coverage. Based on these criteria, the Savannah Airport Commission qualifies as a low-risk auditee.

**SAVANNAH  
HILTON HEAD**  
INTERNATIONAL 



HANCOCK ASKEW & CO LLP  
ACCOUNTANTS & ADVISORS

**Independent Auditors' Report on Compliance with Requirements Applicable to the  
Passenger Facility Charge Program and on Internal Control Over Compliance**

The Commissioners  
Savannah Airport Commission

Compliance

We have audited the compliance of the Savannah Airport Commission with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), for its Passenger Facility Charge program for the year ended December 31, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge is the responsibility of the Savannah Airport Commission's management. Our responsibility is to express an opinion on the Savannah Airport Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program occurred. An audit includes examining, on a test basis, evidence about the Savannah Airport Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Savannah Airport Commission's compliance with those requirements.

In our opinion, Savannah Airport Commission has complied, in all material respects, with the requirements referred to above that are applicable to its Passenger Facility Charge program for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Savannah Airport Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Savannah Airport Commission's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

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*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Savannah Airport Commission as of and for the year ended December 31, 2010, and have issued our report thereon dated April 25, 2011. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Savannah Airport Commission's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Savannah Airport Commission. The supplementary information and the schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

This report is intended solely for the information and use of the Commissioners of the Savannah Airport Commission, management, the United States Department of Transportation, the Federal Aviation Administration, and the Georgia Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Hancock Askew Ho, LLP*

Savannah, Georgia  
April 25, 2011

# Savannah Airport Commission

## Schedule of Passenger Facility Charges

<i>Year ended December 31, 2010</i>	Current		Cumulative	
<b>PFC income</b>				
PFC revenue	\$	2,715,553	\$	50,019,530
Interest		1,901		828,547
<hr/>				
Total PFC income	\$	2,717,454	\$	50,848,077
<hr/>				
<b>Expenditures</b>				
Gilbert Southern - Apron		-		316,549
Dunn Const. inv #3,6,7, 10-17		-		780,771
Palmetto Pile Driving		-		221,395
Montgomery Elevators inv #1-6, 10-11		-		394,000
Consultant/professional fees		-		581,242
Federal Sign invoice #1		-		27,995
Higgerson invoice #26		-		298,474
Bank of NY - Debt Svc 92 Bonds/2001 Bond Ref.		2,111,874		32,897,114
Helipad		-		60,177
HNTB AIP 20		-		34,633
Ballenger AIP 21		-		167,577
Head Inc. inv #1-11, AIP 24		-		515,235
North/South perimeter fence - AIP24		-		4,429
North/South perimeter fence - Non AIP		-		195,905
Phoenix Const. (SAC reimb) AIP 26 T/W E		-		244,628
FAA AIP26 T/W E cables		-		1,735
J.M. Miles AIP 27 fire station inv #1-15		-		92,547
Wilbur Smith AIP 27 fire station		-		2,283
Ricondo & Assoc. PFC application		-		12,849
RC Constr inv #1-3 AIP29 T/W C		-		47,020
Greiner (SAC reimb) AIP29 T/W C		-		3,506
SAC reimb labor - AIP 29 T/W C		-		12,631
S & ME AIP29 R/W 18/36		-		181
RC Constr inv #1-7 AIP 29 R/W 18/36		-		102,619
Greiner (SAC reimb) AIP29 R/W 18/36		-		6,695
AAAE (SAC reimb) AIP R/W 18/36 (ANTN)		-		484
SAC reimb-labor/testing AIP 29 R/W 18/36		-		2,742
Greiner AIP30 GA TWY #3		-		6,222
S&ME AIP30 GA TWY #3		-		11
Adel Steel AIP30 GA TWY #3		-		50,000
RB Baker AIP30 GA TWY #3 inv 1-8		-		49,026
SAC reimb-labor/admin AIP30 GA TWY #3		-		1,625
TWY A-SAC reimb-labor		-		3,712
TWY A-AIP30-Greiner		-		16,777
TWY A-AIP33 - URS Corp. (Greiner)		-		1,814
TWY A-AIP 33 - Triangle INV #1-13		-		346,829

# Savannah Airport Commission

## Schedule of Passenger Facility Charges (cont.)

<i>Years ended December 31, 2010</i>	Current	Cumulative
TWY A-AIP 33-S & ME	-	2,000
Sweeper	-	100,000
Airfield light control	-	229,540
Terminal Apron-AIP 33 - Triangle Inv #4-10	-	144,424
Terminal Apron-AIP 33-URS	-	652
Terminal Apron -AIP 33-S & ME	-	987
Terminal Apron-AIP 33-SAC reimb	-	64,839
Buildout gate 9 & 10-SAC reimb	-	532,393
GA TWY #2 Triangle Inv#8-10	-	110,405
GA TWY#2 URS	-	2,390
GA TWY #2-S&ME	-	1,180
GA TWY #2-SAC reimb	-	178,382
Loading bridges (purchase 6 FMC)	-	829,960
Loading bridges FMC (reimb SAC)	-	1,003,162
Ricondo & Assoc. - PFC application #4 reimb SAC	-	25,972
T/W "F" AIP 34 - Shamrock	-	158,501
T/W "F" AIP 34 - URS	-	1,786
T/W "F" AIP 34 - S & ME	-	1,188
T/W "F" AIP 34 - reimb SAC	-	7,699
Air cargo apron AIP 34 - Shamrock	-	83,354
Air cargo apron AIP 34 - URS	-	595
Air cargo apron AIP 34 - S & ME	-	396
Air cargo apron AIP 34 - reimb SAC	-	1,905
PAPI AIP 34 - Shamrock	-	8,266
Ricondo & Assoc.-PFC Application #5-reimb SAC	-	16,000
AAAE Interactive Training - reimb SAC (Appl. #5)	-	38,000
Fingerprint Machine - reimb SAC (appl. #5)	-	2,272
So. Baggage carousel - reimb SAC (appl #5)	-	245,519
Valet bag lists - reimb SAC (appl #5)	-	237,714
Ammo bunker AIP 36 - Ogeechee River Mitigation	-	23,920
Ammo bunker AIP 36 - R.B. Baker	-	230,105
Ammo bunker AIP 36 - Reimb. SAC	-	23,720
Ammo bunker AIP 36 - MACTEC	-	32
SW quad access road AIP 36 R.B. Baker	-	172,117
SW quad access road AIP 36 Reimb. SAC	-	32,210
SW quad access road AIP 36 - URS	-	990
Escalator #1A (appl #4)	-	148,818
Escalator #1A (appl #4) REIMB. SAC	-	4,227
Purchase/renovate loading bridges (appl #5)	-	909,988
Purchase/renovate loading bridges reimb. SAC	-	26
Flight information display system (appl #5)	-	764,073
Design & construct GA taxiways (appl #5)	-	134,240
Relocate airfield lighting controls ATCT AIP 38 SAC	-	
Reimb.	-	10,988

# Savannah Airport Commission

## Schedule of Passenger Facility Charges (cont.)

<i>Year ended December 31, 2010</i>	Current	Cumulative
General aviation connector taxiways (AIP 39+40) R.B. Baker	-	3,938
General aviation connector taxiways (AIP 39+40)URS	-	250
General aviation connector taxiways (AIP 39+40) SAC Reimb.	-	70,950
Runway safety area impr (AIP 39)-R B Baker (appl#6)	-	703
Runway safety area impr (AIP 39)-SAC REIMB (Appl. #6)	-	6,015
Airfield lighting impr - vault (phase 1& 2)-Baker (AIP 39&40)	-	692
Airfield lighting impr - vault (phase 1& 2) Choate (AIP 39 & 40)	-	8,100
Airfield lighting impr - vault (phase 1& 2) SAC Reimb PFC Overpd Choate. (AIP 39 & 40)	-	(1,303)
Airfield lighting impr - vault (phase 1& 2) SAC Reimb	-	188,180
Terminal expansion (AIP 40) Ruth & Dun.(appl #6)	-	3,825
Terminal expansion (AIP 40)-SAC Reimb. (appl #6)	-	294,406
Terminal expansion (AIP 40)-Choate (appl #6)	-	926,095
Terminal expansion (AIP 40)-Griffin (appl #6)	-	1,037
Terminal expansion (AIP 40)-BMW Archite (appl #6)	-	718
Terminal expansion (AIP 40)-SAC reimb for BMW Archite (appl#6)	-	896
Terminal expansion (AIP 40)-URS (appl. #6)	-	25,631
Terminal expansion (AIP 40)-Bldg & Earth (appl #6)	-	2,728
Terminal expansion (AIP 40)-Alltel System Group (appl#6)	-	7,355
Terminal expansion (AIP 40)-skinner nurseries (appl#6)	-	350
Terminal expansion (AIP 40) home depo plants (appl#6)	-	464
Apron expansion (AIP 40) - SAC reimb (appl #6)	-	157,087
Apron expansion (AIP 40)-URS (appl #6)	-	1,619
Apron expansion (AIP 40) - RC construction (appl#6)	-	486,384
Loading bridges (6) and bag lifts (4) (appl #6) FMC	-	1,990,247
Loading bridges (6) and bag lifts (4) (appl #6) REIMB SAC	-	36,562
Replace ARFF bridge (AIP39) - R.B. Baker (appl #6)	-	1,671
Replace ARFF bridge (AIP39) SAC Reimb. (appl#6)	-	14,649
Runway redesignation - URS	-	663
Runway redesignation - RC Construction	-	29,264
Runway redesignation - Reimb SAC	-	36,160
Relocate runway 36 localizer - URS	-	543
Relocate runway 36 localizer - Aubrey Silvey	-	6,088
Relocate runway 36 localizer - SAC Reimb	-	28,579
Security enhancements SAC Reimb.(appl #6)	-	72,915
Security enhancements Johnson (appl#6)	-	12,746

# Savannah Airport Commission

## Schedule of Passenger Facility Charges (cont.)

<i>Year ended December 31, 2010</i>	Current	Cumulative
Security enhancements URS (appl#6)	-	204
PFC implementation and admin - SAC reimb (appl #6)	-	55,834
Taxiway E milling (AIP 40) Eagle Grooving (appl #6)	-	2,945
Taxiway E milling (AIP 40) URS (appl#6)	-	248
Taxiway E milling (AIP 40) SAC Reimb. (appl#6)	-	3,674
Rehabilitate runway shoulders RC Construction (appl #7)	-	40
Rehabilitate runway shoulders Reimb SAC (appl#7)	-	21,685
Construct taxiway SW Quad Reimb SAC (appl #7)	-	45,995
ALP update (appl. #7) URS	-	155,419
ALP update (appl #7) Reimb SAC URS	-	5,646
Taxiway B extension (appl. #7) URS	-	3,264
Taxiway B extension (appl. #7) Harbor	-	112,777
Taxiway B extension (appl. #7) SAC ck13511 Reimb PFC fund - Harbor & Reimb SAC	-	(2,193)
Taxiway B extension (appl. #7) Reimb SAC	-	73,543
Taxiway C-2 (appl. #7) Harbor	-	214,356
Harbor & Reimb SAC	-	24,370
Update main communication system (appl #7) Motorola	-	223,703
PFC implementation and admin - SAC reimb (appl #7)	-	47,520
Pre cool 9 -jet bridges Misc City of SAV advertise	-	497
Pre cool 9 -jet bridges reimb SAC	1,799	105,752
Bio script 15 board bridges doors Johnson Control	-	144,760
Bio script 15 board bridges doors URS	-	3,154
Bio script 15 board bridges doors - Reimb SAC	-	4,742
Runway 18/36 extension Reimb. SAC URS Design Cost	-	74,111
Total expenditure	2,113,673	49,724,620
Excess income	603,781	1,123,457
Beginning balance	519,676	-
<b>Balance at December 31, 2010</b>	<b>\$ 1,123,457</b>	<b>\$ 1,123,457</b>

Note - PFC reports to FAA are based on actual collections and do not include accounts receivable, such amounts collected in 2010 are \$2,743,681 and remaining collections unspent as of December 31, 2010 are \$1,149,684.

The excess income reported to FAA as of December 31, 2010 is \$630,007.

**SAVANNAH  
HILTON HEAD**  
INTERNATIONAL



Appendix B  
FORM OF THE RESOLUTION

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**MAYOR AND ALDERMEN OF THE CITY OF SAVANNAH  
AND  
SAVANNAH AIRPORT COMMISSION**

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**MAYOR AND ALDERMEN OF THE CITY OF SAVANNAH  
AND  
SAVANNAH AIRPORT COMMISSION**

**SECOND SUPPLEMENTAL AIRPORT REVENUE BOND RESOLUTION**

**\$6,665,000  
CITY OF SAVANNAH AIRPORT REFUNDING REVENUE BONDS,  
SERIES 2011A**

**\$8,345,000  
CITY OF SAVANNAH AIRPORT REFUNDING REVENUE BONDS,  
SERIES 2011B**

**Adopted June 2, 2011**

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**SECOND SUPPLEMENTAL AIRPORT REVENUE BOND RESOLUTION**

**BE IT RESOLVED** by the Mayor and Aldermen of the City of Savannah and the Savannah Airport Commission as follows:

**ARTICLE I**

**DEFINITIONS AND STATUTORY AUTHORITY**

**Section 101. Supplemental Resolution.** This Second Supplemental Airport Revenue Bond Resolution is amendatory and supplemental to and is adopted in accordance with Articles II and VI of the Airport Revenue Bond Resolution adopted by the City and the Commission on September 6, 2001 (which Airport Revenue Bond Resolution, and unless the context shall clearly indicate otherwise, all amendments and supplements thereto, is defined therein as the "Resolution").

**Section 102. Definitions.**

(a) Unless otherwise defined herein, all terms which are defined in Section 1.01 of the Resolution shall have the same meanings, respectively, in this Second Supplemental Airport Revenue Bond Resolution as such terms are given in said Section 1.01 of the Resolution.

(b) In this Second Supplemental Airport Revenue Bond Resolution:

**"Bond Year"** means each one-year period that begins on January 2 of one year and ends on January 1 in the next ensuing year.

**"Cede & Co."** means Cede & Co., the nominee of DTC or any successor nominee of DTC.

**"Combined Debt Service"** means the sum of Debt Service on the Series 2011A Bonds and the Series 2011B Bonds.

**"Combined Maximum Annual Debt Service"** means, at the time of computation, the greatest amount of Combined Debt Service in the then current or any future Bond Year.

**"Debt Service Reserve Fund Requirement"** means an amount equal to the lesser of (i) Combined Maximum Annual Debt Service, (ii) 125% of average annual Combined Debt Service or (iii) 10% of the original principal amount of the Series 2011 Bonds.

**"DTC"** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, or its nominee, or any other person, firm, association or corporation designated in any resolution of the Issuer supplemental hereto to serve as securities depository for a series of Bonds.

ARTICLE II

AUTHORIZATION; TERMS AND FORM OF SERIES 2011 BONDS

"**Escrow Deposit Agreement**" means the agreement, dated the date of issuance and delivery of the Series 2011 Bonds, between the Series 2001 Registrar and Paying Agent and the City relating to the refunding of the Series 2001 Bonds.

"**Interest Payment Dates**" means with respect to the Series 2011 Bonds, January 1, 2012 and each July 1 and January 1 thereafter.

"**Record Date**" means with respect to each Series 2011 Bond, the fifteenth day of the month (whether or not a business day) next preceding an Interest Payment Date.

"**Registrar and Paying Agent**" means The Bank of New York Mellon Trust Company, N.A., appointed pursuant to Section 401 hereof.

"**Series 2001A Bonds**" means City of Savannah Airport Revenue Refunding Bonds, Series 2001A authorized pursuant to the Series 2001 Resolution.

"**Series 2001B Bonds**" means City of Savannah Airport Revenue Refunding Bonds, Series 2001B authorized pursuant to the Series 2001 Resolution.

"**Series 2001 Bonds**" means, collectively, the Series 2001A Bonds and the Series 2001B Bonds.

"**Series 2001 Registrar and Paying Agent**" means The Bank of New York Mellon Trust Company, N.A.

"**Series 2011A Bonds**" means City of Savannah Airport Refunding Revenue Bonds, Series 2011A authorized and described in Article II hereof.

"**Series 2011B Bonds**" means City of Savannah Airport Refunding Revenue Bonds, Series 2011B authorized and described in Article II hereof.

"**Series 2011 Bonds**" means collectively the Series 2011A Bonds and the Series 2011B Bonds.

"**Underwriters**" means collectively, Siebert Brandford Shank & Co., L.L.C. and Morgan Keegan & Company, Inc.

[END OF ARTICLE I]

Year of Maturity	Principal Amount	Interest Rate
2012	\$2,275,000	1.50%
2013	2,350,000	4.00%
2014	2,445,000	4.00%
2015	1,275,000	2.25%

**Section 204. Date, Denominations, Numbers and Letters.**

(a) **Series 2011A Bonds.** The Series 2011A Bonds will be issued in fully registered form in the denomination of \$5,000 or any integral multiple of \$5,000 and shall be dated the date of issuance and delivery thereof. Unless the City shall otherwise direct, the Series 2011A Bonds shall be numbered from one upward preceded by the letter R prefixed to the number. Notwithstanding any provision of the Resolution to the contrary, coupon Series 2011A Bonds will not be issued.

(b) **Series 2011B Bonds.** The Series 2011B Bonds will be issued in fully registered form in the denomination of \$5,000 or any integral multiple of \$5,000 and shall be dated the date of issuance and delivery thereof. Unless the City shall otherwise direct, the Series 2011B Bonds shall be numbered from one upward preceded by the letter R prefixed to the number. Notwithstanding any provision of the Resolution to the contrary, coupon Series 2011A Bonds will not be issued.

**Section 205. Payment of Principal, Interest and Premium on Series 2011 Bonds.**

The Series 2011 Bonds shall be payable as to interest, principal and premium, if any, in any coin or currency of the United States of America that at the time of payment thereof is legal tender for public and private debts. Principal of and premium, if any, on the Series 2011 Bonds shall be payable only upon the presentation and surrender of the Series 2011 Bond to the Registrar and Paying Agent at its principal office. Each Series 2011 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid, unless

(i) the date of authentication is prior to the first Interest Payment Date for such Series 2011 Bond, in which event such Series 2011 Bond shall bear interest from the date of such Series 2011 Bond, or unless

(ii) the date of authentication is an Interest Payment Date to which payment has been paid, in which event such Series 2011 Bond shall bear interest from the date of authentication, or unless

(iii) the date of authentication is between the Record Date and the next Interest Payment Date in which event such Series 2011 Bond shall bear interest from the next Interest Payment Date for such Series 2011 Bonds.

**Section 201. Principal Amount, Designation and Series.**

(a) **Series 2011A Bonds.** Pursuant to the provisions of the Resolution, a Series of Bonds entitled to the benefits, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$6,665,000. Such Bonds will be designated as and will be distinguished from the Bonds of all other Series by the title, "City of Savannah Airport Refunding Revenue Bonds, Series 2011A."

(b) **Series 2011B Bonds.** Pursuant to the provisions of the Resolution, a Series of Bonds entitled to the benefits, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$8,345,000. Such Bonds will be designated as and will be distinguished from the Bonds of all other Series by the title, "City of Savannah Airport Refunding Revenue Bonds, Series 2011B."

**Section 202. Purposes.**

(a) **Series 2011A Bonds.** The Series 2011A Bonds are issued for the purpose of currently refunding all outstanding Series 2001A Bonds.

(b) **Series 2011B Bonds.** The Series 2011B Bonds are issued for the purpose of currently refunding all outstanding Series 2001B Bonds.

**Section 203. Maturities and Interest Payment Dates.**

(a) **Series 2011A Bonds.** The Series 2011A Bonds will mature on January 1 on the dates and in the principal amounts and will bear interest payable on January 1 and July 1 commencing January 1, 2012, at the rate per annum, as shown below:

Year of Maturity	Principal Amount	Interest Rate
2015	\$1,115,000	5.00%
2016	2,705,000	5.00%
2017	845,000	3.00%
2017	2,000,000	5.00%

(b) **Series 2011B Bonds.** The Series 2011B Bonds will mature on January 1 on the dates and in the principal amounts and will bear interest payable on January 1 and July 1 commencing January 1, 2012, at the respective rates per annum, as shown below:

Interest on all Series 2011 Bonds shall be paid on each Interest Payment Date by the Registrar and Paying Agent by check or draft mailed to the registered holder at the holder's address as it appears on the books of registry kept pursuant to the Resolution as of the close of business on the Record Date or, at the option of the holder of Series 2011 Bonds in the aggregate principal amount of not less than \$1,000,000, by wire transfer in immediately available funds to such registered holder upon written notice received by the Registrar and Paying Agent five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the United States) to which such registered owner wishes to have such wire directed, which wire instructions shall remain in effect until the Registrar and Paying Agent is notified to the contrary.

**Section 206. [Reserved].**

**Section 207. [Reserved].**

**Section 208. Book-Entry Only System.** Each Series of 2011 Bonds is hereby authorized to be issued in book-entry only form, with no physical distribution of Series 2011 Bonds made to the public. The Series 2011 Bonds will be initially issued as book-entry bonds. If Series 2011 Bonds are issued as book-entry bonds, the following procedures shall apply thereto:

The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each Series 2011 Bond maturity, in the aggregate principal amount of such maturity, and will be deposited with DTC.

Purchases of Series 2011 Bonds under the DTC system must be made by or through "Direct Participants" (which include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations), which will receive a credit for the Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011 Bond (a "Beneficial Owner") is in turn to be recorded on the records of the Direct Participants and others such as 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"). 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 2011 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 the Series 2011 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 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 the Series 2011 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 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.

Principal and interest payments on the Series 2011 Bonds will be made by the Paying Agent 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 Issuer or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

If (a) DTC determines not to continue to act as securities depository for the Series 2011 Bonds or (b) the Issuer determines that the continuation of the book-entry system of evidence and transfer of ownership of the Series 2011 Bonds would adversely affect the interests of the Issuer or the Beneficial Owners of the Series 2011 Bonds, the Issuer shall discontinue the book-entry system with DTC. If the Issuer fails to identify another qualified securities depository to replace DTC, the Issuer will cause the Paying Agent to authenticate and deliver replacement Series 2011 Bonds in the form of fully registered Bonds to each Beneficial Owner.

If a book-entry system of evidence and transfer of ownership of the Series 2011 Bonds is discontinued pursuant to the provisions of this Section, the Series 2011 Bonds shall be delivered solely as fully registered Series 2011 Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof, shall be lettered "R" and numbered separately from 1 upward, and shall be payable, executed, authenticated, registered, exchanged and canceled pursuant to the provisions of Article II hereof. In addition, the Issuer will pay all costs and fees associated with the printing of the Series 2011 Bonds and issuance of the same in certificated form.

SO LONG AS CEDE & CO. OR SUCH OTHER DTC NOMINEE, AS NOMINEE FOR DTC, IS THE SOLE BONDHOLDER, THE ISSUER AND THE BOND REGISTRAR WILL TREAT CEDE & CO. OR SUCH OTHER NOMINEE AS THE ONLY OWNER OF THE SERIES 2011 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE SERIES 2011 BONDS, RECEIPT OF NOTICES, VOTING, AND REQUESTING OR DIRECTING THE ISSUER OR THE PAYING AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE RESOLUTION. THE ISSUER HAS NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT TO ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE

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### ARTICLE III

#### FUNDS AND ACCOUNTS; DISPOSITION OF SERIES 2011 BOND PROCEEDS; FORM OF SERIES 2011 BONDS

##### Section 301. Interest Accounts.

(a) With respect to the Series 2011A Bonds, there is hereby created and established in the Debt Service Fund an account to be known as the "Interest Account, 2011A." Pursuant to Section 4.01 and 4.03 of the Resolution, the amounts necessary to pay the interest on the Series 2011A Bonds shall be credited to the Interest Account, 2011A.

(b) With respect to the Series 2011B Bonds, there is hereby created and established in the Debt Service Fund an account to be known as the "Interest Account, 2011B." Pursuant to Section 4.01 and 4.03 of the Resolution, the amounts necessary to pay the interest on the Series 2011B Bonds shall be credited to the Interest Account, 2011B.

##### Section 302. Serial Bond Principal Accounts.

(a) With respect to the Series 2011A Bonds, there is hereby created and established an account in the Debt Service Fund to be known as the "Serial Bond Principal Account, 2011A." Pursuant to Sections 4.01 and 4.03 of the Resolution, the amounts necessary to pay the principal of the Series 2011A Bonds shall be credited to the Serial Bond Principal Account, 2011A.

(b) With respect to the Series 2011B Bonds, there is hereby created and established an account in the Debt Service Fund to be known as the "Serial Bond Principal Account, 2011B." Pursuant to Sections 4.01 and 4.03 of the Resolution, the amounts necessary to pay the principal of the Series 2011B Bonds shall be credited to the Serial Bond Principal Account, 2011B.

##### Section 303. [Reserved].

**Section 304. Debt Service Reserve Account.** With respect to the Series 2011 Bonds, there is hereby created and established in the Debt Service Reserve Fund an account to be known as the "Debt Service Reserve Account, 2011." On the date of issuance and delivery of the Series 2011 Bonds, the Commission shall deposit from available cash to the Debt Service Reserve Account, 2011, the Debt Service Reserve Fund Requirement.

**Section 305. Construction Account.** With respect to the Series 2011 Bonds, there is hereby created and established in the Construction Fund an account to be known as the "Construction Account, 2011." There shall be credited to the Construction Account, 2011, the proceeds of the Series 2011 Bonds to be applied solely to certain issuance expenses for the Series 2011 Bonds.

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SERIES 2011 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (D) OTHER ACTION TAKEN BY DTC OR CEDE & CO. OR SUCH OTHER DTC NOMINEE, AS OWNER.

If Series 2011 Bonds are issued as book-entry bonds, the form of said Bonds shall contain the following text:

*Unless this Series 2011 Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

*The City has established a Book Entry system of registration for this Series 2011 Bond. Except as specifically provided otherwise in the hereinafter defined Resolution, Cede & Co., as nominee of The Depository Trust Company, will be the registered owner and will hold this Series 2011 Bond on behalf of each beneficial owner hereof. By acceptance of a confirmation of purchase, delivery or transfer, each beneficial owner of this Bond shall be deemed to have agreed to such arrangement. Cede & Co., as registered owner of this Series 2011 Bond, will be treated as the owner of this Series 2011 Bond for all purposes.*

[END OF ARTICLE II]

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##### Section 306. Disposition of Proceeds of Series 2011 Bonds.

(a) Series 2011A Bonds. From the proceeds of sale of the Series 2011A Bonds (less the Underwriters' discount), together with other amounts available to the City, there shall be deposited or applied amounts as set forth below:

(i) With the Series 2001 Registrar and Paying Agent, pursuant to the Escrow Deposit Agreement, an amount which, together with the amounts to be deposited with the Series 2001 Registrar and Paying Agent pursuant to Section 307(a) hereof, shall be sufficient to pay on July 1, 2011, the principal of and accrued interest on all outstanding Series 2001A Bonds.

(ii) With the City, or on behalf of the City, cash sufficient to fund that portion of the Debt Service Reserve Fund Requirement which is applicable to the Series 2011A Bonds for deposit to the Debt Service Reserve Account, 2011, in the Debt Service Reserve Fund.

(iii) With the City all remaining proceeds for deposit in the Construction Account, 2011, in the Construction Fund for payment of certain issuance expenses for the Series 2011A Bonds.

(b) Series 2011B Bonds. From the proceeds of sale of the Series 2011B Bonds (less the Underwriters' discount), together with other amounts available to the City, there shall be deposited or applied amounts as set forth below:

(i) With the Series 2001 Registrar and Paying Agent, pursuant to the Escrow Deposit Agreement, an amount which, together with the amounts to be deposited with the Series 2001 Registrar and Paying Agent pursuant to Section 307(a) hereof, shall be sufficient to pay on July 1, 2011, the principal of and accrued interest on all outstanding Series 2001B Bonds.

(ii) With the City, or on behalf of the City, cash sufficient to fund that portion of the Debt Service Reserve Fund Requirement which is applicable to the Series 2011B Bonds for deposit to the Debt Service Reserve Account, 2011, in the Debt Service Reserve Fund.

(iii) With the City all remaining proceeds for deposit in the Construction Account, 2011, in the Construction Fund for payment of certain issuance expenses for the Series 2011B Bonds.

##### Section 307. Transfer of Certain Amounts.

(a) Series 2001A Bonds. Simultaneously with the delivery of the Series 2011A Bonds, the City shall transfer all amounts on deposit in the Interest Account, 2001A, and the Serial Bond Principal Account, 2001A, created pursuant to the Series 2001 Resolution, to the Series 2001 Registrar and Paying Agent.

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[Form of Bond]

(b) **Series 2001B Bonds.** Simultaneously with the delivery of the Series 2011B Bonds, the City shall transfer all amounts on deposit in the Interest Account, 2001B, and the Serial Bond Principal Account, 2001B, created pursuant to the Series 2001 Resolution, to the Series 2001 Registrar and Paying Agent.

(c) All moneys deposited with the Series 2001 Registrar and Paying Agent pursuant to Section 306 hereof and this Section 307 shall be held as an irrevocable deposit in trust pursuant to the terms of the Escrow Deposit Agreement for the holders of the Series 2001 Bonds, and shall be irrevocably appropriated and set aside exclusively for payment of the principal of and accrued interest payable on the Series 2001 Bonds on July 1, 2011, the payment and redemption date therefor.

**Section 308. Election to Redeem the Series 2001 Bonds.** The City hereby irrevocably elects and directs the Series 2001 Registrar and Paying Agent to pay and redeem, on July 1, 2011, all outstanding Series 2001 Bonds and to pay interest thereon to July 1, 2011, conditioned upon its receipt of the moneys to be deposited with the Series 2001 Registrar and Paying Agent pursuant to Sections 306 and 307 hereof. In order to effectuate this election, the City has given the Series 2001 Registrar and Paying Agent irrevocable instructions to give a notice of conditional redemption of the Series 2001 Bonds as provided for in the Resolution.

**Section 309. Form of Series 2011 Bonds.**

The form of Series 2011 Bonds, the form of certificate of authentication thereof, the form of the validation certificate thereon and the form of assignment pertaining thereto, shall be substantially in the following form, with such necessary or appropriate variations, omissions and deletions therefrom and insertions therein as are incidental to their series, numbers, denominations, maturities, interest rate or rates, paying agencies, privileges of registration and other details thereof or as otherwise permitted or required by law or by the Resolution:

UNITED STATES OF AMERICA

STATE OF GEORGIA

CITY OF SAVANNAH

AIRPORT REFUNDING REVENUE BOND

SERIES 2011[A][B]

No. \_\_\_\_\_ CUSIP: \_\_\_\_\_

Maturity Date:  
Interest Rate:  
Principal Sum:  
Bond Date:  
Registered Owner: Cede & Co.

The Mayor and Aldermen of the City of Savannah (the "City"), a municipal corporation and a political subdivision of the State of Georgia, in Chatham County, and the Savannah Airport Commission (the "Commission"), a body corporate and politic, constitutionally created and acting as a commission and operating agency of the Mayor and Aldermen of the City of Savannah (the City and the Commission are hereinafter sometimes collectively referred to as the "City"), for value

received, hereby promise to pay, but solely from the revenue, income and other moneys of the City hereinafter specified and not otherwise, to the Registered Owner named above, or registered assigns, on the Maturity Date specified above, the Principal Sum specified above, upon presentation and surrender of this Bond, and to pay interest on such Principal Sum, but solely from said revenues, income and such other moneys of the City and not otherwise, from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof to which interest has been paid unless (1) the date of authentication is prior to January 1, 2012 in which event from the Bond Date, or unless (2) the date of authentication is an Interest Payment Date to which interest has been paid, in which event from the date of authentication, or unless (3) the date of authentication is between the Record Date (as hereinafter defined) and the next Interest Payment Date, in which event from the next Interest Payment Date, until payment of such Principal Sum, at the Interest Rate specified above, such interest being payable January 1, 2012, and semi-annually on the first day of July and the first day of January thereafter (each such date being referred to herein as an "Interest Payment Date").

This Bond will be payable as to principal at the principal trust office of The Bank of New York Mellon Trust Company, N.A., in Atlanta, Georgia, registrar and paying agent (the "Registrar and Paying Agent") in its capacity as paying agent hereunder. Interest hereof shall be paid by check or draft mailed by the Registrar and Paying Agent to the Registered Owner hereof at the Registered Owner's address as it appears in the books of registry kept pursuant to the hereinafter described Bond Resolution as of the close of business on the fifteenth day of the month (whether or not a business day) next preceding an Interest Payment Date (the "Record Date") or, at the option of the Registered Owner if the aggregate Principal Sum is not less than \$1,000,000, by wire transfer in immediately available funds to such Registered Owner upon written notice received by the Registrar and Paying Agent five days prior to the Record Date from such Registered Owner containing the wire transfer address (which shall be in the United States) to which such Registered Owner wishes to have such wire directed, which wire instructions shall remain in effect until the Registrar and Paying Agent is notified to the contrary. The principal of and interest and premium, if any, on this Bond is payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

THIS BOND SHALL NOT CONSTITUTE A DEBT OR A LOAN OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF GEORGIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY AND THE COMMISSION, BUT THIS BOND SHALL BE PAYABLE FROM CERTAIN REVENUES AND OTHER FUNDS OF THE CITY AND THE COMMISSION AS PROVIDED IN THE BOND RESOLUTION. THE ISSUANCE OF THIS BOND SHALL NOT OBLIGATE THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR THE PAYMENT HEREOF. THE COMMISSION HAS NO TAXING POWER. NO HOLDER HEREOF OR RECEIVER OR TRUSTEE IN CONNECTION HEREWITH SHALL HAVE THE RIGHT TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY AND THE COMMISSION (OTHER THAN THE REVENUES AND FUNDS SPECIFICALLY PLEDGED THEREFOR PURSUANT TO THE BOND RESOLUTION), NOR SHALL THIS BOND CONSTITUTE A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY SUCH PROPERTY. NO RECOURSE SHALL BE HAD FOR

THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THIS BOND AGAINST ANY OFFICER, DIRECTOR OR MEMBER OF THE CITY OR THE COMMISSION.

Terms defined in the Bond Resolution and used but not defined herein, shall, unless the context otherwise requires, have the meanings ascribed to such terms in the Bond Resolution.

This Bond is one of an authorized series of Bonds designated City of Savannah Airport Refunding Revenue Bonds, Series 2011[A][B], in the aggregate principal amount of \$\_\_\_\_\_ issued pursuant to the Constitution and laws of the State of Georgia and an Airport Revenue Bond Resolution adopted by the City and the Commission on September 6, 2001, as amended and supplemented by a resolution adopted by the City and the Commission on June 2, 2011 (collectively the "Bond Resolution").

This Bond and the series of Bonds of which this Bond is one constitute part of a duly authorized issue of Bonds (herein called the "Bonds") issued, or to be issued, by the City under the Bond Resolution in order to accomplish any purpose of the City relating to its airport facilities. Said issue of Bonds is unlimited as to principal amount except as provided in the Bond Resolution and constitutes or may constitute one or more series in various principal amounts and of varying denominations, dates, maturities, interest rates and other provisions as provided in the Bond Resolution. All Bonds, including this Bond, issued and to be issued under the Bond Resolution are and will be equally secured by the liens, pledges, charges, assignments and covenants made therein, except as otherwise expressly provided or permitted in the Bond Resolution. Reference is hereby made to the Bond Resolution and to all of the provisions of which any holder of this Bond by his acceptance hereof thereby assents, for definitions of terms; a description of and the nature and extent of the security for the Bonds issued or to be issued under the Bond Resolution, including this Bond; the Net Revenues (as defined in the Bond Resolution) of the City pledged to the payment of the interest on and principal of the Bonds and the nature and extent and manner of enforcement of such pledge; the terms and conditions upon which this Bond and the series of which it is one are issued and upon which other Bonds may heretofore have been issued or may hereafter be issued under the Bond Resolution payable as to principal, interest and premium on a parity with this Bond out of the aforesaid Net Revenues and equally and ratably secured therewith; the conditions upon which the Bond Resolution may be amended or supplemented with or without the consent of the holders of the Bonds; the rights and remedies of the holder hereof with respect hereto; the rights, duties and obligations of the City under the Bond Resolution; the terms and provisions upon which the liens, pledges, charges, assignments and covenants of the City made in the Bond Resolution may be discharged at or prior to the maturity of this Bond, and this Bond thereafter shall no longer be secured by the Bond Resolution or be deemed to be outstanding thereunder, if moneys or certain specified securities shall have been deposited with any Registrar and Paying Agent for this Bond sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

This Bond and the series of Bonds of which it is one and the issue of Bonds of which such series is a part and the interest and premium, if any, thereon are payable, on a parity with all Bonds hereafter issued under the Bond Resolution, from, and secured equally and ratably with such Bonds

by, the Net Revenues pledged to the payment thereof by the Bond Resolution. Net Revenues consist of Grossing Operating Income less Operation and Maintenance Expenses (as such terms are defined in the Bond Resolution).

In case any Event of Default (as defined in the Bond Resolution) occurs, the principal amount of this Bond together with accrued interest may be declared due and payable in the manner and with the effect provided in the Bond Resolution.

The Bonds are not subject to redemption prior to maturity.

This Bond is transferable by the Registered Owner, in person or by its attorney duly authorized in writing, at the corporate trust office of the Registrar and Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds of the same aggregate principal amount and maturity will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This Bond may also be exchanged at the corporate trust office of the Registrar and Paying Agent for a new Bond or Bonds of the same aggregate principal amount and maturity without transfer to a new registered owner. Exchanges and transfers will be without expense to the holder except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form in the denominations of \$5,000 or any multiple thereof.

The City and the Registrar and Paying Agent shall treat the Registered Owner as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary.

It is hereby certified and recited that all conditions, acts and things required by law and the Bond Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed and that this Bond complies in all respects with the Act and with all applicable laws of the State of Georgia.

This Bond shall not be entitled to any benefit under the Bond Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Registrar and Paying Agent of the certificate of authentication hereon.

**IN WITNESS WHEREOF**, the Mayor and Aldermen of the City of Savannah has caused this Bond to be executed with the manual or facsimile signature of its Mayor, and its corporate seal to be hereunto reproduced and attested with the manual or facsimile signature of its Clerk of Council, and the Savannah Airport Commission has caused this Bond to be executed with the manual or facsimile signature of its Chairman and its corporate seal to be hereunto reproduced and attested with the manual or facsimile signature of its Secretary, as of the day first above written.

MAYOR AND ALDERMEN OF THE CITY OF SAVANNAH

BY: \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
Clerk of Council

(S E A L)

SAVANNAH AIRPORT COMMISSION

BY: \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

(S E A L)

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds authorized by the within mentioned Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

BY: \_\_\_\_\_  
Registrar and Paying Agent

Date of Authentication:

STATE OF GEORGIA )  
 ) VALIDATION CERTIFICATE  
CHATHAM COUNTY )

I, the undersigned Clerk of the Superior Court of Chatham County, State of Georgia, keeper of the records and seal thereof, hereby certify that this Bond was validated and confirmed by judgment of the Superior Court of Chatham County, Georgia, on \_\_\_\_\_.

**IN WITNESS WHEREOF**, I have hereunto set my hand or caused my official signature and the seal of the Superior Court of Chatham County, Georgia, to be reproduced hereon in facsimile.

\_\_\_\_\_  
CLERK, SUPERIOR COURT  
CHATHAM COUNTY, GEORGIA

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address, including postal zip code of transferee.

\_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ Agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Assignor

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Date: \_\_\_\_\_ Signature Guaranteed: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank.

[End of Bond Form]

[END OF ARTICLE III]

is hereby ratified and confirmed and the final Official Statement is hereby authorized to be executed by the Mayor or City Manager of the City and by the Chairman or Vice-Chairman of the Commission.

Section 408. [Reserved.]

Section 409. Authorization of Escrow Deposit Agreement. The execution and delivery of the Escrow Deposit Agreement is hereby authorized. The Escrow Deposit Agreement may be executed by the Mayor or City Manager of the City and by the Chairman or Vice-Chairman of the Commission.

Section 410. Continuing Disclosure. The City agrees to undertake all responsibility for compliance with the continuing disclosure requirements contained in Securities and Exchange Commission Rule 15c2-12(b)(5) pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") to be executed the date of issuance and delivery of the Series 2011 Bonds. Notwithstanding any other provision of this resolution, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default on the Series 2011 Bonds; however, any Beneficial Owner of Series 2011 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this resolution and the Series 2011 Bonds. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2011 Bonds (including persons holding Series 2011 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2011 Bonds for federal income tax purposes.

