NEW ISSUE / BOOK ENTRY ONLY RATINGS: See "**RATINGS**" herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described under the heading "TAX MATTERS" herein, (i) interest on the Series 2010 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2010 Bonds for any period during which the Series 2010 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2010 Bonds or a "related person," (ii) interest on the Series 2010B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Series 2010C Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. Bond Counsel is also of the opinion that, under existing statutes, the Series 2010 Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

$70,400,000
Metropolitan Nashville Airport Authority (Tennessee)
Airport Improvement Revenue Bonds Refunding Series 2010B (Non-AMT)

$16,170,000
Metropolitan Nashville Airport Authority (Tennessee)
Airport Improvement Revenue Bonds Refunding Series 2010C (AMT)

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

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed decision.

The Metropolitan Nashville Airport Authority (the "Authority") Airport Improvement Revenue Bonds, Refunding Series 2010B (the "Series 2010B Bonds") and the Authority's Airport Improvement Revenue Bonds, Refunding Series 2010C (the "Series 2010C Bonds" and together with the Series 2010B Bonds, the "Series 2010 Bonds"), will be issued under and secured by an Airport Improvement Revenue Bond Resolution adopted by the Board of Commissioners of the Authority on August 15, 1991 (as amended and supplemented, the "General Resolution") and an Eighteenth Supplemental Resolution adopted by the Board on August 11, 2010 (the "Eighteenth Supplemental Resolution"). The Authority will use the net proceeds of the Series 2010 Bonds, together with other funds of the Authority, to refund certain of its outstanding Airport Improvement Revenue Bonds, pay the premiums of municipal bond insurance policies and debt service reserve fund surety policies for the Series 2010 Bonds, and pay certain costs of their issuance. See "**PLAN OF REFUNDING**" herein.

The Series 2010 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal and interest on the Series 2010 Bonds will be made. Individual purchases will be made in book entry form only. Purchasers of the Series 2010 Bonds will not receive physical delivery of bond certificates. See "**DESCRIPTION OF THE SERIES 2010 BONDS - Book Entry Provisions**" herein.

Interest on the Series 2010 Bonds will be payable on January 1, 2011, and on each July 1 and January 1 thereafter until maturity or earlier redemption, in the event of an extraordinary redemption. The Series 2010 Bonds will be issued in fully registered form and in denominations of $5,000 or integral multiples thereof.

Other than the Series 2010 Bonds maturing on July 1, 2011, the scheduled payment of principal of and interest on the Series 2010 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2010 Bonds by **ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.)**.

The Series 2010 Bonds are special limited obligations of the Authority equally and ratably secured by a lien on the Net Revenues (as defined herein) of the Authority derived from the Airport. The Series 2010 Bonds are payable from Net Revenues and other moneys of the Authority as provided in the General Resolution pursuant to which the Series 2010 Bonds are issued. The Authority and U.S. Bank National Association, Nashville, Tennessee, will serve as co-registrar and co-paying agent ("Paying Agent") for the Series 2010 Bonds.

The Series 2010 Bonds are not subject to optional redemption prior to their respective maturities. See **"DESCRIPTION OF THE SERIES 2010 BONDS - Redemption Prior to Maturity**" for a description of the redemption provisions of the Series 2010 Bonds.

AN INVESTMENT IN THE SERIES 2010 BONDS INVOLVES CERTAIN RISKS. A PROSPECTIVE BONDHOLDER IS ADVISED TO READ THIS ENTIRE OFFICIAL STATEMENT PRIOR TO MAKING AN INVESTMENT IN THE SERIES 2010 BONDS, PARTICULARLY THE SECTIONS "**THE AIRLINE INDUSTRY"** AND **"INVESTMENT CONSIDERATIONS."**

THE SERIES 2010 BONDS SHALL NEVER CONSTITUTE AN INDEBTEDNESS OR A GENERAL OBLIGATION OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION OR BODY POLITIC AND CORPORATE OF THE STATE OF TENNESSEE, INCLUDING THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE, AND THE OWNERS OF THE SERIES 2010 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OR OUT OF ANY FUNDS OR RESOURCES OTHER THAN NET REVENUES. THE AUTHORITY HAS NO TAXING POWER.