Section 411. Waiver of Performance Audit. The City hereby specifically waives the requirements of O.C.G.A. § 36-82-100 that the expenditure of the proceeds of the Series 2011 Bonds be subject to an ongoing performance audit or performance review, and authorizes such waiver to be published in the notice of hearing relating to the validation of the Series 2011 Bonds.

Section 412. General Authority. Any officers of the City and/or the Commission are hereby empowered to execute all other documents or certificates as may be necessary to carry out and comply with the provisions of this resolution, including the documentation required for validation of the Series 2011 Bonds through the Superior Court of Chatham County, and to take any and all further actions as may be necessary or desirable in connection with the issuance of the Series 2011 Bonds.

Section 413. Effective Date of this Resolution. This resolution shall become effective upon its adoption.

[END OF ARTICLE IV]

ARTICLE IV

APPOINTMENT OF REGISTRAR AND PAYING AGENT; COMPLIANCE WITH LAWS; MISCELLANEOUS

Section 401. Appointment of Registrar and Paying Agent. The Bank of New York Mellon Trust Company, N.A., Atlanta, Georgia, is hereby appointed Registrar and Paying Agent for the Series 2011 Bonds.

Section 402. Special Covenants with Respect to Federal Tax Status of Series 2011 Bonds. So long as any of the Series 2011 Bonds shall be Outstanding, the City and the Commission shall comply with all applicable provisions of the Internal Revenue Code of 1986, as amended, relating to tax exempt obligations, and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Section 403. Laws Governing Severability. This resolution shall be construed and enforced in accordance with the Constitution and laws of the State of Georgia. If any provision of this resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdiction or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this resolution shall not affect the remaining portions of this resolution or any part thereof or of the Series 2011 Bonds issued hereunder.

Section 404. Section Headings; Table of Contents. The headings or titles of the several sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning or construction, interpretation or effect of this resolution.

Section 405. Limitation on Issuance Expenses Payable from Proceeds of Series 2011B Bonds. Issuance expenses of the Series 2011B Bonds which are paid from the proceeds thereof shall not exceed 2% of the initial public offering price of such Series.

Section 406. Authorization of Bond Purchase Agreement. The execution and delivery of the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated June 2, 2011, between the City and the Commission and Siebert Brandford Shank & Co., L.L.C., as representative of the Underwriters, providing for the sale of the Series 2011 Bonds, is hereby authorized. The Bond Purchase Agreement may be executed by the Mayor or City Manager of the City and by the Chairman or Vice-Chairman of the Commission.

Section 407. Authorization of Official Statement. The distribution of a Preliminary Official Statement relating to the Bonds has heretofore been authorized, and its use and distribution

ARTICLE V

AMENDMENT TO RESOLUTION

Section 501. Amendment to Resolution. The second sentence of Section 4.06 of the Airport Revenue Bond Resolution adopted on September 6, 2001 is hereby stricken in its entirety and the following sentence is hereby inserted in lieu thereof:

Moneys on credit to the Debt Service Reserve Fund shall be invested in Investment Securities so as to mature by no later than the earlier of the next succeeding Interest Payment Date or the final maturity date of all Bonds then Outstanding.

[END OF ARTICLE V]

**APPROVED AND ADOPTED** by the Mayor and Aldermen of the City of Savannah, this 2nd day of June, 2011.

\_\_\_\_\_  
MAYOR

**APPROVED AND ADOPTED** by the Savannah Airport Commission, this 2nd day of June, 2011.

\_\_\_\_\_  
CHAIRMAN

SECRETARY'S CERTIFICATE

Now comes the undersigned Secretary of the Savannah Airport Commission (the "Commission"), keeper of the records and seal thereof, and certifies that the foregoing is a true and correct copy of a resolution approved and adopted by the Commission in public meeting properly and lawfully held and assembled on June 2, 2011, the original of which resolution has been entered in the official records of the Commission under my supervision and is in my official possession, custody and control.

\_\_\_\_\_  
Secretary

CLERK OF COUNCIL'S CERTIFICATE

Now comes the undersigned Clerk of Council of the Mayor and Aldermen of the City of Savannah (the "City"), keeper of the records and seal thereof, and certified that the foregoing is a true and correct cop of a resolution approved and adopted by the Commission in public meeting properly and lawfully held and assembled on June 2, 2011, the original of which resolution has been entered in the official records of the City under my supervision and is in my official possession, custody and control.

\_\_\_\_\_  
Clerk of Council

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AN AIRPORT REVENUE BOND RESOLUTION OF THE MAYOR AND ALDERMEN OF THE CITY OF SAVANNAH AND THE SAVANNAH AIRPORT COMMISSION AUTHORIZING THE ISSUANCE OF CITY OF SAVANNAH AIRPORT REVENUE BONDS; PRESCRIBING THE LIMITATIONS ON AND THE CONDITIONS OF ISSUANCE AND THE FORM OF SUCH BONDS; PROVIDING FOR THE DETAILS OF SUCH BONDS; COVENANTING AS TO THE REVENUES, INCOME AND CHARGES OF THE SAVANNAH INTERNATIONAL AIRPORT AND THE USE AND APPLICATION OF SUCH REVENUES, INCOME AND CHARGES; PLEDGING SUCH REVENUES, INCOME AND CHARGES TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON SUCH BONDS AND LIMITING SUCH PAYMENT SOLELY TO SUCH REVENUES, INCOME AND CHARGES; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

ARTICLE I  
DEFINITIONS AND COMPUTATIONS

**SECTION 1.01. Definitions and Computations.** Unless the context shall clearly indicate some other meaning, the terms defined in this section shall, for all purposes of this Resolution and of any resolution, certificate or other instrument supplemental hereto and of any opinion or instrument or document herein or therein mentioned, have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined. The term:

"**Accountant**" means an independent certified public accountant or a firm of independent certified public accountants of recognized standing, employed by the City but in fact independent and not under the control of the City.

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

"**Additional Bonds**" means any additional bonds, notes, bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, and other securities, contracts or obligations which may be authorized by State law and issued pursuant to Sections 2.02, 2.03 and 2.04 hereof, at any time Outstanding.

"**Airport**" means the Savannah International Airport and its related facilities as the same may exist from time to time.

"**Airport Consultant**" means an independent person or firm or corporation (a) not under the control of the City or any airline or air carrier landing at the Airport on a routine basis, and (b) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport.

"**Airport Purpose or Purposes**" means any action or undertaking by the City reasonably related to the development and promotion of the Airport as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air, including the refunding of bonds or other obligations of the City which were issued for such purposes.

"**Authorized Officer**" means the person or persons at the time designated to act on behalf of the City by written certificate containing the specimen signature of each such person and signed on behalf of the City by its City Manager.

WITNESSETH:

WHEREAS, on October 20, 1992, the Mayor and Aldermen of the City of Savannah (the "City") and the Savannah Airport Commission (the "Commission") issued \$7,140,000 of City of Savannah Airport Revenue Bonds, Series 1992A, and \$31,770,000 of City of Savannah Airport Revenue Bonds, Series 1992B (collectively the "Series 1992 Bonds"), pursuant to an Airport Revenue Bond Resolution and a First Supplemental Airport Revenue Bond Resolution (collectively the "Series 1992 Resolution"); and

WHEREAS, the City and the Commission now propose to currently refund all outstanding Series 1992 Bonds by the issuance of one or more series of revenue refunding bonds pursuant to this resolution and a resolution supplemental hereto; and

WHEREAS, concurrently with the issuance and delivery of such revenue refunding bonds the City and the Commission will provide for the defeasance and redemption of all outstanding Series 1992 Bonds in accordance with the defeasance and redemption provisions of the Series 1992 Resolution; and

WHEREAS, the City and the Commission have been, and are now, complying with all covenants and undertakings in connection with the outstanding Series 1992 Bonds; and

WHEREAS, the City and the Commission have determined that the refunding and redemption of all outstanding Series 1992 Bonds will result in a debt service savings and will allow the City and the Commission to update and improve upon the provisions of the Series 1992 Resolution by the adoption of this Resolution which will repeal and replace the Series 1992 Resolution except for the provisions of the Series 1992 Resolution relating to the payment, registration, defeasance and redemption of the Series 1992 Bonds;

NOW THEREFORE, BE IT RESOLVED by the City and the Commission as follows:

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"**Balloon Maturities**" shall mean, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date. Commercial paper, bond anticipation notes or other Short-Term/Demand Obligations shall not be Balloon Maturities. Balloon Maturities may only be issued to the extent authorized by State law.

"**Bond**" or "**Bonds**" means any airport revenue bonds authorized by Sections 2.01, 2.02, 2.03 or 2.04 hereof at any time Outstanding under and pursuant to this Resolution, Additional Bonds at any time Outstanding, Completion Bonds at any time Outstanding, and Refunding Bonds at any time Outstanding, but shall not include any Special Obligation Bonds defined in Article VIII hereof, or obligations or evidences of indebtedness issued pursuant to Section 8.02 hereof or subordinate lien obligations issued pursuant to Section 2.05 hereof.

"**Bond Counsel**" means any attorney at law or firm of attorneys selected by the City, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivision, and duly admitted to practice law before the highest court of any state of the United States, but shall not include counsel for the City.

"**Bondholder**" or "**holder of a Bond**" means the registered owner of any Bond as shown on the books of registry of the Registrar maintained pursuant to this Resolution, and shall include any beneficial owner of a Bond or its nominee.

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

"**City**" means, unless the context shall clearly indicate otherwise, (i) where such reference relates to an authorization to take certain actions hereunder, the Mayor and Aldermen of the City of Savannah, a municipal corporation duly organized and existing under the laws of the State of Georgia, and any public corporation, entity, body or authority, to which is hereafter transferred or delegated by law the duties, powers, authorities, obligations or liabilities of the present municipal corporation, either in whole or in relation to the Airport, and, (ii) where such reference relates to operational activities of the Airport and to the imposition of other duties or obligations hereunder, shall include the Commission.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Commission**" means the Savannah Airport Commission, a constitutionally created body corporate and politic, and an operating agency of the City, or, if such body shall be abolished, the

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authority, board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by this Resolution shall be given by law.

"**Completion Bonds**" means Bonds issued pursuant to Section 2.03 hereof.

"**Construction Fund**" means the separate special fund of the City created and established in Section 3.01 hereof and designated in that section as the "Airport Construction Fund."

"**Debt Service**" shall mean the amount of payments required to be made for principal of and interest on all Bonds, including mandatory sinking fund redemptions and Regularly Scheduled Hedge Payments to be made by the City, and City payments pursuant to reimbursement agreements with providers of Support Facilities to reimburse such providers of Support Facilities for debt service payments made, and to pay credit enhancement or liquidity support fees, in each case to the extent secured by this Resolution, scheduled to come due within a specified Fiscal Year, computed as follows:

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

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

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

(d) If all or any portion of an Outstanding Series of Bonds constitute Balloon Maturities, unissued Program obligations or Short-Term/Demand Obligations, then, for purposes

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

(e) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (d) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Debt Service is made, shall be assumed to become due and payable on the stated maturity date, and provision (d) above shall not apply thereto, unless there is delivered to the entity making the calculation of Debt Service a certificate of the Designated Financial Officer stating (i) that the City intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that the debt capacity of the City is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (d) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

(f) In any computation relating to the issuance of Additional Bonds required by Section 2.02 and any computation required by Section 5.02, there shall be excluded from the computation of Debt Service principal of and interest on indebtedness for which moneys are, or are reasonably expected to be, available for and which are irrevocably committed to make such payments, including without limitation interest earnings on any funds created by this Resolution and any such moneys in an escrow account or any such moneys constituting capitalized interest held in any fund or account created by this Resolution.

"Debt Service Fund" means the separate special fund of the City created pursuant to Section 4.03 hereof and designated in that section as the "Airport Debt Service Fund."

"Debt Service Reserve Fund" means the separate special fund of the City created pursuant to Section 4.04 hereof and designated in that section as the "Airport Debt Service Reserve Fund."

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constitutes a defeasance security which qualifies the Bonds (A) to be defeased thereby and (B) for a rating in the highest category provided by such Rating Agency.

"Gross Income" means the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Commission in connection with the Airport, including all rates, charges, rentals, fees and any other compensation, regardless of form, investment income earned by the Commission on the moneys held in any fund or account established under this Resolution, and those amounts on deposit in (a) the Debt Service Reserve Fund consisting of excess amounts on deposit therein which do not otherwise constitute Gross Income, or (b) the General Fund, which are transferred or credited by the Commission to the Revenue Fund pursuant to Sections 4.04 and 4.06, hereof, respectively, except as hereinafter provided to the contrary. Unless otherwise provided in a Supplemental Resolution, Gross Income shall not include:

- (i) proceeds from bonds issued by the City or proceeds from loans obtained by the City or the Commission;
- (ii) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance;
- (iii) revenues derived from any Special Facility including amounts which are assigned as security to liquidate indebtedness incurred to finance such Special Facility;
- (iv) grants-in-aid or similar payments received from public agencies;
- (v) the proceeds of any passenger facility or analogous charge or fee that may now or hereafter be levied which are received and retained by the Commission;
- (vi) moneys or securities received by the City or the Commission as gifts or grants;
- (vii) investment income derived from moneys or securities on deposit in the Construction Fund, in the Debt Service Reserve Fund which is required to be deposited in the Construction Fund and investment income derived from any moneys or securities which may be placed in escrow or trust to defease bonds of the City, including the Bonds, or to meet the City's or the Commission's obligations under any consent decree;
- (viii) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code, and the rulings and regulations promulgated thereunder;
- (ix) the proceeds of any Support Facility;
- (x) revenues from any Separate Improvement, including, but not limited to, payments under any contract or agreement with respect to such Separate Improvement;
- (xi) proceeds from the sale or disposition of capital assets;
- (xii) Hedge Termination Payments; or

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"Debt Service Reserve Fund Requirement" means with respect to any Series of Bonds issued pursuant to Article II hereof the amount required to be maintained in the Debt Service Reserve Fund with respect to such Series of Bonds as provided in the Supplemental Resolution providing for the issuance thereof.

"Designated Financial Officer" means any financial officer so designated by the City.

"Direct Obligations" means bonds or other obligations of the United States or of subsidiary corporations of the United States government, or obligations representing an interest therein, fully guaranteed by such government.

"Financial Institution" means any issuer or issuers of a Support Facility, its successors or assigns.

"Fiscal Year" means the fiscal year for the City as established from time to time by the City, being on the date this Resolution becomes effective the twelve month period ending December 31.

"Fitch" means Fitch, 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, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"General Fund" means the separate special fund created pursuant to Section 4.06 hereof and designated in that section as the "Airport General Fund."

"Governmental Obligations" means (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non-callable or redeemable only at the option of the holder and which at the time are legal investments for the moneys proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least \$20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii)(A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under this Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two Rating Agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two Rating Agencies in the highest rating category, (iv) Refunded Municipal Obligations or (v) any other type of security or obligation which any Rating Agency then maintaining a rating or ratings on Bonds to be defeased in accordance with Section 9.01 hereof has determined that such security or obligation

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(xiii) Released Revenues.

"Hedge Termination Payment" shall mean an amount payable by the City or a Qualified Hedge Provider in accordance with the early termination or cash settlement of a Qualified Hedge.

"Interest Payment Date" means, with respect to any particular Series of Bonds, any date on which interest is payable on such Series of Bonds as such date shall be established in the Supplemental Resolution providing for the issuance of such Series of Bonds.

"Investment Securities" means any of the following which at the time are legal investments under the laws of the State of Georgia for the moneys held hereunder, which moneys may also be placed for investment or reinvestment in the local government investment pool created in O.C.G.A. § 36-83-8:

- (i) Direct Obligations;
- (ii) Obligations of agencies of the United States government issued by the Federal land Banks, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;
- (iii) Bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan or payment agreement with the United States government; and
- (iv) Certificates of deposit of national or state banks located within the State which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations located within the State which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including certificates of deposit of any bank, savings and loan association or building and loan association acting as depository, custodian or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank located within the State, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the United States or subsidiary corporations included in subsection (i) hereof, obligations of the agencies of the United States government included in subsection (ii) hereof, or bonds, obligations or project notes of public housing agencies, urban renewal agencies or municipalities included in subsection (iii) hereof;

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(v) Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(a) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in subsection (i) hereof and repurchase agreements fully collateralized by any such obligations;

(b) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(c) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value;

(d) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State; and

(vi) Repurchase agreements collateralized by Direct Obligations; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; and guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association with (x) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or (y) any commercial bank insured by the Federal Deposit Insurance Corporation, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rating of "P-1" or "A3" or better by Moody's, "A-1" or "A-" or better by S&P, or "A-1" or "A-" or better by Fitch, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the City or an independent third party acting solely as agent ("Agent") for the City, and such third party is (x) a Federal Reserve bank or (y) a bank which is a member of the Federal Deposit Insurance Corporation which has combined capital, surplus and undivided profits of not less than \$50 million, and the City shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the City; and

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

(d) the repurchase agreement has a term of 180 days or less, and the City or the Agent will value the collateral securities no less frequently than weekly and will liquidate

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

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

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

(k) costs of carrying out the provisions of this Resolution, including Paying Agents' fees and expenses; fees for remarketing Bonds and Support Facilities, costs of self-insurance reserves, costs of insurance required hereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport or Gross Income; and costs of recording, mailing and publication; and

(l) all other costs and expenses of administering, operating, maintaining and repairing the Airport arising in the routine and normal course of business; provided, however, that (A) for the purpose of Sections 2.02 and 5.02 hereof, the term "Operation and Maintenance Expenses" shall not include: (1) any allowance for depreciation or any amounts for capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (4) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor (including amortization of any bond discount and bond issuance costs); and (B) for all purposes of this Resolution, the term "Operation and Maintenance Expenses" shall not include any operation and maintenance costs and expenses pertaining to (1) Special Facilities or expenses incurred by any lessee under a Special Facility Agreement (defined in Article VIII hereof), (2) any Separate Improvement, or (3) lands and properties not a part of the Airport leased for industrial, governmental or other non-aviation purposes.

"Operation and Maintenance Fund" means the separate fund of the City created pursuant to Section 4.02 hereof and designated in that section as the "Airport Operation and Maintenance Fund."

"Opinion of Bond Counsel" means an opinion of Bond Counsel relating to questions arising or actions taken which may have an impact on the exclusion of interest on Bonds from federal income taxation.

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

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the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 105%.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service on all Bonds of a Series Outstanding in the then current or any future Fiscal Year.

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

"Net Revenues" means (i) for any period or year which has concluded at the time a calculation was made, the aggregate of the Gross Income minus for such past period or year the aggregate of the Operation and Maintenance Expenses; or (ii) for any future period or year the aggregate of the Gross Income that is estimated for such future period or year, minus for such future period or year the aggregate of the estimated Operation and Maintenance Expenses payable to the Operation and Maintenance Fund in such future year or period.

"Operation and Maintenance Expenses" means the reasonable and necessary expenses of the Commission paid or accrued (or to be paid or accrued) in administering, operating, maintaining, and repairing the Airport. The term "Operation and Maintenance Expenses" shall include, without limitation, the following items:

(a) costs of collecting Gross Income and of making any refunds therefrom lawfully due others;

(b) engineering, auditing, legal and other overhead expenses directly related to the administration, operation, maintenance, and repair of the Airport;

(c) costs of salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing;

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

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

(f) costs of utility services;

(g) costs and expenses of general administrative overhead of the Commission allocable to the Airport;

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"Outstanding" when used with respect to any Bond shall have the construction given to such word in Section 9.01 hereof, i.e., a Bond shall not be Outstanding hereunder if such Bond is at the time not deemed to be Outstanding hereunder by reason of the operation and effect of said Section 9.01.

For purposes of this Resolution, in the event any Bonds of a Series are issued and sold as Capital Appreciation Bonds or as Original Issue Discount Bonds, the amount of such Bonds deemed to be Outstanding for the purpose of calculating the principal amount of any such Bonds and the principal amount of Bonds Outstanding in connection with the exercise of any voting right or privilege, the giving of any consent or direction or the taking of any other action that the holders of the Bonds are entitled to take pursuant to Articles VI and VII of this Resolution or otherwise, shall be the Accreted Value thereof.

"Paving Agent" means as to any Bond of a Series the Paying Agent or Paying Agents for the Bonds of such Series appointed in the Supplemental Resolution providing for the issuance of the Bonds of such Series.

"Principal Office" means the Trustee's office at Towermarc Plaza, 10161 Centurion Parkway, Jacksonville, Florida 32256 Attention: Corporate Trust Department, or such other address as the Trustee shall select; provided that the Trustee give written notice of any different Principal Office to the Designated Financial Officer.

"Program" shall mean a financing program identified in a Supplemental Resolution, including but not limited to a bond anticipation note or commercial paper program, (a) which is authorized and the terms thereof approved by a resolution adopted by the City, (b) wherein the City has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an authorized amount, and (c) the authorized amount of which has met the additional bonds test and the Outstanding amount of which may vary from time to time, but not exceed the authorized amount.

"Project Costs" shall have the meaning given to such term in Section 3.01 hereof.

"Qualified Hedge" shall mean any rate swap transaction, basis swap transaction, cap transaction, rate lock transaction, floor transaction, collar transaction, or similar transaction or any option with respect to any of the above, which is intended to convert or limit the interest rate payable with respect to any Bonds, and which (a) is designated in writing to the Trustee from the Designated Financial Officer as a Qualified Hedge to relate to all or part of one or more Series of Bonds; (b) is with a Qualified Hedge Provider or an entity that has been a Qualified Hedge Provider within the 60-day period preceding the date on which the calculation of Debt Service or Maximum Annual Debt Service is being made; and (c) has a term not greater than the term of the designated Bonds or a specified date for mandatory tender or redemption of such designated Bonds.

"Qualified Hedge Provider" shall mean a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Hedge are (a) rated at least "A1" by Moody's, "A+" by S&P or "A+" by Fitch, (b) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "A1," in the case of Moody's, "A+" in the case of S&P, or "A+" in the case of Fitch, or the equivalent thereto in the

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case of any successor thereto, or (c) fully secured by obligations described in the definition of Investment Securities pursuant to a collateral agreement acceptable to the City, the Qualified Hedge Provider and the Rating Agencies.

"Rating Agency" or "Rating Agencies" shall mean, with respect to a Series of Bonds, Moody's, S&P or Fitch or any other nationally recognized credit rating agencies specified in the related Supplemental Resolution; provided that any such rating agency shall, at the time in question, be maintaining a rating on such Series of Bonds at the request of the City.

"Record Date" means, with respect to any particular Series of Bonds, the date designated as the Record Date for such Series of Bonds in the Supplemental Resolution authorizing the issuance thereof.

"Refunded Municipal Obligations" means non-callable obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody's, S&P and Fitch and provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

"Refunding Bonds" means Bonds issued pursuant to Section 2.04 hereof.

"Registrar" means with respect to a Series of Bonds, the Registrar appointed for such Series of Bonds by the City.

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

"Released Revenues" shall mean revenues of the Airport, other than terminal and airfield related revenues, which are included in the definition of Gross Income in respect of which the Trustee has received the following:

(a) a request of the Designated Financial Officer describing such revenues and requesting that such revenues be excluded from the pledge and lien of this Resolution on Net Revenues;

(b) either (i) an Airport Consultant's certificate to the effect that, based upon assumptions deemed reasonable by such Airport Consultant, projected Net Revenues after the revenues covered by the Designated Financial Officer's request are excluded, calculated in accordance with the Additional Bonds test set forth in Section 2.02 hereof, for each of the three full Fiscal Years following the Fiscal Year in which such certificate is delivered, will not be less than the larger of (A) the amounts needed for making the required deposits to the Debt Service Fund

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"Responsible Officer" means any officer within the corporate trust administrative department of the Trustee, including any vice-president, any assistant secretary, any trust officer of assistant trust officer, or any other officer to the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Revenue Bond Index" shall mean the thirty-year Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index. In the event there is no Revenue Bond Index or equivalent index an interest rate for a Series of Bond determined in accordance with the Revenue Bond Index shall be the maximum rate permitted by the Supplemental Resolution authorizing the issuance of such Series of Bonds.

"Revenue Fund" means the separate special fund created pursuant to Section 4.01 hereof and designated in that section as the "Airport Revenue Fund."

"S&P" means the Standard & Poor's Ratings Services, a Division of The 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 City by notice of the Trustee.

"Separate Improvement" means Separate Improvement as defined in Section 8.02 hereof.

"Series" or "Series of Bonds" means any particular Series of Bonds issued pursuant to a Supplemental Resolution in accordance with Article VI hereof.

"Short-Term/Demand Obligations" shall mean each Series of Bonds issued pursuant to this Resolution, the payment of principal of which is either (a) payable on demand by or at the option of the Holder at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Debt Service, or (b) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term either (i) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper, auction Bond or other similar Program, or (ii) through the issuance of long-term Bonds pursuant to a bond anticipation note or similar Program. Short-Term/Demand Obligations may only be issued to the extent authorized by Georgia law.

"Special Facility" means a hangar, overhaul, maintenance or repair building or shop, or other aviation or aerospace or air navigation facility, including, without limitation, any hotel, garage or other building or facility incident or related to the Airport.

"State" means the State of Georgia.

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and any Accounts therein, the Debt Service Reserve Fund and any subordinated bond funds, or (B) an amount not less than 150% of the average Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues (regarding any Bonds that have been or will be paid or discharged); or (ii) a certificate from either an Accountant or an Airport Consultant to the effect that Net Revenues in the two most recently completed Fiscal Years, after the revenues covered by the Designated Financial Officer's request are excluded, were not less than the larger of (A) the amounts needed for making the required deposits to the Debt Service Fund and any Accounts therein, the Debt Service Reserve Fund and any subordinated bond funds, or (B) 135% of (1) average Debt Service on all Bonds Outstanding in each such Fiscal Year (disregarding any Bonds that have been paid or discharged), plus (2) average Debt Service with respect to any Additional Bonds issued since the completion of such Fiscal Year or proposed to be issued at the time such certificate is delivered;

(c) an Opinion of Bond Counsel to the effect that (i) the conditions set forth herein to the release of such revenues have been met and (ii) the exclusion of such revenues from the pledge and lien of this Resolution will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax;

(d) written confirmation from each of the Rating Agencies to the effect that the exclusion of such revenues from the pledge and lien of this Resolution will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds; and

(e) evidence that notice of the proposed Released Revenues was given to all current providers of Support Facilities in respect of any Bonds at least 15 days prior to the proposed effective date of the release of such Revenues.

Upon delivery to the Trustee of such documents, the revenues described in the Designated Financial Officer's request shall be excluded from the pledge and lien of this Resolution, and the Commission shall maintain a complete copy of such documents to evidence the release of such pledge and lien on the Released Revenues.

"Remarketing Agent" means with respect to a Series of Variable Rate Bonds the Remarketing Agent appointed by the City and serving as such under the Remarketing Agreement for such Series, including any successors or assigns.

"Remarketing Agreement" means with respect to any Series of Variable Rate Bonds the agreement entered into by the City with a Remarketing Agent which provides for the purchase and remarketing of such Variable Rate Bonds, as such agreement may be supplemented and amended from time to time.

"Renewal and Replacement Fund" means the separate special fund created pursuant to Section 4.05 hereof and designated in that section as the "Airport Renewal and Replacement Fund."

"Resolution" means this Resolution, as the same may be amended and supplemented from time to time, and, unless the context shall clearly indicate otherwise, shall include all Supplemental Resolutions.

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"Supplemental Resolution" means any resolution adopted under and pursuant to Article VI hereof providing for the issuance of a Series of Bonds or amending or supplementing this Resolution as originally enacted or as theretofore amended and supplemented in accordance with said Article.

"Support Agreement" means any agreement entered into by the City which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

"Support Facility" means any instrument, contract or agreement entered into or obtained in connection with an issue of Variable Rate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Resolution and discount, if any, incurred in remarketing such Bonds, and/or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof.

"TIA" means the Trust Indenture Act of 1939, as heretofore and hereafter amended.

"Trustee" means The Bank of New York in its capacity as Trustee under this Resolution, and its successors or assigns, and any successor as Trustee under this Resolution.

"Variable Rate Bonds" means any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Bonds shall not be considered to be Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

Whenever in this Resolution any governmental unit, including the City, or any board, officer, director or department of a governmental unit, including the Commission, is defined or referred to, such definition or reference shall be deemed to include the governmental unit or board, officer, agency, commission, body or department succeeding to or in whom or which is vested, the functions, rights, powers, duties and obligations of such governmental unit, board, officer, director or department, as the case may be, encompassed by this Resolution.

Unless the context shall clearly indicate otherwise, in this Resolution (i) words importing persons include firms, partnerships, associations, corporations (public and private), public bodies and natural persons, and also include executors, administrators, trustees, receivers or other representatives; and (ii) the terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, refer to this Resolution as a whole and not to any particular section or subdivision hereof.

Unless the context shall clearly indicate otherwise, in this Resolution (not including in such term wherever used in this paragraph any Supplemental Resolution) (i) references to sections and other subdivisions, whether by number or letter or otherwise, are to the respective or corresponding sections and subdivisions of this Resolution, as such sections or subdivisions may be amended from time to time, (ii) the term "heretofore" means before the time of effectiveness of

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this Resolution; (iii) the term "now" means at the time of effectiveness of this Resolution; and (iv) the term "hereafter" means after the time of effectiveness of this Resolution.

Unless the facts shall then be otherwise, all computations required for the purposes of this Resolution shall be made on the assumptions that: (i) the principal of and interest on all Bonds shall be paid as and when the same become due; (ii) all credits required by any Supplemental Resolution to be made to the Term Bond Principal Account in the Debt Service Fund shall be made in the amounts and at the times required by such Supplemental Resolution; and (iii) all Bonds required by any Supplemental Resolution to be redeemed from moneys credited to the Term Bond Principal Account in the Debt Service Fund shall be redeemed on the respective dates and in the respective amounts on such dates as required by the provisions of such Supplemental Resolution.

[END OF ARTICLE I]

ARTICLE II  
AUTHORIZATION OF AIRPORT REVENUE BONDS

**SECTION 2.01. Authorization of Bonds; Source of Payment Thereof; Pledges to and Liens For Such Payment; Limited Obligation.** There is hereby established and created under this Resolution an issue of bonds (herein defined and referred to as the "Bonds") of the City, to be known and designated as set forth in a Supplemental Resolution or Supplemental Resolutions authorizing the issuance of such Bonds. The Bonds may be issued hereunder in Series from time to time as hereinafter provided in this Resolution, in order to accomplish any Airport Purpose. Subject to the provisions of Sections 2.02 and 2.03 hereof, the aggregate principal amount of Bonds which may be issued hereunder and secured hereby and be Outstanding at any time is not limited as to amount, except as may otherwise hereafter be provided by law. The Bonds, including principal thereof and interest and premium, if any, thereon, shall be payable pari passu from, and be equally and ratably secured by a pledge of and lien upon, and the City does hereby pledge, all Net Revenues. The foregoing pledge and lien shall be valid and binding from the time of the delivery of and payment for the first Series of Bonds issued hereunder, and the moneys representing the Net Revenues shall thereupon be immediately subject to such pledge and lien upon receipt thereof by the City or a Paying Agent without any physical delivery or further act. The Bonds shall not in any manner or to any extent constitute or be a charge upon any moneys or property of the City not specifically pledged thereto by this Resolution. The Bonds shall not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, including the City, but shall be payable from Net Revenues as provided herein. The issuance of the Bonds shall not obligate the State of Georgia or any political subdivision thereof, including the City, to levy or pledge any form of taxation whatever for the payment thereof. No holder of the Bonds or receiver or trustee in connection therewith shall have the right to enforce payment thereof against any property of the State of Georgia or any political subdivision thereof, including the City (other than the property specifically pledged therefor pursuant to this Resolution), nor shall the Bonds constitute a charge, lien or encumbrance, legal or equitable, upon any such property.

The covenants and agreements herein set forth to be performed by the City shall be for the equal and proportionate benefit, security and protection of all holders of the Bonds without preference, priority or distinction as to payment or security or otherwise of any of the Bonds over any of the others for any reason or cause whatsoever (except as to the maturity thereof or any mandatory redemption thereof or as may otherwise be expressly provided therein or herein), and all Bonds shall rank pari passu and shall be secured equally and ratably without discrimination or preference whatsoever.

The issuance of the Bonds may be authorized in one or more Series by a Supplemental Resolution or Supplemental Resolutions of the City adopted subsequent hereto. Each Supplemental Resolution authorizing the issuance of a Series of Bonds shall designate such Bonds by an appropriate Series designation and shall also specify: (a) the authorized principal amount of such Series of Bonds; (b) the purposes for which Bonds of such Series are being issued; (c) the date, maturity date or dates and the Interest Payment Dates of the Bonds of said Series with interest being payable on said Bonds at the times and in the manner provided in the Supplemental Resolution providing for the issuance thereof; (d) the interest rate or rates, or the manner of determining such rates; (e) the denominations and manner of numbering the Bonds of such Series;

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(f) whether such Bonds will be issued in coupon form with or without privilege of registration or in fully registered form or both; and the privileges, if any, of convertibility from one form to another; and the place or places of such registration and conversion; (g) the redemption premium or premiums, and the redemption price or prices, if any, to be paid upon the redemption of the Bonds of such Series; the period or periods, if any, during which such premiums or prices shall be payable; and the terms and conditions, if any, of such redemption; (h) the purchase price or prices, if any, to be paid upon the tender of the Bonds of such Series; the period or periods, if any, during which such Bonds may be tendered; and the terms and conditions, if any, of such tender; (i) if any of the Bonds of said Series are issued in the form customarily known as "term bonds," the amount and due dates of each sinking fund installment payment for the Bonds of such Series (and the Term Bond Principal Account in the Debt Service Fund shall constitute such sinking fund, anything in such Supplemental Resolution to the contrary notwithstanding); the date or dates upon which and redemption price or prices at which the said Bonds may be redeemed from such installments; and the manner and procedure of applying such installments to the redemption of such Bonds; (j) the place or places of payment of such Bonds and interest thereon; (k) the provisions for the sale or other disposition of the Bonds of such Series and the use, application and investment, if any, of the proceeds of such sale or other disposition, and which use, application and investment shall not be inconsistent or in conflict with the provisions hereof, including any deposits to a Construction Interest Account or a Debt Service Reserve Account; (l) any other provisions which may be required to be inserted therein by other provisions of this Resolution; and (m) any other provision not inconsistent or in conflict with the provisions of this Resolution.

No holder of a Bond shall be required to see that the moneys derived from such Bond are applied to the purpose or purposes for which the Bond is issued. The validity of the Bonds shall neither be dependent upon or affected by the validity or regularity of any proceedings or contracts relating to the acquisition, purchase, construction, reconstruction, restoration, addition, expansion, improvement, betterment, extension, renewal or replacement to the Airport, nor by the use and application of the proceeds of the Bonds.

**SECTION 2.02. Authorization of First Series of Bonds, of Additional Bonds and Qualified Hedge Hereunder.** For the purpose of currently refunding the Series 1992 Bonds (described in the preamble to this Resolution), there is hereby authorized to be issued, and shall be issued, hereunder one or more Series of the Bonds in such aggregate principal amount or amounts as shall be set forth in the Supplemental Resolution providing for the issuance of such Bonds, to be adopted hereafter pursuant to and in accordance with the provisions of Section 2.01 hereof.

Subsequent to the issuance of the first Series of Bonds hereunder (which may be more than one Series), the City may issue hereunder at one time or from time to time additional Series of the Bonds (herein defined and referred to as "Additional Bonds") by means of a Supplemental Resolution or Supplemental Resolutions, adopted pursuant to and in accordance with the provisions of Section 2.01 hereof, but only upon compliance with the following conditions:

- (1) The Designated Financial Officer shall have found and determined that no Event of Default (as defined in Section 7.01 hereof) exists hereunder.
- (2) Either (i) the Designated Financial Officer shall have certified that, based on the latest available audited financial statements required hereunder the Net Revenues for that Fiscal Year as derived from said audited financial statements shall have equaled not less than one

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hundred twenty-five percent of Maximum Annual Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the City estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or (b) Refunding Bonds are issued, shall equal not less than one hundred twenty-five percent of Maximum Annual Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds; provided that for purposes of the tests set forth in both (i) and (ii) of this clause (2), Maximum Annual Debt Service shall be calculated by assuming that the interest rate on Variable Rate Bonds for which a Qualified Hedge that provides for fixed interest payments by the City is or will be in effect is equal to the higher of the Revenue Bond Index or the fixed interest rate established by such Qualified Hedge unless such Qualified Hedge will be in effect through the final maturity date of such Variable Rate Bonds, in which case the interest rate shall be calculated on the basis of the fixed interest rate established by the Qualified Hedge.

(3) Such Additional Bonds and the proceedings relating thereto shall be validated by judgment of the Superior Court of Chatham County, Georgia to the extent and as required by law.

The City may enter into a Qualified Hedge and the annual payments thereunder shall be made on a parity with Debt Service on Bonds issued hereunder if the City shall comply with clauses (1) and (2) of this Section 2.02 as if issuing Additional Bonds.

The Supplemental Resolution authorizing the issuance of such Series of Additional Bonds shall provide for the disposition of the proceeds thereof.

**SECTION 2.03. Completion Bonds.** Without complying with the provisions of Section 2.02(2), the City may at any time and from time to time issue in accordance with the provisions of this paragraph one or more Series of Additional Bonds hereunder by means of a Supplemental Resolution adopted pursuant to and in accordance with the provisions of Section 2.01 hereof, for the purpose of completing any project specified and described in such Supplemental Resolution and for which Bonds have been previously issued. Prior to the issuance of any Series of such Additional Bonds the City must, in addition to meeting all of the requirements contained in Section 2.02(1) and (3), find and determine that (i) such project has not been materially changed in scope since the issuance of the initial Series of Bonds for such purpose, (ii) the issuance of such Additional Bonds is necessary to provide funds for the completion of the project and (iii) the proceeds of such Additional Bonds, together with other available moneys, if any, is expected to be sufficient to pay all Project Costs of such project.

**SECTION 2.04. Refunding Bonds.** The City may at any time and from time to time issue one or more Series of Bonds (herein defined and referred to as "Refunding Bonds") hereunder by means of a Supplemental Resolution adopted pursuant to and in accordance with the provisions of Section 2.01 hereof upon compliance with the provisions of Section 2.02; provided the City need not comply with the provisions of Section 2.02(1) or (2) with respect to Refunding Bonds issued for the purpose of (a) refunding at their maturity, or at any time within one year prior to their maturity, any of the then Outstanding Bonds for the payment of which sufficient funds are not available, and any Refunding Bonds for such purpose shall mature, or be subject to mandatory redemption from mandatory credits to the Term Bond Principal Account in the Debt Service Fund,

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which mandatory credits shall commence, in a year later than the latest stated maturity date of any Bond then Outstanding which shall remain Outstanding after the completion of such refunding, or (b) refunding at any time only part of the Bonds, provided that the amount required to be paid in any Fiscal Year after the delivery of such Refunding Bonds for the principal of, interest and premium, if any, on the Bonds shall not be greater in any Fiscal Year after such delivery in which any of the Bonds not refunded shall remain Outstanding, than would have been the total amount required to be paid for the principal of, interest and premium, if any, on the Bonds for such Fiscal Year were such Refunding Bonds not to be issued.

Bonds of any one or more Series may be refunded by the same Series of Refunding Bonds, which Bonds to be refunded shall be specified in the Supplemental Resolution authorizing the Refunding Bonds, and the principal amount of such Refunding Bonds may include amounts necessary to pay the principal of the Bonds to be refunded, interest thereon to the date of redemption thereof, any premium payable thereon upon such redemption. The proceeds of the Refunding Bonds shall be held and applied in such manner, consistent with the provisions of Section 9.01 hereof with respect to Bonds being refunded as is provided in the Supplemental Resolution authorizing such Refunding Bonds, so that upon the delivery of such Refunding Bonds the Bonds to be refunded thereby shall no longer be deemed to be Outstanding hereunder in accordance with the provisions of said Section 9.01.

The provisions of this section shall not be applicable to the refunding at one time of all the Bonds then Outstanding.

**SECTION 2.05. Subordinate Lien and Other Obligations.** Nothing contained in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the City from issuing bonds, notes, certificates, warrants or other obligations or evidences of indebtedness, including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments and other securities contracts or obligations, to the extent authorized by State law, for any corporate use or purpose of the City relating to the Airport payable as to principal and interest from the Net Revenues subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and inferior, to the lien and pledge on the Net Revenues herein created for the payment and security of the Bonds and subject and subordinate to the required application of any other Revenue Fund moneys described in "First" through "Fourth" of Section 4.01(b) hereof.

Nothing contained in this Resolution shall prevent the City from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments and other securities contracts or obligations, to the extent authorized by State law, other than Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Gross Income pursuant to clauses (ii), (iv), (v), (vi), (ix) or (xiii) of the definition thereof, and all income or revenues derived with respect to any Airport Purpose so financed shall constitute Gross Income and be paid into the Revenue Fund. Nothing described in this paragraph shall be deemed to preclude the City from financing any Separate Improvement pursuant to Section 8.02 hereof.

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redeemed, designated for redemption in such notice shall cease to accrue and be payable from and after such redemption date; and that on said redemption date there will become due and payable on each said Bond the principal amount thereof to be redeemed, the then applicable redemption premium, if any, and the interest accrued on such principal amount to the redemption date.

(2) Each notice of redemption mailed to the holder of a Bond to be redeemed shall, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof to be redeemed and that such Bond must be surrendered in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Bond equaling in principal amount that portion of the principal sum not to be redeemed of the Bond to be surrendered.

(3) Notice of the redemption thereof shall be mailed not less than thirty (30) days prior to the redemption date, by first class mail, to the registered owner of such Bond at such owner's address as it appears on the registration books. Said notice shall also be given by telecopier, overnight courier or certified mail, return receipt requested, at least thirty days prior to the date fixed for redemption, to each securities depository registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and to two national information services which disseminate redemption notices.

(4) The City, at any time it shall call Bonds for redemption, shall mail a copy of the notice of redemption of the Bonds so called to the Registrar referred to in Section 2.08 hereof (if a Paying Agent) for each Series of Bonds of which such Bonds are a part at least forty-five (45) days prior to the redemption date, or such shorter time as shall be acceptable to it.

(5) The City shall give notice of all redemption of Bonds, or shall cause such notice to be given in its name and on its behalf, and shall promptly notify the respective Paying Agents for the Bonds of the Series of Bonds called for redemption as to any redemption of the Bonds of such Series and as to the numbers of the Bonds called for redemption.

(6) Whenever provision is made for the selection by lot of Bonds to be redeemed, the particular Bonds to be redeemed shall be selected from among the Bonds then subject to redemption and selection by lot for such redemption, such selection to be made by the City in any manner which it deems fair.

(7) In the event that only part of the principal sum of a Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Bond. Upon surrender of such Bond, the City shall execute and deliver, or cause to be delivered, to the registered owner thereof, at the expense of the City, a new duly executed Bond or Bonds of authorized principal sums equal in aggregate principal amount to, and of the same Series, maturity and interest rate as, the unredeemed portion of the Bond surrendered.

If a Bond is subject by its terms to prior redemption and has been duly called for redemption and notice of the redemption thereof has been duly given as aforesaid and moneys for the payment of the principal amount thereof to be redeemed, the applicable redemption premium, if any, which is payable upon such redemption and the interest to accrue on such principal amount to the redemption date, are deposited on or before the redemption date for the purpose of such payment with a Paying Agent for the Series of Bonds of which such Bond is one, then on the

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**SECTION 2.06. Variable Rate Bonds.** Nothing in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the City from issuing Variable Rate Bonds. The Supplemental Resolution or Resolutions providing for the issuance of such Variable Rate Bonds may provide for the City to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith, enter into Remarketing Agreements and appoint Remarketing Agents in accordance with standards specified in the Supplemental Resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Resolution, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Bonds, provide for special redemption or purchase provisions for such Variable Rate Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Bonds.

**SECTION 2.07. Medium of Payment of Principal, Interest and Premium of Bonds; Interest on Bonds; Cancellation and Destruction of Bonds.** The Bonds shall be payable as to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment thereof is legal tender for public and private debts. The principal of and premium, if any, on any Bond shall be payable upon maturity or redemption to the holder thereof upon surrender thereof at the principal office of the City, or the Paying Agent appointed therefor, as determined in the Supplemental Resolution authorizing such Bond. The interest on any Bond when due and payable shall be paid to the holder by check or draft mailed to the holder thereof at his address as shown on the books of registry maintained pursuant to Section 2.09 hereof; provided that with respect to any particular Series of Bonds, the Supplemental Resolution authorizing the issuance of such Series of Bonds, may provide alternative methods or procedures for the payment of interest.

All Bonds upon the payment thereof at maturity or upon redemption shall, as directed by the City, either be cancelled by a Paying Agent therefor and such cancelled Bonds and a certificate evidencing such cancellation transmitted to the City or be destroyed by a Paying Agent therefor and a certificate evidencing such destruction transmitted to the City.

**SECTION 2.08. Redemption or Purchase of Bonds.** The Bonds of a Series may be subject to purchase or redemption at the option of the registered owners thereof and mandatory purchase and redemption prior to the stated maturity thereof, upon such terms and conditions and at such dates and redemption prices or premiums or purchase price as shall be set forth in the Supplemental Resolution authorizing the issuance of such Series of Bonds. Unless or except as may otherwise be provided in the Supplemental Resolution providing for the issuance of such Bonds:

(1) Notice of redemption of Bonds shall state: the designation, date and maturities of the Bonds called for redemption; the redemption premium, if any, payable upon such redemption; the date of redemption; if less than all the Bonds then Outstanding of the Series of Bonds of which the Bonds called for redemption are a part are called for redemption, the numbers of the Bonds called for redemption; that the interest on the Bonds, or on the principal amount thereof to be

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redeemed) designated in such notice, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable at the principal amount to be redeemed and the applicable redemption premium, if any, thereon; interest on said Bond (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue. Funds for any such redemption need not be deposited prior to the redemption date, provided that the notice of redemption states that if funds are not on deposit with the Paying Agent on or prior to the redemption date, the redemption shall be cancelled and the Series of Bonds so called for redemption shall remain Outstanding and continue to bear interest.

All Bonds surrendered or redeemed pursuant to the provisions of this section, shall be cancelled.

The City may assign any duties imposed upon it by this section with respect to any Bond to a Paying Agent for the Series of Bonds of which such Bond is one or to the Trustee. In the event of such an assignment of the duties imposed upon the City by paragraph (6) above, the selection by lot of Bonds to be redeemed shall be made in any manner deemed fair by the Paying Agent to which such duty is assigned or the Trustee.

**SECTION 2.09. Mandatory Tenders for Purchase and Call Options.** In addition, the City may, by Supplemental Resolution, provide that (1) the Bonds of any Series issued hereunder shall be subject to mandatory tender for purchase under the same terms and conditions and with the same notice requirements as shall be fixed for the redemption of the Bonds of such Series, except that any Bonds so purchased will remain Outstanding under this Resolution, and (2) the right to call such Series of Bonds for mandatory tender for purchase may be sold by the City under terms and conditions set forth in the Supplemental Resolution relating to such Series of Bonds.

**SECTION 2.10. Registration, Transfer, Exchange and Ownership of Bonds.** The City will keep at its principal office, or will cause a Paying Agent for the Series of Bonds of which such Bond is one to keep at its principal office, sufficient books for the registration and transfer of the Bonds (the City or such Paying Agent, as the case may be, keeping such books being hereinafter referred to as the "Registrar"). The City may designate a Co-Registrar for a particular Series of Bonds in the Supplemental Resolution authorizing the issuance thereof and, in such event such Co-Registrar shall perform all of the functions and duties of the Registrar provided in this Resolution and such Supplemental Resolution. Such books, if not kept by the City itself, shall at all times be open to inspection by the City. The Registrar, upon presentation to it for such purpose shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, as hereinafter set forth, Bonds for which it serves as such Registrar.

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Unless or except as may otherwise be provided in the Supplemental Resolution authorizing the issuance of a Series of Bonds, any Bond may, in accordance with its terms, be transferred upon the books of registry required pursuant to the provisions of this section to be kept therefor, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond, accompanied by delivery of a written instrument of transfer duly executed and in form satisfactory to the Registrar therefor. Whenever any Bond shall be surrendered for transfer, the City shall execute, and the Registrar therefor shall deliver or cause to be delivered, a new duly Bond or Bonds, of the same Series, interest rate and maturity and for a like aggregate principal sum. Unless or except as may otherwise be provided in the Supplemental Resolution authorizing the issuance of such Bond, the Registrar may charge a sum not exceeding the actual cost thereof for each new Bond delivered upon any such transfer and shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charges required to be paid with respect to such transfer. Unless otherwise provided in the Supplemental Resolution authorizing the issuance of such Series of Bonds, no transfer of a Bond shall be required to be made after the Record Date, nor during the forty-five (45) days next preceding the date fixed for redemption of Bonds of the Series of which such Bond is a part.

Unless otherwise provided in the Supplemental Resolution authorizing the issuance of such Series of Bonds, any Bond may be exchanged at the principal office of the Registrar therefor for a like aggregate principal amount of Bonds in authorized principal sums of the same Series, interest rate and maturity (or for a like aggregate principal amount of Bonds in other authorized principal sums of the same Series, interest rate and maturity), and the City shall execute the Bond or Bonds to be delivered upon such exchange and the Registrar shall deliver the Bond or Bonds to be delivered upon such exchange. Unless or except as may otherwise be provided in the Supplemental Resolution authorizing the issuance of such Bonds, the Registrar may charge a sum not exceeding the actual cost thereof for each new Bond delivered upon any exchange (except in the case of an exchange of temporary Bonds for definitive Bonds, the first exchange of a Bond and such other free exchanges of Bonds as may be provided in the Supplemental Resolution authorizing their issuance, all of which exchanges shall be at the expense of the City). The Registrar shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charges required to be paid with respect to such exchange. Unless otherwise provided in the Supplemental Resolution providing for the issuance of a Series of Bonds, no such exchange shall be required to be made after the Record Date, nor during the forty-five (45) days next preceding the date fixed for redemption of Bonds of the Series of which such Bond is a part.

All Bonds surrendered pursuant to this section shall be cancelled.

If so requested by the holder of a Bond, any Registrar in lieu of delivering such Bond to such holder as above provided, may mail the same to such holder at his risk and expense.

The City and any Paying Agent hereunder and any other person may deem and treat the person in whose name any Bond shall at the time be registered on the books of registry kept therefor pursuant to this section, as the absolute owner of such Bond for all purposes whatsoever, including payment thereof, and neither the City nor any Paying Agent hereunder shall be affected by any notice to the contrary. The payment of or on account of principal to or upon the order of the person in whose name a Bond shall at the time be registered on said books of registry and the payment of interest to or upon the order of any person in whose name any Bond shall at the time be

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thereof. The City may charge the owner of such Bond with its reasonable fees and expenses in this connection. Any Bond issued under the provisions of this section shall be equally and proportionately entitled in accordance with its terms to the security and benefits of this Resolution with the Bonds then Outstanding of the Series of Bonds of which such mutilated, lost, stolen or destroyed Bond was one. All mutilated Bonds surrendered pursuant to this section shall be cancelled.

**SECTION 2.13. Validation Certificate.** If required by law, a duly executed validation certificate of the Clerk of the Superior Court of Chatham County, Georgia, signed with the manual or facsimile signature of such Clerk, will be endorsed on each Bond and will be essential to its validity.

**SECTION 2.14. Temporary Bonds.** Until the definitive Bonds of any Series are prepared, the City and the Commission may execute, and, upon the request of the City, the Registrar therefor shall authenticate and deliver, in lieu of definitive Bonds but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The City and the Commission at the City's expense shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Registrar therefor shall authenticate and, without charge to the holder of such Bond, deliver in exchange therefor definitive Bonds of the same Series, date, tenor, aggregate principal amount and maturity as the temporary Bonds surrendered. Until so exchanged each temporary Bonds shall in all respects be equally and proportionately entitled in accordance with its terms to the same benefits and security of this Resolution as definitive Bonds authenticated and issued pursuant to this Resolution.

All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

**SECTION 2.15. Book Entry.** The City may provide in the Supplemental Resolution authorizing the issuance of a particular Series of Bonds that such Series shall be in book entry form and setting forth the terms and conditions in connection therewith. In the event that a Series of Bonds is issued in book-entry form the City may act as Paying Agent and Registrar in accordance with the provisions hereof and as determined in the Supplemental Resolution authorizing the issuance of such Series of Bonds.

[END OF ARTICLE II]

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registered on said books of registry, shall be valid and effectual fully to satisfy and discharge all liability of the City and any Paying Agent upon such Bond to the extent of the sum or sums so paid.

**SECTION 2.11. Execution and Authentication of Bonds.** The Bonds shall be executed in the name of the City by the manual or facsimile signature of its Mayor and the Chairman of the Commission and the seal of the City (or a facsimile thereof) and the seal of the Commission (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Clerk of Council of the City and the Secretary of the Commission, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Registrar therefor, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the City and the Commission by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in the City and the Commission, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

Unless and except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, the Bonds of each Series shall bear thereon a certificate of authentication in such form as provided in the Supplemental Resolution authorizing the issuance of such Series of Bonds and executed manually by an authorized signatory of the Registrar therefor as registration agent for the City and the Commission. Unless and except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by an authorized officer of the Registrar therefor. Any such certificate of the Registrar therefor upon any Bond executed on behalf of the City and the Commission shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and the holder of such Bond is entitled to the benefits and security of this Resolution.

**SECTION 2.12. Mutilated, Lost, Stolen or Destroyed Bonds.** In the event any Bond is mutilated, lost, stolen or destroyed, the City and the Commission may execute and the Registrar therefor authenticate and deliver a new Bond of like Series, date, tenor, maturity and denomination as the Bond mutilated, lost, stolen or destroyed, provided that, in all cases there shall be first furnished to the City and the Registrar for such Series of Bonds indemnity and evidence of ownership of such Bond satisfactory to each of them, and in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the City or Registrar for the Series of which such Bond is one, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the City and the Registrar for such Series of Bonds evidence of such loss, theft or destruction satisfactory to each of them. In the event any such mutilated, lost, stolen or destroyed Bond shall have matured, or would have matured within sixty days, or has been called for redemption and the redemption date has arrived or will arrive within sixty days, instead of issuing a substitute Bond the City upon being furnished with indemnity and evidence of mutilation, loss, theft or destruction, as aforesaid, may pay or direct the Paying Agent for such Series of Bonds to pay the same without surrender

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### ARTICLE III CONSTRUCTION FUND

**SECTION 3.01. Construction Fund and Accounts Therein.** There is hereby created and established hereunder a separate special fund of the City, which fund shall be held and administered by the City hereunder and be designated the "Airport Construction Fund" (herein defined and referred to as the "Construction Fund"). There may be created by Supplemental Resolution authorizing the issuance of one or more Series of Bonds, two accounts in the Construction Fund for each such Series of Bonds, one of which shall be known and designated as the "Construction Account," and the other of which shall be known and designated as the "Construction Interest Account."

In the event of the issuance of a Series of Additional Bonds hereunder for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, the City shall in the Supplemental Resolution authorizing such Series of Additional Bonds create a Construction Account in the Construction Fund from which such Project Costs shall be paid, and shall provide for a credit to such account of that amount of the proceeds of such Series of Additional Bonds which are to be applied to the payment of such Project Costs. In the event that the interest on such Series of Additional Bonds is to be provided from the proceeds of such Bonds, the City in the Supplemental Resolution authorizing such Series of Additional Bonds shall specify the amount of such proceeds to be applied to the payment of such interest or the formula for determining such amount, and shall establish a Construction Interest Account in the Construction Fund, to which shall be credited the amount of the proceeds so specified.

The moneys on deposit from time to time in a Construction Account or Construction Interest Account in the Construction Fund shall be held under and subject to this Resolution; shall be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the holders of the Series of Bonds for which such Accounts were created; and shall be used and applied solely to the payment of Project Costs of the Airport, in accordance with the remaining provisions of this section.

For the purpose of this Resolution: (i) the word "construction" shall include acquisition, reconstruction, purchase, establishment, development, expansion, remodeling, renovating, adding to or improving; (ii) the word "acquisition" shall include the remodeling or renovation of buildings and facilities acquired; and (iii) the term "Project Costs" shall include any and all of the following pertaining to the construction (as above defined) of properties included or to be included in the Airport:

- (a) the cost of acquiring any building or facility and the site thereof;
- (b) costs of acquiring such land, rights, rights of way, leases, easements or other interest in land or other properties (real, personal or mixed) as may be deemed necessary or convenient by the City for the construction or operation of the Airport, including costs of options and partial payments, escrow deposits, preliminary and final awards or judgments and settlements or compromises, with respect to the foregoing; costs of reclaiming land; costs of dredging or filling incurred in the creation of land; and site preparation, including the costs of demolishing, removing

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or relocating any building or facility and the costs of any lands to which such building or facility may be removed or relocated;

(c) costs of acquiring any rights, interests or franchises deemed necessary or convenient by the City for the construction or operation of the Airport;

(d) costs of labor, services, material, supplies, machinery, equipment and apparatus, including payments to contractors, builders and materialmen in connection therewith, and of restoration of property damaged or destroyed in connection with construction work;

(e) costs of installation of utility services or connections thereto or relocation thereof;

(f) costs and expenses of all preliminary work necessary or incidental to construction;

(g) costs and expenses of planning, engineering and other studies, architectural drawings, surveys, tests and specifications, whether preliminary or otherwise; and costs of other engineering and architectural and other consulting services;

(h) costs of supervision and inspection;

(i) costs of builders' risk or other insurance on the buildings and facilities being constructed, or a reasonably allocated share thereof;

(j) costs of indemnity and fidelity bonds and expenses of administration properly chargeable to such construction;

(k) costs and expenses of financing, including underwriter's, placement agent's, Trustee's, Paying Agent's and Remarketing Agent's fees and expenses during such period, if any, as shall be determined by the City; and costs incurred in issuing the Bonds, including but not limited to bond insurance premiums, printing, engraving and advertising; and other similar costs;

(l) costs of the initial furnishings of any building or structure;

(m) costs of publication, advertising, filing and recording;

(n) taxes and assessments;

(o) expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of any default;

(p) costs of estimates of costs and economic feasibility reports whether preliminary or otherwise; fees, costs and expenses of appraising, printing, advice, accounting and fiscal services, airport consultants, financial consultants, attorneys (including bond counsel), clerical help and other independent contractors, agents and employees;

(q) the payment and discharge of the principal of and interest and premium, if any, on any interim or temporary construction financing or loans, including the reimbursement to the City of moneys advanced for such construction from other funds;

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construction of the project or delivered at the site thereof for such purpose, or delivered for storage or fabrication at a place or places approved by the signers and under the control of the City, or if not so used or delivered, that an advance payment therefor is required by the supplier thereof.

Moneys in the Construction Fund on credit to a Construction Interest Account therein shall be applied by the City as follows: on each Interest Payment Date until the moneys in such Construction Interest Account are exhausted there shall be withdrawn from the moneys credited to such account and deposited in the Debt Service Fund for credit to the Interest Account established for the Series of Bonds the interest on which is to be provided from the moneys on credit to such Construction Interest Account an amount, together with accrued interest received upon the sale of the Series of Bonds with respect to which such Construction Interest Account was established, equal to the interest to become due on the next ensuing Interest Payment Date, on the Series of Bonds, the interest on which is to be provided from the moneys on credit to such Construction Interest Account.

Moneys on deposit to the Construction Fund and credited to a Construction Account therein shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times as is anticipated by the City will provide moneys required to pay the Project Costs to be satisfied from such Fund, and moneys on deposit in the Construction Fund and credited to a Construction Interest Account shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times so that the transfers required by the preceding paragraph to be made therefrom can be made when due. The interest and income derived from all such investments shall be credited to the Account from which such investment is made, to be used and applied as are the other moneys credited to such Account.

The annual audit to be made pursuant to Section 5.15 hereof shall include the Construction Fund, and shall show all receipts of such Fund and each Account therein, the investments held therein and the disbursements and withdrawals therefrom.

Until used and applied in accordance with the foregoing provisions of this section, (i) all moneys on deposit in the Construction Fund shall be secured in the manner provided by law, and (ii) all moneys on deposit in the Construction Fund and the securities in which such moneys may from time to time be invested shall be held in trust for the equal and ratable benefit and security of all the Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

With respect to Bonds the interest on which is excludable from gross income for federal income tax purposes, the City will maintain records to enable the City to cause to be made the computations necessary to determine whether the Bonds meet the requirements of Section 148 of the Code and the regulations thereunder, including, but not limited to, records showing the dates and amounts of all investments of funds held in the Construction Fund and the dates and amounts of the receipts of the earnings, sales proceeds and maturities of such investments.

All moneys and securities remaining in the Construction Fund which are derived from Bonds the interest on which is excludable from gross income for federal income tax purposes shall be applied by the City after the completion of any project for one or more of the following purposes:

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(r) if and to the extent (i) permitted by law and (ii) determined by the City, interest on the Bonds issued to finance the construction of any project during the estimated period of construction and for up to six months after the completion thereof; and

(s) any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the City.

The City may deposit proceeds of any Series of Bonds in the Construction Fund which proceeds are to be used to pay costs referred to in (k) above allocable to any portion of such Series of Bonds the proceeds of which will be used to refund bonds, notes or other evidences of indebtedness.

Withdrawals of moneys on deposit in the Construction Fund (but not including moneys on credit to a Construction Interest Account therein) shall be made only in accordance with applicable law and upon a written requisition for such payment filed with the Commission and signed by the Designated Financial Officer and, in the case of clauses (d), (e), (f), (g), (h), (i), and (j) of the preceding paragraph of this section, by the engineer or architect (who may be an engineer or architect in the employ of the City), if any, supervising the construction of the project to which such requisition pertains stating:

(i) the amount to be paid and the name of the person to whom payment is due;

(ii) that an obligation in the stated amount has been incurred by the City and has not theretofore been paid;

(iii) that the payment of such amount is a proper charge against such Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail, accompanied by a bill or statement of account for such obligation;

(iv) that the signers have no notice of any vendor's, mechanic's or other liens or rights to liens, or conditional sales contracts, or other contracts or obligations, which have not been released or will not be released simultaneously with such payment and which should be satisfied or discharged before such payment is made;

(v) with respect to Bonds the interest on which is excludable from gross income for federal income tax purposes, that of the total amount of the proceeds of the Bonds theretofore applied and the amount then being requisitioned, no less than ninety-five percent (95%) has been or will be expended as of the date of such requisition for the qualified cost of the Airport within the meaning of Section 142(a)(1) of the Code;

(vi) that such requisition contains no item representing payment on account of any retained percentages which the City is, as of the date of such requisition, entitled to retain; and

(vii) with respect to any such requisition for payment for labor, services, materials, supplies, furnishings, apparatus or equipment, that such labor or services were actually performed or such materials, supplies, furnishings, apparatus or equipment were actually used in or about the

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(i) rebate to the extent required by the preceding paragraph; or

(ii) deposit to the Debt Service Fund for purchase and cancellation of Bonds or redemption of Bonds at the earliest practicable redemption date, as provided in Section 4.03 hereof; or

(iii) payment of the cost of any additional exempt facilities (as that term is defined in Section 142(a)(1) of the Code, provided that the City shall have adopted such resolutions as may be necessary to provide for the financing of such facilities and provided further that the City shall have obtained a written opinion of a firm of nationally recognized bond counsel that such application will not impair the exclusion from federal income taxation of the interest on any of the Bonds; or

(iv) for any other purpose which in the Opinion of Bond Counsel will not impair the exclusion from federal income taxation of interest on any of the Bonds.

All other moneys and securities remaining in the Construction Fund after the completion of any project may be applied for any Airport Purpose as directed by the City.

[END OF ARTICLE III]

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**ARTICLE IV  
CREATION OF CERTAIN FUNDS; APPLICATION  
OF FUND PROCEEDS; INVESTMENTS**

**SECTION 4.01. Creation of Special Funds and Accounts; Application of Gross Income.**

(a) There is hereby created and established hereunder a separate special fund of the City to be known and designated as the Airport Revenue Fund, to be held and administered by the City hereunder so long as any of the Bonds are Outstanding.

All Gross Income shall be deposited in the Revenue Fund and said moneys shall not be commingled with any other moneys of the City; shall be used and applied only in the manner and for the purposes hereinafter provided in this section; and shall be withdrawn from said Fund for said purposes only in accordance with such procedure as is provided by law. Until used and applied as provided in this section, all moneys in the Revenue Fund and the securities in which such moneys may from time to time be invested shall be held hereunder in trust for the equal and ratable benefit and security of all the Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

All Gross Income shall be collected by or for the account of the City and shall be set aside as collected and, except as is specifically provided otherwise herein, shall be deposited in the Revenue Fund. There shall also be deposited in the Revenue Fund the moneys required to be deposited therein by Sections 8.01 and 9.01 hereof.

(b) The moneys in the Revenue Fund shall be used and applied at the times provided in this Article IV, in the following amounts, for the following purposes and in the following order of priority:

First, there shall be deposited each month into the Operation and Maintenance Fund and the Accounts therein the amounts required by this Resolution to be used for the purposes specified herein.

Second, there shall be deposited each month into the Debt Service Fund and the Accounts therein the amount required by this Resolution to be used for the purposes specified herein.

Third, there shall be deposited the amount required, if any, to be deposited in the Debt Service Reserve Fund.

Fourth, there shall be deposited the amount required, if any, to be deposited to the Renewal and Replacement Fund.

Fifth, there shall be deposited the amount required, if any, to be deposited to a fund or funds created for the payment and security of subordinate lien obligations described in Section 2.05 hereof.

Sixth, after making all deposits required as described in "First" through "Fifth" of this subsection (b), all moneys remaining on deposit in the Revenue Fund shall be deposited in the General Fund and shall be applied as authorized by Section 4.06 hereof.

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the Bonds payable at the offices of such Paying Agents which are presented to such Paying Agents may be paid as and when the same become due.

The moneys deposited in the Debt Service Fund shall not be commingled with any other moneys of the City; shall be used and applied only in the manner and for the purposes hereinafter provided in this section; and shall be withdrawn from said Fund for said purposes only in accordance with such procedure as is provided by law. Until used and applied as hereinafter provided in this section, all moneys in the Debt Service Fund and the securities in which such moneys may from time to time be invested, shall be held hereunder in trust for the equal and ratable benefit and security of all the Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

Supplemental to the foregoing provisions of this section, there shall be deposited in the Debt Service Fund: (i) the moneys, if any, required by Section 3.01 to be deposited in said Fund; (ii) any amounts held hereunder which, at the option and in the discretion of the City may be applied to the purchase or redemption of Bonds, to the extent the City has determined that such moneys shall be applied to such purposes and such application is permitted by the provisions hereof; and (iii) Net Revenues, in the following amounts and at the following times:

**Interest Account.** There is hereby created a separate account in the Debt Service Fund for each Series of Bonds issued hereunder each to be known as an "Interest Account" which shall be disbursed by the City solely for the purpose of paying interest on the Bonds of the Series for which such Interest Account was created as the same becomes due and may not be applied to the payment of interest on any other Series of Bonds. In each month, commencing with the last business day of the month which follows the last month for which interest on such Series of Bonds, if any, is fully provided from moneys credited to a Construction Interest Account, (a) with respect to each Series of Bonds (other than Variable Rate Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such last business day and continuing on the last business day of each month thereafter so long as any of the Bonds of each such Series are Outstanding, the City shall credit to the Interest Account established for each such Series of Bonds an amount such that, if the same amount were so credited to each such Interest Account on the last business day of each such month, the aggregate of such amounts on credit to each such Interest Account on the last business day of the month preceding an Interest Payment Date will be equal to the installment of interest falling due on the Bonds on such Series on such Interest Payment Date or the amount required to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the last business day of the month prior to each Interest Payment Date the City shall credit to each Interest Account the amount required together with other funds available therefor in the Interest Account, to pay, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, the interest payable on each Series of Outstanding Variable Rate Bonds on such Interest Payment Date.

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**SECTION 4.02. Creation of the Operation and Maintenance Fund and Accounts**

**therein.** There is hereby created and established hereunder a separate special trust fund of the City to be known and designated as the "Airport Operation and Maintenance Fund" (herein defined and referred to as the "Operation and Maintenance Fund"), and to be held and administered by the City hereunder so long as any of the Bonds are Outstanding for the purpose of paying Operation and Maintenance Expenses.

The moneys deposited in the Operation and Maintenance Fund shall not be commingled with any other moneys of the City; shall be used and applied only in the manner and for the purposes hereinafter provided in this section.

**Operation and Maintenance Account.** There is hereby created a separate account in the Operation and Maintenance Fund to be known as an "Operation and Maintenance Account" which shall be disbursed by the City for the purpose of paying Operation and Maintenance Expenses. In each month, commencing with the first business day of such month, the City shall deposit to the Operation and Maintenance Account an amount determined by the Designated Financial Officer to be necessary to be credited to said Account to pay Operation and Maintenance Expenses.

**Operation and Maintenance Reserve.** There is hereby created a separate account in the Operation and Maintenance Fund to be known as an "Operation and Maintenance Reserve Account" which shall be disbursed by the City solely for the purpose of paying Operation and Maintenance Expenses in the event there shall be insufficient money in the Operation and Maintenance Account to pay the same when due. In each month, commencing with the first business day of the month following the date of beneficial occupancy of the new terminal building to be constructed with the proceeds of one of the first Series of Bonds issued hereunder, and on the first business day of each month thereafter, the City shall deposit to the Operation and Maintenance Reserve Account one-twelfth of the amount estimated by the Designated Financial Officer to be equal to three months Operation and Maintenance Expenses (the "Operating Reserve"), until the Operating Reserve is fully funded; thereafter, in each month, commencing with the first business day of such month, the City shall deposit to the Operation and Maintenance Reserve Account an amount, if any, necessary to maintain a balance equal to the Operating Reserve as estimated by the Designated Financial Officer.

**SECTION 4.03. Creation of the Debt Service Fund and Accounts Therein.**

There is hereby created and established hereunder a separate special trust fund of the City to be known and designated as the "Airport Debt Service Fund" (herein defined and referred to as the "Debt Service Fund"), and to be held and administered by the City hereunder so long as any of the Bonds are Outstanding. The City is hereby obligated to, and shall, set aside and deposit in said Fund the Net Revenues pledged hereunder, to the extent necessary to provide for the punctual payment of the principal of and interest and premium, if any, on the Bonds as and when the same become due, whether such due date be by reason of stated maturity or by redemption or by declaration, as hereinafter provided, or otherwise.

The moneys on deposit to the Debt Service Fund shall be used solely for the payment of principal and interest and premium, if any, due on the Bonds. The City shall make whatever arrangements with the Paying Agents for the Bonds of each Series that may be necessary so that

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In making the foregoing credits to each Interest Account, consideration shall be given to and allowance made for accrued interest received upon the sale of a Series of the Bonds deposited in the Debt Service Fund and credited to the appropriate Interest Account and for credits made or to be made to a particular Interest Account from moneys credited to a Construction Interest Account.

**Serial Bond Principal Account.** There is hereby created a separate account in the Debt Service Fund for each Series of Bonds issued hereunder, each to be known as a "Serial Bond Principal Account" which shall be disbursed by the City solely for the purpose of paying principal on the Bonds of the Series for which such Serial Bond Principal Account was created as the same becomes due and may not be applied to the payment of principal on any other Series of Bonds. In the event of the issuance of any Series of Bonds hereunder maturing at times customarily known as maturing serially, in order to provide for the payment of principal of such Bonds of such Series, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, such Series of Bonds maturing serially, commencing not later than the last business day of the month which is twelve months immediately prior to the month in which the first principal payment of any of such Bonds maturing serially is due and not later than the last business day of each month thereafter so long as any of such Series of Bonds so maturing are Outstanding, there shall be credited to the Serial Bond Principal Account established for such Series of Bonds an amount such that, if the same amount were so credited to such Account on the last business day of each such month prior to the next date upon which the principal of any of said Series of Bonds maturing serially becomes due and payable, the aggregate of the amounts on credit to each such Account will on each such next principal payment date be equal to the principal amount of said Series of Bonds becoming due on such principal payment date.

**Term Bond Principal Account.** There is hereby created a separate account in the Debt Service Fund for each Series of Bonds issued hereunder, each to be known as a "Term Bond Principal Account" which shall be disbursed by the City solely for the purpose of paying principal on the Bonds of the Series for which such Term Bond Principal Account was created as the same becomes due and may not be applied to the payment of principal on any other Series of Bonds. In the event of the issuance of any Series of Bonds hereunder in the form customarily known as "term bonds," for the purpose of retiring such Bonds, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, such term Bonds, commencing not later than the last business day of the month which is twelve months immediately prior to the month in which the first sinking fund installment to provide for the retirement of such term Bonds is due, and not later than the last business day of each month thereafter so long as any of such Bonds are Outstanding, there shall be credited to each Term Bond Principal Account an amount such that, if the same amount were so credited to such Account on the last business day of each such month prior to the next date upon which a sinking fund installment falls due, the aggregate of the amounts on credit to each such Account will on each such next date upon which a sinking fund installment falls due be sufficient to redeem such term Bonds in the principal amounts and at the times specified in the Supplemental Resolution authorizing the issuance thereof. The respective amounts of moneys credited to the Term Bond Principal Account for the purpose of providing for the retirement of the term Bonds of a particular Series shall be applied to the redemption of such Bonds of such Series on each date on which such an installment for said Bonds is due in the respective principal amounts required by the Supplemental Resolution providing for the issuance of the Bonds of such Series to be on credit to this Account on each such date, or, if so determined

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by the City, semi-annually on both such due dates and the day six months prior to such due date, in the respective principal amounts on credit to this Account on such days for the Bonds of such Series, so that the aggregate amount so applied in each calendar year will equal the respective principal amount required by the respective Supplemental Resolution providing for their issuance to be credited to this Account on such installment dates. The City may also apply the moneys credited to this Account for the retirement of Bonds of a particular Series issued in term form to the purchase of those Bonds, in which event the principal amount of said Bonds required to be redeemed on the next respective ensuing installment date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds shall be purchased during the interval between the date on which notice of redemption of said Bonds from such installment is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from moneys other than those credited to this Account; and provided further, that no purchase of Bonds shall be made if such purchase would require the sale at a loss of securities credited to the Term Bond Principal Account unless the difference between the actual purchase price (including accrued interest and any brokerage or other charge) paid for such Bonds and the then maximum purchase price (plus accrued interest) permitted to be paid therefor, is greater than the loss upon the sale of any such securities. Any purchase of Bonds pursuant to this paragraph may be made with or without tenders of Bonds and at either public or private sale, but in any event at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the then applicable redemption price of such Bonds, plus accrued interest. All Bonds purchased or redeemed pursuant to this paragraph shall be cancelled and not reissued.

The moneys on deposit in the Debt Service Fund on credit to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account shall be transferred to the respective Paying Agents for said Bonds in such amounts and at such times as shall be necessary to pay the principal of, premium, if any, and interest on said Bonds as the same become due and payable, whether upon their maturity or upon the redemption or the purchase thereof from the moneys credited to the Term Bond Principal Account or upon declaration, as hereinafter provided, or otherwise.

**SECTION 4.04. Creation of the Debt Service Reserve Fund.** There is hereby created and established hereunder a separate special trust fund of the City, to be known and designated as the "Airport Debt Service Reserve Fund" (herein defined and referred to as the "Debt Service Reserve Fund"), to be held and administered by the City hereunder so long as any of the Bonds are Outstanding. A single account or separate accounts may be established in the Debt Service Reserve Fund for each Series of Bonds issued hereunder. Each such Account shall be maintained in an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series of Bonds for which such account has been established and shall be disbursed by the City solely for the purpose of paying principal of and interest on Bonds of the Series for which such account was established for the payment of which there shall be insufficient money in the Debt Service Fund and the holders of any other Series of Bonds shall have no right to payment of principal of or interest on Bonds from or lien on amounts on deposit in such account. Amounts on deposit in the Debt Service Reserve Fund with respect to one or more Series of Bonds shall be valued as provided for in Section 4.07 hereof.

Subject to the remaining provisions of this paragraph, (a) if upon an optional valuation by the City during a Fiscal Year the moneys on deposit in the Debt Service Reserve Fund are less than

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redemption or by purchase or by declaration, as hereinafter provided, or otherwise) with respect to such Series of Bonds, but is unpaid, is sufficient to retire at maturity, or to redeem prior to maturity in accordance with their respective terms, all of the Bonds of such Series then Outstanding, together with interest thereon to their maturity date or the date fixed for the redemption thereof, no further deposits need be made to the Debt Service Fund or the Debt Service Reserve Fund with respect to such Series of Bonds, and without further authorization or direction of the City, the proper officers of the City shall call for redemption all Bonds of such Series which may be redeemed by their terms, on the next succeeding redemption date for which the required redemption notice may practically be given, and shall apply such total to such retirement or redemption.

In lieu of the deposit of moneys in the Debt Service Reserve Fund, the City may cause to be so credited a surety bond or an insurance policy payable to the City for the benefit of the holders of the Bonds of one or more Series or a letter of credit in an amount equal to the Debt Service Reserve Fund Requirement or the difference between the Debt Service Reserve Fund Requirement and the amounts then on deposit in the Debt Service Reserve Fund with respect to the Bonds of one or more Series. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Bonds of such Series and such withdrawals cannot be made by amounts credited to the Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by Moody's, S&P or Fitch, or their successors, or any insurer who holds the highest policyholder ratings accorded insurers by A.M. Best & Co. or any comparable service. The letter of credit issuer shall be a bank or trust company which is rated not lower than the highest rating category by Moody's, S&P or Fitch, or their successors, and the letter of credit itself shall be rated in the highest category of such rating agency. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph the City shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the Debt Service Reserve Fund in accordance with clause (c) of the second paragraph of this Section 4.04, or a combination of such alternatives, as shall provide that the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement for such Series of Bonds.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Debt Service Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the City shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Revenues in the Debt Service Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit shall fully satisfy the Debt Service Reserve Fund Requirement with respect to one or more Series of Bonds notwithstanding such decrease in rating.

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the Debt Service Reserve Fund Requirement, the amount of the deficiency shall be restored from the Net Revenues on deposit in the Revenue Fund after making the deposits "First" and "Second" as required by Section 4.01(b); (b) if at the end of any Fiscal Year, the moneys on deposit in the Debt Service Reserve Fund are less than the Debt Service Reserve Fund Requirement (other than as a result of a withdrawal described in subsection (c) below), the City shall deposit an amount in the Debt Service Reserve Fund from Net Revenues on deposit in the Revenue Fund after making the deposits "First" and "Second" as required by Section 4.01(b) so that there shall then be on deposit in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement; (c) if the deficiency in the Debt Service Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on one or more Series of Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from the Debt Service Reserve Fund, the City shall deposit from the Net Revenues on deposit in the Revenue Fund after making the deposits "First" and "Second" as required by Section 4.01(b) to the Debt Service Reserve Fund at least an amount which, if the same amount were so deposited to the Debt Service Reserve Fund in each month thereafter until the day which is sixty (60) months from the making of the first of such deposits, there shall be on deposit in the Debt Service Reserve Fund on such day an amount not less than the Debt Service Reserve Fund Requirement for such Series of Bonds; and (d) if at any time and for so long as the moneys on deposit in the Debt Service Reserve Fund are at least equal to the Debt Service Reserve Fund Requirement, no further deposits shall be made to such Fund, and any amounts in excess of the Debt Service Reserve Fund Requirement for one or more Series of Bonds, unless otherwise authorized by Supplemental Resolution, shall be (i) deposited to the Construction Interest Account for such Series of Bonds prior to completion of the project for the financing of which such Series of Bonds was issued and (ii) deposited to the Revenue Fund following completion of such project, for use and application as are all other moneys on deposit therein.

When one or more Series of Bonds is refunded in whole or in part or is otherwise paid so that all of the Bonds of such Series are no longer Outstanding moneys may be withdrawn from the Debt Service Reserve Fund established for such Series of Bonds to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding bonds issued to refund such refunded Bonds; provided that immediately after such withdrawal or transfer there shall be on credit to the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement.

The Supplemental Resolution providing for the issuance of one or more Series of Bonds shall provide for the initial funding of a Debt Service Reserve Account for a Series of Bonds, which may be at such time or times and from such sources as specified in such Supplemental Resolution, and set forth such provisions regarding the removal and disposition of any arbitrage earnings in the accounts established in the Debt Service Reserve Fund for such Series of Bonds and such other provisions with respect to the accounts established in the Debt Service Reserve Fund for such Series of Bonds so as to enable the City to comply with the provisions of Section 5.20 hereof.

Whenever the total of the moneys on deposit in the Debt Service Fund (regardless of the Account therein to which such moneys are credited) and the Debt Service Reserve Fund with respect to one or more Series of Bonds which are not required for the payment of principal and interest and premium, if any, which has theretofore become due (whether by maturity or upon

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**SECTION 4.05. Renewal and Replacement Fund.** There shall continue to be maintained a separate special fund of the City known and designated as the "Airport Renewal and Replacement Fund" (herein defined and referred to as the "Renewal and Replacement Fund"), and to be held and administered by the City hereunder so long as any of the Bonds are Outstanding. At the time of issuance and delivery of the first Series of Bonds the City will have on deposit in the Revenue and Replacement Fund the sum of \$2,000,000. Thereafter, the amount on deposit in the Renewal and Replacement Fund shall be maintained in such amount as the City shall determine (the "Required Amount"). If at any time during a Fiscal Year the moneys on deposit in the Renewal and Replacement Fund are less than the Required Amount, the City, beginning with the first month of the Fiscal Year following the Fiscal Year in which said deficiency occurs and within a period of twelve months thereafter, shall deposit, on the last business day of each month, amounts into the Renewal and Replacement Fund from Net Revenues on deposit in the Revenue Fund, after making the deposits "First" through "Third" as required by Section 4.01(b), so that not less than the Required Amount will be on deposit in the Renewal and Replacement Fund.