The Series 2010 Bonds are offered when, as and if issued and received by the purchasers thereof, and subject to the approval of certain legal matters by Hawkins Delafield & Wood LLP, New York, NY, Bond Counsel to the Authority. Certain other legal matters will be passed upon by Adams and Reese LLP, Nashville, TN, counsel to the Authority, and by Christian & Barton, L.L.P., Richmond, VA, and Charles E. Carpenter, A Professional Corporation, Nashville, TN, co-counsel to the Underwriters. It is expected that the Series 2010 Bonds will be available for delivery in New York, NY, through the facilities of The Depository Trust Company on or about August 26, 2010.

Morgan Keegan & Company, Inc.

Duncan Williams, Inc. **J.P. Morgan** **Mesirow Financial, Inc.**

Dated: August 18, 2010

MATURITY SCHEDULE

$70,400,000 Airport Improvement Revenue Bonds, Refunding Series 2010B (Non-AMT)

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.[1]
2011	$9,990,000	3.000%	0.650%	101.981%	592190 KQ4
2012	13,865,000	3.000	0.840	103.950	592190 KR2
2013	14,580,000	4.000	1.160	107.930	592190 KS0
2014	15,490,000	4.000	1.400	109.703	592190 KT8
2015	16,475,000	4.000	1.840	109.970	592190 KU5

$16,170,000 Airport Improvement Revenue Bonds, Refunding Series 2010C (AMT)

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.[1]
2011	$2,805,000	3.000%	0.820%	101.836%	592190 KV3
2012	3,210,000	3.000	1.250	103.184	592190 KW1
2013	3,010,000	4.000	1.860	105.905	592190 KX9
2014	2,805,000	4.000	2.100	106.984	592190 KY7
2015	2,600,000	4.000	2.540	106.616	592190 KZ4
2016	1,740,000	3.000	2.900	100.531	592190 LA8

[1] CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2010 Bonds or as indicated above.

Optional Redemption.

The Series 2010 Bonds are not subject to optional redemption prior to their respective maturities.

Extraordinary Redemption.

The Series 2010 Bonds are subject to extraordinary redemption as described in "**DESCRIPTION OF THE SERIES 2010 BONDS - Redemption Prior to Maturity.**"

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

BOARD OF COMMISSIONERS

James H. Cheek, III
Chairman

Jack O. Bovender, Jr.	Juli H. Mosley, P.E.
Mayor Karl F. Dean	A. Dexter Samuels
Rod Essig	Saul Solomon
Robert J. Joslin	Robert J. Walker
William A. Martin	

EXECUTIVE STAFF AND OFFICERS

Raul L. Regalado	President – Chief Executive Officer
Montford (Monty) O. Burgess	Executive Vice President – Chief Operating Officer
Stan R. Van Ostran	Vice President – Chief Financial Officer
Robert C. Watson	Senior Vice President – Chief Legal Officer
Kinney Baxter	Senior Vice President – Chief Engineer
Vanessa J. Hickman	Chief Information Officer
Walt Matwijec	Assistant Vice President – Continuous Improvement
John Howard, Jr.	Assistant Vice President – Properties and Business Development
Amelia (Amy) N. Armstrong	Vice President – Chief People Officer

REGARDING THIS OFFICIAL STATEMENT

This Official Statement is being used in connection with the initial offering and sale of the Series 2010 Bonds and may not be reproduced or be used, whether in whole or in part, for any other purpose. No guarantee is made, however, as to the accuracy or completeness of information obtained from other sources by the Authority or the underwriters of the Series 2010 Bonds as shown on the cover page of this Official Statement (the "Underwriters").

The Underwriters have provided the following sentence for inclusion in this Official Statement:

> The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No broker, dealer salesperson, or other person has been authorized by the Authority to give any information or to make any representations in connection with the offering of the Series 2010 Bonds other than those contained in this Official Statement and the Appendices hereto, and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2010 Bonds.