The moneys on deposit in the Renewal and Replacement Fund shall be used solely for non-recurring capital costs related to the Airport.

The moneys deposited in the Renewal and Replacement Fund shall not be co-mingled with any other moneys of the City and shall be used and applied only in the manner and for the purposes hereinabove provided.

**SECTION 4.06. Creation of the General Fund.** There is hereby created and established hereunder a separate fund of the City to be known and designated as the "Airport General Fund" (herein defined and referred to as the "General Fund"), and to be held and administered by the City hereunder so long as any of the Bonds are Outstanding. The City shall deposit in the General Fund all remaining Net Revenues on deposit in the Revenue Fund after making the deposits "First" through "Fifth" as required by Section 4.01(b). The moneys on deposit in the General Fund may be used by the City solely for Airport Purposes.

**SECTION 4.07. Investment of Moneys in Funds Other than Construction Fund.** Moneys in the Operation and Maintenance Fund, the Debt Service Fund, the Renewal and Replacement Fund and the General Fund shall be invested and reinvested by the City to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the City so that the payments required to be made from such Fund may be made when due. Moneys on credit to the Debt Service Reserve Fund shall be invested in Investment Securities so as to mature by no later than the earlier of five years from the date of investment or the final maturity date of all Bonds then Outstanding. The City shall be authorized to sell any investment when necessary to make the payments to be made from the Funds (other than the Construction Fund) created hereby. All earnings on and income from investments of moneys in the Funds (other than the Construction Fund) created hereby shall be deposited in the Revenue Fund (except with respect to the Debt Service Reserve Fund, as may otherwise be provided in subsection (d) of the second paragraph of Section 4.04 hereof) for use and application as are all other moneys deposited in that Fund. Unless invested as above provided, all moneys in the Funds referred to in this paragraph shall be secured in the manner provided by law for the securing of public funds.

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All Investment Securities shall constitute a part of the respective Fund (other than the Construction Fund) and Account therein from which the investment in Investment Securities was made. Amounts in the Debt Service Reserve Fund shall be valued at the time of any withdrawal therefrom, as of the last day of each Fiscal Year or upon an optional valuation by the City. For the purposes of making any calculations or computations at any time and from time to time of the amounts in any such Fund or Account, including the Debt Service Reserve Fund, which may be required for the purposes of this Resolution, all investments shall be valued at the then market value thereof.

The City will maintain records to enable it to cause to be made the computations necessary to determine whether a Series of Bonds the interest on which is excludable from gross income for federal income tax purposes meets the requirements of Section 148 of the Code and the regulations thereunder, including, but not limited to, records showing the dates and amounts of all investments of funds held in the Debt Service Fund and Debt Service Reserve Fund and the dates and amounts of the receipts of the earnings, sales proceeds and maturities of such investments.

[END OF ARTICLE IV]

ARTICLE V  
PARTICULAR COVENANTS OF THE CITY

**Particular Covenants.** The City hereby covenants and agrees with the purchasers and holders of all Bonds issued pursuant to this Resolution and any Supplemental Resolution as follows:

**SECTION 5.01. Annual Airport Budget.** The City shall prepare and adopt, or cause to be prepared and adopted, before the beginning of each Fiscal Year, an annual budget for the operation of the Airport for such Fiscal Year. Such budget shall set forth in reasonable detail Gross Income anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year including, without limitation, the amounts required to provide for the payment of the principal of, interest and premium, if any, on the Bonds during such Fiscal Year, to pay or provide for Operation and Maintenance Expenses for such Fiscal Year, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide for the payment of all other claims or obligations required to be paid from Gross Income in such Fiscal Year. Such budget shall be open for inspection by the holder of any Bond. The City shall mail either a copy of the budget or a copy of a summary thereof to any holder of a Bond who shall file a written request therefor with the City.

**SECTION 5.02. Covenant as to Rates, Rentals, Fees and Charges.**

(1) The City shall impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Gross Income at least sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Gross Income, and (iv) to carry out all provisions and covenants of this Resolution. Without limiting the provisions of the next preceding sentence of this section, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Revenues with respect to the immediately ensuing Fiscal Year which will be at least equal to one hundred twenty-five percent of Debt Service on all Bonds Outstanding, plus any annual payment on a Qualified Hedge which is not related to Bonds issued hereunder.

(2) The failure to comply with the covenant in subsection 1 of this Section 5.02 shall not constitute an Event of Default under this Resolution if the City shall promptly (i) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport in order to provide funds for all the payments and other requirements as specified in subsection 1 of this Section 5.02; (ii) consider the recommendations of the Airport Consultant, and (iii) take such action as is necessary to comply with subsection 1 of this Section 5.02.

**SECTION 5.03. To Pay Principal, Premium and Interest of Bonds.** The City will duly and punctually pay, or cause to be paid, but solely from Net Revenues and other moneys

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pledged hereunder, the principal of and interest and premium, if any, on each and every Bond at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning hereof and thereof.

**SECTION 5.04. [Reserved].**

**SECTION 5.05. Filings and Recordings.** The City will comply with, or cause to be complied with, any written direction of its counsel regarding the adoption of such Supplemental Resolutions, and the undertaking, execution, acknowledgment, delivery, filing, registration, recording, re-filing, re-registration or re-recording of such instruments as such counsel directs are required for the better assuring, pledging, charging and confirming unto the holders of the Bonds, the Net Revenues and other moneys pledged hereunder to the payment of the principal of and interest and premium, if any, on the Bonds.

**SECTION 5.06. To Complete Acquisitions and Constructions Promptly.** The City will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, improvement, betterment, extension, addition, reconstruction, restoration, equipping and furnishing of any properties the costs of which are to be paid from the proceeds of Bonds or from any other moneys held hereunder.

**SECTION 5.07. To Keep Airport in Good Repair and to Make Improvements and Betterments Thereto.** The City will maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airport (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character. The City will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to said properties, and construct additions and improvements thereto and extensions and betterments thereof which are economically sound, so that at all times the business carried on in connection therewith shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

**SECTION 5.08. To Operate and Maintain Airport.** The City shall operate and maintain the Airport as a revenue-producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the holders of the Bonds and so as to assure that the same shall be financially self-sufficient and self-sustaining.

**SECTION 5.09. Leases and Contracts.** The City shall perform all contractual obligations undertaken by it under leases or agreements pertaining to or respecting the Airport and shall enforce its rights thereunder. The City shall not enter into any contract or lease pertaining to the Airport by which the rights, payment or security of the Bonds might be impaired or diminished.

**SECTION 5.10. Governmental Approval.** The City will perform any construction, reconstructions and restorations of, improvements, betterments and extensions to, and equipping and furnishings of, and will operate and maintain the Airport at standards required in order that the same may be approved by the proper and competent Federal Government authority or authorities

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for the landing and taking off of aircraft operating in scheduled service, and for the receipt and dispatch of passengers, property and mail by aircraft.

**SECTION 5.11. Compliance With Terms of Grants-in-aid; Application Thereof.** The City shall comply with the requirements of the Federal Government of grants-in-aid accepted by the City.

**SECTION 5.12. To Employ Competent Personnel; Fidelity Bonds.** The City will at all times employ competent supervisory personnel for the operation and management of the properties constituting the Airport, and will establish and enforce reasonable rules, regulations and standards governing the employment of operating personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the City will be qualified for their respective positions; provided, however, that the provisions of this paragraph shall be subject to any law of the State of Georgia applicable to the appointment or employment of personnel and employees of the City or the salary, wages or compensation thereof, and also to the terms and provisions of any agreements between the Commission and the City.

The City shall cause to be bonded, in such amount as it may deem sufficient, each director, officer or employee of the City handling or having custody of or having in his possession Gross Income or other moneys, including the proceeds of Bonds, held hereunder or required hereby to be deposited or held hereunder, which bond shall be conditional upon the proper application of Gross Income and other moneys, including the proceeds of Bonds, held hereunder or required hereby to be deposited or held hereunder, but such application need not necessarily be limited thereto.

**SECTION 5.13. Books and Accounts; Audits.** The City shall maintain and keep proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Airport. Such accounts shall show the amount of Gross Income available for the purposes of this Resolution, and the application of such Gross Income to the purposes specified in this Resolution and all financial transactions in connection therewith.

The City shall cause such financial accounts to be audited by an Accountant. Such Accountant shall be selected with special reference to his general knowledge, skill and experience in auditing books and accounts. Such audit shall be made annually and shall be completed within one hundred twenty (120) days after the close of each Fiscal Year. Each such audit shall contain the Accountant's opinion on the fairness of the City's financial accounts and schedules contained in the audit report. A copy of each such annual audit shall be open for public inspection, filed with the Trustee, and shall be mailed to any holder of Bonds filing with the City a request for the same.

Each audit report, in addition to whatever matters may be thought proper by the Accountant to be included therein, shall include the following: (a) a statement in detail of the income and expenditures pertaining to the Airport for the audit period, including but not limited to a statement of the amounts of Gross Income, Operation and Maintenance Expenses and capital expenditures; (b) a balance sheet as of the end of the Fiscal Year, including, without limitation, the amounts on hand, both cash and investments, in each of the funds and accounts created hereunder or in any Supplemental Resolution, and the Bonds Outstanding; and (c) a schedule demonstrating compliance with subsection 1 of Section 5.02 of this Resolution.

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The Accountant shall audit the financial accounts prescribed by this Resolution notwithstanding any inconsistency between such accounting procedures and generally accepted accounting principles; provided that nothing contained in this Section 5.15 shall prevent the City from directing the Accountant to audit the books of accounts of the City both in accordance with this Resolution and generally accepted accounting principles.

**SECTION 5.14. No Superior or Equal Lien Bonds; Junior Lien Obligations Permitted.**

(a) The first Series of the Bonds and Additional Bonds, Completion Bonds and Refunding Bonds may be issued hereunder upon compliance with the provisions of Sections 2.01, 2.02, 2.03, 2.04 and 2.06 hereof. Except as otherwise provided in the preceding sentence, the City will not hereafter create or permit the creation of or issue any bonds, notes, certificates, warrants or other obligations or evidences of indebtedness, including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments and other securities contracts or obligations, to the extent authorized by State law, or create any additional indebtedness which will be payable as to principal or interest, or both, from Net Revenues prior to or on a parity with the payment therefrom of the principal or interest on the Bonds, or prior to or on a parity with the payments and credits from Gross Income to be made pursuant to the provisions of Sections 4.03, 4.04 and 4.05 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Debt Service Fund, to any Account in the Debt Service Reserve Fund or to the Renewal and Replacement Fund, or which will be secured as to principal or interest, or both, by a lien and charge on Net Revenues superior or equal to the lien and charge of the Bonds and the interest thereon, or superior or equal to the lien and charge on Net Revenues or the payments and credits therefrom to be made pursuant to the provisions of Sections 4.03, 4.04 and 4.05 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Debt Service Fund, to any Account in the Debt Service Reserve Fund or to the Renewal and Replacement Fund.

(b) Notwithstanding the provisions of subparagraph (a) of this Section, but subject to the provisions of subparagraph (c) below, the City may authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments and other securities contracts or obligations, to the extent authorized by State law, which as to principal or interest, or both, are payable from Net Revenues after and subordinate to the payment from Net Revenues of the principal of and interest on the Bonds and after and subordinate to the payments and credits from Net Revenues to be made pursuant to the provisions of Sections 4.03, 4.04 and 4.05 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Debt Service Fund, to any Account in the Debt Service Reserve Fund or to the Renewal and Replacement Fund, and which are secured as to principal or interest, or both, by a lien and charge on Net Revenues junior and inferior to the lien and charge on Net Revenues of the Bonds and interest thereon and junior and inferior to the lien and charge on Net Revenues of the payments and credits therefrom to be made pursuant to the provisions of Sections 4.03, 4.04 and 4.05 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Debt Service Fund, to any Account in the Debt Service Reserve Fund or to the Renewal and Replacement Fund (said indebtedness is hereinafter referred to as "Subordinated Debt").

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**SECTION 5.15. Not to Encumber or Dispose of Airport Properties; Condemnation.** Except as set forth below, the Commission shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport or upon Gross Income and the moneys held hereunder, other than the liens, pledges and charges specifically created herein or specifically permitted hereby.

The Commission shall not sell, lease, sublease, or otherwise dispose of all, or substantially all, of the properties constituting the Airport without simultaneously with such sale, lease, sublease or other disposition depositing pursuant to and in accordance with the provisions of Section 9.01 hereof, cash or Governmental Obligations in an amount sufficient so that no Bonds are any longer deemed Outstanding hereunder as provided by and in accordance with said Section 9.01. Nothing herein shall preclude an exchange of Airport property for property of comparable value.

The City may execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport in connection with the operation of the Airport and in the normal and customary course of business thereof, according to the City's policy regarding rates, rentals, fees and charges of the Airport, which rates, rentals, fees and charges shall be part of Gross Income and which properties shall remain part of the Airport, but any such leasing shall not be inconsistent with the provisions of this Resolution, and no lease shall be entered into by which the security of and payment for the Bonds might be impaired or diminished. The City may enter into Special Facility Agreements pursuant to and in accordance with the provisions of Article VIII hereof.

The City may from time to time sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport which are surplus. Surplus properties or facilities shall be those the disposal of which will not impede or prevent the use of the Airport or its facilities for the conduct of air transportation or air commerce and which the City has determined have become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue-producing capability and of substantially equal utility for the conduct of air transportation or air commerce. Any moneys received by the City as the proceeds of any such sale, lease, sublease or other disposition of such surplus properties or facilities shall be deposited in the General Fund; provided, however, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from moneys derived from grants or passenger facility charges, then such proceeds shall be deposited in the General Fund only to the extent that such application of proceeds is consistent with the conditions agreed to by the City with any governmental authority, or imposed on the City by law or any governmental authority, in obtaining such grants or passenger facility charges.

In the event any Airport properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the City as a result of such taking shall be deposited in the General Fund and applied to any Airport Purpose including to the redemption or purchase of Bonds (such purchases to be made subject to the same conditions that purchases of Bonds may be made pursuant to Section 4.03 hereof from moneys credited to the Term Bond Principal Account in the Debt Service Fund) and to acquire or construct revenue producing properties to constitute a part of the Airport.

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(c) Notwithstanding anything else contained in this Section 5.14, as a condition to the authorization and issuance of Subordinated Debt, the City and the Commission hereby agree to furnish to the Trustee within thirty (30) days of the issuance by the City or the Commission of any Subordinated Debt copies of the documents creating and/or evidencing any such Subordinated Debt (collectively, the "Subordinated Debt Documents") and agree that such Subordinated Debt Documents shall include the following provisions:

(i) the holder of any Subordinated Debt (a "SD Holder"), or if there is more than one SD Holder, a trustee, agent or other fiduciary appointed to act on behalf of such SD Holders (the "SD Holder Agent"), shall furnish to the Trustee the name, address, telephone number, facsimile number and, if available, e-mail address for such SD Holder or the agent therefore, and shall promptly notify the Trustee of any change in such address, telephone number, facsimile number and, if available, e-mail address while such Subordinated Debt is outstanding; and

(ii) upon the earlier to occur of (i) the SD Holder or SD Holder Agent obtaining actual knowledge of the occurrence of an Event of Default under the Resolution or (ii) receipt by the SD Holder or SD Holder Agent at the address given the Trustee pursuant to the provisions of subparagraph (c)(i) above, of notice that an Event of Default has occurred under the Resolution, then during the continuance of such Event of Default neither the SD Holder, the SD Holder Agent nor anyone acting on their behalf shall have the right, and none of such persons shall seek, to obtain or receive any payment with respect to the Subordinated Debt and, to the extent any such payment is received or any funds or property of the City or the Commission which constitute or constituted at any time all or a portion of the Airport or any Gross Income (whether such are held as a reserve fund or otherwise) are held by any of such persons, such payment, funds or property shall be held in trust of the benefit of, and upon written request paid over to, the Trustee or the holders of the Bonds, as the case may be, for application to the payment of the unpaid principal of, premium, if any, or interest on the Bonds.

There may be no acceleration of payments on Subordinated Debt unless the payments of principal and interest on all Outstanding Bonds has been declared to be due and payable in accordance with Section 7.02 of this Resolution.

Prior to the occurrence of an Event of Default hereunder, the City and the Commission may pay to the holders of Subordinated Debt or their agent the principal of, redemption premium, if any, and interest on the Subordinated Debt when the same become due and payable, provided, however, upon the occurrence and during the continuance of an Event of Default hereunder, the City and the Commission shall be prohibited from making any payment with respect to such Subordinated Debt.

The City and the Commission agree to send to the Trustee any and all amendments to any Subordinated Debt Document within thirty (30) days of the execution and delivery thereof and to provide to the Trustee any and all other documents and information with respect to any Subordinated Debt or Subordinated Debt Documents reasonably requested the Trustee.

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**SECTION 5.16. Insurance.** The City will carry insurance with generally recognized responsible insurers with policies payable to the City against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport. The City shall seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the City with respect to the insurance program of the Airport, and the City shall take into consideration, but will not be bound to follow, the advice of such insurance consultant or consultants in the placement of insurance and the establishment of a self-insurance fund or funds of the City as hereinafter provided.

Any insurance carried by the City pursuant to the provisions hereof, may be procured and maintained as part of or in conjunction with any other policy or policies carried by it. The City may create and establish special funds for self-insurance. In the event the City shall establish and maintain any such special funds, the City shall establish reasonable reserves therefor.

The proceeds of all insurance, to the extent the same are paid directly to the City, shall be held by the City under and subject to this Resolution and applied as follows: (i) the proceeds of fire and extended coverage insurance shall be held separate and apart in the General Fund and applied to the repairing, replacing or reconstruction of the damaged or destroyed property as hereinafter provided; (ii) the proceeds of loss of use insurance shall be deposited in the General Fund for use and application as are all other moneys deposited in that Fund; and (iii) any proceeds of insurance not described in (i) or (ii) above shall be held separate and apart in the General Fund and applied toward extinguishing or satisfying or remedying the liability, loss or damage with respect to which such proceeds may be paid.

Immediately after any loss or damage to the Airport, the City will promptly commence, and proceed to completion, with the repair, replacement or reconstruction of the damaged or destroyed property, and apply to the costs thereof the proceeds of the insurance carried pursuant to subparagraphs (a) and (b) above received with respect to such damage or destruction; provided that no such repair, replacement or reconstruction shall be required if the City finds that repair, replacement or reconstruction of the damaged or destroyed property is not in the best interest of the City and, based on a certificate of an Airport Consultant, that the failure to repair, replace or reconstruct the damaged or destroyed property will not cause the Gross Income in any future Fiscal Year of the City to be less than an amount sufficient to enable the City to comply with all covenants and conditions of this Resolution or impair the security of the payment of the Bonds. If the City elects to undertake the repair, replacement or reconstruction of the damaged or destroyed property and such proceeds of the aforesaid insurance are insufficient for such purpose, the amount of such insufficiency may be satisfied from moneys available under Section 4.06 hereof for any lawful Airport Purpose. If the proceeds of such insurance are more than sufficient for the purpose of repair, replacement or reconstruction of the damaged or destroyed property or the City elects not to undertake such repair, replacement or reconstruction the excess amount of such proceeds or all such proceeds, as the case may be, shall be deposited in the General Fund.

**SECTION 5.17. Payment of Taxes and Claims by the City.** The City shall, from time to time, duly pay and discharge, or cause to be paid or discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or any part thereof or upon Gross Income, or any required payments in lieu thereof, as well as all lawful claims for labor, materials and supplies furnished or supplied to the Airport or any part thereof, when the same shall become

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due and payable, and keep the Airport and all parts thereof and the Gross Income free from judgments, mechanics' and materialmen's liens, and free from all other liens, claims, demands or encumbrances of whatsoever prior nature or character; provided that the City may, in good faith, contest, or permit or cause to be contested, by appropriate proceedings, duly prosecuted, the applicability or validity of any such tax, assessment or governmental charge or payment in lieu thereof, as well as any claim for labor, material or supplies for work completed or materials or supplies furnished and in such event may permit the items so contested to remain unpaid, unsatisfied and undischarged during the period of any such contest and appeal therefrom, even though such contest or proceeding may result in a judgment or lien against the Airport or any part thereof or the Gross Income, if and so long as such contest or proceeding shall stay the execution or enforcement of any such tax, assessment, charge, claim, judgment or lien so that pending the determination of such contest or proceeding the Airport and all parts thereof and the Gross Income is not affected thereby, and if and so long as such contest or proceeding does not impair the security or the payment of the Bonds. If any such execution or enforcement is so stayed and such stay shall thereafter expire, the City shall forthwith pay or discharge, or cause to be paid and discharged, any such tax, assessment or governmental charge or payment in lieu thereof or claim for labor, material or supplies or judgment.

**SECTION 5.18. Prosecution and Defense of Suits.** The City will promptly from time to time take such action as may be necessary and proper to remedy or cure any defect in or cloud upon the title to the Airport or any part thereof (except for Permitted Encumbrances as defined in Section 5.04), whether now existing or hereafter developing; shall prosecute and defend all such suits, actions and other proceedings as may be appropriate for such purposes, including the defense of its ownership interest in the Airport.

**SECTION 5.19. Protection of Security.** The City shall not take any action in such manner or to such an extent as might prejudice the security or the payment of the Bonds according to the terms thereof. The City will maintain, preserve and renew all the rights, powers, privileges and franchises now owned by it or hereafter acquired by it with respect to the Airport. The City shall not take any action by which the rights, payment or security of the Bonds might be impaired or diminished.

**SECTION 5.20. Special Covenant With Respect to Federal Tax Status of Bonds.** With respect to any Series of Bonds the interest on which is excludable from gross income for federal tax purposes, so long as any of such Bonds shall be Outstanding, the City and the Commission shall comply with all applicable provisions of the Code relating to such tax-exempt obligations and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

**SECTION 5.21. Obeying Laws; Performance of All Obligations and Covenants Under this Resolution.** The City shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted or entered by any competent governmental authority or agency applicable or with respect to or affecting the acquisition, construction or reconstruction of the Airport or any part or parcel thereof or applicable or with respect to or affecting the operation, manner or use or condition of the Airport or any part or parcel thereof or adjoining public ways; provided that the City need not comply with any such statute, law, ordinance, rule, regulation,

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**ARTICLE VI  
AMENDING AND SUPPLEMENTING THIS RESOLUTION; EXECUTION OF  
INSTRUMENTS BY BONDHOLDERS AND OWNERSHIP OF BONDS;  
MEETINGS OF BONDHOLDERS; BONDS NOT OUTSTANDING HEREUNDER**

**SECTION 6.01. Amending and Supplementing this Resolution without Consent of Bondholders.** The City, from time to time and at any time and without the consent or concurrence of the holder of any Bond, may adopt a Supplemental Resolution (herein defined and referred to as a "Supplemental Resolution"): (i) for the purpose of providing for the issuance of Bonds pursuant to the provisions of Sections 2.01, 2.02, 2.03, 2.04, 2.05 and 2.06 hereof; (ii) to make any changes or modifications hereof or amendments or additions hereto or deletions herefrom which may be required to permit this Resolution to be qualified under the TIA; and (iii) if the provisions of such Supplemental Resolution shall not materially adversely affect the rights of the holders of the Bonds then Outstanding, for any one or more of the following purposes:

1. To make any changes or corrections in this Resolution or any Supplemental Resolution as to which it shall have been advised by its counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained herein or in any such Supplemental Resolution, or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;
2. To add additional covenants and agreements of the City for the purpose of further securing the payment of the Bonds;
3. To surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Resolution or any Supplemental Resolution;
4. To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution or any Supplemental Resolution;
5. To grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;
6. To prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the City payable from the Net Revenues;
7. To add requirements the compliance with which is required by one or more of the Rating Agencies;
8. To accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued including, but not limited to, modifications necessary to accommodate bond anticipation notes, commercial paper, auction Bonds, a Qualified Hedge, Short-Term/Demand Obligations and other variable rate or adjustable rate Bonds, Capital Appreciation Bonds, Original Issue Discount Bonds and other discounted or compound interest

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judgment, decree, direction or requirement if and so long as the City in good faith shall be contesting or permitting or causing to be contested the applicability or validity thereof by appropriate proceedings diligently prosecuted, even though such contest may result in the imposition of a lien or charge against the Airport or the Gross Income if (1) the City shall effectively prevent foreclosure or enforcement of any such lien or charge and (2) the foreclosure or enforcement of any such lien or charge shall be stayed, and if said stay thereafter expires, the City shall forthwith discharge such lien or charge or cause the same to be discharged, so that pending such proceedings the Airport and the Gross Income thereof shall not be affected thereby, and the security of the Bonds shall not be impaired.

The City shall comply with and perform, or cause to be complied with and performed, all acts, things, covenants, agreements, obligations, duties and provisions, express or implied, required to be done or performed by or on its behalf under this Resolution and Supplemental Resolutions and the Bonds, in accordance with the terms hereof and thereof.

**SECTION 5.22. Taking Any Further Action Required for the Purposes of this Resolution.** The City shall, at any and all times, adopt, make, do, execute, acknowledge, deliver, register, file and record all such other and further ordinances, resolutions, acts, deeds, demands, conveyances, assignments, transfers, assurances and instruments and give such further notices and do such further acts, as may be reasonably necessary, proper or desirable for the better assuring, pledging and assigning the Net Revenues and other moneys pledged, assigned or charged hereunder or intended so to be, or which the City may hereafter become bound to pledge, assign or charge, or for the carrying out more effectively the purposes and intent, and the facilitating of the performance, of this Resolution.

**SECTION 5.23. No-Default Certificate.** The City will deliver to the Trustee, within 120 days after the end of each fiscal year of the City so long as any Bonds are outstanding hereunder, a certificate executed by the Designated Financial Officer, stating that such Officer has reviewed the activities of the Airport during such fiscal year and stating whether, to the best of his or her knowledge, based upon such review, the City is in default in the performance, observance or fulfillment of any of its covenants and other obligations under this Resolution, and if there exists such a default, specifying each such default known to such Officer and the nature and status thereof. For purposes of this Section, the existence or non-existence of such a default shall be determined without regard to any period of grace or requirement of notice provided under this Resolution.

[END OF ARTICLE V]

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Bonds or other forms of indebtedness which the City from time to time deems appropriate to issue or incur;

9. To accommodate the use of a Support Facility for a specific Series of Bonds;
10. To comply with such requirements of the Code as are necessary, in the Opinion of Bond Counsel to prevent the imposition of federal income taxation on the interest on a Series of Bonds, including, without limitation, the segregation of Net Revenues into different funds; and
11. To modify in any other respect any of the provisions of this Resolution, or any Supplemental Resolution previously adopted; provided that such modification shall have no adverse affect as to any Bond or Bonds which are then Outstanding.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto or required to permit this Resolution to be qualified under the TIA, the City shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this section unless in the opinion of counsel (which opinion may be combined with the opinion required by Section 6.04 hereof) the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this section and, except for a Supplemental Resolution adopted pursuant to subparagraph 11 above, the provisions of such Supplemental Resolution are not contrary to or inconsistent with the covenants or agreements of the City contained in this Resolution as originally adopted or as amended with the consent of the Bondholders.

**SECTION 6.02. Amending and Supplementing this Resolution With Consent of Bondholders.** With the consent of the holders of not less than a majority of the principal amount of the Bonds then Outstanding, the City, from time to time and at any time, may adopt a Supplemental Resolution amending or supplementing the provisions of this Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Resolution or of any Supplemental Resolution, or modifying in any manner the rights of the holders of the Bonds then Outstanding; provided, however, that, without the specific consent of the holder of each such Bond which would be affected thereby, no such Supplemental Resolution amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or any premium payable upon the redemption thereof; or (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any such Supplemental Resolution amending or supplementing the provisions hereof; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; or (4) authorize the creation of any pledge of the Net Revenues or any lien thereon prior, superior or equal to the pledge and lien created herein for the payment and security of the Bonds; or (5) deprive any holder of the Bonds of the security afforded by this Resolution. A modification or amendment of the provisions of Section 4.03 hereof with respect to the funds and accounts established thereby shall not be deemed a change in the terms of payment of the Bonds; provided, however, that no such modification or amendment shall, except upon the consent of the holders of all Bonds then Outstanding affected thereby, reduce the amount or amounts required to be deposited from the Net Revenues to the Debt Service Fund or the priority of the deposits of such amounts. (Nothing herein contained,

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however, shall be construed as making necessary the approval of the holders of the Bonds of the adoption of any Supplemental Resolution authorized by Section 6.01).

The proof of the giving of any consent required by this Section and of the holding of Bonds for the purpose of giving consents shall be made in accordance with the provisions of Section 6.05 hereof, and it shall not be necessary that the consents of the holders of the Bonds approve the particular form or wording of the proposed amendment or supplement or of the Supplemental Resolution effecting such amendment or supplement, but it shall be sufficient if such consent approve the substance of the proposed amendment or supplement. After the holders of the required percentage of Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the City shall mail a copy of a notice of such amending or supplementing hereof, postage prepaid to each owner of Bonds then Outstanding, at his address, if any, appearing upon the registry books, but failure to mail copies of said notice to any of said owners or holders shall not affect the validity of the Supplemental Resolution effecting such amendments or supplements or the consents thereto. (Nothing herein contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this Resolution authorized by the first paragraph of this section.) A record, consisting of the papers required by this paragraph, shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the mailing of the notice required by this paragraph.

**SECTION 6.03. Notation upon Bonds: Bonds Delivered upon Amendments.** Bond delivered after the effective date of any action taken as provided in this Article may bear a notation as to such action, by endorsement or otherwise and in form approved by the City. In that case, upon demand of the holder of any Bond Outstanding at such effective date and the presentation of his Bond for the purpose at the office of a Paying Agent, transfer agent or registrar hereunder for such Bond and at such additional offices, if any, as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. If the City shall so determine, new Bonds so modified as in the opinion of the City to conform to the amendments or supplements so consented to by the holders of the Bonds shall be prepared, executed and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged without cost to such holder, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

**SECTION 6.04. Effectiveness of Supplemental Resolution.** Upon the adoption pursuant to this Article and of applicable law of any Supplemental Resolution amending or supplementing the provisions of this Resolution and the rendering by counsel to the City of an opinion that such Supplemental Resolution is in due form, has been duly adopted in accordance with the provisions hereof and applicable law and the provisions thereof are valid and binding upon the City, or upon such later date after delivery of such Supplemental Resolution and rendering of opinion as may be specified in such Supplemental Resolution, this Resolution and the Bonds shall be modified and amended in accordance with such Supplemental Resolution, and the respective rights, limitations of rights, obligations, duties and immunities under this Resolution of the City and of the holders of the Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all of the terms and conditions of any such Supplemental Resolution shall be a part of the terms and conditions of the Bonds and of this Resolution for any and all purposes.

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holders of the Bonds may take hereunder; and (4) for any other purposes concerning the payment, security or enforcement of the Bonds.

Every such meeting of the holders of the Bonds shall be held at such place, in the City of New York, State of New York, or in the City of Savannah, State of Georgia, as may be specified in the notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted shall be mailed by the City or the holders of the Bonds calling such meeting, at least thirty (30) days preceding the meeting to the holders of a Series of Bonds at their addresses as they appear on the books of registry.

Attendance and voting by holders of Bonds at meetings thereof may be in person or by proxy. Bondholders may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to attend and vote at any meeting for them. The right of a proxy for holder of a Bond to attend a meeting and act and vote thereat may be proved (subject to the right of the City to require additional proof) by the written instrument executed by such holder.

Any holder of a Bond shall be entitled in person or by proxy to attend and vote at such meeting as holder of the Bond or Bonds registered in his name without producing such Bond or Bonds (unless the Bond or Bonds shall be registered in the name of some other person at such meeting). Such person and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting.

Persons named by the City, or elected by the holders of a majority in principal amount of the Bond represented at the meeting in person or by proxy in the event the City is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of holders of Bonds. A permanent Chairman and a permanent Secretary of such meeting shall be elected by the holders of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two Inspectors of Votes. All instruments appointing proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting. The Inspectors of Votes shall count all votes cast at such meeting except votes on the election of Chairman and Secretary as aforesaid, and shall make and file with the Secretary of the meeting and the City their verified report of all such votes cast at the meeting.

Officers or nominees of the City may be present or represented at any meeting of the holders of the Bond and take part therein, but shall not be entitled to vote thereat, except for such officers or nominees who are holders of Bonds or proxies for holders or bonds.

The holders of the same principal amount of the Bonds required by other provisions hereof to consent to, approve, request or direct any action proposed to be taken at a meeting of holders of the Bonds, or required by other provisions hereof to take any other action proposed to be taken at such meeting, must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of such business, less than a quorum, however, having power to adjourn the meeting from time to time without other notice of such adjournment that the announcement thereof at the meeting; provided, however, that if such meeting is adjourned by less than a quorum for more than ten (10) days, notice of such adjournment shall be mailed to all Bondholders by the

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Notwithstanding anything to contrary contained herein, no Supplemental Resolution that adversely affects the rights, duties, liabilities, protections, privileges, indemnities or immunities of the Trustee, the Registrar or Paying Agent, shall become effective unless and until approved by the Trustee, the Registrar or the Paying Agent so affected.

**SECTION 6.05. Consent, etc., of Bondholders: Proof of Ownership of Bonds.** Any consent, request, direction, approval, objection or other instrument required by this Resolution to be signed or executed by the holders of Bonds may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such holders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and, subject to the provisions of Section 2.08 hereof, of the ownership of Bonds, if made in the manner hereinafter in this section set forth shall be sufficient for any of the purposes of this Resolution and shall be conclusive in favor of the City with regard to any action taken under such request or other instrument. The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution. The fact of ownership by any person of Bonds shall be proved by the registration books maintained pursuant hereto, and for all purposes of this Resolution and of the proceedings for the enforcement hereof and of such Bonds, such persons shall be deemed to continue to be the holder of such Bonds until the City shall have received notice in writing to the contrary.

Nothing contained in this section shall be construed as limiting the City, in its discretion, to the proof above specified, it being intended that the City in its discretion may accept any other evidence of the matters herein stated which to it may seem sufficient. Any consent, request, direction, approval or vote of the holder of any Bond shall bind and be conclusive upon the holder of such Bond giving such consent, request, direction or approval or casting such vote and upon every future holder of the same Bond in respect of anything done or suffered to be done by the City or otherwise or by the holders of other Bonds, in pursuance of such consent, request, direction, approval or vote, and whether or not such future holder has knowledge of or information as to such consent, request, direction, approval or vote; provided that any consent, request, direction, approval or vote of the holder of a Bond required by any of the provisions hereof may be revoked by the holder giving such consent, request, direction, approval or vote or by a subsequent holder if such revocation in writing is filed with the City prior to the time when the consent, request, direction, approval or vote of the percentage of the holders of the Bonds required by such provision shall have been given and action taken by the City or otherwise, or by the holders of other Bonds.

**SECTION 6.06. Meetings of Bondholders.** The City or the holders of not less than twenty percent (20%) in principal amount of the Bonds then Outstanding may at any time call a meeting of the holders of the Bonds for any one or more of the following purposes: (1) to consent to, approve, request or direct any action required to be consented to or approved by the holders of the Bonds hereunder (including, without limitation, to consent to amendments or supplements hereto or to waive any default or Event of Default or its consequences) or which they may request or direct hereunder to be taken; (2) to give any notices to the City; (3) to take any other action that

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City or the holders of the Bonds calling the meeting at least five (5) days prior to the adjourned date of the meeting.

The votes of the holders of the same principal amount of the Bonds required by other provisions hereof to consent to, approve, request or direct any action hereunder shall be required to consent to, approve, request or direct any such action taken at a meeting of the holders of the Bonds. The vote at any such meeting of the holder of any Bond, or his proxy, entitled to vote thereat, shall be binding upon such holder and upon every subsequent holder of such Bond (whether or not such subsequent holder has notice thereof) if the voters of the required percentage of the holders of the Bonds have been cast and action taken by the City or by the holders of other Bonds under authority of such votes.

**SECTION 6.07. Certain Bonds Deemed Not Outstanding Hereunder.** In determining whether the holders of the requisite aggregate principal amount of Bonds have consented to the amending or supplementing of this Resolution as provided in Section 6.05 hereof or have concurred in any waiver of an Event of Default as defined in Section 7.01 hereof, or have concurred in any other direction or consent regarding this Resolution, Bonds which are owned or controlled directly or indirectly by the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except for the purpose of determining whether the City shall be protected in relying on any such waiver, direction or consent, only Bonds which the City knows are so owned shall be so disregarded.

[END OF ARTICLE VI]

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**ARTICLE VII  
DEFAULTS AND REMEDIES**

**SECTION 7.01. Events of Default.** Each of the following is hereby defined as and declared to be and shall constitute an "Event of Default":

(a) If payment of any installment of interest on any Bond or any annual payment under a Qualified Hedge shall not be made when the same shall become due and payable; or

(b) If payment of the principal and premium (if any) of any Bond, whether at maturity or by proceedings for redemption (whether by voluntary redemption or redemption from the Term Bond Principal Account in the Debt Service Fund) or by declaration as hereinafter provided in Section 7.02 hereof or otherwise, shall not be made when the same shall become due and payable; or

(c) [Reserved]

(d) If a default shall occur in the performance or observance by the City of the covenants, agreements and conditions contained in Section 5.02 (except as provided in subsection 2 of said Section); or

(e) If the City shall fail in the due and punctual performance or any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution (other than as described in (a) through (d) above) or in any Supplemental Resolution on the part of the City to be performed, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the City by the Trustee, or to the City and the Trustee by the holders of not less than twenty percent (20%) in principal amount of the Bonds then Outstanding or any committee thereof; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected; or

(f) If any proceedings shall be instituted with the consent or acquiescence of the City for the purpose of effecting a composition between the City and its creditors and if the claim of such creditors is in any circumstance payable from any of the Gross Income or any other moneys pledged and charged herein or in any Supplemental Resolution or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

(g) If an order or decree shall be entered (i) with the consent or acquiescence of the City, appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof, or (ii) without the consent or acquiescence of the City appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof and such order or decree, having been entered, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(h) If, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (i) any court of competent jurisdiction shall assume custody or control of

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upon being indemnified to its satisfaction, shall, exercise any or all of the following remedies to the extent that the same shall then be legally available:

(a) The Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Bonds and/or this Resolution. The Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered (i) to institute any action or proceedings at law or in equity for the collection of all fees and charges, rents or sums, as the case may be, due and unpaid under any lease or other agreement to which the City is a party, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the other party to such lease or other agreement and collect in the manner provided by law out of the property of such party wherever situated the moneys adjudged or decreed to be payable, and (ii) to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the City or any party to a lease or agreement with the City. All rights of action under this Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on any trial or other proceeding relative thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the holders of the Bonds;

(b) The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Bonds, to obtain the appointment of a receiver for the Airport, which receiver may enter upon and take possession of the Airport and fix rates and charges and collect all Gross Income arising therefrom in as full a manner and to the same extent as the City itself might do. The receiver shall collect and dispose of Gross Income in accordance with the terms and conditions of this Resolution or as the court shall direct.

The Trustee is hereby appointed, and the holders of the Bonds from time to time shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective holders of the Bonds, with authority to make or file, in the respective names of the holders of the Bonds, with or on behalf of all holders of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents; to receive payment of all sums becoming distributable on account thereof; and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all holders of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the holders of the Bonds against the City allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the City shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

**SECTION 7.04. Effect of Delay or Omission; Waiver of Default.** No delay or omission of the Trustee or of any holder of any of the Bonds to exercise any right or power arising

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of the Airport or any of the buildings and facilities thereof, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control; or (ii) any court of competent jurisdiction shall approve of any petition for the reorganization of the Airport or rearrangement or readjustment of the obligations of the City hereunder; or

(i) If the City shall for any reason be rendered incapable of fulfilling its obligations hereunder.

The Trustee shall give written notice by mail to all the holders of Bonds as their names and addresses appear upon the books of registry of all Events of Default known to the Trustee, within thirty days after the occurrence thereof, unless the Event of Default shall have been cured before the giving of such notice.

**SECTION 7.02. Declaration of Principal and Interest as Due.** Upon the occurrence of an Event of Default described in Section 7.01(a), (b) or (c) and at any time thereafter while such Event of Default shall continue, the Trustee by notice in writing to the City, may, and upon the written request of the holders of not less than twenty-five percent in principal amount of the Outstanding Bonds, shall declare the principal of all the Outstanding Bonds, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Resolution or in the Bonds contained to the contrary notwithstanding.

The aforesaid declaration, however, is subject to the condition that if at any time after the principal of and accrued interest on the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered as hereinafter provided, the City shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all Bonds, with interest at the rate borne by the Bonds on such overdue principal and premium, if any, and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable expenses of the Trustee, then and in every case, the Trustee may, and upon the written request of the holders of at least a majority in aggregate principal amount of the Outstanding Bonds, shall, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

**SECTION 7.03. Action of Trustee in Event of Default.** Upon the occurrence of an Event of Default of which the Trustee has actual knowledge and at all times thereafter while such default shall continue, the Trustee shall become vested with all the estate, properties, rights, trusts and obligations of the Trustee hereunder and shall enter into and take possession of, or supervision over, the funds and accounts continued or created under this Resolution, including a Construction Fund created under any Supplemental Resolution, and receive and apply all Net Revenues and other moneys held hereunder in the same manner as the City itself might do, and shall act in place of the City in the exercise of all rights of the City hereunder.

The Trustee in case of an Event of Default may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, and

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from any default on the part of the City shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Trustee or Bondholders of any such default, whether such waiver be full or partial, shall extend to or be taken to effect any subsequent default, or to impair the rights resulting therefrom, except as may be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing.

**SECTION 7.05. Suits or Actions by Bondholders.** No Bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the City, for the enforcement of any of the provisions hereof or of any remedies hereunder unless the Trustee, after a request in writing by the holders of not less than twenty-five percent in aggregate principal amount of the Outstanding Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for sixty days to take such action; provided, however, that the right of any holder of any Bond to receive payment of principal or interest, or both, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder.

**SECTION 7.06. Bondholders' Committee.** If an Event of Default shall have occurred and be continuing, the Trustee, and if the Trustee shall have failed or refused to comply with the written request or direction of the holders of the Bonds in accordance with Section 7.05 hereof, the holders of not less than twenty percent in principal amount of the Bonds then Outstanding, may call a meeting of the holders of Bonds for the purpose of electing a Bondholders' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of Bondholders pursuant to Section 6.06 hereof. At such meeting the holders of not less than a majority in principal amount of the Bonds Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting the Bondholders present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Bondholders, to the Bondholders' Committee which shall act as trustee for all Bondholders. The Bondholders present in person or by proxy at said meeting, or at any adjourned meeting thereof, (i) shall prescribe the manner in which the successors of the persons elected to the Bondholders' Committee at such Bondholders' meeting shall be elected or appointed; (ii) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it herein; and (iii) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee elected by the Bondholders in the manner herein provided, and their successors, as a committee, are hereby declared to be trustees for the holders of all the Bonds then Outstanding, and are empowered to exercise in the name of the Bondholders' Committee, as trustee, all the rights and powers conferred on the Trustee or any Bondholder.

[END OF ARTICLE VII]

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**ARTICLE VIII  
SPECIAL OBLIGATION BONDS; SEPARATE IMPROVEMENTS**

**SECTION 8.01. Special Obligation Bonds and Special Facility Agreements.**

Anything in this Resolution to the contrary notwithstanding, the City may issue bonds, notes, certificates, warrants or other obligations of evidences of indebtedness, including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments or other evidences of indebtedness ("Special Obligation Bonds") for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a Special Facility for use, lease or sublease thereof pursuant to the provisions of this section or for refunding other Special Obligation Bonds. Such Special Obligation Bonds (i) shall be payable solely from amounts payable by the user, lessee or sublessee under the Special Facility Agreement entered into with respect to Special Facility to be financed from such Special Obligation Bonds; (ii) shall not be a charge or claim against or payable from or secured by the Gross Income or any other moneys held hereunder; (iii) will not result in a reduction of Net Revenues; and (iv) shall mature within the term of the Special Facility Agreement entered into with respect to such Special Facility.

Special Obligation Bonds issued pursuant to the provisions of this section may also be refunded by Additional Bonds if (i) all such Special Obligation Bonds then Outstanding and unpaid pertaining to the particular Special Facility are refunded at one time from such Additional Bonds or are then otherwise retired; and (ii) the conditions contained in Section 2.02 of this Resolution are complied with upon such refunding, and, for the purposes of any such refunding, such refunding shall be considered as though the City were acquiring such Special Facility by the issuance of such Additional Bonds.

**SECTION 8.02. Separate Improvements.** Nothing contained in this Resolution shall prevent the City from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments and other securities contracts or obligations, to the extent authorized by State law, other than Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Gross Income pursuant to clauses (ii), (iv), (v), (vi), (ix), (x) or (xiii) of the definition thereof, or any combination of all or a portion of the foregoing, for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. A Separate Improvement ("Separate Improvement") shall be any facility or improvement of the Airport acquired, constructed, renovated, remodeled or rehabilitated with the proceeds of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness including bond anticipation notes, commercial paper, Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments and other securities contracts or obligations, to the extent authorized by State law, payable and secured in the manner prescribed in the first sentence hereof which the City determines will (i) not materially adversely affect the Outstanding Bonds, and (ii) so long as any Bonds are Outstanding, (a) produce revenue excluded from the definition of Gross Income pursuant to clause (x) of the definition thereof, or (b) have pledged or committed to the payment of all or a portion of the principal, premium, interest and other costs described below any revenues or amounts excluded from the definition of Gross Income pursuant to clauses (ii), (iv),

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**ARTICLE IX  
DEFEASANCE; MONEYS HELD FOR PAYMENT  
OF DEFEASED BONDS**

**SECTION 9.01. Discharge of Liens and Pledges; Bonds No Longer Outstanding Hereunder.** The obligations of the City under this Resolution, including all Supplemental Resolutions, and the liens, pledges, charges, trusts, assignments, covenants and agreements of the City herein or therein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding hereunder and thereunder,

(i) when such Bond shall have been cancelled, or shall have been purchased by the City from moneys in the Debt Service Fund, or

(ii) as to any Bond not cancelled or so purchased, when payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as provided in Section 7.02 hereof, or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with a Paying Agent for such Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations, or (3) any combination thereof maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said Paying Agents.

At such time as a Bond shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purposes of any such payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of this Resolution, including all Supplemental Resolutions.

Notwithstanding the foregoing, in the case of the Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities from the moneys or securities deposited in accordance with this section, no deposit under clause (b) of subparagraph (ii) above shall constitute such payment, discharge and satisfaction as aforesaid,

(a) as to any such Bonds as are not at the time of the making of such deposit immediately redeemable or prepayable in accordance with the provisions of the Supplemental Resolution providing for their issuance and of such Bonds, until either (1) such Bonds shall have been irrevocably called or designated for redemption or prepayment on the first date thereafter such Bonds may be redeemed or prepaid in accordance with the provisions of the Supplemental Resolution providing for their issuance and of such Bonds, or (2) until ninety days prior to the respective stated maturities of such Bonds;

(b) as to any such Bonds as are at the time of the making of such deposit immediately redeemable or prepayable in accordance with the provisions of the Supplemental Resolution

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(v), (vi), (ix), (x) or (xiii) of the definition thereof, or any combination thereof, sufficient to pay principal of, premium, if any, and interest on the bonds, notes, warrants, certificate or other obligations or evidences of indebtedness issued with respect to any such Separate Improvement and all operation and maintenance and other costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of any such Separate Improvement (including, without limitation, insurance, utilities, payments in lieu of taxes and assessments) and the administrative costs of the City associated with any such Separate Improvement. Any amount attributable to administrative costs shall be free and clear of all charges under any agreement or obligation entered into or issued as described herein, shall be in addition to all other amounts required to be provided for as described herein; and shall constitute Gross Income and be paid into the Revenue Fund. Nothing in this Section 8.02 shall be deemed to preclude the City from financing any Airport Purpose as described in the second paragraph of Section 2.05 hereof.

[END OF ARTICLE VIII]

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providing for their issuance and of such Bonds, until (1) ninety days prior to the date fixed for their redemption or prepayment, or (2) ninety days prior to the respective stated maturities of such Bonds; and

(c) as to all such Bonds which are to be redeemed or prepaid prior to their respective stated maturities, until proper notice of such redemption or prepayment shall have been previously given in accordance with Section 2.08 hereof or satisfactory provision shall have been irrevocably made for the giving of such notice.

Any such moneys so deposited with a Paying Agent as provided in this section may at the direction of the City also be invested and reinvested in Governmental Obligations, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Paying Agents pursuant to this section which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the City and deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that Fund.

Notwithstanding the foregoing, the payment of (i) the purchase price of or accrued interest on any Variable Rate Bonds tendered for purchase pursuant to the terms of a Supplemental Resolution or the Remarketing Agreement, or similar agreement, or (ii) principal of, premium, if any, or interest on any Variable Rate Bonds upon redemption, acceleration or when due and payable with a draw, borrowing or payment under a Support Facility shall not be deemed payment pursuant to Section 9.01 hereof; provided, however, that with respect to (ii) above, a reimbursement or other payment by the City with respect to a draw, borrowing or payment under a Support Facility for the payment of principal of, premium, if any, or interest on Variable Rate Bonds upon redemption, acceleration or when due and payable may be deemed to be payment for the purposes of Section 9.01.

Notwithstanding any provision of any other section of this Resolution which may be contrary to the provisions of this section, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this section for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bond (including interest and premium thereon, if any) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

Anything in Article VI hereof to the contrary notwithstanding, if moneys or Governmental Obligations have been deposited or set aside with a Paying Agent pursuant to this section for the payment of Bonds and such Bonds shall be deemed to have been paid and be no longer Outstanding hereunder as provided in this section, but such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this section shall be made without the consent of the holder of each Bond affected thereby.

Notwithstanding anything else herein contained, before accepting or using any monies to be deposited pursuant to this Article IX, the Paying Agent may require that the City furnish to it (i) with respect to any tax-exempt Bonds, an opinion of nationally recognized bond counsel to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series of tax-exempt Bonds being defeased and, that all

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conditions hereunder to effect a defeasance of said Bonds have been satisfied, and (ii) a certificate of an independent certified public accountant to the effect that a deposit will be sufficient to defease the Series of Bonds to be paid pursuant to this Article IX. The Paying Agent shall be fully protected in relying upon such opinion and/or accountant's certificate in accepting or using any moneys deposited pursuant to this Article IX.

**SECTION 9.02. Bonds Not Presented for Payment When Due; Moneys Held for the Bonds after Due Date of Bonds.** If any Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof or upon declaration as provided in this Resolution, or otherwise, and if moneys or Governmental Obligations shall at such due date be held by a Paying Agent therefor, in trust for that purpose and sufficient and available to pay the principal and the premium, if any, of such Bond, together with all interest due thereon to the due date thereof or to the date fixed for redemption thereof, all liability of the City for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of such Paying Agent to hold said moneys or Governmental Obligations, without liability to such Bondholder for interest thereon, in trust for the benefit of the holder of such Bond, who thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim of whatever nature on his part on or with respect to said Bond, including for any claim for the payment thereof. Any such moneys or Governmental Obligations held by a Paying Agent for the Bondholders of such Bonds for three (3) years after the principal of the respective Bonds with respect to which such moneys or Governmental Obligations have been so set aside has become due and payable and remains unpaid (whether at maturity or upon redemption or prepayment or otherwise) shall be paid to the City and unless demand for the payment of such Bonds shall have been made, the obligation thereon shall be extinguished and such Bonds shall be deemed no longer Outstanding; provided, however, that before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Bondholders of any Bonds remaining unpaid at the addresses shown on the books of registry maintained by the Registrar a notice, in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the repayment thereof.

[END OF ARTICLE IX]

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**ARTICLE XI  
CONCERNING THE TRUSTEE AND THE PAYING AGENTS**

**SECTION 11.01. Appointment of Trustee; Removal Thereof; Qualifications of Successor Thereof.** The Bank of New York, Jacksonville, Florida, is hereby appointed Trustee hereunder and Paying Agent and Registrar for the first Series of Bonds issued hereunder.

Such Trustee shall execute, acknowledge and deliver to the City an instrument in writing accepting such appointment and the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder; provided, however, that prior to the occurrence of an Event of Default hereunder the Trustee shall have no duties and obligations as trustee hereunder other than to act as Paying Agent or as Registrar if so appointed hereunder or in a Supplemental Resolution and upon the occurrence of an Event of Default hereunder of which it has actual knowledge all such estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee hereunder shall vest in the Trustee unless and until all such Events of Default shall have been cured in accordance with Article VII hereof. Any successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of the Trustee without any further act, deed, or conveyance, other than succeeding to office, but any such successor shall nevertheless execute, acknowledge and deliver to the City, an instrument in writing accepting the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder.

The Trustee may be removed as trustee hereunder at the request of and upon the affirmative vote of the holders of a majority of the principal amount of Bonds outstanding. In the event of the removal or refusal to act of the Trustee, a successor may be appointed by the holders of a majority of the principal amount of Bonds outstanding, excluding any Bonds held by or for the account of the City, and such successor shall have all the powers and obligations of the Trustee as trustee hereunder theretofore vested in the Trustee; provided, that unless a successor Trustee shall have been appointed by the holders of Bonds as aforesaid, the City by a duly executed written instrument signed by an authorized officer of the City, shall forthwith appoint a trustee to fill such vacancy until a successor Trustee shall be appointed by the holders of Bonds as authorized in this Section 11.01. Any successor Trustee appointed by the City shall, immediately and without further action, be superseded by a trustee appointed by the holders of Bonds. Any successor Trustee shall be a corporation organized and doing business under the laws of the United States or of any State of the United States whose principal office is located in Georgia or New York which (a) is authorized under such laws to exercise corporate trust power, (b) is subject to supervision or examination by Federal or state authority, and (c) shall have at all times a combined capital and surplus of not less than one hundred million dollars.

If such Trustee publishes or files reports of condition at least annually, pursuant to law or to the requirements of a supervising or examining authority of the United States of America, or any state, then for the purposes of determining its qualifications hereunder, the capital stock, surplus and undivided profits of the trustee at any time shall be deemed to be its capital stock, surplus and undivided profits as set forth in its most recent report of condition so published or filed.

The Trustee or any successor may resign as trustee hereunder at any time by giving not less than sixty days' notice to the City and by mailing a notice of resignation within ten days after the giving of such notice to the City to the holders of the Bonds, and thereupon the City, in the manner

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**ARTICLE X  
FORMS OF BONDS, ENDORSEMENT AND ASSIGNMENT PROVISIONS,  
CERTIFICATE OF AUTHENTICATION**

**SECTION 10.01. Forms of Bonds, Endorsement and Assignment Provisions, Certificate of Authentication.** The form or forms of Bond for a particular Series of Bonds, the form or forms of the certificate of authentication thereof, the form of the certification of validation thereon, the form or forms of endorsement to appear thereon and the form or forms of assignment thereof shall be in the forms set forth in the Supplemental Resolution providing for the issuance of such Series of Bonds.

[END OF ARTICLE X]

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prescribed above, shall, unless an Event of Default shall have occurred and be continuing, appoint a successor Trustee.

If within fifty days after the mailing of notice of such Trustee's resignation as trustee hereunder no successor Trustee shall have been appointed and shall have accepted such appointment, such trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any holder of a Bond who has been a bona fide holder of a Bond for at least six months may, on behalf of himself or itself and others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

In case at any time any of the following shall occur: (1) any such Trustee hereunder shall cease to be eligible in accordance with the provisions hereof and shall fail to resign after written request therefor has been given to such Trustee by the City or by any holder of a Bond who has been a bona fide holder of a Bond for at least six months, or (2) any such Trustee hereunder shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver for such Trustee or of its property shall be appointed, or any public officer shall take charge or control of such Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the City may remove such Trustee by an instrument in writing or any such holder of a Bond may, on behalf of himself or itself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, remove such Trustee.

Any such Trustee shall execute, acknowledge and deliver to its predecessor, and also to the City, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee; but such predecessor shall, nevertheless, on the written request of the City or such successor Trustee, execute and deliver an instrument transferring to such successor Trustee all rights, powers, trusts, duties and obligations of such predecessor in trust hereunder and shall deliver all moneys held by it to such successor Trustee, together with an accounting of funds held by it hereunder. The successor Trustee shall have no responsibility for the acts of the predecessor Trustee.

Upon acceptance of appointment by a successor Trustee as provided in this Section 11.01, the City shall mail notice of the succession of such Trustee to the trusts hereunder to the holders of the Bonds. If the City shall fail to mail such notice within ten days after acceptance of appointment by a successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

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Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any successor Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor Trustee hereunder without the execution or filing of any paper or any further act on the part of the City, anything herein to the contrary notwithstanding; provided such corporation meets the qualifications set forth in this section.

The Trustee may be removed by the City at any time upon sixty (60) days prior written notice from the City; provided, however, that (i) such removal is subject to revocation by Bondholders of not less than ten percent of the Bonds then Outstanding and (ii) such removal may not be effected if (A) an Event of Default (as defined in Section 7.01) has occurred and is continuing, or (B) there is any deficiency in any fund or account held under this Resolution, or (C) the Trustee is owed any amounts payable to it hereunder, or (D) a successor trustee has not agreed to assume the duties and obligations of the Trustee hereunder. The Trustee shall mail notice of removal pursuant to this paragraph, postage prepaid, not less than fifteen days after receipt of notification of removal from the City, to the registered owners of all Bonds Outstanding at their addresses appearing upon the registry books. Such notice shall state the procedures set forth in this paragraph for revocation of such removal. Failure to receive any such notice of removal shall not affect the proceedings for removal hereunder. Nothing shall prevent the City from sending a notice of revocation to all Bondholders, in the event the Trustee refuses or fails to mail such notice or otherwise; provided that in the event the Trustee refuses or fails to mail such notice, the date of mailing of the City's notice shall be controlling for the purposes of determining the period within which notices of revocation must be received, otherwise, the date of the Trustee's notice shall be controlling. Any notices of revocation of removal must be sent by Bondholders to the Trustee, or, if directed by the City, an independent trustee selected by the City, by registered or certified mail, return receipt requested, and must be received within one hundred and eighty days from the mailing of such notice to Bondholders. Bonds held or owned by or on behalf of the Trustee and Bonds described under Section 6.07 hereof shall not be Outstanding for the purposes of submission of Bondholder revocations pursuant to this paragraph.

**SECTION 11.02. Duties of Trustee; Reliance on Certificates and Opinions.**

(a) Notwithstanding anything in this Resolution or in any Supplemental Resolution to the contrary, prior to an Event of Default as defined in Section 7.01 hereof of which the Trustee as trustee hereunder has actual knowledge, and after the curing or waiving of all such Events of Default, the Trustee (1) shall have no duties or obligations under this Resolution or any Supplemental Resolution, except to receive the annual audit of the Accountant required by Section 5.15 and the no-default certificate required by Section 5.23; and (2) may, in the absence of bad faith, conclusively rely upon certificates or opinions conforming to the requirements of this Resolution as to the truth of the statements and the correctness of the opinions expressed therein. In case of an Event of Default as defined in Section 7.01 hereof of which the Trustee has actual knowledge, the Trustee shall exercise such rights and powers vested in it by this Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provision of this Resolution shall be construed to relieve the Trustee acting as trustee from liability for its own negligent action, its own negligent failure to act, or its own willful

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(h) The Trustee shall be indemnified by the City for, and shall be held harmless against, any loss, liability or expense incurred without gross negligence, willful misconduct or bad faith on the Trustee's part, arising directly or indirectly out of or in connection with the acceptance or administration of the trust created by this Resolution or any Supplemental Resolution, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

(i) The Trustee shall not be liable for interest on any cash held by it except as the Trustee may agree with the City. The Trustee shall not in any event be responsible for ensuring that the rate of interest due and payable on the Bonds under this Resolution or any Supplemental Resolution does not exceed the highest legal rate of interest permissible under federal or state law applicable thereto.

(j) No provisions of this Resolution or any Supplemental Resolution shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it believes the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(k) The Trustee (i) makes no representation as to the validity or adequacy of this Resolution or any Supplemental Resolution or the Bonds, (ii) shall not be responsible for any statement in the Bonds or for the perfection of any lien created by this Resolution or any Supplemental Resolution or otherwise as security for the Bonds, (iii) shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Resolution or any Supplemental Resolution, and (iv) shall not be responsible for any registration, filing, recording, reregistration, refiling or rerecording of this Resolution or any Supplemental Resolution or any other document or instrument executed in connection with this Resolution or any Supplemental Resolution and the issuance and sale of the Bonds, including without limitation any financing statements or continuation statements with respect thereto.

(l) The Trustee shall not be under any obligation to operate or maintain the Airport or any Special Facility or to procure or maintain any insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the City, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made.

(m) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of the Bonds, each representing less than a majority in aggregate principal amount of the Bonds outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(n) Notwithstanding anything else herein contained, whenever in this Resolution or any Supplemental Resolution, the Trustee is required to act or refrain from acting based on its knowledge or actual knowledge, such shall refer to and mean the knowledge or actual knowledge of a "Responsible Officer," and whenever in this Resolution or any Supplemental Resolution, the

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misconduct, except that the Trustee shall at all times: (1) be protected from liability for any error of judgment made in good faith by a Responsible Officer or Officers unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and (2) be protected with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or to be taken by it, or exercising any trust or power conferred upon the Trustee, under this Resolution. The Trustee shall be protected when acting in good faith and upon advice of counsel who may be counsel to the City.

(c) The Trustee may rely on any certificate, opinion, document or other paper believed by it to be genuine and to have been signed or presented by the proper person, and need not investigate any fact or matter stated in such certificate, opinion, document or paper.

(d) Any action taken by the Trustee pursuant to this Resolution or any Supplemental Resolutions upon the request or authority or consent of any person, who at the time of making such request or authority or consent is the owner of any Bonds, shall be conclusive and binding upon all future owners of any Bond issued in replacement thereof.

(e) Before the Trustee acts or refrains from acting, it may require, with respect to a particular covenant or condition, a certificate of an appropriate officer or officers of the City or the Commission or an opinion of counsel stating that (i) the person making such certificate or opinion has read such covenant or condition, (ii) the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (iii) in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with. The Trustee shall not be liable for any loss or damage or action it takes or omits to take in good faith in reliance on the certificate or opinion of counsel.

(f) The Trustee (i) may execute any of the trusts or powers hereunder and perform any of its duties through agents, attorneys, receivers or co-trustees and shall not be responsible for the misconduct or negligence of any agent, attorney, receiver or co-trustee appointed with due care, and (ii) shall be entitled to the advice of counsel concerning all matters of trust hereof and the duties hereunder. In all such cases, the Trustee may pay such reasonable compensation to all such attorneys, agents, receivers and co-trustees as may reasonably be employed in connection with the trusts hereof.

(g) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense, but the Trustee may not require indemnity as a condition to declaring the principal of and premium, if any, and interest on the Bonds to be due immediately under Section 7.02. The Trustee shall not be required to give any bond or surety in respect of the execution of the trust created hereby or the powers granted hereunder. The permissive right of the Trustee to do things enumerated under this Resolution or any Supplemental Resolution shall not be construed as a duty of the Trustee.

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Trustee is to receive written notice, such shall be deemed to have been given and received only if such notice is received by the Trustee at the Principal Office of the Trustee.

(o) Anything in this Resolution or any Supplemental Resolution to the contrary notwithstanding, the same entity may serve hereunder as the Trustee and the Paying Agent and in any other combination of such capacities, to the extent permitted by law, and all protections, privileges, immunities, benefits, and indemnities granted to the Trustee hereunder shall extend and apply to the Trustee whether serving as such or in any other capacity under this Resolution or any Supplemental Resolution.

**SECTION 11.03. Evidence of Compliance with the Conditions Precedent; Examination of Evidence.** The City will furnish, or will cause to be furnished, to the Trustee evidence of compliance with the conditions precedent, if any, provided in this Resolution (including any covenant compliance with which constitutes a condition precedent) which relate to any action to be taken by the Trustee at the request or upon the application of the City. The Trustee shall examine such evidence, and any evidence furnished to it pursuant to any other provisions of this Resolution, to determine whether or not such evidence conforms to the requirements of this Resolution.

**SECTION 11.04. Statement by Trustee of Funds and Accounts and Other Matters.** Not more than one hundred twenty days after the close of each Fiscal Year, if any, during which an Event of Default has occurred or is continuing, the Trustee hereunder shall furnish the City and any Bondholder filing with the Trustee a written request therefor, a statement setting forth (to the extent applicable) in respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all moneys received by the Trustee pursuant to the terms of this Resolution, (b) the amount held by the Trustee at the end of such Fiscal Year to the credit of the funds and accounts continued or created hereunder and (c) a brief description of all obligations held by the Trustee as an investment of moneys in the funds and accounts continued or created hereunder as of the end of the such Fiscal Year.

**SECTION 11.05. Trustee Hereunder Not Liable for Acts of City or Other Trustees; No Representations by Trustee.** The Trustee shall not be responsible or have any liability for any act of the City or of any other trustee. The Trustee shall not be responsible in any manner whatsoever for the correctness of the recitals, statements and representations in this Resolution or in the Bonds. The Trustee makes no representations as to the validity of this Resolution or of the Bonds issued hereunder, and the Trustee shall not incur any liability or responsibility in respect of any such matters.

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**SECTION 11.06. Paying Agents; Paying Agents to Hold Moneys in Trust.** The City shall provide in the Supplemental Resolution authorizing each series of Additional Bonds for the appointment of a principal Paying Agent and such additional Paying Agents as the members of the City shall deem appropriate. Principal of and premium, if any, on all Bonds of a particular series, shall be payable at the principal office of the principal Paying Agent therefor. Interest on all Bonds shall be payable by check or draft mailed, by wire transfer or in any other manner provided by the Supplemental Resolution authorizing such series of Bonds, to the registered holder thereof at his address as it appears on the books of registry and except that any Series of Bonds issued in book-entry form and the interest thereon shall be payable as provided in the Supplemental Resolution authorizing such Series of Bonds. The City shall notify the Trustee of each Paying Agent appointed for a Series of Bonds.

In the event the City determines it is in the best interest of the City it may replace any Paying Agent appointed pursuant to this Resolution or any Supplemental Resolution.

Each Paying Agent shall hold in trust for the benefit of the holders of the Bonds all sums held by such Paying Agent for the payment of the principal of and interest on the Bonds. Such Paying Agent shall give to the Trustee notice of any default by the City in the making of any such payment.

**SECTION 11.07. Trustee, Registrars, Paying Agents and Securities Depository May Buy, Hold, Sell or Deal in Bonds and Other Indebtedness of City.** Any Trustee, Registrar, Paying Agent and securities depository and their respective directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under the provision of this Resolution and may join in any action which any holder of a Bond may be entitled to take, with like effect as if the Trustee, Registrar, Paying Agent or security depository were not a Trustee, a Registrar, a Paying Agent or a securities depository, as the case may be, under this Resolution. Any Trustee, Registrar, Paying Agent and securities depository may in good faith hold any other form of indebtedness of the City; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City; make disbursements for the City; and enter into any commercial or business arrangement with City.

**SECTION 11.08. Reimbursement of Trustee, Registrars and Paying Agents Hereunder for Fees, Expenses and Charges.** The Trustee shall be entitled to reasonable fees and reimbursement by the City for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under this Resolution, including those of its attorneys, agents and employees in such manner as may be agreed to with the City. After the occurrence of an Event of Default, the Trustee shall be entitled to the aforesaid fees and reimbursement, whether or not agreed to with the City. Each Registrar and each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the City for all expenses and charges reasonable incurred by it in the performance of its duties hereunder in such manner as may be agreed to with the City.

Following an Event of Default, the trustee may, but shall not be obligated to, pay any tax, assessment or governmental or other charge, or pay any Operation and Maintenance Expense or any other expense in connection with the operation of the Airport, without prejudice, however, to any right of the Trustee or the owners or the Bonds hereunder arising in consequence of such

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**ARTICLE XII  
MISCELLANEOUS**

**SECTION 12.01. No Personal Liability.** No member of the Commission, official of the City or agent or employee thereof shall be individually or personally liable for the payment of the principal of or interest or premium on the Bonds; but nothing herein contained shall relieve any such member, official, agent or employee from the performance of any duty provided or required by law, including by this Resolution.

**SECTION 12.02. Limitation of Rights.** With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Resolution or the Bonds is intended or shall be construed to give to any person other than the Commission and the City and the holders of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Resolution or any covenants, conditions and provisions herein contained; this Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Commission and the City and the holders of the Bonds as herein provided.

**SECTION 12.03. Laws Governing; Severability.** This Resolution shall be construed and enforced in accordance with the Constitution and laws of the State of Georgia. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Resolution shall not affect the remaining portions of this Resolution or any part thereof.

**SECTION 12.04. Effect of Sundays and Legal Holidays.** Whenever this Resolution or a Bond require any action to be taken on a Sunday or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this Resolution or a Bond the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Sunday or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

**SECTION 12.05. Section Headings; Table of Contents.** The headings or titles of the several sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Resolution.

**SECTION 12.06. Effectiveness of this Resolution.** The Resolution shall become effective upon its adoption and shall repeal and replace the Series 1992 Resolution (described in the preamble to this Resolution) except for the provisions to the Series 1992 Resolution relating to the payment registration, defeasance and redemption of the Series 1992 Bonds (described in the preamble to this Resolution).

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failure; and any amount at any time and from time to time so paid under this Section, with interest thereon from the date of payment at 12% per annum, shall become so much additional indebtedness secured by this Resolution. The Trustee is hereby granted a senior lien on Gross Income and any and all monies and property held by the Trustee hereunder (except moneys held in trust to pay the principal of and premium, if any, and interest on the Bonds which has accrued and is currently payable) prior to any lien granted herein to the owners of the Bonds in order to secure payment of all fees, expenses, advances and any other amounts due and payable to it hereunder, regardless of whether such related to its performance of the duties of Paying Agent, Registrar or otherwise hereunder.

**SECTION 11.09. Trust Estate May Be Vested in Co-Trustee.** It is the purpose of this Resolution that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Resolution, and in particular in case of the occurrence of an Event of Default, it may be necessary that the Trustee appoint an additional individual or institution as a separate Co-Trustee. The following provisions of this Section are adapted to these ends.

In the event of the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers and trusts herein granted to the Trustee or to hold title to any monies or other property hereunder or take any other action which may be necessary or desirable in connection therewith, the Trustee may appoint a separate Co-Trustee and each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Resolution to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate Co-Trustee but only to the extent necessary to enable the separate Co-Trustee to exercise such rights, powers and trusts, and every covenant and obligation necessary to the exercise thereof by such separate Co-Trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the City be required by the separate Co-Trustee so appointed by the Trustee in order to more fully and certainly vest in and confirm to him or its such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments shall, on request, be executed, acknowledged and delivered by the City. In case any separate Co-Trustee or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Co-Trustee.

[END OF ARTICLE XI]

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**APPROVED AND ADOPTED** by the Mayor and Aldermen of the City of Savannah, this 6<sup>th</sup> day of September, 2001.

\_\_\_\_\_  
MAYOR

**APPROVED AND ADOPTED** by the Savannah Airport Commission, this \_\_\_\_\_ day of September, 2001.

\_\_\_\_\_  
CHAIRMAN

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Appendix C  
FORM OF THE PRIMARY AGREEMENTS

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3  
4 \_\_\_\_\_ AIR LINES, INC.

5  
6 AIRLINE OPERATING AGREEMENT

7  
8 THIS AGREEMENT is made and entered into by and between the SAVANNAH  
9 AIRPORT COMMISSION, a municipal corporation and political subdivision of the State of  
10 Georgia, hereinafter referred to as "COMMISSION," and \_\_\_\_\_ AIR LINES, INC., a  
11 corporation organized and existing under the laws of the State of \_\_\_\_\_ and authorized to do  
12 business in the State of Georgia, hereinafter referred to as "AIRLINE."

13  
14 WITNESSETH:

15 WHEREAS, the COMMISSION is the owner of the Savannah/Hilton Head International  
16 Airport, located in Savannah, Georgia, hereinafter referred to as the "Airport;"

17 WHEREAS, the COMMISSION is responsible for the operation, maintenance,  
18 improvement and promotion of the Airport;

19 WHEREAS, COMMISSION has the right to lease and license the use of property and  
20 facilities on the Airport and has full power and authority to enter into this Agreement in respect  
21 thereof; and

22 WHEREAS, AIRLINE is engaged in the business of scheduled transportation by air of  
23 persons, property, mail and/or cargo; and

24 WHEREAS, AIRLINE desires to obtain certain rights, services and privileges in  
25 connection with the use of the Airport and its facilities, and COMMISSION is willing to grant  
26 and lease the same to AIRLINE upon the terms and conditions hereinafter stated; and

27 WHEREAS, AIRLINE and COMMISSION agree to enter into this agreement, specifying  
28 the rights and obligations of the parties with respect to the operation of the Airport by  
29 COMMISSION and the use and occupancy of the Airport by AIRLINE;

30 NOW, THEREFORE, for and in consideration of the mutual covenants and agreements  
31 herein contained, COMMISSION and AIRLINE do hereby mutually undertake, promise and  
32 agree, each for itself and its successors and assigns, as follows:

33  
34 1. DEFINITIONS

35 The following words, terms and phrases wherever used in this Agreement shall for the purposes  
36 of this Agreement have the following meanings:

1 Affiliate shall mean any Air Carrier that (i) is a parent or subsidiary of a Primary Carrier, or  
2 (ii) operates under essentially the same trade name as a Primary Carrier at the Airport and uses  
3 essentially the same livery as such Primary Carrier, or (iii) operates under essentially the same  
4 trade name as a parent or subsidiary of a Primary Carrier at the Airport and uses essentially the  
5 same livery as such parent or subsidiary.

6 Affiliate Airline Operating Agreement shall mean an agreement signed by a passenger  
7 airline operating solely as an Affiliate of a Primary carrier.

8 Agreement shall mean this Airline Operating Agreement between COMMISSION and  
9 AIRLINE, as the same may be amended or supplemented from time to time pursuant to the terms  
10 hereof.

11 Air Transportation Company or Air Carrier shall mean a company engaged in the business  
12 of scheduled or non-scheduled commercial transportation by air of persons, property, mail,  
13 and/or cargo.

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

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

19 Airfield shall mean the Landing Area and Ramp Area.

20 Airline shall mean the Scheduled Air Carrier executing this Agreement.

21 Airline Premises shall mean those areas leased or used by AIRLINE as Exclusive Use,  
22 Preferential Use, and Common Use Premises, as defined herein, and shown on Exhibits "B" and  
23 "C" attached hereto.

24 Airport shall mean the Savannah/Hilton Head International Airport owned and operated by  
25 the COMMISSION, the boundaries of which are more particularly shown on Exhibit "A,"  
26 attached hereto, including all real property and easements, improvements and appurtenances  
27 thereto, structures, buildings, fixtures, machinery, equipment, vehicles, supplies and other  
28 tangible personal property, or interest in any of the foregoing, now or hereafter leased or  
29 acquired by COMMISSION, less any thereof which may be consumed, sold or otherwise  
30 disposed of.

31 Aviation System shall mean all real property and easements, including improvements  
32 thereto, structures, buildings, fixtures, and other tangible personal property which are located on  
33 any airport now or hereafter owned or operated by the COMMISSION.

1 Bond Resolution shall mean the Bond Resolution(s) of the City of Savannah, Georgia  
2 authorizing the issuance by the City of Savannah, Georgia of any Bonds or other financing  
3 obligations with respect to the Aviation System.

4 Bonds shall mean any bonds or other financing instrument or obligation of the City of  
5 Savannah, Georgia.

6 City shall mean the City of Savannah, Georgia, a municipal organization organized  
7 pursuant to the laws of the State of Georgia.

8 Commission shall mean the Savannah Airport Commission, a constitutional body corporate  
9 and politic, acting through the Executive Director, responsible for the overall improvement,  
10 maintenance and operation of the Savannah/Hilton Head International Airport.

11 Common Use Premises shall mean those areas which may be assigned to and/or used by  
12 two or more Scheduled Air Carriers, as shown on Exhibit "C", attached hereto.

13 Deplaned Passenger shall mean any revenue passenger disembarking at the Terminal,  
14 including any such passenger that shall subsequently board another aircraft of the same or a  
15 different Air Transportation Company.

16 Director shall mean the Executive Director and shall include such person or persons as may  
17 from time to time be authorized in writing by COMMISSION or by the Director or applicable  
18 law to act for the Director with respect to any or all matters pertaining to this Agreement.

19 Enplaned Passenger shall mean any revenue passenger boarding at the Airport, including  
20 any such passenger that previously disembarked from another aircraft of the same or a different  
21 Air Transportation Company or from the same aircraft, then operating under a different flight  
22 number.

23 Exclusive Use Premises shall mean those areas assigned exclusively to AIRLINE, as shown  
24 on Exhibits "B" and "C" attached hereto.

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

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

29 Hazardous Substance shall mean and includes any and all substances, chemicals, wastes,  
30 sewage or other materials which are now or hereafter regulated, controlled or prohibited by any  
31 local, state or federal law or regulation requiring removal, warning or restrictions on the use,  
32 generation, disposal or transportation thereof including, without limitation, (a) any substance  
33 defined as "hazardous substance", "hazardous material", "hazardous waste", "toxic substance", or  
34 "air pollutant" in the Comprehensive Environmental Response Compensation and Liability Act  
35 (CERCLA), 42 U.S.C. Section 9601, et seq., the Hazardous Materials Transportation Act

1 (HMTA), 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act  
2 (RCRA), 42 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act (FWPCA), 33  
3 U.S.C. Section 1251, et seq., or the Clean Air Act (CAA), 42 U.S.C. Section 7401, et seq., all as  
4 amended and amended hereafter; (b) any hazardous substance, hazardous waste, toxic substance,  
5 toxic waste, hazardous material, waste, chemical, or compound described in any other federal,  
6 state, or local statute, ordinance, code, rule, regulation, order, decree or other law now or at any  
7 time hereafter in effect regulating, relating to or imposing liability or standards of conduct  
8 concerning any hazardous, toxic, or dangerous substance, chemical, material, compound or  
9 waste.

10 Landing Area shall mean those portions of the Airport provided for the landing, taking off  
11 and taxiing of aircraft, including without limitation, approach and turning zones, aviation or  
12 other easements, runways, taxiways, runway and taxiway lights, and other appurtenances in  
13 connection therewith.

14 Maximum Gross Landed Weight shall mean the maximum gross certificated landing weight  
15 in one thousand pound units, as stated in AIRLINE's flight operations manual, at which each  
16 aircraft operated at the Airport by AIRLINE is certificated by the FAA.

17 Preferential Use Premises shall mean those portions of the Terminal and Ramp Area  
18 assigned to AIRLINE, as shown on Exhibits "B" and "C" attached hereto, to which AIRLINE  
19 shall have priority over all other users, subject to the provisions of Paragraph 15.

20 Primary Carrier shall be any Air Carrier(s) flying under its own livery and who is leasing  
21 apron and gate space and ticket counter space and/or any other space in or connected to the  
22 Airport Terminal Building pursuant to an agreement substantially similar to this agreement for  
23 the purpose of transporting passengers and baggage on a commercial airline.

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

26 Revenues shall mean income accrued by the COMMISSION in accordance with generally  
27 accepted accounting practices, including investment earnings, from or in connection with the  
28 ownership or operation of the Aviation System or any part thereof, or the leasing or use thereof,  
29 all as defined and determined in accordance with the Bond Resolution.

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

34 Term shall mean the period of time during which AIRLINE activities at the Airport shall be  
35 governed by this Agreement, except as otherwise set forth herein.

1 Terminal shall mean the airline passenger terminal facilities at the Airport located in the  
2 northwest quadrant of the Airport, as shown on Exhibit "A" attached hereto, or as they may be  
3 expanded during the Term of this Agreement.

4  
5 Additional words and phrases used in this Agreement but not defined herein shall have the  
6 meanings as set forth in the Bond Resolution or, if not so set forth, shall have their usual and  
7 customary meaning.

8  
9 **2. TERM**

10  
11 A. Effective Date and Term

12 This Agreement shall become effective at 12:01 a.m. on January 1, 2010, and  
13 continue until midnight, December 31, 2014, unless canceled sooner as provided herein.