This Official Statement contains certain projections or estimates, as well as assumptions made by and information currently available to the Authority. When information presented herein is not a recitation of historical fact, it constitutes "forward looking statements." When used in this Official Statement, the words, "anticipate," "estimate," "expect" and similar expressions are intended to identify projections and estimates. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. The assumptions and expectations concerning the receipt in future years of Net Revenues (as defined herein) that secure the Series 2010 Bonds are subject to various uncertainties that may adversely affect the amount of Net Revenues the Authority collects. Hence, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc., and referred to as "Assured Guaranty Municipal" or the "Bond Insurer") makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, Assured Guaranty Municipal has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Municipal supplied by Assured Guaranty Municipal and contained in **"BOND INSURANCE"** and in **Appendix E – "Specimen Municipal Bond Insurance Policy and Municipal Bond Debt Service Reserve Insurance Policy."**

THE SERIES 2010 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE HEREINAFTER DEFINED GENERAL RESOLUTION BEEN QUALIFIED UNDER THE

TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2010 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2010 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2010 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN REVIEW OF THE TERMS OF THE SERIES 2010 BONDS, THE OFFERING THEREOF AND THE SECURITY THEREFORE, INCLUDING BUT NOT LIMITED TO THE COLLECTION OF NET REVENUES AS THE PRINCIPAL SOURCE OF PAYMENT OF THE SERIES 2010 BONDS, AND THE MERITS AND RISKS INVOLVED IN A DECISION TO PURCHASE SERIES 2010 BONDS. THE SERIES 2010 BONDS HAVE NOT BEEN APPROVED, DISAPPROVED OR RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHER, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE PRICES AT WHICH THE SERIES 2010 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES AND YIELDS APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. FURTHERMORE, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Information contained herein has been obtained from the Authority, DTC and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as or construed as a promise or representation by, the Authority or the Underwriters. Nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters.

This Official Statement does not constitute an offer to sell the Series 2010 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or any other person. Neither the delivery of this Official Statement nor the sale of any Series 2010 Bonds implies that there has been no change in the matters described herein since the date hereof.

The Series 2010 Bonds are exempt from registration under the Securities Act of 1933, as amended and are also exempt from registration under the securities laws of the State of Tennessee.

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OFFICIAL STATEMENT

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
(Tennessee)

$70,400,000 Airport Improvement Revenue Bonds, Refunding Series 2010B (Non-AMT)

$16,170,000 Airport Improvement Revenue Bonds, Refunding Series 2010C (AMT)

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, is provided to set forth certain information concerning (i) The Metropolitan Nashville Airport Authority (the "Authority"), and (ii) the issuance of $70,400,000 principal amount of Airport Improvement Revenue Bonds, Refunding Series 2010B (the "Series 2010B Bonds") and $16,170,000 principal amount of Airport Improvement Revenue Bonds, Refunding Series 2010C (the "Series 2010C Bonds" and together with the Series 2010B Bonds, the "Series 2010 Bonds"). The Series 2010 Bonds are being issued pursuant to The Metropolitan Airport Authority Act, Tenn. Code Ann. §§ 42-4-101 *et seq.*, as amended (the "Act"), the Local Government Public Obligations Act of 1986, Tenn. Code Ann. §§ 9-21-101 *et seq.*, as amended, the Airport Improvement Revenue Bond Resolution adopted by the Board of Commissioners of the Authority (the "Board") on August 15, 1991 (as amended and supplemented, the "General Resolution") and an Eighteenth Supplemental Resolution adopted by the Board on August 11, 2010 (the "Eighteenth Supplemental Resolution"). All bonds heretofore or hereafter issued as parity obligations under the General Resolution, including the Series 2010 Bonds, are collectively referred to herein as the "Bonds." All capitalized, undefined terms used in this Official Statement shall have the meanings ascribed to them in **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Definitions of Certain Terms**" or in the General Resolution.