14  
15 B. Holding Over

16  
17 (1) If AIRLINE shall, with the consent of the COMMISSION, hold over after  
18 the expiration or sooner termination of the Term of this Agreement, the resulting tenancy shall,  
19 unless otherwise mutually agreed, be on a month-to-month basis until such time as AIRLINE  
20 shall surrender the Premises (with thirty (30) days prior written notice to COMMISSION) or  
21 COMMISSION shall reenter the Airline Premises (with thirty (30) days prior written notice to  
22 AIRLINE.) During such month-to-month tenancy, AIRLINE shall pay rentals to COMMISSION  
23 established in accordance with the provisions of this Agreement and shall be bound by all of the  
24 additional provisions of this Agreement insofar as they may be pertinent. COMMISSION'S  
25 consent to a holdover shall be deemed granted during any period of good faith negotiations  
26 between AIRLINE and COMMISSION.

27  
28 (2) In the event AIRLINE uses its Airline Premises without the written consent  
29 of COMMISSION after this Agreement has been canceled or expires, AIRLINE shall be deemed  
30 a tenant at sufferance during the period of such use and shall pay rates equal to the applicable  
31 rates for rentals, fees and charges established by COMMISSION during such period for airlines  
32 operating under the terms of this Agreement. In such event, COMMISSION shall have the right  
33 to all remedies provided under applicable laws.

34  
35 **3. PREMISES**

36  
37 A. Airline Premises

38  
39 (1) COMMISSION does hereby lease and demise to AIRLINE, and AIRLINE  
40 does hereby lease and accept from COMMISSION, Exclusive Use Premises, Preferential Use  
41 Premises and Common Use Premises, as set forth in Exhibits "B" and "C," and COMMISSION  
42 permits AIRLINE nonexclusive use of Common Use Premises as set forth in Exhibit "C."

43  
44 (2) Any changes to Airline Premises shall be evidenced by an amendment to this  
45 Agreement pursuant to Paragraph 17.

46  
Appendix C - 5

1 (1) The landing, taking off, flying over, taxiing, towing, and conditioning of  
2 AIRLINE's aircraft and, in areas designated by COMMISSION, the extended parking, servicing,  
3 loading or unloading, storage or maintenance of AIRLINE's aircraft and support equipment  
4 subject to Paragraphs 4A(6), 4A(7), and 4B(3), to the availability of space, and to such  
5 reasonable charges and regulations as COMMISSION may establish; provided, however,  
6 AIRLINE shall not permit the use of the Airfield by any aircraft operated or controlled by  
7 AIRLINE which exceeds the design strength or capability of the Airfield as described in the  
8 then-current FAA-approved Airport Layout Plan (ALP) or other engineering evaluations  
9 performed subsequent to the then-current ALP, including the then-current Airport Certification  
10 Manual.

11  
12 (2) The sale of air transportation tickets and services, the processing of  
13 passengers and their baggage for air travel, and the sale, handling, and providing of mail, freight  
14 and express services.

15  
16 (3) The training of personnel in the employ of or to be employed by AIRLINE  
17 and the testing of aircraft and other equipment being utilized at the Airport in the operation of  
18 AIRLINE's Air Transportation Business; provided, however, said training and testing shall be  
19 incidental to the use of the Airport in the operation by AIRLINE of its Air Transportation  
20 Business and shall not unreasonably hamper or interfere with the use of the Airport and its  
21 facilities by others entitled to the use of same. The COMMISSION reserves the right to restrict  
22 or prohibit such training and testing operations as it deems interferes with the use of the Airport.

23  
24 (4) The sale, disposition or exchange of AIRLINE's aircraft, engines,  
25 accessories, gasoline, oil, grease, lubricants, fuel or other similar equipment or supplies;  
26 provided, however, AIRLINE shall not sell or permit to be sold aviation fuels or propellants  
27 except (i) to such Air Transportation Company which is a successor company to AIRLINE, (ii)  
28 an Air Transportation Company which is a wholly owned subsidiary or an Affiliate of AIRLINE  
29 or (iii) when a comparable grade and type of fuel desired by others is not available at the Airport  
30 except from AIRLINE.

31  
32 (5) The purchase at the Airport or elsewhere, of fuels, lubricants and any other  
33 supplies and services, from any person or company, subject to Paragraph 4A(4) and to the  
34 COMMISSION's right to require that each provider of services and/or supplies to AIRLINE  
35 secures a permit from COMMISSION to conduct such activity at the Airport, pays required fees,  
36 and abides by all reasonable rules and regulations established by COMMISSION. No  
37 discriminatory limitations or restrictions shall be imposed by COMMISSION that interfere with  
38 such purchases; provided, however, nothing herein shall be construed to permit AIRLINE to  
39 store aviation fuels at the Airport.

40  
41 (6) The servicing of aircraft and other equipment being utilized by AIRLINE or  
42 its Affiliates or its suppliers at the Airport by AIRLINE on AIRLINE's preferentially leased  
43 Aircraft Aprons or such other locations as may be designated by the Director.

44  
45 (7) The loading and unloading of persons, property and mail by motor vehicles  
46 or other means of conveyance approved by COMMISSION on AIRLINE's preferentially leased

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1 (3) In the event that changes to Exhibits "B" and "C" are made to reflect  
2 changes in the leased premises of others, or to reflect other space changes not inconsistent with  
3 the provisions of this Agreement, then in such event said revised Exhibits may be substituted  
4 herein without the necessity for amendment of this Agreement.

5  
6  
7 B. Terminal Equipment

8  
9 Included in Airline Premises is Terminal equipment as set forth in Exhibit "D"  
10 attached hereto and made a part hereof. Terminal equipment owned or acquired by  
11 COMMISSION for use by AIRLINE in its Airline Premises, or as may be hereafter acquired,  
12 shall remain the property of COMMISSION.

13  
14  
15 C. Employee Parking

16  
17 COMMISSION will make reasonable efforts to make available area(s) at the  
18 Airport for vehicular parking for AIRLINE's personnel employed at the Airport, in conjunction  
19 with other Airport employees; provided, however, such area(s) shall not be used for the extended  
20 storage of vehicles or trailers.

21  
22  
23 D. Public Address System

24  
25 COMMISSION shall provide and maintain a public address system in the  
26 Terminal, including microphones or other equipment necessary for the operation of said system,  
27 which AIRLINE and others similarly authorized by COMMISSION shall have the right to use  
28 for flight announcements, paging and similar purposes, subject to reasonable rules and  
29 regulations established by COMMISSION for the use of said system.

30  
31  
32 E. Federal Inspection Facilities

33  
34 COMMISSION may designate areas in the Terminal, or elsewhere on the Airport,  
35 to be used by agencies of the United States government for the inspection of passengers and their  
36 baggage, and for the exercise of the responsibilities of said agencies with respect to the  
37 movement of persons and property to and from the United States.

38  
39 **4. USE OF THE AIRPORT AND RELATED FACILITIES**

40  
41 A. AIRLINE Rights and Privileges

42  
43 In addition to all rights granted elsewhere in this Agreement, AIRLINE shall have  
44 the right to use, in common with others so authorized by the COMMISSION, areas, other than  
45 areas leased exclusively or preferentially to others, facilities, equipment and improvements at the  
46 Airport for the operation of AIRLINE's Air Transportation Business and all activities reasonably  
47 necessary to such operations, including but not limited to:

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1 Aircraft Aprons or such other locations as may be designated by the Director; provided  
2 AIRLINE shall not use preferentially leased Aircraft Aprons to load or unload all cargo aircraft,  
3 unless specifically approved by the Executive Director.

4  
5 (8) Provide, either alone or in conjunction with other Scheduled Air Carriers or  
6 through a nominee, porter/skycap services for the convenience of the public pursuant to  
7 requirements of Title 49, CFR Parts 1541 and 1542, at no cost to COMMISSION.

8  
9 (9) The installation and maintenance, at AIRLINE's sole cost and expense, of  
10 identifying signs in AIRLINE's Exclusive Use and Preferential Use Premises shall be subject to  
11 the prior written approval of the Director. The general type and design of such signs shall be  
12 harmonious and in keeping with the pattern and decor of the Terminal areas. Nothing herein  
13 shall be deemed to prohibit AIRLINE's installation on the walls behind ticket counters and ticket  
14 lift counters in holdrooms and on AIRLINE's loading bridges, if any, identification and company  
15 logo signs as are customarily installed by AIRLINE in such areas at comparable airport facilities.

16  
17 (10) The installation, maintenance and operation, at no cost to COMMISSION, of  
18 such radio communication, computer, meteorological and aerial navigation equipment and  
19 facilities on AIRLINE's Exclusive Use Premises as may be necessary or convenient for the  
20 operation of its Air Transportation Business; provided, however, that such installations shall be  
21 subject to the prior written approval of the Director.

22  
23 (11) Such rights of way as may reasonably be required by AIRLINE for  
24 communications, computer equipment, teletype, telephone, interphone, pneumatic tubes,  
25 conveyor systems and power and other transmission lines in areas not exclusively leased by  
26 AIRLINE, subject to the availability of space and/or ground areas as determined by the Director.  
27 The COMMISSION reserves the right to require the execution of a separate agreement between  
28 COMMISSION and AIRLINE for the lease and use of such space and/or ground area outside  
29 Terminal areas.

30  
31 (12) The installation of personal property, including furniture, furnishings,  
32 supplies, machinery and equipment, in AIRLINE's Exclusive Use Premises and Preferential Use  
33 Premises as AIRLINE may deem necessary or prudent for the operation of its Air Transportation  
34 Business. Title to such personal property shall remain with AIRLINE, subject to the provisions  
35 of this Agreement.

36  
37 (13) The construction of modifications, finishes and improvements in Exclusive  
38 Use Premises as AIRLINE may deem necessary or prudent for the operation of its Air  
39 Transportation Business, subject to the provisions of Paragraph 8.

40  
41 (14) Ingress to and egress from the Airport and Airline Premises for AIRLINE's  
42 officers, employees, agents and invitees, including passengers, suppliers of materials, furnishers  
43 of services, aircraft, equipment, vehicles, machinery and other property. Such right shall be  
44 subject to Title 49 CFR Parts 1541 and 1542, applicable regulations and the COMMISSION's  
45 right to establish rules and regulations governing (i) the general public, including AIRLINE's  
46 passengers, and, (ii) access to non-public areas at the Airport by AIRLINE's employees,

Appendix C - 8

1 suppliers of materials and furnishers of services; provided, however, any such rules and  
2 regulations of the COMMISSION shall not unreasonably interfere with the operation of  
3 AIRLINE's Air Transportation Business. COMMISSION may require and AIRLINE agrees to  
4 signify its agreement with the COMMISSION's security requirement by executing a Security  
5 Letter of Agreement with COMMISSION. Further, COMMISSION reserves the right to, from  
6 time to time, temporarily or permanently restrict the use of any roadway or other area at the  
7 Airport. In the event of such restrictions, and if necessary, COMMISSION shall ensure the  
8 availability of a reasonably equivalent means of ingress and egress.

9  
10 (15) Provide food and beverages, at AIRLINE's sole cost and expense, to  
11 AIRLINE's passengers in AIRLINE's Preferential Use Premises. Except as may subsequently be  
12 provided in a separate agreement, AIRLINE shall not maintain or operate in the Terminal or  
13 elsewhere at the Airport a cafeteria, restaurant, bar or cocktail lounge for the purpose of selling  
14 food and beverages to the public or to AIRLINE's employees and passengers. Nothing in this  
15 paragraph shall prohibit AIRLINE from (i) installing or maintaining vending machines in its  
16 non-public Exclusive Use Premises for the sole use of AIRLINE's employees subject to  
17 obtaining a permit from COMMISSION, and (ii) providing its own flight kitchen for catering  
18 services to its passengers and crews for consumption aboard aircraft or from entering into a  
19 separate agreement with COMMISSION for the sale of food and beverage in a "VIP room" or  
20 similar private club at the Airport.

21  
22 (16) The rights and privileges granted to AIRLINE pursuant to this Paragraph 4  
23 may be exercised on behalf of AIRLINE by other airlines or contractors authorized by  
24 COMMISSION to provide such services at the Airport, subject to the prior written approval of  
25 COMMISSION and further subject to all laws, rules and regulations as may be applicable to the  
26 activities undertaken

27  
28 (17) AIRLINE may exercise on behalf of AIRLINE's Affiliates or any other  
29 airline any of the rights granted AIRLINE herein, so long as AIRLINE is concurrently exercising  
30 those same rights in the operation of AIRLINE's own Air Transportation Business at the Airport,  
31 subject to the provisions of Paragraph 14 and other provisions of this Agreement with respect to  
32 COMMISSION rules and regulations

#### 33 B. Exclusions and Reservations

34 (1) Nothing in this Paragraph 4 shall be construed as authorizing AIRLINE to  
35 conduct any business separate and apart from the conduct of its Air Transportation Business.

36  
37 (2) AIRLINE shall not knowingly interfere or permit interference with the use,  
38 operation or maintenance of the Airport, including but not limited to, the effectiveness or  
39 accessibility of the drainage, sewerage, water, communications, fire protection, utility, electrical,  
40 or other systems installed or located from time to time at the Airport; and AIRLINE shall not  
41 engage in any activity prohibited by the COMMISSION's existing or future lawful Noise  
42 Abatement Procedures.  
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1 (3) As soon as possible after release from proper authorities, AIRLINE shall  
2 remove any of its disabled aircraft from the Landing Area and Ramp Area, shall place any such  
3 disabled aircraft only in such storage areas as may be designated by the Director, and shall store  
4 such disabled aircraft only upon such terms and conditions as may be established by the  
5 Director; provided, however, AIRLINE shall be requested to remove such disabled aircraft from  
6 AIRLINE's preferentially leased Aircraft Apron(s) only if deemed necessary in accordance with  
7 Paragraph 15. In the event AIRLINE shall fail to remove any of its disabled aircraft as  
8 expeditiously as possible, the Director may, but shall not be obligated to, cause the removal of  
9 such disabled aircraft; provided however, the Director shall give AIRLINE prior notice of its  
10 intent to do so and provided further that the Director shall use reasonable efforts to remove such  
11 aircraft. AIRLINE shall pay to COMMISSION, upon receipt of invoice, the costs incurred for  
12 such removal plus twenty-five percent (25%).

13  
14 (4) AIRLINE shall not knowingly do or permit to be done anything, either by  
15 act or failure to act, that shall cause the cancellation or violation of the provisions, or any part  
16 thereof, of any policy of insurance for the Airport, or that shall cause a hazardous condition so as  
17 to increase the risks normally attendant upon operations permitted by this Agreement. If such  
18 AIRLINE act, or failure to act, shall cause cancellation of any policy, then AIRLINE shall  
19 immediately, upon notification by COMMISSION, do whatever shall be necessary to cause  
20 reinstatement of said insurance. Furthermore, if AIRLINE shall do or permit to be done any act  
21 not permitted under this Agreement, or fail to do any act required under this Agreement,  
22 regardless of whether such act shall constitute a breach of this Agreement, which causes an  
23 increase in the COMMISSION's insurance premiums, AIRLINE shall immediately remedy such  
24 actions or pay the increase in premiums, upon notice from COMMISSION to do so.

25  
26 (5) AIRLINE shall not install any wireless Internet or T-1 systems in the  
27 Terminal without first obtaining a written permit from the COMMISSION, and under the terms  
28 and conditions as set forth by the COMMISSION.

29  
30 (6) COMMISSION may, at its sole option, install or cause to be installed  
31 advertising and revenue generating devices, including vending machines, in Common Use  
32 Premises; provided, however, that such installations shall not unreasonably interfere with  
33 AIRLINE's operations authorized hereunder or substantially diminish the square footage  
34 contained in Airline Premises. COMMISSION may also, at its sole option, install internet access  
35 points, pay telephones and facsimile machines in any part of the Terminal; provided, however,  
36 installation of internet access points, pay telephones or facsimile machines in AIRLINE's  
37 Preferential Use Premises shall be with AIRLINE's prior consent, which consent shall not  
38 unreasonably be withheld or delayed. COMMISSION shall be entitled to all income generated  
39 by such telephones and communication devices and to reasonable access upon Airline Premises  
40 to install or service such telephones and communication devices.  
41

42 (7) The rights and privileges granted AIRLINE pursuant to this Paragraph 4  
43 shall be subject to any and all reasonable rules and regulations established by COMMISSION  
44 and to the provisions of Paragraph 6.  
45

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1 (8) Any and all rights and privileges not specifically granted to AIRLINE for its  
2 use of and operations at the Airport pursuant to this Agreement are hereby reserved for and to  
3 COMMISSION.

### 4 5. OPERATION AND MAINTENANCE OF THE AIRPORT

#### 5 A. COMMISSION Obligations

6  
7 (1) COMMISSION shall with reasonable diligence, prudently develop, improve,  
8 and at all times maintain and operate the Aviation System with adequate qualified personnel and  
9 keep the Aviation System in good repair, unless such maintenance, operation or repair shall be  
10 AIRLINE's obligation pursuant to Paragraph 5 or Exhibit "E."

11 (2) COMMISSION shall use reasonable efforts to keep the Aviation System and  
12 its aerial approaches free from ground obstruction for the safe and proper use thereof by  
13 AIRLINE.

14 (3) COMMISSION shall not be liable to AIRLINE for temporary failure to  
15 furnish all or any of such services to be provided in accordance with this Paragraph 5A and  
16 Exhibit "E" when due to mechanical breakdown or any other cause beyond the reasonable  
17 control of COMMISSION.

18 (4) COMMISSION shall maintain all (i) loading bridges; (ii) 400 Hertz units on  
19 Aircraft Aprons; and (iii) baggage conveyers owned by COMMISSION, unless provided  
20 specifically for an individual Scheduled Air Carrier to meet special circumstances.

21 (5) COMMISSION, at the request of AIRLINE, may agree to perform  
22 maintenance, repairs, renovations, and/or improvements to AIRLINE premises. AIRLINE shall  
23 pay to COMMISSION, upon receipt of invoice, the cost of such special services in accordance  
24 with Exhibit "F."

25 (6) COMMISSION agrees to order and receive fuel from fuel suppliers as  
26 designated by AIRLINE between the hours of 8:00 a.m. to 4:00 p.m. Monday through Friday,  
27 with special arrangements for weekend and holiday deliveries provided AIRLINE gives  
28 COMMISSION written notice of the requirement twelve hours prior to the time of delivery.

29 (7) COMMISSION agrees to receive, store and maintain fuel in accordance with  
30 the standards specified in the latest edition of "Standards for Jet Fuel Quality Control at Airports  
31 (ATA Specification #103)" as issued by the Air Transport Association of America, shall perform  
32 tests and inspections, and shall maintain and keep records in accordance with all applicable laws  
33 and ordinances, which shall be available for inspection by AIRLINE with reasonable notice.

34 (8) Upon receipt of fuel into storage, COMMISSION shall perform and record a  
35 filter membrane test, an API specific gravity test, and a simple visual test to ascertain the grade  
36 and quality of aviation fuel delivered and shall reject any delivery which fails one or more tests,  
37 the fees and charges of which shall not be assessed to COMMISSION by the fuel supplier.

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1 Copies of all bills of lading or waybills for products received shall be made available to  
2 AIRLINE by COMMISSION.

3  
4 (9) COMMISSION agrees to provide AIRLINE within two business days after  
5 the end of each month a report detailing aviation fuel volumes received into storage for  
6 AIRLINE's account, volumes delivered into AIRLINE's fueling vehicle or that of AIRLINE's  
7 agent, and the volume remaining in storage belonging to AIRLINE, subject to monthly "stick"  
8 and "calibration" adjustments. Any gain or loss of fuel inventory discovered based on the  
9 difference of physical and book inventory or losses related to sumping and/or maintenance of the  
10 facility shall be distributed to each AIRLINE based on the applicable percentage of  
11 disbursements. Fuel losses attributable to the willful or negligent acts or omissions of the  
12 COMMISSION shall not be distributed to AIRLINE.

#### 13 (10) Telecommunications System

14 (a) COMMISSION has installed a Telecommunications System in the  
15 Terminal Complex which is available for use by AIRLINE upon specific request by AIRLINE.

16 (b) COMMISSION agrees to maintain the Telecommunications  
17 System or repair on a timely basis.

18 (c) If AIRLINE desires to utilize said Telecommunications System,  
19 AIRLINE agrees to pay a fixed monthly fee for the use of said Telecommunications System,  
20 which shall be based on the Schedule of Rates according to the equipment listed by Lessee as  
21 indicated on Exhibit "H," "Savannah Airport Tenant Configuration Worksheet." AIRLINE  
22 further agrees that monthly payment for the use of said System shall be paid in advance on the  
23 first day of each and every month during the term of this Agreement or any renewals thereof.

24 (d) Commission will provide additional equipment to Lessee when  
25 requested at rates established at the time of purchase of the equipment.

#### 26 B. AIRLINE Obligations

27 (1) AIRLINE shall, at all times and at its own expense, preserve and keep  
28 Airline Premises in an orderly, clean, neat and sanitary condition; provided, however, this  
29 requirement shall not be construed to mean AIRLINE shall have janitorial responsibilities  
30 designated to be those of COMMISSION pursuant to Exhibit "E."

31 (2) AIRLINE shall keep at its own expense its Aircraft Aprons free of fuel, oil,  
32 debris, and foreign objects.

33 (3) AIRLINE shall operate and maintain at its own expense (i) loading bridges;  
34 (ii) 400 Hertz units on Aircraft Aprons; and (iii) baggage conveyers and devices provided  
35 exclusively for or by AIRLINE, and (ii) any other improvements and/or equipment installed by  
36 AIRLINE or provided by COMMISSION for the exclusive use of AIRLINE.  
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(4) Should AIRLINE fail to perform its obligations hereunder, COMMISSION shall have the right to enter the Airline Premises and perform such activities; provided, however, other than in a case of emergency, COMMISSION shall give to AIRLINE reasonable advance written notice of non-compliance, not to exceed ten (10) days, prior to the exercise of this right. If such right is exercised, AIRLINE shall pay to COMMISSION, upon receipt of invoice, the cost of such special services in accordance with Exhibit "F."

(5) Fueling

(a) AIRLINE shall have the right to deposit, store and withdraw aviation fuel from the airport facility, provide into-plane fueling services, and conduct inspections of its into-plane fueling operations in accordance with its FAA-approved fuel quality control program. AIRLINE shall comply with all applicable federal, state and local laws, codes, ordinances and regulations pertaining to the handling, storage and dispensing of fuels and the reporting and cleanup of any spills, emissions, discharges or releases affecting the environment.

(b) If AIRLINE desires to contract with a separate contractor or fuel tender ("AGENT") to perform fueling services on AIRLINE's behalf, AIRLINE agrees that its AGENT shall stipulate and agree to comply with the applicable terms and provisions of this Agreement. AIRLINE will provide COMMISSION with fuel suppliers' names and contact numbers as required. AIRLINE shall train or cause its AGENT to train all personnel fueling its aircraft in accordance with an FAA-approved training course. Fueling personnel on duty wear uniforms with the AIRLINE or AGENT logo and their name. Fueling personnel shall record the beginning and ending fuel farm meter readings and the AIRLINE on which the inventory is withdrawn on SAC Form FF-2, which shall then be deposited by each operator in the mailbox provided by COMMISSION.

(c) AIRLINE shall be responsible for tracking its fuel inventory in the airport storage facility and shall be responsible for notifying COMMISSION to order fuel in an amount specified by AIRLINE from the fuel supplier as needed. Any additional costs incurred as a result of ordering partial loads at the request of AIRLINE shall be assessed to AIRLINE. AIRLINE agrees to maintain a positive balance of fuel in inventory, shall maintain accurate daily records of all fuel truck inventories, and will provide COMMISSION with a copy of the operational standards and training standards, if any, it expects the COMMISSION to achieve, along with appropriate training programs which will meet both the FAA and AIRLINE's training standards.

(6) Airline Affiliates

AIRLINE shall have the right to subcontract its Air Transportation Business in whole or in part to one or more Affiliates, provided that each Affiliate executes an Affiliate Airline Operating Agreement with the COMMISSION in which the Affiliate assumes the same rights and obligations under the Agreement executed by the Primary Carrier except for the requirement of the payment of rents for leased space at the Airport. The Primary Carrier shall be

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among the Scheduled Air Carriers using said category of Common Use Premises except for Affiliates of any Primary Carrier that pays the twenty percent (20%) common area charge for Common Use Premises. An Affiliate shall be included as the Primary Carrier with regards to this fixed portion of the Common Use Premises charge as if it was one and the same entity.

(b) The remaining eighty percent (80%) of total rentals due monthly for each category of Common Use Premises shall be prorated among the Scheduled Air Carriers using said category of Common Use Premises 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 using said category of Common Use Premises during such month.

D. Aircraft Apron Fees

AIRLINE's fee for its Preferential Use Premises on the Ramp Area shall be determined as the product obtained by multiplying the number of AIRLINE's preferentially leased gate(s) as set forth in Exhibit "C" times the Aircraft Apron rate for the period as shown on Exhibit "F."

E. Terminal Equipment Charges

Terminal Equipment Charges if required may be made by mutual written consent of the parties hereto without the necessity of formal amendment.

F. Other Fees and Charges

(1) COMMISSION expressly reserves the right to assess and collect the following:

(a) Reasonable and non-discriminatory fees for concessions and other services provided by AIRLINE for others, other than Affiliates, or for AIRLINE by others, other than Affiliates or wholly owned subsidiaries of AIRLINE, pursuant to Paragraphs 4A(16) and 4A(17) of this Agreement, if such services or concessions would otherwise be available from a concessionaire or licensee of COMMISSION.

(b) Notwithstanding paragraph 6.F(1)(a) above, in no event shall COMMISSION assess fees or charges in connection with the exercise of ground handling services when provided for AIRLINE, its Affiliates or a wholly owned subsidiary of AIRLINE.

(c) Pro-rata shares of any charges for the provision of any services or facilities which COMMISSION is required to provide by any governmental entity (other than COMMISSION acting within its proprietary capacity) having jurisdiction over the Airport.

(2) COMMISSION reserves the right to charge AIRLINE or its employees a reasonable fee for the employee parking area(s) provided at the Airport.

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responsible for payment to COMMISSION of any and all fees charged by COMMISSION to the Affiliate for the use of the Airport as defined in Paragraph 4 above.

C. Designation of Operation and Maintenance Responsibilities

In addition to the obligations of AIRLINE and COMMISSION set forth in Paragraphs 5A and 5B, responsibilities for maintenance, cleaning and operation of the Airport shall be as set forth in "Exhibit E" attached hereto and made a part hereof.

6. RENTS, FEES, AND CHARGES

AIRLINE shall pay COMMISSION rentals for use of Airline Premises, and fees and charges for the other rights, licenses, and privileges granted hereunder during the Term of this Agreement.

A. If the term of this agreement is at least three years, AIRLINE agrees that AIRLINE rates paid to COMMISSION for the term shall be at the Primary Carrier rate. If the term of this agreement is less than three years, AIRLINE agrees that all AIRLINE rates (including terminal rental rate, landing rates, apron fees, etc.) paid to COMMISSION shall be calculated as the Primary Carrier rate plus ten (10%) percent.

B. Landing Fees

AIRLINE shall pay monthly to COMMISSION fees for landings for the preceding month. AIRLINE's landing fees shall be determined as the product of the landing fee rate as shown on Exhibit "F" for the period and AIRLINE's total landed weight for the month. AIRLINE's landed weight for the month shall be determined as the sum of the products obtained by multiplying the Maximum Gross Landed Weight of each type of AIRLINE's aircraft by the number of landings of each said aircraft during such month.

C. Terminal Rentals

(1) AIRLINE's Terminal rentals shall be determined as the sum of AIRLINE's rentals for Exclusive Use, Preferential Use, and Common 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 the Terminal rental rate for the period, as shown on Exhibit "F," by the amount of the corresponding type of space leased by AIRLINE as Exclusive Use and Preferential Use Premises as set forth in Exhibits "B" and "C."

(2) Total rentals for Common Use Premises shall be calculated as the product of the Terminal rental rates for the period as shown on Exhibit "F," and the amount of each category of Common Use Premises. AIRLINE's share of the total rentals due each month for Common Use Premises shall be determined as follows:

(a) Twenty percent (20%) of total rentals due monthly (one-twelfth (1/12) of annual amount) for each category of Common Use Premises shall be prorated equally

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(3) AIRLINE shall pay charges for other services or facilities provided by COMMISSION to AIRLINE. Such services or facilities may include, but are not limited to, special maintenance of Airline Premises, 400 Hertz charges, or equipment/vehicle storage areas.

(4) 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, or any taxable possessory right which AIRLINE may have in or to the premises or facilities leased hereunder, or the improvements thereon, by reason of its occupancy thereof, or otherwise, as well as taxes, assessments, and/or charges on taxable property, real or personal, owned by AIRLINE in or about said premises. Upon any termination of tenancy, all taxes then levied or a lien on any of said property, or taxable interest therein, shall be paid in full by AIRLINE forthwith, or as soon as a statement thereof has been issued by the tax collector, if termination occurs during the interval between attachment of the lien and issuance of statement. However, AIRLINE shall not be deemed to be in default under this Agreement for failure to pay taxes pending the outcome of any proceedings instituted by AIRLINE to contest the validity or the amount of such taxes, provided that such failure to pay does not result in any forfeiture.

G. Payments

(1) 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. Said rentals and charges shall be deemed delinquent if payment is not received by the fifteenth (15) calendar day of the month.

(2) Payment of AIRLINE's landing fees shall be due 30 days after invoice date. Said fees shall be deemed delinquent if payment is not received on the date due.

(3) Payment for Common Use Premises shall be due 30 days after invoice date. Said fees shall be deemed delinquent if payment is not received on the date due.

(4) Payment for all other fees and charges due hereunder, shall be due as of the date of the COMMISSION'S invoice. Said fees and charges shall be deemed delinquent if payment is not received within thirty (30) days of the date of such invoice.

(5) COMMISSION shall provide notice of any and all payment delinquencies, including payments of any deficiencies which may be due as a result of the COMMISSION'S estimates of activity pursuant to Paragraph (6), below or due to an audit performed pursuant to Paragraph 6H(3), herein; provided, however, interest at the lower of one and one-half percent (1½%) per month, or the highest rate allowable by applicable state law, shall accrue against any and all delinquent payment(s) from the date of delinquency until the date payments are received by COMMISSION. This provision shall not preclude COMMISSION from canceling this Agreement for default in the payment of rentals, fees or charges, as provided for in Paragraph 11A(2) herein, or from exercising any other rights contained herein or provided by law.

(6) Collection Costs

AIRLINE agrees to pay/reimburse the COMMISSION for all costs of collection, including but not limited to reasonable attorney's fees, in the event of default occurring by AIRLINE for non-payment of rents, fees and charges as stated herein.

(7) In the event AIRLINE fails to submit its monthly activity reports as required in Paragraph H, COMMISSION shall estimate the rentals, fees and charges based upon one hundred twenty-five percent (125%) of the previous month's activity reported by AIRLINE and issue an invoice to AIRLINE for same. If no activity data is available, COMMISSION shall reasonably estimate such activity and invoice AIRLINE for same. AIRLINE shall be liable for any deficiencies in payments based on estimates made under this provision; payment for said deficiencies shall be deemed due as of the date such rental was due and payable. If such estimate results in an overpayment by AIRLINE, COMMISSION shall apply such overpayment as a credit against subsequent amounts due for such rentals, fees and charges from AIRLINE; provided, however, AIRLINE shall not be entitled to any credit for interest on payments of such estimated amounts.

(8) In the event AIRLINE's obligations with respect to Airline Premises or rights, licenses or privileges granted hereunder shall commence or terminate on any date other than the first or last day of the month, AIRLINE's rentals, fees and charges shall be prorated on the basis of the number of days such premises, facilities, rights, licenses, services, or privileges were enjoyed during that month.

(9) All payments due and payable hereunder shall be paid in lawful money of the United States of America, by check made payable to the Savannah Airport Commission and delivered to:

Executive Director  
Savannah Airport Commission  
400 Airways Avenue  
Savannah, Georgia 31408

H. Information to be Supplied by AIRLINE

(1) Not later than five (5) business days after the end of each month, AIRLINE shall file with COMMISSION written reports on forms provided by COMMISSION for activity conducted by AIRLINE during said month, and for activity handled by AIRLINE for other Air Transportation Companies not having an agreement with COMMISSION providing for its own submission of activity data to COMMISSION.

(2) COMMISSION shall have the right to rely on said activity reports in determining rentals and charges due hereunder; provided, however, AIRLINE shall have full responsibility for the accuracy of said reports. Payment deficiencies due to incomplete or inaccurate activity reports shall be subject to interest charges as set forth in Paragraph G(5). With respect to the payment of landing fees, AIRLINE shall provide to the Commission by the

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5th day of each month, a Monthly Landing Weights & Statistical Data Report, SAC FORM 310, attached hereto as Exhibit "L", reflecting the total number of landings and passengers enplaned and deplaned at the Airport during the preceding month, regardless of whether or not business was conducted at the Airport, and for activity handled by AIRLINE for other Air Transportation companies not having an agreement with Commission providing for its own submission of activity data to Commission. AIRLINE hereby acknowledges and agrees that submitted landing information will be verified by Commission's licensed PASSUR Pulse Revenue System. Any discrepancies between AIRLINE's submitted information and that reported through the PASSUR Pulse Revenue System will be charged or credited to AIRLINE based on the landing and aircraft weights information received through the PASSUR System.

(3) 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 pursuant to Paragraph 6H(1). 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 Savannah, Georgia, for audit and/or examination by COMMISSION or its duly authorized representative during all normal business hours. AIRLINE shall produce such books and records at Savannah, Georgia, within thirty (30) calendar days of COMMISSION's notice to do so or pay all reasonable expenses, including but not limited to transportation, food and lodging, necessary for an auditor selected by COMMISSION to audit said books and records.

(4) The cost of audit, with the exception of the aforementioned expenses, shall be borne by COMMISSION; provided, however, the total cost of said audit shall be borne by AIRLINE if either or both of the following conditions exist:

(a) The audit reveals an underpayment of more than five percent (5%) of rentals, fees and charges due hereunder, as determined by said audit; and/or

(b) AIRLINE has failed to maintain true and complete books, records, accounts, and supportive source documents in accordance with Paragraph 6H(3).

I. Security for Payment

(1) Unless AIRLINE has provided regularly scheduled flights to and from the Airport during the eighteen (18) months prior to the effective date of this Agreement without the occurrence of any act or omission that would have been an event enumerated in Paragraph 11A of this Agreement, if this Agreement had been in effect during that period, AIRLINE shall provide COMMISSION with a contract bond, irrevocable letter of credit or other similar security acceptable to COMMISSION ("Contract Security") in an amount equal to the estimate of three (3) months' rentals, fees and charges payable by AIRLINE pursuant to this Paragraph 6, to guarantee the faithful performance by AIRLINE of its obligations under this Agreement and the payment of all rentals, fees and charges due hereunder. AIRLINE shall be obligated to maintain such Contract Security in effect until the expiration of eighteen (18) consecutive months during which period AIRLINE commits no event enumerated in Paragraph 11A of this Agreement. Such Contract Security shall be in a form and with a company reasonably acceptable to

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COMMISSION. In the event that any such Contract Security shall be for a period less than the full period required by this Paragraph 6I(1) or if Contract Security shall be cancelled, AIRLINE shall provide a renewal or replacement Contract Security for the remaining required period at least thirty (30) days prior to the date of such expiration or cancellation.

(2) Notwithstanding the above Paragraph 6I(1), the Director shall have the right to waive such Contract Security requirements for any Scheduled Air Carrier. However, Director shall not waive such Contract Security requirements until fully satisfied that such Scheduled Air Carrier has provided sufficient evidence of its ability to meet its financial obligations to COMMISSION.

(3) Upon the occurrence of any AIRLINE act or omission that is an event enumerated in Paragraph 11.01, or upon AIRLINE's election to assume this Agreement under Federal Bankruptcy Rules and Regulations and Federal Judgeship Act of 1984, as such may be amended, supplemented, or replaced, COMMISSION, by written notice to AIRLINE given at any time within ninety (90) days of the date such event becomes known to COMMISSION, may impose or re-impose the requirements of Paragraph 6I(1) on AIRLINE. In such event, AIRLINE shall provide COMMISSION with the required Contract Security within ten (10) days from its receipt of such written notice and shall thereafter maintain such Contract Security in effect until the expiration of a period of eighteen (18) consecutive months during which AIRLINE commits no additional event enumerated in Paragraph 11A.

(4) If AIRLINE shall fail to obtain and/or keep in force such Contract Security required hereunder, such failure shall be grounds for immediate cancellation of this Agreement pursuant to Paragraph 11A. COMMISSION's rights under this Paragraph 6I shall be in addition to all other rights and remedies provided to COMMISSION under this Agreement.

J. Passenger Facility Charge

The COMMISSION reserves the right to assess and collect Passenger Facility Charges subject to the terms and conditions and such methods of collection set forth in the Aviation Safety and Capacity Expansion Act of 1990, Section 9110 (the "PFC Act") as amended or revised. The proceeds of any Passenger Facility Charge may be utilized as permitted by the PFC Act.

K. No Further Charges

Except as provided in this Agreement, no further rentals, fees or charges shall be charged against or collected from AIRLINE, its passengers, its shippers and receivers of freight, its suppliers of material, its contractors or furnishers of services, by COMMISSION, acting in its capacity as Airport proprietor, for the premises, facilities, rights, licenses and privileges granted to AIRLINE herein.

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7. CHANGES IN RATES FOR RENTALS, FEES, AND CHARGES

A. Annual Rate Changes

(1) For the term of this Agreement, Commission has established new rates, fees and charges which are enumerated herein in Exhibit "F" attached.

B. Rate Changes Based on Enplanements

The total enplanements reported to COMMISSION by all airlines operating at the Airport during the year 2009 is the base enplanement rate. If the total annual enplanements at any time during the contract period increase or decrease by twenty-five (25%) percent, COMMISSION or AIRLINE may request a re-negotiation of the rates under this Agreement. On January 31, COMMISSION will calculate the increase or decrease of enplanements over the 2009 base year and report the results to all Primary Carriers.

C. COMMISSION Covenants

(1) COMMISSION covenants that for purposes of assigning and allocating costs, it shall utilize generally accepted accounting practices utilized for airports operating as an enterprise fund, and include only those charges properly attributable to the Aviation System.

(2) COMMISSION shall operate the Aviation System in a manner so as to produce Revenues from concessionaires, tenants and other users of the Aviation System of a nature and amount which would be produced by a reasonably prudent operator of an airport of substantially similar size, use and activity, with due regard for the interests of the public.

(3) In accordance with the Bond Resolution, COMMISSION shall use all Revenues of the Aviation System for any lawful purpose including the construction, maintenance, operation, development, financing and management of the Aviation System.

8. AIRLINE IMPROVEMENTS

A. Alterations and Improvements by AIRLINE

(1) AIRLINE agrees to accept Airline Premises in an "as is" condition except as otherwise provided in this Agreement.

(2) AIRLINE shall comply in every respect to applicable statutes, ordinances, building codes, and rules and regulations of all governmental agencies as may have jurisdiction at the time any construction is performed or any improvements are placed upon Airline Premises by AIRLINE. AIRLINE shall obtain and provide to COMMISSION copies of all required permits and licenses.

(3) In accordance with Paragraph 4A(6), AIRLINE may construct and install, at AIRLINE's sole expense, improvements in its Exclusive Use Premises as AIRLINE deems to be

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1 necessary for its operations; provided, however, that the plans and specifications, location, and  
2 construction schedule for such improvement of any and all such construction or installation shall  
3 be subject to the advanced written approval of the Director. Said approval shall not be  
4 unreasonably withheld. Provided further, that no reduction or abatement of rentals, fees and  
5 charges shall be allowed for any interference with AIRLINE's operations by such construction.

6  
7 (4) Prior to the commencement of any improvements greater than \$100,000, the  
8 COMMISSION shall have the right to require that AIRLINE shall obtain, or cause to be  
9 obtained, a contract surety bond in a sum equal to the full amount of any construction contract  
10 awarded by AIRLINE for the improvements. Said bond shall name the COMMISSION as an  
11 obligee thereunder and shall be drawn in a form and from such company acceptable to  
12 COMMISSION; shall guarantee the faithful performance of necessary construction and  
13 completion of improvements in accordance with approved final plans and detailed specifications;  
14 and, shall protect COMMISSION against any losses and liability, damages, expenses, claims and  
15 judgments caused by or resulting from any failure to perform completely the work described.  
16 COMMISSION reserves the right to require that AIRLINE acquires or causes to be acquired a  
17 payment bond with any contractor or contractors of AIRLINE as principal, in a sum equal to the  
18 full amount of the construction contract awarded by AIRLINE for the improvements. Said bond  
19 shall name the COMMISSION as an obligee thereunder and shall guarantee payment of all  
20 wages for labor and services engaged, and of all bills for materials, supplies and equipment used  
21 in the performance of said construction contract. Any work associated with such construction or  
22 installation shall not unreasonably interfere with the operation of the Airport, or otherwise  
23 unreasonably interfere with the permitted activities of other Terminal tenants and users. Upon  
24 completion of approved construction, and within sixty (60) days of AIRLINE's receipt of a  
25 certificate of occupancy, a complete set of as-built drawings shall be delivered to the Director for  
26 the permanent record of COMMISSION.

27  
28 (5) AIRLINE shall furnish or require contractors to furnish satisfactory evidence  
29 of statutory worker's compensation insurance, comprehensive general liability insurance,  
30 comprehensive automobile insurance and physical damage insurance, on a builder's risk form  
31 with the interest of COMMISSION endorsed thereon, in such amounts and in such manner as  
32 COMMISSION may reasonably require. COMMISSION may require additional insurance for  
33 any alterations or improvements approved hereunder, in such limits as COMMISSION  
34 reasonably determines to be necessary.

35  
36 (6) Any construction or installation shall be at the sole risk of AIRLINE and  
37 shall be in accordance with all applicable state and local codes and laws and subject to  
38 inspection by the Director.

39  
40 (7) All improvements made to Airline Premises and additions and alterations  
41 thereto made by AIRLINE, except those financed by COMMISSION, shall be and remain the  
42 property of AIRLINE until expiration of the initial Term of this Agreement. Upon termination or  
43 cancellation of this Agreement, said additions and alterations shall become the property of  
44 COMMISSION; provided, however, that any trade fixtures, signs, equipment, and other  
45 moveable personal property of AIRLINE not permanently affixed to Airline Premises shall  
46 remain the property of AIRLINE, subject to the terms of Paragraph 13.

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1 condition that existed prior to the commencement of improvements by AIRLINE. AIRLINE  
2 agrees that if COMMISSION elects to totally repair or rebuild as provided in this paragraph,  
3 then AIRLINE shall proceed with reasonable diligence and at its sole cost and expense (except  
4 to the extent such damage is caused by the gross negligence of COMMISSION, in which case  
5 COMMISSION shall bear proportionate responsibility) to rebuild, repair, and restore, its signs,  
6 fixtures, furnishings, equipment, improvements and other items provided, installed or  
7 constructed by AIRLINE, in or about the Airline Premises in a manner and to a condition at least  
8 equal to that which existed prior to its damage or destruction.

9  
10 (a) In the event that only the improvements located upon the Airline  
11 Premises shall be damaged by fire or other casualty (except to the extent such damage is caused  
12 by the gross negligence of COMMISSION, in which case COMMISSION shall bear  
13 proportionate responsibility), AIRLINE agrees to repair, restore, and rebuild, at its sole cost and  
14 expense, the improvements to a condition at least equal to that which existed prior to its damage  
15 or destruction. The COMMISSION shall make every effort to temporarily relocate AIRLINE, if  
16 necessary, until repairs are completed.

17  
18 (b) COMMISSION has relied upon AIRLINE to provide its own  
19 business interruption and rent insurance to cover the Airline Premises and the loss to AIRLINE  
20 of any improvements and other property situated thereon. Therefore, there shall be no abatement  
21 of rent pending repairs or rebuilding to the same in any event where such damage or destruction  
22 of the Airline Premises or improvement made thereon was caused by the gross negligence of  
23 AIRLINE.

24  
25 **B. Damage Caused by AIRLINE**

26  
27 Notwithstanding the provisions of this Article 9, in the event that due to the gross  
28 negligence or willful act or omission of AIRLINE, its employees, its agents or licensees, Airline  
29 Premises shall be damaged or destroyed by fire, other casualty or otherwise, there shall be no  
30 abatement of rent during the repair or replacement of said Airline Premises. To the extent that  
31 the costs of repairs shall exceed the amount of Airline's insurance proceeds payable to  
32 COMMISSION by reason of such damage or destruction, AIRLINE shall pay the amount of  
33 such additional costs to COMMISSION.

34  
35 **C. COMMISSION'S Responsibilities**

36  
37 COMMISSION shall maintain levels of insurance as required by the Bond  
38 Resolution; provided, however, that COMMISSION'S obligations to repair, reconstruct, or  
39 replace affected premises under the provisions of this Paragraph 9 shall in any event be limited  
40 to restoring affected Airline Premises to substantially the same condition that existed at the date  
41 of damage or destruction, including any subsequent improvements made by COMMISSION;  
42 provided further that COMMISSION shall in no way be responsible for the restoration or  
43 replacement of any equipment, furnishings, property, real improvements, signs, or other items  
44 installed and/or owned by AIRLINE in accordance with this Agreement, except to the extent that  
45 damage is caused by gross negligence or willful misconduct of COMMISSION, its officials,  
46 agents, or employees.

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2 **B. Utilities**

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4 (1) AIRLINE waives any and all claims against COMMISSION for  
5 compensation for any and all loss or damage sustained by reason of any defect, deficiency, or  
6 impairment of any utility system unless caused by the gross negligence or willful misconduct of  
7 COMMISSION.

8  
9 (2) COMMISSION reserves the right for itself and others to existing utility  
10 easements over, under or across Airline Premises, to grant necessary utility easements therefore,  
11 provided that in the exercise of such rights it shall not unreasonably interfere with AIRLINE'S  
12 use of the Airline Premises, and that it shall repair any damage to the Airline Premises and  
13 leasehold improvements caused by COMMISSION as a result of the exercise of such reserved  
14 rights. COMMISSION also reserves the right to utilize any existing surface, overhead and  
15 underground pipes, pumps, utility lines or hydrant systems on the Airline Premises as are  
16 necessary to supply utility service to other portions of the Airport or AIRLINE thereon.

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18 **9. DAMAGE OR DESTRUCTION**

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20 **A. Airline Premises**

21  
22 (1) In the event that structural or permanent portions of the Airline Premises  
23 (other than improvements made by AIRLINE) shall be partially damaged by fire or other  
24 casualty, AIRLINE shall give immediate notice thereof to COMMISSION and the same shall be  
25 repaired at the expense of COMMISSION without unreasonable delay, unless COMMISSION  
26 determines that the damage is so extensive that repair or rebuilding is not feasible, unless such  
27 damage is caused by the gross negligence of the AIRLINE in which case the total expense of  
28 repair or rebuilding would be the responsibility of the AIRLINE. From the date of such casualty  
29 until said area is so repaired, monthly payments hereunder shall abate, except as provided for in  
30 Paragraph C of this Section, in such amount as may be reasonably determined by  
31 COMMISSION; provided, however, that if the Airline Premises shall be so slightly damaged in  
32 any such casualty as not to be rendered unfit for occupancy or AIRLINE'S air transportation  
33 business, the rent hereunder shall not cease or be abated during any repair period.

34  
35 (2) In the event that the damage to the Airline Premises shall be so extensive  
36 as to render it untenable, the rent for said Airline Premises shall cease until such time that the  
37 Airline Premises shall again be put in repair, but in the event of the Airline Premises being  
38 damaged by fire or other casualty to such an extent as to render it necessary in the exclusive  
39 judgment of COMMISSION not to rebuild the same, then, at the option of COMMISSION or  
40 AIRLINE, and upon thirty (30) days written notice to the other, this Agreement as it applies to  
41 said Airline Premises shall cease and come to an end, and the rent hereunder shall be  
42 apportioned and paid up to date of such damage. If COMMISSION elects to rebuild said Airline  
43 Premises, COMMISSION shall notify AIRLINE of such intention within thirty (30) days of the  
44 date of the damage, otherwise, the Agreement as it applies to the Airline Premises shall be  
45 deemed canceled and of no further force or effect. COMMISSION'S obligations to rebuild or  
46 repair under this Paragraph shall in any event be limited to restoring said area to substantially the

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2 **10. INDEMNIFICATION AND INSURANCE**

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4 **A. Indemnification**

5  
6 (1) AIRLINE shall indemnify, save, hold harmless, and defend COMMISSION,  
7 its officials, agents and employees, its successors and assigns, individually or collectively, from  
8 and against any claim, action, loss, damage, injury, liability, and the cost and expense of  
9 whatsoever kind or nature (including, but not limited to, reasonable attorney fees, disbursements,  
10 court costs, and expert fees) based upon injury to persons, including death, or damage to  
11 property arising out of, resulting from, or incident to this Agreement, or in conjunction with  
12 AIRLINE'S use and occupancy of Airline Premises or use of the Airport, except to the extent that  
13 such injury or damage is occasioned by the gross negligence or willful misconduct of  
14 COMMISSION, its officers, employees, or agents.

15  
16 (2) AIRLINE shall indemnify, save, hold harmless, and defend COMMISSION,  
17 its officials, agents and employees, its successors and assigns, individually or collectively, from  
18 and against any claim, action, loss, damage, injury, liability, and the cost and expense of  
19 whatsoever kind or nature (including, but not limited to, reasonable attorney fees, disbursements,  
20 court costs, and expert fees) and any fines in any way arising from or based upon the violation of  
21 any federal, state, or municipal laws, statutes, resolutions, or regulations, including rules or  
22 regulations of the COMMISSION, by AIRLINE, its agents, employees, or successors and  
23 assigns in conjunction with AIRLINE'S use and/or occupancy of Airline Premises or the Airport  
24 except to the extent caused by the gross negligence or willful misconduct of COMMISSION, its  
25 officers, employees or agents.

26  
27 (3) The provisions of this Paragraph 10A shall survive the expiration,  
28 termination or early cancellation of this Agreement.

29  
30 **B. Insurance**

31  
32 (1) During the Term of this Agreement, AIRLINE shall provide, pay for and  
33 maintain with companies, reasonably satisfactory to COMMISSION, the types of insurance  
34 described herein. All insurance shall be issued by responsible insurance companies eligible to do  
35 business in the State of Georgia.

36  
37 (2) All liability policies shall provide that the City of Savannah, the  
38 COMMISSION, and its directors, officers and employees as Additional Insured to the extent of  
39 AIRLINE'S contractual obligations hereunder. The insurance coverage and limits required shall be  
40 evidenced by properly executed certificates of insurance. These certificates shall be manually  
41 signed by the authorized representative of the insurance company shown on the certificate. In  
42 addition, certified copies or originals of AIRLINE'S insurance policies providing the coverage  
43 required by this Agreement shall be made available for COMMISSION'S inspection in  
44 AIRLINE'S offices upon reasonable request by COMMISSION, subject to AIRLINE'S prior  
45 receipt of appropriate confidentiality assurances from COMMISSION and its representatives to

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1 protect AIRLINE's proprietary interest in such policies. The required policies of insurance shall  
2 be construed in accordance with the laws of the State of Georgia.  
3  
4 (3) If at any time COMMISSION requests a written statement as to any  
5 impairments to the aggregate limit, AIRLINE shall promptly authorize and have delivered such  
6 statement to COMMISSION. AIRLINE authorizes COMMISSION and its insurance consultant  
7 to confirm with AIRLINE's insurance agents, brokers and insurance companies all information  
8 furnished COMMISSION, as to its compliance with its insurance requirements.  
9  
10 (4) All required insurance coverages of AIRLINE shall be primary to any  
11 insurance or self-insurance program of COMMISSION.  
12  
13 (5) The acceptance of delivery to COMMISSION of any certificate of insurance  
14 evidencing the insurance coverages and limits required in this Agreement does not constitute  
15 approval or acceptance by COMMISSION that the insurance requirements in this Agreement have  
16 been met.  
17  
18 (6) No operations shall commence at the Airport unless and until the required  
19 certificates of insurance are in effect and approved by COMMISSION.  
20  
21 (7) The insurance coverages and limits required of AIRLINE under this  
22 Agreement are designed to meet the minimum requirements of COMMISSION. They are not  
23 designed as a recommended insurance program for AIRLINE. AIRLINE is responsible for insuring  
24 its real and personal property located at the Airport. AIRLINE, alone, shall be responsible for the  
25 sufficiency of its own insurance program. Should AIRLINE have any question concerning its  
26 exposures to loss under this Agreement, or the possible insurance coverages needed therefor, it  
27 should seek professional advice.  
28  
29 (8) AIRLINE and COMMISSION mutually understand and agree in  
30 accordance with industry standard that the minimum limits of the insurance herein required may  
31 from time to time become inadequate, and AIRLINE agrees that it will increase such minimum  
32 limits upon receipt of written notice. AIRLINE shall furnish COMMISSION, within sixty (60)  
33 days of the effective date thereof, a certificate of insurance evidencing such insurance is in force.  
34  
35 (9) AIRLINE's insurance companies or its authorized representative shall  
36 give COMMISSION thirty (30) days prior written notice of any cancellation, intent not to renew,  
37 or material reduction in any policy's coverage, except in the application of the Aggregate Limits  
38 Provisions. In the event of a reduction to the Aggregate Limit, it is agreed that immediate steps  
39 will be taken to have it reinstated. Said notices shall be sent pursuant to Paragraph 17U of this  
40 Agreement.  
41  
42 (10) If at any time COMMISSION requests a written statement as to any  
43 impairments to the Aggregate Limit, AIRLINE shall promptly authorize and have delivered all  
44 requested information to COMMISSION. Renewal Certificates of Insurance must be provided to  
45 COMMISSION as soon as practical but in every instance prior to expiration of current coverages.  
46

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1 (11) Should at any time AIRLINE, at COMMISSION's sole discretion, fail to  
2 provide or maintain the insurance coverages required in this Agreement, COMMISSION may  
3 terminate or suspend this Agreement.  
4

5 (12) The amounts and types of insurance shall conform to the following  
6 minimum requirements. The wording of all policies, forms and endorsements must be reasonably  
7 acceptable to COMMISSION.  
8

9 (a) Workers Compensation and Employer's Liability Insurance shall be  
10 maintained in force by AIRLINE during the Term of this Agreement for all employees engaged in  
11 the operations under this Agreement. The limits of coverage shall not be less than:

Workers Compensation	Georgia Statutory
Employer's Liability	\$1,000,000 Limit Each Accident
	\$1,000,000 Limit Disease Aggregate
	\$1,000,000 Limit Disease Each Employee

12 (b) Airline/General Liability Insurance shall be maintained by  
13 AIRLINE for the life of this Agreement. Coverage shall include, but not be limited to, Premises,  
14 Personal Injury, Contractual for this Agreement, Independent Contractors, Broad Form Property  
15 Damage, Products and Completed Operations Coverage and shall not exclude the (XCU)  
16 Explosion, Collapse and Underground Property Damage Liability Coverage. Coverage shall be  
17 applicable to the operation of all licensed and unlicensed motor vehicles and ground equipment  
18 operating within the Aircraft Operations Area (AOA) at the Airport. The Completed Operations  
19 Coverage shall be maintained for a period of not less than three (3) years following final operations  
20 of AIRLINE under this Agreement. The limits of coverage shall not be less than:

Bodily & Personal Injury & Property Damage Liability	\$100,000,000 Combined Single Limit Each Occurrence & Aggregate
Personal Injury (non-passengers)	\$25,000,000 Each Occurrence & Aggregate

21 (c) Aircraft Liability Insurance shall be maintained by AIRLINE during the  
22 Term of this Agreement for all owned, non-owned, leased or hired aircraft, including passenger  
23 coverage. The limits of coverage shall not be less than:

Bodily & Personal Injury & Property Damage Liability	\$100,000,000 Combined Single Limit Each Occurrence & Aggregate
Personal Injury (non-passengers)	\$25,000,000 Each Occurrence & Aggregate

24 (d) Business Automobile Liability Insurance shall be maintained by AIRLINE  
25 during the Term of this Agreement as to the ownership, maintenance, and use of all owned, non-  
26 owned, leased or hired vehicles. The limits of coverage shall not be less than:

Bodily & Personal Injury & Property Damage Liability	\$5,000,000 Combined Single Limit Each Occurrence & Aggregate
---------------------------------------------------------	------------------------------------------------------------------

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1 (e) Umbrella Liability Insurance or Excess Liability Insurance may be used to  
2 reach the limits of liability required for the Airport Liability Policy, Aircraft Liability and the  
3 Business Automobile Policy. The limits of coverage shall not be less than:

Umbrella or Excess Liability Policy	\$100,000,000 Combined Single Limit Each Occurrence & Aggregate Specific for this Agreement
	\$200,000,000 Combined Single Limit Each Occurrence & Aggregate-Not Specific for this Agreement
Personal Injury (non-passengers)	\$25,000,000 Each Occurrence & Aggregate
Primary Liability Limits for the underlying Airport General Liability Coverage:	
Bodily & Personal Injury & Property Damage Liability	\$10,000,000 Combined Single Limit Each Occurrence & Aggregate

19 C. Waiver of Subrogation

20 All insurance policies listed in 12. (b), (c), (d) and (e) above shall contain a  
21 standard cross-liability provision and shall stipulate that no insurance held by Commission will  
22 be called upon to contribute to a loss covered thereunder and the inclusion of Commission as an  
23 additional insured is not intended to, and shall not, make Commission a partner or joint venturer  
24 with AIRLINE in AIRLINE's operations on the Leased Premises. For all policies listed above,  
25 Commission shall have no liability for any premiums charged for such coverage and such  
26 policies shall also insure AIRLINE against the risks to which it is exposed as the operator of the  
27 business authorized under this Agreement and shall contain provisions on the part of the  
28 respective insurers waiving the right of such insurers to subrogation.

29 **11. CANCELLATION BY COMMISSION**

30 A. Events of Default

31 The events described below shall be deemed events of default by AIRLINE  
32 hereunder:

33 (1) Upon the occurrence of any one of the following events, COMMISSION  
34 may give written ten (10) day notice as provided in Paragraph 11C.

35 (a) The appointment of a trustee, custodian, or receiver of all or a  
36 substantial portion of AIRLINE's assets.

37 (b) The divestiture of AIRLINE's estate herein by operation of law, by  
38 dissolution, or by liquidation.  
39  
40  
41  
42  
43  
44

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1 (c) The insolvency of AIRLINE; or if AIRLINE shall take the benefit  
2 of any present or future insolvency statute, shall make a general assignment for the benefit of  
3 creditors, or shall seek a reorganization or the readjustment of its indebtedness under any law or  
4 statute of the United States or of any state thereof.  
5

6 (d) The voluntary discontinuance for a period of at least thirty (30)  
7 consecutive days by AIRLINE of its operations at the Airport unless otherwise approved by  
8 COMMISSION, in advance, in writing.  
9

10 (e) The conduct of any business or performance of any acts at the  
11 Airport not specifically authorized herein or by other agreements between COMMISSION and  
12 AIRLINE, and said business or acts do not cease within ten (10) days of receipt of  
13 COMMISSION's written notice to cease said business or acts.  
14

15 (f) The failure to cure a default in the performance of any of the  
16 material terms, covenants and conditions required herein except Contract Security requirements,  
17 insurance requirements, and payment of rentals, fees and charges, all as provided for in  
18 Paragraph 11A(2) within thirty (30) days of receipt of written notice by COMMISSION to do so;  
19 or if by reason of the nature of such default, the same cannot be remedied within thirty (30) days  
20 following receipt by AIRLINE of written demand from COMMISSION to do so, AIRLINE fails  
21 to commence the remedying of such default within said thirty (30) days following such written  
22 notice, or having so commenced, shall fail thereafter to continue with diligence the curing  
23 thereof.  
24

25 (2) Upon the occurrence of any one of the following events, COMMISSION  
26 may immediately issue written notice of default.  
27

28 (a) The failure by AIRLINE to pay any part of the rentals, fees and  
29 charges due hereunder and the continued failure to pay said amounts in full within ten (10) days  
30 of COMMISSION's written notice of payments past due. Provided, however, if a dispute arises  
31 between COMMISSION and AIRLINE with respect to any obligation or alleged obligation of  
32 AIRLINE to make payments to COMMISSION, payments under protest by AIRLINE of the  
33 amount due shall not waive any of AIRLINE's rights to contest the validity or amount of such  
34 payment. In the event any court or other body having jurisdiction determines all or any part of  
35 the protested payment shall not be due, then COMMISSION shall promptly reimburse AIRLINE  
36 any amount determined as not due plus interest on such amount at the lower of one and one-half  
37 percent (1-1/2%) per month or the highest rate allowable under applicable state law.  
38

39 (b) The failure by AIRLINE to provide and keep in force, if required,  
40 Contract Security in accordance with Paragraph 6I.

41 (c) The failure by AIRLINE to provide and keep in force insurance  
42 coverage in accordance with Paragraph 10.B.  
43  
44  
45  
46

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1 B. Continuing Responsibilities of AIRLINE

2 Notwithstanding the occurrence of any event of default, AIRLINE shall remain

3 liable to COMMISSION for all rentals, fees and charges payable hereunder and for all preceding

4 breaches of any covenant of this Agreement. Furthermore, unless COMMISSION elects to

5 cancel this Agreement, AIRLINE shall remain liable for and promptly pay all rentals, fees and

6 charges accruing hereunder until termination of this Agreement as set forth in Paragraph 2 or

7 until this Agreement is canceled by AIRLINE pursuant to Paragraph 12.

8

9

10 C. COMMISSION's Remedies

11 Upon the occurrence of any event enumerated in Paragraph 11A, the following

12 remedies shall be available to COMMISSION:

13

14 (1) COMMISSION may exercise any remedy provided by law or in equity,

15 including but not limited to the remedies hereinafter specified.

16

17 (2) COMMISSION may cancel this Agreement, effective upon the date

18 specified in the notice of cancellation. For events enumerated in Paragraph 11A(1), such date

19 shall be not less than thirty (30) days from said notice. Upon such date, AIRLINE shall be

20 deemed to have no further rights hereunder and COMMISSION shall have the right to take

21 immediate possession of AIRLINE's Airline Premises.

22

23 (3) COMMISSION may reenter the Airline Premises and may remove all

24 AIRLINE persons and property from same upon the date of reentry specified in

25 COMMISSION's written notice of reentry to AIRLINE. For events enumerated in Paragraph

26 11A(1), reentry shall be not less than thirty (30) days from the date of notice of reentry. Upon

27 any removal of AIRLINE property by COMMISSION hereunder, AIRLINE property may be

28 stored at a public warehouse or elsewhere at AIRLINE's sole cost and expense.

29

30 (4) COMMISSION may re-let Airline Premises and any improvements thereon

31 or any part thereof at such rentals, fees and charges and upon such other terms and conditions as

32 COMMISSION, in its sole discretion, may deem advisable, with the right to make alterations,

33 repairs or improvements on said Airline Premises. In re-letting the Airline Premises,

34 COMMISSION shall be obligated to make a good faith effort to obtain terms no less favorable to

35 COMMISSION than those contained herein and otherwise seek to mitigate any damages it may

36 suffer as a result of AIRLINE's event of default.

37

38 (5) In the event that COMMISSION re-lets Airline Premises, rentals, fees and

39 charges received by COMMISSION from such re-letting shall be applied: (i) to the payment of

40 any indebtedness other than rentals, fees and charges due hereunder from AIRLINE to

41 COMMISSION; (ii) to the payment of any cost of such re-letting; and (iii) to the payment of

42 rentals, fees and charges due and unpaid hereunder. The residue, if any, shall be held by

43 COMMISSION and applied in payment of future rentals, fees and charges as the same may

44 become due and payable hereunder. If that portion of such rentals, fees and charges received

45

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1 (3) The Airport is permanently closed as an air carrier airport by act of any

2 Federal, state, or local government agency having competent jurisdiction; or AIRLINE is unable to

3 use Airport for a period of at least sixty (60) consecutive days due to any law or any order, rule or regulation of any governmental authority having jurisdiction over the operations of the

4 Airport; or any court of competent jurisdiction issues an injunction preventing COMMISSION or AIRLINE from using Airport for airport purposes, for reasons other than those circumstances

5 within AIRLINE's control, and such injunction remains in force for a period of at least sixty (60)

6 consecutive days.

7

8 (4) The United States Government or any authorized agency of the same (by

9 executive order or otherwise) assumes the operation, control or use of the Airport in such a

10 manner as to substantially restrict AIRLINE from conducting its operations, if such restriction be

11 continued for a period of sixty (60) consecutive days or more.

12

13 B. AIRLINE's Remedy

14

15 So long as AIRLINE is not in default as set forth in Paragraph 11A of this

16 Agreement, including but not limited to payments due to COMMISSION hereunder, AIRLINE

17 may immediately cancel this Agreement upon the occurrence of an event of default, as set forth

18 in Paragraph 12A and may exercise any remedy provided by law. All rentals, fees and charges

19 payable by AIRLINE shall cease as of the date of such cancellation and AIRLINE shall

20 surrender the Airline Premises in accordance with Paragraph 13 hereof.

21

22

23 13. SURRENDER OF AIRLINE PREMISES

24

25 A. Surrender and Delivery

26

27 Upon termination or cancellation of this Agreement, AIRLINE shall promptly and

28 peaceably surrender to COMMISSION its Airline Premises and all improvements thereon to

29 which COMMISSION is entitled in good and fit condition, reasonable wear and tear and

30 casualty excepted; provided, however, nothing in this Paragraph 13A shall be construed to

31 modify the obligations of the parties set forth in Paragraph 8, Paragraph 9, and Paragraph 10.

32

33 B. Removal of Property

34

35 Provided AIRLINE is not in default for payment of rentals, fees and charges

36 hereunder, AIRLINE shall have the right at any time during the Term of this Agreement to

37 remove from the Airport its aircraft, tools, equipment, trade fixtures, and other personal property,

38 title to which shall remain in AIRLINE, unless otherwise set forth in this Agreement, and shall

39 remove such aircraft, tools, equipment, trade fixtures, and other personal property within thirty

40 (30) days following termination of this Agreement, whether by expiration of time or otherwise,

41 as provided herein, subject to any valid lien which COMMISSION may have thereon for unpaid

42 rentals, fees and charges. AIRLINE shall not abandon any portion of its property at the Airport

43 without the written consent of COMMISSION. Any and all property not removed by AIRLINE

44 within thirty (30) days following the date of termination of this Agreement shall, at the option of

45 COMMISSION, (i) become the property of COMMISSION at no cost to COMMISSION; (ii) be

46

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1 from such re-letting and applied to the payment of rentals, fees and charges hereunder is less

2 than the rentals, fees and charges payable during applicable periods by AIRLINE hereunder,

3 then AIRLINE shall pay such deficiency to COMMISSION. AIRLINE shall also pay to

4 COMMISSION, as soon as ascertained, any actual, reasonable and documented costs and

5 expenses incurred by COMMISSION in such re-letting not covered by the rentals, fees and

6 charges received from such re-letting.

7

8 (6) No reentry or re-letting of Airline Premises by COMMISSION shall be

9 construed as an election on COMMISSION's part to cancel this Agreement unless a written

10 notice of cancellation is given to AIRLINE.

11

12 (7) AIRLINE shall pay to COMMISSION all other costs, incurred by

13 COMMISSION in the exercise of any remedy in this Paragraph 11, including, but not limited to,

14 reasonable attorney fees, disbursements, court costs, and expert fees.

15

16 D. Remedies Under Federal Bankruptcy Laws

17

18 Notwithstanding the foregoing, upon the filing by or against AIRLINE of any

19 proceeding under Federal bankruptcy laws, if AIRLINE has defaulted in the performance of any

20 provision of this Agreement within the six (6) months preceding such filing, COMMISSION

21 shall have the right to cancel this Agreement, in addition to other remedies provided under

22 provisions of the Federal Bankruptcy Rules and Regulations and Federal Judgeship Act of 1984,

23 as such may be subsequently amended, supplemented, or replaced. Such cancellation shall be by

24 written notice to AIRLINE within sixty (60) days from the date of AIRLINE's initial filing in

25 bankruptcy court.

26

27 12. CANCELLATION BY AIRLINE

28

29 A. Events of Default

30

31 The events described below shall be deemed events of default by COMMISSION

32 hereunder:

33 (1) COMMISSION fails to keep, perform or observe any material term,

34 covenant or condition herein contained to be kept, performed, or observed by COMMISSION

35 and such failure continues for thirty (30) days after receipt of written notice from AIRLINE; or,

36 if by its nature such default cannot be cured within such thirty (30) day period, COMMISSION

37 shall not commence to cure or remove such default within said thirty (30) days and to cure or

38 remove the same as promptly as reasonably practicable; provided, however, COMMISSION's

39 performance under this Paragraph shall be subject to the provisions of Paragraph 17W of this

40 Agreement.

41

42 (2) Airport is closed to flights in general or to the flights of AIRLINE, for

43 reasons other than those circumstances within AIRLINE's control, and Airport fails to be

44 reopened to such flights within sixty (60) consecutive days from such closure.

45

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1 stored by COMMISSION, at no cost to COMMISSION; or (iii) be sold at public or private sale

2 at no cost to COMMISSION. Except as may be agreed to otherwise by COMMISSION and

3 AIRLINE, all COMMISSION property damaged by or as a result of the removal of AIRLINE's

4 property shall be restored by AIRLINE to the condition existing before such damage at

5 AIRLINE's expense, unless such damage is caused by COMMISSION.

6

7 14. ASSIGNMENT, SUBLETTING, AND HANDLING AGREEMENTS

8

9 A. Assignment and Subletting by AIRLINE

10

11 (1) In the event that AIRLINE shall, directly or indirectly, assign, sell,

12 hypothecate or otherwise transfer this Agreement, or any portion of Airline Premises, without

13 the prior written consent of the COMMISSION, the COMMISSION, in its sole discretion may

14 terminate this Agreement upon thirty (30) days written notice. For purposes of this provision,

15 such transfer shall include any change in the ownership and control of AIRLINE from that

16 existing on the Effective Date from any of the following: (i) the transfer to any individual,

17 corporation, partnership or other entity of direct or indirect beneficial ownership of a portion of

18 any class of outstanding voting securities of AIRLINE which results in excess of fifty (50)

19 percent ownership thereof; (ii) an issuance, transfer, purchase or exchange of all or a portion of

20 the securities of AIRLINE or of a subsidiary corporation of AIRLINE or the creation, transfer,

21 purchase or exchange of any rights or privileges thereunder; or (iii) the transfer, purchase or

22 exchange of all or a portion of the assets of AIRLINE or of a subsidiary corporation of

23 AIRLINE, which causes or results in a change in the relationship between AIRLINE and a

24 subsidiary corporation of AIRLINE, or AIRLINE and the holders of the securities of AIRLINE,

25 or the creation of another corporation for the purpose, among others, of accepting and holding

26 securities of AIRLINE, or which places control of AIRLINE in a single entity, or which effects,

27 causes or results in a transfer or change in the entity exercising control over AIRLINE.

28

29 (2) AIRLINE shall not sublease Airline Premises without the prior written

30 consent of COMMISSION, which consent may be withheld if COMMISSION has substantially

31 similar space available, but unleased, or if COMMISSION can make such space available for

32 lease within a reasonable time. Exclusive or preferential use of AIRLINE's Exclusive Use

33 Premises or any part thereof, or preferential use of AIRLINE's Preferential Use Premises or any

34 part thereof, by anyone other than AIRLINE or a Scheduled Air Carrier being handled by

35 AIRLINE pursuant to Paragraph 14B, shall be deemed a sublease.

36

37 (3) With respect to assignments and subleases requiring COMMISSION'S

38 consent, AIRLINE shall include with its request for permission to assign or sublease, a copy of

39 the proposed assignment or sublease agreement, if prepared. In the event such proposed

40 agreement has not been prepared, a written summary of the material terms and conditions to be

41 contained in such agreement shall be included with AIRLINE's request for tentative approval by

42 the COMMISSION. The assignment or sublease agreement or written summary submitted with

43 AIRLINE's request shall include the following information: (i) the term; (ii) the area or space to

44 be assigned or subleased; (iii) the sublease rentals to be charged; and (iv) the provision that

45 assignee or sublessee must execute a separate operating agreement with COMMISSION. Any

46 other information reasonably requested by COMMISSION pertaining to said sublease or

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1 assignment shall be promptly provided by AIRLINE. A fully executed copy of such sublease or  
2 assignment shall be submitted to COMMISSION for final approval within sixty (60) days of the  
3 occupancy of Airline Premises, or any portion thereof, by the assignee or sublessee.

4  
5 (4) In the event the rentals, fees and charges for subleased premises exceed the  
6 rentals, fees and charges payable by AIRLINE for said premises pursuant to this Agreement,  
7 AIRLINE shall pay to COMMISSION fifty percent (50%) of the excess of the rentals, fees and  
8 charges received from the sublessee over that specified to be paid by AIRLINE herein; provided,  
9 however, AIRLINE may charge a reasonable fee for administrative costs, not to exceed fifteen  
10 percent (15%) of the specified sublease rental and such fee shall not be considered part of excess  
11 rentals, fees and charges. AIRLINE may also charge a reasonable fee to others for the use of  
12 AIRLINE's capital equipment and to charge for use of utilities and other services being paid for  
13 by AIRLINE.

14  
15 (5) The assignment of this agreement shall not require the Commission's consent  
16 or approval if (i) A Primary Carrier merges, consolidates, acquires, or is sold to or by another  
17 air carrier; (ii) A Primary Carrier acquires an affiliate; or (iii) A Primary Carrier acquires or  
18 sells a subsidiary from or to another air carrier.

19  
20 (6) Nothing in this Paragraph 14 shall be construed to release AIRLINE from its  
21 obligations under this Agreement, including but not limited to, the payment of rentals, fees and  
22 charges provided herein.

23  
24 **B. Handling Agreements**

25  
26 In the event AIRLINE agrees to ground handle any portion of the operations of  
27 another Scheduled Air Carrier, AIRLINE shall provide COMMISSION advance written notice  
28 of such proposed activities, including a description of the type and extent of services to be  
29 provided. Notwithstanding the foregoing, AIRLINE shall not ground handle any Scheduled Air  
30 Carrier which does not have in force an operating agreement with COMMISSION for the  
31 operation of its Air Transportation Business at the Airport.

32  
33 **15. AVAILABILITY OF ADEQUATE FACILITIES**

34  
35 **A. Declaration of Intent**

36  
37 The parties acknowledge the objective of COMMISSION to offer to all Air  
38 Transportation Companies desiring to serve Airport access to the Airport and to provide  
39 adequate gate positions and space in the Terminal. Recognizing that physical and financial  
40 limitations may preclude timely expansion of the Terminal and Aircraft Apron areas to meet the  
41 stated requests of AIRLINE and/or such other Scheduled Air Carriers ("Requesting Airlines")  
42 for additional facilities, COMMISSION hereby states its intent to pursue the objective of  
43 achieving an optimum balance in the overall utilization of Terminal and Aircraft Apron areas to  
44 be achieved, if necessary, through sharing or reassigning, from time to time, of gate positions  
45 and other passenger handling facilities.

46  
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1  
2  
3 **B. Accommodation of Requesting Airlines**

4  
5 (1) AIRLINE shall cooperate with COMMISSION to accommodate the needs of  
6 a Requesting Airline by permitting such Requesting Airline to utilize AIRLINE's Airline  
7 Premises for the time period(s) reasonably necessary to permit passenger loading and unloading  
8 operations in conjunction with the scheduled operations of such Requesting Airline at times  
9 when the use of such facilities shall not interfere with AIRLINE's planned operations or those of  
10 its approved or permitted sub-lessees, licensees or permittees. In determining if AIRLINE shall  
11 be required to accommodate a Requesting Airline, the COMMISSION shall consider AIRLINE's  
12 capabilities, capacity, facilities and personnel therefor, after taking into account AIRLINE's own  
13 requirements and contractual obligations, the compatibility of said Requesting Airline's proposed  
14 operations with those of AIRLINE, and the need for labor harmony. COMMISSION shall not  
15 require AIRLINE to accommodate a Requesting Airline if COMMISSION has unassigned gates  
16 which can reasonably accommodate the needs of said Requesting Airline. AIRLINE's  
17 accommodation of a Requesting Airline shall be subject to the following: a written agreement  
18 between AIRLINE and Requesting Airline, approved in writing by COMMISSION prior to the  
19 effective date thereof and Requesting Airline entering into an agreement with COMMISSION to  
20 operate at the Airport. The proffering of a handling agreement by AIRLINE shall be deemed a  
21 reasonable effort for the purpose of this Paragraph 15B(1).

22  
23 (2) AIRLINE shall cooperate with COMMISSION to accommodate other Air  
24 Transportation Companies from time to time, as deemed necessary by COMMISSION for  
25 situations including, but not limited to unscheduled flights, including charters, diversions due to  
26 weather, and other circumstances not otherwise accommodated or handled by a Scheduled Air  
27 Carrier, and scheduled flights for which the Scheduled Air Carrier has no assigned gates or its  
28 assigned gates are occupied at the time said flight arrives. Provided, however, AIRLINE shall  
29 not be required to accommodate such other Scheduled Air Carriers pursuant to this Paragraph  
30 15.02.B. If all of AIRLINE's gate positions are occupied by AIRLINE's flights or flights of other  
31 Scheduled Air Carriers already being accommodated by AIRLINE at the time of said flight  
32 needing to be accommodated. For purposes of this provision, the overnight parking of  
33 AIRLINE's aircraft at a gate position or parking of AIRLINE's aircraft at a gate position other  
34 than between one (1) hour before arrival or one (1) hour after scheduled departure of AIRLINE's  
35 aircraft shall not be deemed occupation of said gate position. If AIRLINE accommodates such  
36 other Scheduled Air Carriers then said other Scheduled Air Carrier shall be required to vacate  
37 AIRLINE's gate position at least forty-five (45) minutes prior to AIRLINE's next scheduled  
38 flight arrival at said gate position. The accommodated carrier shall pay AIRLINE's reasonable  
39 costs incurred in removing AIRLINE's aircraft from the gate positions.

40  
41 (3) If AIRLINE is directed by Commission to accommodate another Scheduled  
42 Air Carrier as described in Paragraph 15B(2) above, COMMISSION will invoice and collect  
43 terminal rental fees, apron fees, and other related fees from the Scheduled Air Carrier and will  
44 credit AIRLINE with said invoiced fees.

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1 (4) Subject to the provisions of Paragraphs 14A and 14B, nothing contained in  
2 this Paragraph shall prevent or prohibit AIRLINE from electing to enter into an agreement with  
3 other Scheduled Air Carriers authorized to operate into and out of the Airport and desiring the  
4 joint use of Airline Premises as provided in Paragraph 14 herein.

5  
6 (5) COMMISSION reserves the right to reassign one or more of AIRLINE's  
7 preferentially assigned gates to another Scheduled Air Carrier if: (1) AIRLINE's scheduled  
8 average gate utilization falls below three (3) flights per gate per weekday (including code-share  
9 flights handled by AIRLINE), (2) COMMISSION determines that there is a reasonable need for  
10 the preferential use of such gate(s) by another Scheduled Air Carrier, and (3) the new entrant  
11 Scheduled Air Carrier meets the required three (3) flights per gate per weekday minimum. Such  
12 reassignment will be evidenced by written notice from the Director transmitting revised Exhibits  
13 "B" and "C". Prior to such reassignment becoming effective, AIRLINE shall have a 60-day  
14 period to adjust its schedule to three or more flights per gate per week day so as not to be subject  
15 to such reassignment. In the event of reassignment AIRLINE is entitled to reimbursement for the  
16 unamortized book value of its tenant improvements and relocation costs.

17  
18 **C. Accommodation of Exclusive Use Premises**

19  
20 (1) In the event the COMMISSION receives a written request from a Requesting  
21 Airline for a type of space leased on an exclusive basis to others, and the Requesting Airline  
22 demonstrates to the satisfaction of the COMMISSION that it has contacted all Scheduled Air  
23 Carriers leasing space in the Terminal at a level above the local station manager and has  
24 exhausted all reasonable efforts to find reasonable accommodations for its proposed operations  
25 on the Airport, the COMMISSION shall serve written notice to all Scheduled Air Carriers of the  
26 COMMISSION's intention to make a determination, in not less than fifteen (15) calendar days,  
27 as to how the Requesting Airline will be accommodated.

28  
29 (2) The COMMISSION will be guided by all pertinent factors, including  
30 AIRLINE's present use and the use planned by AIRLINE for such premises in the one hundred  
31 eighty (180) days immediately after the request, the present and planned requirements for Air  
32 Transportation Companies that AIRLINE is then accommodating or handling, the compatibility  
33 of such Requesting AIRLINE's proposed operations and work force with AIRLINE's own  
34 operations and work force and those of other Air Transportation Companies already using such  
35 facilities, and the security of AIRLINE's and the Requesting Airline's operations.

36  
37 (3) The COMMISSION may request that planned uses and requirements be  
38 documented and submitted in writing to the COMMISSION, and if AIRLINE requests, the  
39 COMMISSION shall treat such planned uses and requirements as confidential, proprietary  
40 information.