The Authority is a metropolitan airport authority created on February 9, 1970, pursuant to the Act, as a public and governmental body acting as an agency and instrumentality of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government"). The principal purpose of the Authority is the management and operation of the Nashville International Airport (the "Airport") and other airports and auxiliary fields, either acquired or placed under its control. See **"THE AUTHORITY"** and **"THE AIRPORT."**

Brief descriptions of the Authority, the Series 2010 Bonds, the security for the Series 2010 Bonds, the General Resolution and related documents are included herein and in **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Definitions of Certain Terms**" to this Official Statement. The descriptions of documents included in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. Copies of such documents are available during the initial offering period from the Authority, located at Nashville International Airport, One Terminal Drive, Suite 501, Nashville, Tennessee 37214, Attention: Vice-President-Chief Financial Officer.

PLAN OF REFUNDING

The Series 2010 Bonds are being issued for the public purposes of (1) refunding on a current basis the outstanding principal amount of the Authority's Series 1995 Bonds, Series 1998A Bonds, Series 1998C Bonds and Series 2001A Bonds (such bonds, as further described in the table below, are collectively referred to as the "Refunded Bonds"), (2) paying the premiums of municipal bond insurance policies and debt service reserve fund surety policies for the Series 2010 Bonds, and (3) paying costs of issuance of the Series 2010 Bonds.

The Refunded Bonds consist of the following:

Refunded Bonds

Series of Refunded Bonds	Maturities (July 1) (years inclusive)	Refunded Amounts	Redemption Date	Redemption Price
1995	2011 - 2015	$33,305,000	September 20, 2010	100%
1998A	2011 - 2014	$3,015,000	September 20, 2010	100%
1998C	2011, 2013 - 2016	$14,115,000	September 20, 2010	100%
2001A	2011 - 2015	$42,490,000	September 20, 2010	103%
TOTAL		$92,925,000		

The Refunded Bonds were issued to finance or refinance various capital projects at and around the Airport*:*

Upon delivery of the Series 2010 Bonds, the Authority will enter into a refunding trust agreement (the "Refunding Trust Agreement") with U.S. Bank National Association, Nashville, Tennessee, in its capacity as co-paying agent for the Refunded Bonds (the "Bank"). The Refunding Trust Agreement creates an irrevocable trust fund (the "Trust Fund"), which is to be held by the Bank and is to be applied to the payment of the principal and interest on the Refunded Bonds to their respective redemption dates. The Authority will deposit net proceeds of the Series 2010 Bonds and other funds in the Trust Fund, as described below in **"Application of Proceeds of Series 2010 Bonds,"** in an aggregate amount sufficient (i) to pay the interest on the Refunded Bonds to their redemption date, and (ii) to redeem the Refunded Bonds on such redemption date at their redemption prices.

Application of Proceeds of Series 2010 Bonds

The proceeds of the sale of the Series 2010 Bonds are expected to be applied approximately as follows:

Sources of Funds

Principal amount of Series 2010B Bonds	$70,400,000.00
Principal amount of Series 2010C Bonds	16,170,000.00
Original issue premium	5,755,918.90
Transfers from Refunded Bonds Debt Service Funds	3,592,048.34
Equity Contribution of the Authority	795,904.46
Total Sources	$96,713,871.70

Uses of Funds

Deposit to Trust Fund for Refunded Bonds	$95,378,055.22
Costs of Issuance[1]	1,335,816.48
Total Uses	$96,713,871.70

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[1] Includes underwriters' discount, premiums for bond insurance and debt service reserve fund surety bonds, fees and expenses of attorneys, financial advisor, printing and other costs associated with the issuance of the Series 2010 Bonds.

DESCRIPTION OF THE SERIES 2010 BONDS

The following is a summary of certain provisions of the Series 2010 Bonds, including terms relating to the redemption of the Series 2010 Bonds. Reference is hereby made to the General Resolution, as summarized in **Appendix C – "Summary of Principal Legal Documents – The General Resolution**" and in its entirety, for the detailed provisions pertaining to the Series 2010 Bonds.

The Authority and U.S. Bank National Association, Nashville, Tennessee, will serve as co-registrar and co-paying agent (either or both, the "Paying Agent") for the Series 2010 Bonds. Pursuant to the terms of the General Resolution, U.S. Bank National Association, Nashville, Tennessee, has been appointed and serves as trustee (the "Trustee"); however, the Trustee has no duties or obligations under the General Resolution, except in the event of a default under the terms of the General Resolution.

General

The Series 2010 Bonds will be issued in the aggregate principal amounts and at the interest rates, and will mature in the amounts and on the dates all as set forth on the inside cover page hereof. The Series 2010 Bonds are to be dated their date of delivery, and are issuable in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2010 Bonds is payable on each January 1 and July 1 (each such date is referred to herein as an "Interest Payment Date"), commencing January 1, 2011, and accrues from the dated date of the Series 2010 Bonds, or the most recent Interest Payment Date to which interest has been paid or provided for. Interest on the Series 2010 Bonds is payable by check mailed to the registered owners thereof at the addresses appearing in the registration books of the Paying Agent (the "Owners") at the close of business on the fifteenth day (whether or not a business day) next preceding any Interest Payment Date. The Series 2010 Bonds are initially to be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") as securities depository for the Series 2010 Bonds. Purchases by beneficial owners of the Series 2010 Bonds (the "Beneficial Owners) are to be made in book entry form. See **"Book Entry Provisions**" below.

As long as the Municipal Bond Insurance Policy is in effect and the Bond Insurer is not in default with respect thereto, the Bond Insurer is considered the sole owner of the Series 2010 Bonds other than the Series 2010 Bonds maturing on July 1, 2011 (the "Insured Series 2010 Bonds"), with respect to certain actions taken under the General Resolution. See **Appendix C – "Summary of Principal Legal Documents – Bond Insurer Deemed Holder of Series 2010 Bonds for Certain Purposes."** The Municipal Bond Insurance Policy does not insure the Series 2010 Bonds maturing on July 1, 2011.

Redemption Prior to Maturity

Optional Redemption. The Series 2010 Bonds are not subject to optional redemption prior to their respective maturities.

Extraordinary Redemption (Damage to All/Substantially All of Airport). The Series 2010 Bonds are subject to extraordinary redemption at the option of the Authority, in whole at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, but only in the event of the destruction or damage to all or substantially all of the Airport, or the condemnation of the Airport, from money deposited in the Airport Improvement Bond Redemption Fund.

Notice of Redemption. The Paying Agent shall give notice of any redemption of Series 2010 Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days or more than 60 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the books of registry. The notice shall state the redemption date, the redemption price, the place at which the Series 2010 Bonds are to be surrendered for payment, and, if less than all the Series 2010 Bonds outstanding are to be redeemed, an identification of the Series 2010 Bonds or portions thereof to be redeemed.

Any notice of redemption may state that the redemption contemplated therein is conditioned upon the occurrence of certain events or circumstances described therein, in which case the Authority will not be obligated to redeem the Series 2010 Bonds unless such events or circumstances have occurred.

So long as a book entry system is used for determining beneficial ownership of the Series 2010 Bonds, the Paying Agent is to send such notice to DTC or to Cede & Co., as nominee for DTC. DTC was organized to hold securities of its participants ("Participants"). Any failure of DTC to advise any Participant, or of any Participant or indirect participant to notify the Beneficial Owner, of any such notice and its content or effect does not affect the validity of the redemption of the Series 2010 Bonds called for redemption or any other action premised on that notice.

Registration, Transfer and Exchange

The Series 2010 Bonds are issued in fully registered form and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the Series 2010 Bonds. Purchases by Beneficial Owners of the Series 2010 Bonds are to be made in book entry form in the principal amount of $5,000 or any integral multiple thereof. Payments to Beneficial Owners are to be made as described below under "**Book Entry Provisions**." The Series 2010 Bonds may be exchanged or transferred at the principal office of the Paying Agent.

No charge is to be imposed upon registered owners in connection with the transfer or exchange except for taxes and governmental charges related thereto. Transfers by Beneficial Owners are to be made as described below under "**Book Entry Provisions**."

Book Entry Provisions

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued initially in the form of fully-registered bonds, in the aggregate principal amount of the Series 2010 Bonds, and will be registered in the name of Cede & Co., as nominee for DTC, 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 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

The descriptions contained in "**Redemption Prior to Maturity**" above and which follow insofar as they describe DTC and its relationship with Cede & Co.; the procedures and recordkeeping with respect to beneficial ownership interest in the Series 2010 Bonds; payment of interest and other payments on the Series 2010 Bonds to Participants or Beneficial Owners; confirmation and transfer of beneficial ownership interests in the Series 2010 Bonds; redemption procedures and notices for the Series 2010 Bonds while such bonds are in a book-entry system; and other bond-related transactions by and between DTC, Participants and Beneficial Owners, are based solely on information furnished by DTC, and neither the Authority nor the Underwriters have any responsibility for the accuracy thereof.

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 and www.dtc.org.

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not

receive certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2010 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults and proposed amendments to the financing documents. For example, Beneficial Owners of the Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 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.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2010 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2010 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and premium, if any, and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority, the Paying Agent or the Trustee, 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 Direct and Indirect Participants and not of DTC (or its nominee), the Authority, the Paying Agent or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, the Paying Agent or the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE AUTHORITY CAN GIVE NO ASSURANCES THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENT TO BENEFICIAL OWNERS.

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee of DTC, references herein to the Bond owners or registered owners of the Series 2010 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2010 Bonds.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority, the Paying Agent or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered to DTC.

The foregoing information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

So long as Cede & Co., as nominee for DTC, is the sole bondholder, the Authority, the Paying Agent and the Trustee shall treat Cede & Co. as the only bondholder for all purposes under the General Resolution including receipt of all principal of, premium, if any, and interest on the Series 2010 Bonds, receipt of notices, voting and requesting or directing the Authority, the Paying Agent and the Trustee to take or not to take, or consenting to, certain actions under the General Resolution.

The Authority, the Paying Agent and the Trustee have no responsibility or obligation to the Direct and Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct and Indirect Participant; (b) the payment by any Direct or indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2010 Bonds in the sending of any transaction statements; (c) the delivery or timeliness of delivery by DTC or any participant of any notice to any Beneficial Owner which is required or permitted under the terms of the General Resolution to be given to Bondholders; (d) the selection of the Beneficial Owners to receive payments upon any partial redemption of Series 2010 Bonds, (e) any consent given or other action taken by DTC as the owner of the Series 2010 Bonds, or (f) other action taken by DTC or Cede & Co. as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

The Authority, the Paying Agent and the Trustee may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2010 Bonds without the consent of Beneficial Owners or bondholders.

SECURITY FOR THE SERIES 2010 BONDS

Source of Payment

The Series 2010 Bonds are limited obligations of the Authority, secured by a pledge of and lien on Net Revenues derived by the Authority from the operation of the Airport on a parity with certain outstanding Bonds and any Additional Bonds, as more particularly described below.

Outstanding Bonds

The Authority has previously issued pursuant to the General Resolution the following series of Airport Improvement Revenue Bonds:

Issue/Series	Original Principal Amount	Outstanding Principal Amount*
Series 1995 (the "Series 1995 Bonds")**	$74,810,000	$33,305,000
Series 1998A (the "Series 1998A Bonds")**	19,695,000	3,015,000
Series 1998C (the "Series 1998C Bonds")**	32,660,000	14,115,000
Series 2001A (the "Series 2001A Bonds")**	91,930,000	42,490,000
Series 2003B (the "Series 2003B Bonds")	19,585,000	16,895,000
Series 2008A (the "Series 2008A Bonds")	37,600,000	19,300,000
Series 2009A (the "Series 2009A Bonds")	36,000,000	35,285,000
Series 2010A (the "Series 2010A Bonds")	25,770,000	24,515,000
Totals	$338,050,000	$188,920,000

* As of July 15, 2010.
** This series of Bonds comprises a portion of the Refunded Bonds.

Pledge of Net Revenues

The Series 2010 Bonds are being issued on a parity with the Authority's outstanding Bonds, including its Series 2003B Bonds, Series 2008A Bonds, Series 2009A Bonds and Series 2010A Bonds (the "Outstanding Bonds"). All Bonds issued under the General Resolution are secured by a pledge of and lien on Net Revenues derived by the Authority from the operation of the Airport. Net Revenues, as defined in the General Resolution, consist of Airport Revenues less Operating Expenses. Except as provided in the General Resolution, Operating Expenses include payments due by the Authority under the Swap Agreements, as described below in "**OTHER FINANCIAL INSTRUMENTS – Swap Agreements.**" Payment of amounts due under the SocGen Swap (as defined in **"OTHER FINANCIAL INSTRUMENTS – Swap Agreements"** below), including termination payments, net fixed swap

payments and certain other fees are paid as Operating Expenses prior to the payment of the Bonds. In addition, the Authority may enter into additional swap arrangements in the future, the payments under which may be paid as Operating Expenses. See **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Authorization and Issuance of Bonds and Other Indebtedness -- *Treatment of Payments Under a Swap Agreement as Operating Expenses*.**"

The Authority also has issued its Passenger Facility Charge Bonds, Refunding Series 2003 (Variable Rate Demand) (the "PFC Bonds"), in the principal amount of $32,020,000, of which $7,750,000 remains outstanding. The PFC Bonds are secured by a pledge of and lien on all PFCs (as hereinafter defined) pursuant to a separate resolution of the Authority (the "PFC Resolution"). PFCs are not pledged to the payment of any Outstanding Bonds other than the PFC Bonds, nor are Net Revenues pledged to the payment of the PFC Bonds. See "**THE AIRPORT – Passenger Facility Charge."**

Passenger Facility Charges ("PFCs") are pledged only to the PFC Bonds, however, at the sole discretion of the Authority, PFCs may be, but are not obligated to be used to pay debt service on certain Outstanding Bonds of the Authority, namely the Series 2009A Bonds and the Series 2010A Bonds. PFCs are not available to pay debt service on the Series 2010 Bonds as such is not an approved use of PFCs. Pursuant to the PFC Resolution, PFCs are not Airport Revenues or Net Revenues and are not pledged to the payment of any Bonds other than the PFC Bonds and are not segregated or held in any trust or pledged accounts. The Authority may apply such PFCs to other qualified purposes. Other than PFC Bondholders, holders of outstanding Bonds cannot require the Authority to apply PFCs to the payment of debt service on any Outstanding Bonds. The Authority must have approvals from the FAA to impose and use PFCs, and the Authority can provide no assurances that such approvals may be obtained in the future. Accordingly, no assurance can be given that PFCs will be available or applied to the payment of debt service on any Bonds.

Holders of the Series 2010 Bonds must rely solely on the availability of Net Revenues and the Authority's obligation and ability to produce Airport Revenues as described under **"SECURITY FOR THE SERIES 2010 BONDS – Rate Covenant"** for the payment of debt service on the Series 2010 Bonds.

The Authority has issued three series of special facility revenue bonds, including a 2005 issue on behalf of Embraer Aircraft Maintenance Services, Inc., for the development and construction of an aircraft maintenance facility at the Airport, a 2006 issue on behalf of Aero Nashville, LLC, an affiliate of Aeroterm US Inc., the developer of a FedEx cargo and support facility at the Airport, and a 2010 issue on behalf of MPC CONRAC, LLC, for the development of the Authority's consolidated rental car or CONRAC facility. None of such obligations is payable from Net Revenues, but instead are payable from and secured by the special and limited revenues derived from sublease arrangements with the respective conduit borrowers. See "**SECURITY FOR THE SERIES 2010 BONDS – Additional Indebtedness**" and **"– Separate Entities**" herein and **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Authorization and Issuance of Bonds and Other Indebtedness -- *Special Facility Revenue Bonds*."**

Limited Obligations

The Series 2010 Bonds shall never constitute an indebtedness or a general obligation of the State of Tennessee or any political subdivision or body politic and corporate thereof, including the Metropolitan Government, other than the Authority, within the meaning of any provision of the Constitution and laws of the State of Tennessee. The Authority has no taxing power.

Rate Covenant

The Authority is obligated under the General Resolution to impose rates, rentals, fees and charges sufficient to produce Airport Revenues after deducting Operating Expenses, which, together with other available funds, will at least equal 110% of Debt Service on all Outstanding Bonds. In addition, the Authority has covenanted under the General Resolution to impose rates, rentals, fees and charges such as will produce Airport Revenues at least sufficient (i) to pay the principal of, 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 Operating Expenses; (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues; and (iv) to carry out all provisions and covenants of the General Resolution.

The failure to comply with the rate covenant contained in the General Resolution will not constitute an Event of Default under the General Resolution if the Authority, within 120 days of such failure to comply, (i) causes 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 of the General Resolution, (ii) considers the recommendations of the Airport Consultant, and (iii) takes such action as the Authority, in its discretion, may deem necessary to comply with the rate covenant.

See "**THE AIRPORT – Historical Debt Service Coverage.**"

Additional Indebtedness

The Authority may issue Additional Bonds if, either (i) a Designated Financial Officer has certified that, based on the latest available audited financial statements of the Authority, the Airport Revenues after deducting Operating Expenses for that fiscal year as derived from said audited financial statements equaled not less than 100% of average Debt Service on all Outstanding Bonds and the bonds of the series then proposed to be issued and any amount required to be deposited in the Bond Reserve Fund to make up any deficiencies therein, or (ii) an Airport Consultant has certified that estimated Airport Revenues after deducting Operating Expenses to be derived in each of the three full fiscal years following the fiscal year in which (a) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction 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, equal not less than 110% of the Debt Service on all Outstanding Bonds upon the issuance of such Additional Bonds and including such Additional Bonds and 100% of any amount required to be deposited in the Bond Reserve Fund to make up any deficiencies therein. The Authority may also issue Completion Bonds, Refunding Bonds, special facility revenue bonds and subordinate indebtedness under the General Resolution without complying with the test described above under the conditions described in **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Authorization and Issuance of Bonds and Other Indebtedness.**"

The Authority has implemented a customer facility charge ("CFC") in connection with the initial design of a consolidated rental car ("CONRAC") facility. The Authority has issued its special facility revenue bonds in the principal amount of $66,300,000, secured by and payable from the CFC, to finance the CONRAC facility. In such a special facility structure, CFCs secure only the respective special facilities revenue bonds, and do not constitute Airport Revenues or Net Revenues and are not pledged to the payment of any Bonds. In the future, the Authority may elect to restructure the special facility financing and finance all or a portion of the consolidated rental car facility with Additional Bonds, in which case the CFCs would be treated as Airport Revenues and Net Revenues available to pay debt service on Bonds.

Further, the Authority continues to monitor market conditions for refunding opportunities and may issue Refunding Bonds from time to time in order to realize debt service savings and other financial benefits to the Authority.

Reserve Fund; Assured Guaranty Municipal Reserve Fund Surety Bond

The Authority will establish the Bond Reserve Accounts, Refunding Series 2010B and Refunding Series 2010C, respectively, in the Airport Improvement Bond Reserve Fund as security for the respective Series 2010B Bonds and the Series 2010C Bonds. Amounts on deposit in the respective accounts of the Bond Reserve Account, will be disbursed solely for the purpose of paying principal of and interest on the respective Series of the Series 2010 Bonds for the funding of payment if there is insufficient money in the corresponding Principal and Interest Fund. The holders of any other series of Outstanding