41  
42 (4) If the COMMISSION determines that the Requesting Airline can be  
43 accommodated on the Exclusive Use Premises, the COMMISSION may: (i) authorize in writing  
44 the Requesting Airline to use the Premises leased to the AIRLINE; (ii) notify AIRLINE in  
45 writing of such authorization and the effective date thereof; and (iii) provide to AIRLINE and to  
46 such Requesting Airline a written statement specifying the required terms and conditions, if any,

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1 including whether the Requesting Airline may handle its aircraft and passengers with its own  
2 employees or agents, except that the COMMISSION shall not prescribe the rates and charges to  
3 be imposed by AIRLINE upon the Requesting Airline for any services provided by AIRLINE to  
4 the Requesting Airline, other than as prescribed in Paragraph 14.

5  
6 (5) If AIRLINE is directed to accommodate a Requesting Airline in accordance  
7 with this Paragraph 15C, AIRLINE shall make available to the Requesting Airline for the  
8 Requesting Airline's use, AIRLINE's Exclusive Use Premises or such portion thereof as shall be  
9 determined by the COMMISSION.

10  
11 **D. Indemnification by Accommodated Air Transportation Company**

12  
13 During the period of use of AIRLINE's facilities by a Scheduled Air Carrier  
14 pursuant to this Paragraph 15, AIRLINE shall be relieved of its obligation under this Agreement  
15 to indemnify and save harmless COMMISSION, its officers, directors, employees, or agents  
16 with regard to any claim for property damage or personal injury arising out of or in connection  
17 with said accommodated Scheduled Air Carrier's use of Airline Premises, unless such damage or  
18 injury is caused by the gross negligence of AIRLINE, its officers, directors, employees or agents  
19 who have come upon Airline Premises in connection with AIRLINE's occupancy hereunder.  
20 COMMISSION shall require such accommodated Scheduled Air Carrier to agree in writing to  
21 indemnify COMMISSION and AIRLINE in the manner and to the extent required of AIRLINE,  
22 pursuant to Paragraph 10 hereof.

23  
24 **16. GOVERNMENT INCLUSION**

25  
26 **A. Government Agreements**

27  
28 This Agreement is subject and subordinate to the provisions of any agreements  
29 heretofore or hereafter made between the COMMISSION and the United States Government, the  
30 execution of which is required to enable or permit transfer of rights or property to  
31 COMMISSION for Airport purposes or expenditure of federal funds for Airport improvement,  
32 maintenance or development. AIRLINE shall abide by requirements of agreements entered into  
33 between the COMMISSION and the United States Government, and shall consent to  
34 amendments and modifications of this Agreement if required by such agreements or if required  
35 as a condition of COMMISSION's entry into such agreements, provided however that if any  
36 modification to said agreement with the United States Government has a material or adverse  
37 impact on the operations of the AIRLINE COMMISSION agrees to provide AIRLINE written  
38 advance notice of any such provisions.

39  
40 **B. Federal Government's Emergency Clause**

41  
42 All provisions of this Agreement shall be subordinate to the rights of the United  
43 States of America to operate the Aviation System or any part thereof during time of war or  
44 national emergency. Such rights shall supersede any provisions of this Agreement inconsistent  
45 with the operations of the Aviation System by the United States of America.

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C. Nondiscrimination

AIRLINE hereby agrees to comply with the following requirements as they pertain to AIRLINE's operations from Airport.

(1) AIRLINE for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the said Premises described in this Agreement for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, AIRLINE shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

(2) AIRLINE for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the basis of race, creed, color, sex, national origin, ancestry, age or handicap shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the basis of race, creed, color, sex, national origin, ancestry, age or handicap shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that AIRLINE shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary Part 21, NON-DISCRIMINATION in Federally-assisted Programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964 and as said regulation may be amended.

(3) In the event of breach of the nondiscrimination covenants contained herein, COMMISSION shall have the right to terminate this Agreement and to re-enter and repossess said Premises and the facilities thereon and hold the same as if said Agreement had never been entered into or executed between COMMISSION and AIRLINE. This provision shall not be effective until the procedures of Title 49, Code of Federal regulations, Part 21, are followed and completed, including exercise or expiration of appeal rights.

(4) AIRLINE assures that it will undertake an Affirmative Action Program, if required by 14 Code of Federal Regulations Part 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex, be excluded from participating in any employment activities covered thereby. AIRLINE assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. AIRLINE assures that it will require that its covered

E. Hazardous Materials/Operations

(1) AIRLINE shall not cause or permit any Hazardous Substance to be used, stored or generated on the Airline Premises, except for Hazardous Substances of types and quantities customarily used or found in AIRLINE's business so long as said Hazardous Substances are used, stored and/or generated in full compliance with all laws. AIRLINE shall not cause or permit the release (as "Release" is defined in 42 U.S.C. Section 9601(22) (as amended)) of any Hazardous Substance, contaminant, pollutant, or petroleum product in, on or under the Airline Premises or into any ditch, conduit, stream, storm sewer, or sanitary sewer connected thereto or located thereon except in full compliance with all laws. AIRLINE shall fully and timely comply with all applicable federal, state, and local statutes and regulations relating to protection of the environment.

(2) AIRLINE shall, at AIRLINE's sole expense, clean up, remove and remediate (1) any Hazardous Substances in, on, or under the Airline Premises in excess of allowable levels established by all applicable federal, state and local laws and regulations and (2) all contaminants and pollutants, in, on, or under the Airline Premises that create or threaten to create a substantial threat to human health or the environment and that are required to be removed, cleaned up, or remediated by any applicable federal, state, or local law, regulations, standard or order.

(3) By making the agreements set forth in Paragraph 12, AIRLINE does not undertake any obligation to remediate or to otherwise assume responsibility for any environmental condition that is not attributable to AIRLINE's activities at the Airport.

(4) COMMISSION's Representation

To the best of the COMMISSION's current actual knowledge and belief as of the date of Agreement execution, COMMISSION is not aware of any disposal of any Hazardous Substances in the Airline Premises prior to the date of Agreement execution. COMMISSION has provided AIRLINE with an opportunity to inspect the Airline Premises prior to the execution of the Agreement and date of possession. Prior to occupying Airline Premises AIRLINE may conduct an Environmental Assessment at its sole cost and provide a copy of such Environmental Assessment to COMMISSION to establish existing environmental conditions for baseline measurements.

(5) Compliance upon Termination

Upon the termination of this Agreement, AIRLINE shall, at AIRLINE's sole expense, and as legally required, remove or permanently clean all Hazardous Substances that AIRLINE, or anyone for whom AIRLINE is responsible, including, but not limited to, a customer, invitee, employee, agent, caused to be situated on, at, in or under the Airport property. This shall be done in compliance with all applicable federal, state and local laws, regulations and ordinances and shall include the performance of any necessary cleanup or remedial action. Promptly after request, AIRLINE shall provide COMMISSION with copies of specific and

suborganizations provide assurances to COMMISSION that they similarly will undertake Affirmative Action Programs and that they will require assurances from such AIRLINE and users, if required by 14 Code of Federal Regulations Part 152, Subpart E, to the same effect.

(5) Notwithstanding the above, AIRLINE shall comply with and shall ensure that the following Non-Discrimination clause is incorporated into all subcontracts, subleases, and other agreements at all tiers:

"The contractor/tenant/AIRLINE/lessee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance. This Provision obligates the tenant/AIRLINE/lessee or its transferee for the period during which Federal assistance is extended to the airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the Provision obligates the party or any transferee for the longer of the following periods: (1) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision or similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property. In the case of contractors, this Provision binds the contractors for the bid solicitation period through the completion of the contract."

D. Safety and Security

(1) AIRLINE shall observe all safety/security requirements of Federal Aviation Regulations, Transportation Security Regulations and Airport Security Program, applicable parts, as the same may be from time-to-time amended, which will be furnished to AIRLINE as approved by the Federal Aviation Administration and/or Transportation Security Administration, and to take such steps as may be necessary or directed by COMMISSION to ensure that sublessees, employees, invitees, and guests observe these requirements.

(2) If COMMISSION incurs any fines and/or penalties imposed by the Federal Aviation Administration, Transportation Security Administration, Environmental Protection Agency, or other federal, state or local agency, or any expense in enforcing the regulations of Federal Aviation Administration, Transportation Security Administration and/or Airport Security Program, as a result of the acts or omissions of AIRLINE or anyone whom AIRLINE is responsible, including but not limited to, a customer, invitee, employee, agent, or person having a contract with AIRLINE, AIRLINE agrees to pay and/or reimburse all such costs and expense. AIRLINE further agrees to rectify any security deficiency caused by Airline as may be determined as such by COMMISSION or the Federal Aviation Administration or Transportation Security Administration. COMMISSION reserves the right to take whatever action necessary to rectify any security deficiency, in the event AIRLINE fails to remedy the security deficiency.

relevant records related to any Hazardous Substances that are required to be maintained by AIRLINE for its operations at the Airline Premises under any applicable federal, state or local laws or regulations.

17. GENERAL PROVISIONS

A. Subordination to Bond Resolution

(1) This Agreement and all rights granted to AIRLINE hereunder are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation or assignment made by COMMISSION in the Bond Resolution. COMMISSION and AIRLINE agree that to the extent required by the Bond Resolution or law, the holders of the Bonds or their designated representatives shall have the right to exercise any and all rights of COMMISSION hereunder.

(2) COMMISSION shall notify AIRLINE in advance of any amendments or supplements to the Bond Resolution that would materially alter the terms and provisions of this Agreement. COMMISSION and AIRLINE shall use their best efforts to agree on the implementation of any such material amendments or supplements desired solely by COMMISSION for its own purposes.

(3) With respect to property leased by the COMMISSION to AIRLINE hereunder which was or is to be acquired by the COMMISSION with proceeds of Bonds, the interest on which is, or is intended to be, excludable from the gross income of the holders of such Bonds for federal income tax purposes, the parties hereby covenant to use commercially reasonable efforts to protect the tax-exempt status of the Bonds.

B. Non-waiver

No waiver of default by either party of any of the terms, covenants, or conditions of this Agreement to be performed, kept and observed by the other party shall be construed to be or act as a waiver of any subsequent default of any of the terms, covenants and conditions to be performed, kept and observed by the other party and shall not be deemed a waiver of any right on the part of the other party to cancel this Agreement as provided herein.

C. Rights Non-Exclusive

Notwithstanding anything herein contained that may be or appear to the contrary, the rights, privileges and licenses granted under this Agreement, except in Exclusive Use Premises, are "non-exclusive" and COMMISSION reserves the right to grant similar privileges to others.

D. Quiet Enjoyment

(1) COMMISSION agrees that, so long as AIRLINE's payment of rentals, fees and charges is timely and AIRLINE keeps all covenants and agreements contained herein,

1 AIRLINE shall peaceably have and enjoy its Airline Premises and all rights, privileges and  
2 licenses of the Airport, its appurtenances and facilities granted herein, subject to the terms and  
3 conditions herein contained.

4  
5 (2) Consistent with the nature of AIRLINE's business, AIRLINE agrees that  
6 occupancy of its Airline Premises will be lawful and quiet and that it will not knowingly use or  
7 permit the use of Airline Premises in any way that would violate the terms of this Agreement,  
8 create a nuisance, or disturb other tenants or the general public. AIRLINE shall be responsible  
9 for the activity of its officers, employees, agents, and others under its control with respect to this  
10 provision.

11  
12 E. Performance

13  
14 The parties expressly agree that time is of the essence in this Agreement. Failure  
15 by a party to complete performance within the time specified, or within a reasonable time if no  
16 time is specified herein, shall relieve the other party, without liability, of any obligation to accept  
17 such performance.

18  
19 F. Aviation Rights

20  
21 COMMISSION reserves unto itself, its successors, and assigns for the use and  
22 benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface  
23 of the Airport, including Airline Premises, for navigation or flight in the said airspace for landing  
24 on, taking off from, or operating at the Airport.

25  
26 G. Rules and Regulations

27  
28 (1) AIRLINE, its officers, employees, agents and others under its control shall  
29 observe and obey all laws, regulations, and orders of the Federal, state, county and municipal  
30 governments which may be applicable to AIRLINE'S operations at the Airport.

31  
32 (2) COMMISSION may from time to time adopt, amend or revise reasonable  
33 and non-discriminatory rules and regulations for the conduct of operations at the Airport, for  
34 reasons of safety, health, and preservation of the property or for the maintenance of the good and  
35 orderly appearance of the Airport. AIRLINE, its officers, employees, agents, and others under its  
36 control shall faithfully comply with and observe such rules and regulations, except as they may  
37 conflict with the terms and provisions of this Agreement, or the regulations of another  
38 governmental authority having appropriate jurisdiction. COMMISSION shall notify AIRLINE in  
39 advance of any amendments or supplements to such rules and regulations that would adversely  
40 materially alter the terms of this Agreement. Such notification by COMMISSION shall  
41 reasonably allow AIRLINE to provide written comments to COMMISSION and for  
42 COMMISSION to reasonably consider and incorporate such comments.

43  
44 (3) AIRLINE shall be strictly liable and responsible for obtaining, maintaining  
45 current, and fully complying with, any and all permits, licenses, and other governmental  
46 authorizations, however designated, as may be required at any time throughout the entire Term

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1 of this Agreement by any Federal, state, or local governmental entity or any court of law having  
2 jurisdiction over AIRLINE or AIRLINE's operations and activities.

3  
4 H. Inspection

5  
6 AIRLINE shall allow COMMISSION's authorized representatives access to Airline  
7 Premises for the purpose of examining and inspecting said premises; for purposes necessary,  
8 incidental to, or connected with the performance of its obligations under this Agreement; or, in  
9 the exercise of its governmental functions. Except in the case of an emergency, COMMISSION  
10 shall conduct such inspections during reasonable business hours, with at least twenty-four (24)  
11 hours prior written notice and in the presence of AIRLINE's representative.

12  
13 I. No Individual Liability

14  
15 No member, officer, agent, director, or employee of COMMISSION or AIRLINE  
16 shall be charged personally or held contractually liable by or to the other party under the terms or  
17 provisions of this Agreement or because of any breach thereof or because of its or their  
18 execution or attempted execution.

19  
20 J. Relationship of Parties

21  
22 Nothing contained herein shall be deemed or construed by the parties hereto, or by  
23 any third party, as creating the relationship of principal and agent, partners, joint venturers, or  
24 any other similar such relationship between the parties hereto. It is understood and agreed that  
25 neither the method of computation of rentals, fees and charges, nor any other provisions  
26 contained herein, nor any acts of the parties hereto, creates a relationship other than the  
27 relationship of landlord and tenant.

28  
29 K. Capacity to Execute

30  
31 The individuals executing this Agreement personally warrant that they have full  
32 authority to execute this Agreement on behalf of the entity for whom they are acting herein.

33  
34 L. Savings

35  
36 The parties hereto acknowledge that they have thoroughly read this Agreement,  
37 including any exhibits or attachments hereto and have sought and received whatever competent  
38 advice and counsel was necessary for them to form a full and complete understanding of all  
39 rights and obligations herein. The parties further acknowledge that this Agreement is the result  
40 of extensive negotiations between the parties and shall not be construed against COMMISSION  
41 by reason of the preparation of this Agreement by COMMISSION.

42  
43 M. Successors and Assigns Bound

44  
45 This Agreement shall be binding upon and inure to the benefit of the successors  
46 and assigns of the parties hereto.

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1  
2 N. Incorporation of Exhibits

3  
4 All exhibits and attachments referred to in this Agreement are intended to be and  
5 are hereby specifically made a part of this Agreement.

6  
7 O. Titles

8  
9 Paragraph titles are inserted only as a matter of convenience and for reference, and  
10 in no way define, limit or describe the scope or extent of any provision of this Agreement.

11  
12 P. Severability

13  
14 In the event that any covenant, condition or provision of this Agreement is held to  
15 be invalid by any court of competent jurisdiction, the invalidity of such covenant, condition, or  
16 provision shall not materially prejudice either COMMISSION or AIRLINE in their respective  
17 rights and obligations contained in the valid covenants, conditions or provisions of this  
18 Agreement.

19  
20 Q. Amendments

21  
22 This Agreement constitutes the entire agreement between the parties. Except as  
23 provided in Paragraphs 3A and 7C, no amendment, modification or alteration of the terms of this  
24 Agreement shall be binding unless the same be in writing, dated subsequent to the date hereof,  
25 and duly executed by the parties hereto.

26  
27 R. Other Agreements

28  
29 Other than as set forth herein, nothing contained in this Agreement shall be deemed  
30 or construed to nullify, restrict or modify in any manner the provisions of any other lease or  
31 contract between COMMISSION and AIRLINE authorizing the use of the Airport, its facilities  
32 and appurtenances.

33  
34 S. Approvals

35  
36 (1) Whenever this Agreement calls for approval by COMMISSION, such  
37 approval shall be evidenced by the written approval of the Director.

38  
39 (2) Any approval required by either party to this Agreement shall not be  
40 unreasonably withheld or delayed.

41  
42 T. Notice

43  
44 (1) All notices, requests, consents and approvals served or given under this  
45 Agreement shall be served or given in writing by certified or registered mail. If intended for  
46 COMMISSION, notices shall be delivered to:

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1  
2 Executive Director  
3 Savannah Airport Commission  
4 400 Airways Avenue  
5 Savannah, Georgia 31408

6 or to such other address as may be designated by COMMISSION by written notice to AIRLINE.

7  
8 (2) Notices to AIRLINE shall be delivered to:

9  
10 \_\_\_\_\_ Air Lines, Inc.

11  
12 \_\_\_\_\_

13  
14 Tel: ( ) \_\_\_\_\_

15  
16 Fax: ( ) \_\_\_\_\_

17  
18 With a copy to:

19 (Legal) Name: \_\_\_\_\_

20 Address - \_\_\_\_\_

21 City/State: \_\_\_\_\_

22 or to such other address as may be designated by AIRLINE by written notice to COMMISSION.

23  
24 U. Agent For Service

25  
26 It is expressly understood and agreed that if AIRLINE is not a resident of the State  
27 of Georgia, or is an association or partnership without a member or partner resident of said state,  
28 or is a foreign corporation not licensed to do business in Georgia, then in any such event,  
29 AIRLINE shall appoint an agent for the purpose of service of process in any court action  
30 between it and COMMISSION arising out of or based upon this Agreement. AIRLINE shall  
31 immediately notify COMMISSION, in writing, of the name and address of said agent. Such  
32 service shall be made as provided by the laws of the State of Georgia for service upon a non-  
33 resident engaging in business in the State. It is further expressly agreed, covenanted and  
34 stipulated that, if for any reason, such service of process is not possible, as an alternative method  
35 of service of process, AIRLINE may be personally served out of the State of Georgia by the  
36 registered mailing of such service at the addresses set forth in Paragraph 17T.

37  
38 V. Conformity

39  
40 COMMISSION covenants and agrees not to enter into any agreement with any  
41 Scheduled Air Carrier which (i) makes substantially similar use of the Airport, (ii) operates  
42 substantially similar aircraft, and (iii) utilizes substantially similar facilities to that of AIRLINE,  
43 which contains more favorable terms than this Agreement, or to grant to any such Scheduled Air  
44 Carrier rights or privileges with respect to the Airport which are not afforded to AIRLINE

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1 hereunder unless substantially the same terms, rights, privileges and facilities are concurrently  
2 made available to AIRLINE.

3  
4 W. Governing Law

5  
6 This Agreement is to be read and construed in accordance with the laws of the  
7 State of Georgia. The parties hereto agree that any court of proper jurisdiction presiding in  
8 Georgia shall be the forum for any actions brought hereunder.

9  
10 X. Force Majeure

11  
12 Except as herein provided, neither COMMISSION nor AIRLINE shall be deemed  
13 to be in default hereunder if either party is prevented from performing any of the obligations,  
14 other than the payment of rentals, fees and charges hereunder, by reason of strikes, boycotts,  
15 labor disputes, embargoes, shortages of energy or materials, acts of God, acts of the public  
16 enemy, weather conditions, riots, rebellion, or sabotage, or any other circumstances for which it  
17 is not responsible or which are not within its control.

18  
19 Y. Entire Agreement

20  
21 It is understood and agreed that this instrument contains the entire agreement  
22 between the parties hereto. It is further understood and agreed by AIRLINE and COMMISSION  
23 that COMMISSION and COMMISSION's agents and AIRLINE and AIRLINE's agents have  
24 made no representations or promises with respect to this Agreement or the making or entry into  
25 this Agreement, except as in this Agreement expressly set forth, and that no claim or liability or  
26 cause for termination shall be asserted by either party, and neither party shall be liable by reason  
27 of, the breach of any representations or promises not expressly stated in this Agreement. Any  
28 other written or parallel agreement is expressly waived by AIRLINE and COMMISSION, except  
29 as may be included herein by reference in Exhibit "G."  
30  
31  
32

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1 IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed  
2 by their duly authorized officers this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

3  
4 ATTEST: SAVANNAH AIRPORT COMMISSION

5  
6  
7  
8 \_\_\_\_\_  
9 PATRICK S. GRAHAM  
10 SECRETARY

11  
12 \_\_\_\_\_  
13 SYLVESTER C. FORMEY  
14 CHAIRMAN

15 (CORPORATE SEAL)

16  
17 ATTEST: \_\_\_\_\_ AIRLINES, INC.

18  
19 \_\_\_\_\_  
20 SECRETARY

21  
22 \_\_\_\_\_  
23 SIGNATURE

24 (PRINTED NAME AND TITLE)

25 (CORPORATE SEAL)

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Appendix D

FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

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## CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the SAVANNAH AIRPORT COMMISSION (the “Commission”). This Certificate is executed in connection with the execution and delivery of the City of Savannah Airport Refunding Revenue Bonds, Series 2011A (the “**Series 2011A Bonds**”) and the City of Savannah Airport Refunding Revenue Bonds, Series 2011B (the “**Series 2011B Bonds**”) (together, the “**Securities**”).

The Securities are being issued pursuant to an Airport Revenue Bond Resolution adopted by the City and the Commission on September 6, 2001 and a Second Supplemental Airport Revenue Bond Resolution adopted by the City and the Commission on June 2, 2011 (collectively, the “**Bond Resolution**”).

Pursuant to the Bond Resolution, the Securities are secured by a pledge of and lien on all Net Revenues (as defined in the Bond Resolution) of the Airport.

The Commission hereby certifies to the following:

Section 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Commission for the benefit of the Owners of the Securities and in order to assist the Participating Underwriters (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. *Definitions.* In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Reports provided by the Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Commission” shall mean the Savannah Airport Commission, a constitutional body corporate and politic and an operating agency of the City of Savannah.

“Disclosure Representatives” shall mean the Executive Director of the Commission or its respective designees, or such other officers or employees as the Commission shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean an entity selected and retained by the Commission, or any successor thereto selected by the Commission.

“EMMA” means the MSRB’s Electronic Municipal Market Access System, which became effective July 1, 2009 and receives electronic submission of the Annual Report on the EMMA website at <http://emma.msrb.org>.

“Fiscal Year” shall mean the twelve-month period beginning on January 1 of each year and ending on December 31 of the same year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated June 2, 2011, relating to the Securities.

“Participating Underwriters” shall mean any of the original underwriters of the Securities required to comply with the Rule in connection with the offering of the Securities.

“Preliminary Official Statement” shall mean the Preliminary Official Statement, dated May 25, 2011, relating to the Securities.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on certain of the Securities is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. *Provision of Annual Reports.*

(a) The Commission shall, or shall cause the Dissemination Agent to, not later than June 1 of each year following the end of their respective Fiscal Years, commencing June 1, 2012, provide electronically to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Commission shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding December 31. The Commission shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report it is required to furnish hereunder. The Dissemination Agent may conclusively rely upon such certifications of the Commission and shall have no liability, duty or obligation whatsoever to review any such Annual Report. Further, the Dissemination Agent shall have no liability for the contents of any such Annual Report.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date specified in subsection (a), the Dissemination Agent shall send a notice to EMMA, in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the manner of filing with EMMA;

(ii) provide notice to the Commission that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to EMMA; and

(iii) take any other action mutually agreed to between the Dissemination Agent and the Commission.

Section 4. *Content of Annual Reports.* The Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Commission’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing an update of the

information contained in Appendix A of the Official Statement, specifically, but not limited to the following: (i) Financial Statements of the Savannah Airport Commission, together with information concerning the actual revenues, expenditures and beginning and ending fund balances of the Commission for the most recent completed Fiscal Year; (ii) historical debt service coverage; (iii) total enplanements; (iv) landed weight; (v) Pension and OPEB matters; and (vi) ten largest employers in the Primary Air Trade Area.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Commission shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Commission or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Commission shall clearly identify each such other document so incorporated by reference.

#### *Section 5. Reporting of Significant Events.*

(a) Pursuant to the provisions of this Section 5, the Commission shall give or cause to be given, notice of the occurrence of any of the following event:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of tax liability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Securities.
- (vii) Modifications to rights of security holders, if material.
- (viii) Bond calls, if material, and tender offers.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the Securities, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the Commission.
- (xiii) Consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor additional trustee or the change of name of a trustee, if material.

(b) The Commission or Dissemination Agent shall, within ten (10) Business Days of obtaining actual knowledge of the occurrence of any of the events listed in paragraph (a) of this Section, with no obligation to determine the materiality thereof, notify the Disclosure Representative of such event, and request that the Commission or Dissemination Agent promptly notify the Dissemination Agent or the Commission, respectively, in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Certificate “actual knowledge” means the actual knowledge of the officer of the Dissemination Agent with primary responsibility for matters related to the administration of the Bond Resolution at the principal corporate trust office of the Dissemination Agent.

(c) Whenever the Commission obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Commission shall as soon as possible, but in no event later than three (3) Business Days, determine if such event would constitute material information for Owners of the Securities under applicable Federal securities law, provided that any event under subsection (a) (xi) will always be deemed to be material.

(d) If the Commission has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Commission shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Commission determines that the Listed Event would not be material, the Commission shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Commission to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a) (viii) or (ix) shall be given by the Dissemination Agent unless the Commission gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Securities pursuant to the Bond Resolution.

*Section 6. Termination of Reporting Obligation.* The Commission’s obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Securities. The Commission shall notify the Dissemination Agent in writing of such termination of the obligations of the Commission.

*Section 7. Dissemination Agent.* The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Commission. If at any time there is no designated Dissemination Agent appointed by the Commission, or if the Dissemination

Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Commission shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Commission may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment requested by the Commission, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the Commission and the Dissemination Agent, 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.

Section 9. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Commission choose to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. *Default.* In the event of a failure of the Commission or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Dissemination Agent may, and, at the request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Securities, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the Commission or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. *Duties, Immunities and Liabilities of the Dissemination Agent.* The Bond Resolution is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Bond Resolution. The Dissemination Agent shall be entitled to the protections and limitations afforded to any Trustee named under said Bond Resolution. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Commission agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Commission for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the Commission all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. Neither the Dissemination Agent nor the Trustee shall have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the Commission, the owners of the Securities or any other party. The obligations of the Commission under this section shall survive resignation or removal of the Dissemination Agent and payment of the Securities. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

Section 12. *Beneficiaries*. This Disclosure Certificate shall inure solely to the benefit of the Commission, the Dissemination Agent, the Participating Underwriters and the Owners from time to time of the Securities, and shall create no rights in any other person or entity.

Section 13. *Counterparts*. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[END OF PAGE – SIGNATURES FOLLOW ON SEPARATE PAGE]

SAVANNAH AIRPORT COMMISSION

By: \_\_\_\_\_  
Authorized Officer  
Dated: \_\_\_\_\_, 2011

ACCEPTANCE OF DISSEMINATION AGENT:

The undersigned hereby accepts the designation of Dissemination Agent and agrees to the duties set forth in Section 3(c) of the foregoing Continuing Disclosure Certificate

By: \_\_\_\_\_  
Authorized Signatory  
Dated: \_\_\_\_\_, 2011

**ATTACHMENT A**  
**NOTICE TO EMMA**  
**OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: CITY OF SAVANNAH

Name of Bond Issue: Series 2011 City of Savannah Airport Refunding Revenue Bonds

Date of Issuance: \_\_\_\_\_, 2011

NOTICE IS HEREBY GIVEN that the Savannah Airport Commission (the "Commission") has not provided an Annual Report with respect to the above-referenced Securities as required by the Bond Resolution dated as of \_\_\_\_\_. The Commission anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_, as  
Dissemination Agent on Behalf of the Commission

By: \_\_\_\_\_  
Authorized Signatory

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Appendix E

PROPOSED FORMS OF LEGAL OPINIONS OF BOND COUNSEL

The forms of Legal Opinions included in this Appendix E have been prepared by Gray & Pannell LLP, Savannah, Georgia, Bond Counsel, and are substantially in the forms to be given in connection with the delivery of the Series 2011 Bonds.

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**GRAY & PANNELL**  
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LLP

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June 29, 2011

Mayor and Aldermen of the City of Savannah  
Savannah, Georgia

Savannah Airport Commission  
Savannah, Georgia

RE: \$6,665,000 City of Savannah Airport Refunding Revenue Bonds, Series 2011A

To the Addressees:

We have acted as bond counsel in connection with the issuance by the Mayor and Aldermen of the City of Savannah (the "City") and the Savannah Airport Commission (the "Commission") of \$6,665,000 in aggregate principal amount of City of Savannah Airport Refunding Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), dated the date hereof. In this capacity we have examined the constitution and laws of the State of Georgia, including the laws of the State of Georgia relating to the City, a municipal corporation and a political subdivision of the State of Georgia, and to the Commission, a constitutionally created body corporate and politic and an operating agency of the City, certified copies of proceedings of the City and the Commission relating to the issuance of the Series 2011A Bonds, including a certified copy of the proceedings in and the judgment of the Superior Court of Chatham County, Georgia by which the Series 2011A Bonds were validated.

We have also examined such other documents and instruments and have made such further investigation as we have deemed necessary or appropriate. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to us as certified, conformed or photographic copies, and as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

As to questions of fact material to our opinion, we have relied upon representations of the City and the Commission and certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

E-1 (Series 2011A)

The Series 2011A Bonds are being issued pursuant to an Airport Revenue Bond Resolution adopted by the City and the Commission on September 6, 2001 and a Second Supplemental Airport Revenue Bond Resolution adopted by the City and the Commission on May 30, 2011 (collectively, the "Bond Resolution"), for the purpose of currently refunding all outstanding City of Savannah Airport Revenue Refunding Bonds Series 2001A (the "Series 2001A Bonds "). The Series 2001A Bonds were issued for the purpose of currently refunding all outstanding City of Savannah Airport Revenue Bonds, Series 1992A (the "Series 1992A Bonds"). The Series 1992A Bonds were issued for the purpose of financing the acquisition and construction of certain capital improvements to the Savannah International Airport (the "Airport").

The Series 2011A Bonds are subject to transfer and exchange in the manner and on the terms specified in the Bond Resolution. The Series 2011A Bonds are being issued pursuant to a book entry system in fully registered form, and interest is payable thereon on January 1 and July 1 of each year, beginning January 1, 2012.

Pursuant to the Bond Resolution, the Series 2011A Bonds, together with \$8,345,000 in aggregate principal amount of City of Savannah Airport Refunding Revenue Bonds, Series 2011B (the "Series 2011B Bonds"), which are being issued simultaneously with the Series 2011A Bonds, are secured by a pledge of and lien on all Net Revenues (as defined in the Bond Resolution) of the Airport. In addition to the Series 2011A Bonds and the Series 2011B Bonds (hereinafter referred to collectively as the "Bonds"), the City and the Commission may, from time to time, under certain terms and conditions as provided in the Bond Resolution, issue additional obligations ranking on a parity with the Bonds as to the lien on said Net Revenues.

The opinions hereinafter expressed are qualified to the extent that the validity or enforceability of any of the provisions of the Bonds and the Bond Resolution, or any rights granted thereunder, may be subject to and affected by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights and remedies of creditors generally, now existing or hereafter enacted, (ii) the application of general principles of equity, including those relating to equitable subordination, which may make unavailable equitable remedies, including without limitation, specific performance and (iii) judicial discretion in appropriate cases.

Based on the foregoing, we are of the opinion that, as of the date hereof and under existing law:

1. The City is a duly existing municipal corporation and political subdivision of the State of Georgia and has the right and lawful authority to authorize and issue the Bonds and to carry out the transactions contemplated to be carried out by the City in the Bond Resolution.

2. The Commission is a duly existing constitutionally created body corporate and politic and an operating agency of the City and has the right and lawful authority to carry out the transactions contemplated to be carried out by the Commission in the Bond Resolution.

3. The Bond Resolution has been duly adopted by the City and the Commission and constitutes the valid and binding obligation of the City and the Commission enforceable in accordance with its terms.

4. The Bonds have been properly authorized by the Bond Resolution, have been validated, executed and issued in accordance with the constitution and laws of the State of Georgia and constitute valid and binding obligations of the City enforceable in accordance with their terms.

5. The Bonds shall not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, including the City and the Commission, but shall be payable from Net Revenues as provided in the Bond Resolution. The issuance of the Bonds shall not obligate the State of Georgia or any political subdivision thereof, including the City, to levy or pledge any form of taxation whatever for the payment thereof. The Commission has no taxing power. No holder of the Bonds or receiver or trustee in connection therewith shall have the right to enforce payment thereof against any property of the State of Georgia or any political subdivision thereof, including the City and the Commission (other than the property specifically pledged therefor pursuant to the Bond Resolution), nor shall the Bonds constitute a charge, lien or encumbrance, legal or equitable, upon any such property.

6. The payment of the principal of and the interest on the Bonds and any parity obligations hereafter issued and the creation and maintenance of the required reserve therefor is secured by a first and prior pledge of and charge or lien on the above-described Net Revenues.

7. The interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes, and the interest thereon is exempt from taxation by the State of Georgia and any of its political subdivisions. Interest on the Series 2011A Bonds will not be included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Except as stated above, we express no opinion regarding any federal or state tax consequences caused by the receipt or accrual of interest on the Series 2011A Bonds. For the purpose of rendering the opinion set forth in this paragraph, we have assumed compliance by the City and the Commission with requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the issuance of the Series 2011A Bonds throughout the term thereof in order that interest be and continue to be excluded from gross income for federal income tax purposes. Under the Code, failure to comply with such requirements could cause the interest on the Series 2011A Bonds to be included in said gross income

June 29, 2011

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retroactively to the date of issuance of the Series 2011A Bonds. The City and the Commission have covenanted to comply with such requirements.

Although we have rendered an opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes, a bondholder's federal tax liability may otherwise be affected by the ownership or disposition of the Series 2011A Bonds. The nature and extent of these other tax consequences will depend upon the bondholder's other items of income or deduction. We express no opinion regarding any such other tax consequences.

Very truly yours,

GRAY & PANNELL LLP

By: \_\_\_\_\_  
A Partner

**GRAY & PANNELL**  
LLP  
*Attorneys at Law*

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June 29, 2011

Mayor and Aldermen of the City of Savannah  
Savannah, Georgia

Savannah Airport Commission  
Savannah, Georgia

RE: \$8,345,000 City of Savannah Airport Refunding Revenue Bonds, Series 2011B

To the Addressees:

We have acted as bond counsel in connection with the issuance by the Mayor and Aldermen of the City of Savannah (the "City") and the Savannah Airport Commission (the "Commission") of \$8,345,000 in aggregate principal amount of City of Savannah Airport Refunding Revenue Bonds, Series 2011B (the "Series 2011B Bonds"), dated the date hereof. In this capacity we have examined the constitution and laws of the State of Georgia, including the laws of the State of Georgia relating to the City, a municipal corporation and a political subdivision of the State of Georgia, and to the Commission, a constitutionally created body corporate and politic and an operating agency of the City, certified copies of proceedings of the City and the Commission relating to the issuance of the Series 2011B Bonds, including a certified copy of the proceedings in and the judgment of the Superior Court of Chatham County, Georgia by which the Series 2011B Bonds were validated.

We have also examined such other documents and instruments and have made such further investigation as we have deemed necessary or appropriate. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to us as certified, conformed or photographic copies, and as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

E-1 (Series 2011B)

As to questions of fact material to our opinion, we have relied upon representations of the City and the Commission and certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The Series 2011B Bonds are being issued pursuant to an Airport Revenue Bond Resolution adopted by the City and the Commission on September 6, 2001 and a Second Supplemental Airport Revenue Bond Resolution adopted by the City and the Commission on May 30, 2011 (collectively, the "Bond Resolution"), for the purpose of currently refunding all outstanding City of Savannah Airport Revenue Refunding Bonds Series 2001B (the "Series 2001B Bonds "). The Series 2001B Bonds were issued for the purpose of currently refunding all outstanding City of Savannah Airport Revenue Bonds, Series 1992B (the "Series 1992B Bonds"). The Series 1992B Bonds were issued for the purpose of financing the acquisition and construction of certain capital improvements to the Savannah International Airport (the "Airport").

The Series 2011B Bonds are subject to transfer and exchange in the manner and on the terms specified in the Bond Resolution. The Series 2011B Bonds are being issued pursuant to a book entry system in fully registered form, and interest is payable thereon on January 1 and July 1 of each year, beginning January 1, 2012.

Pursuant to the Bond Resolution, the Series 2011B Bonds, together with \$6,665,000 in aggregate principal amount of City of Savannah Airport Refunding Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), which are being issued simultaneously with the Series 2011B Bonds, are secured by a pledge of and lien on all Net Revenues (as defined in the Bond Resolution) of the Airport. In addition to the Series 2011B Bonds and the Series 2011A Bonds (hereinafter referred to collectively as the "Bonds"), the City and the Commission may, from time to time, under certain terms and conditions as provided in the Bond Resolution, issue additional obligations ranking on a parity with the Bonds as to the lien on said Net Revenues.

The opinions hereinafter expressed are qualified to the extent that the validity or enforceability of any of the provisions of the Bonds and the Bond Resolution, or any rights granted thereunder, may be subject to and affected by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights and remedies of creditors generally, now existing or hereafter enacted, (ii) the application of general principles of equity, including those relating to equitable subordination, which may make unavailable equitable remedies, including without limitation, specific performance and (iii) judicial discretion in appropriate cases.

Based on the foregoing, we are of the opinion that, as of the date hereof and under existing law:

1. The City is a duly existing municipal corporation and political subdivision of the State of Georgia and has the right and lawful authority to authorize and issue the Bonds and to carry out the transactions contemplated to be carried out by the City in the Bond Resolution.

2. The Commission is a duly existing constitutionally created body corporate and politic and an operating agency of the City and has the right and lawful authority to carry out the transactions contemplated to be carried out by the Commission in the Bond Resolution.

3. The Bond Resolution has been duly adopted by the City and the Commission and constitutes the valid and binding obligation of the City and the Commission enforceable in accordance with its terms.

4. The Bonds have been properly authorized by the Bond Resolution, have been validated, executed and issued in accordance with the constitution and laws of the State of Georgia and constitute valid and binding obligations of the City enforceable in accordance with their terms.

5. The Bonds shall not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, including the City and the Commission, but shall be payable from Net Revenues as provided in the Bond Resolution. The issuance of the Bonds shall not obligate the State of Georgia or any political subdivision thereof, including the City, to levy or pledge any form of taxation whatever for the payment thereof. The Commission has no taxing power. No holder of the Bonds or receiver or trustee in connection therewith shall have the right to enforce payment thereof against any property of the State of Georgia or any political subdivision thereof, including the City and the Commission (other than the property specifically pledged therefor pursuant to the Bond Resolution), nor shall the Bonds constitute a charge, lien or encumbrance, legal or equitable, upon any such property.

6. The payment of the principal of and the interest on the Bonds and any parity obligations hereafter issued and the creation and maintenance of the required reserve therefor is secured by a first and prior pledge of and charge or lien on the above-described Net Revenues.

7. The interest on the Series 2011B Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2011B Bond during any period when such Bond is held by a "substantial user" or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). Notwithstanding the foregoing, interest on the Series 2011B Bonds constitutes an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Except as stated above, we express no opinion regarding any federal tax consequences caused by the receipt or accrual of interest on the Series 2011B Bonds. For the purpose of rendering the opinion set forth in this paragraph, we have assumed compliance by the City and the Commission with requirements of the Code that must be met subsequent to the issuance of the Series 2011B Bonds throughout the term thereof in order that

June 29, 2011

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interest be and continue to be excluded from gross income for federal income tax purposes. Under the Code, failure to comply with such requirements could cause the interest on the Series 2011B Bonds to be included in said gross income retroactively to the date of issuance of the Series 2011B Bonds. The City and the Commission have covenanted to comply with such requirements.

Although we have rendered an opinion that interest on the Series 2011B Bonds is excluded from gross income for federal income tax purposes, a bondholder's federal tax liability may otherwise be affected by the ownership or disposition of the Series 2011B Bonds. The nature and extent of these other tax consequences will depend upon the bondholder's other items of income or deduction. We express no opinion regarding any such other tax consequences.

Very truly yours,

GRAY & PANNELL LLP

By: \_\_\_\_\_  
A Partner



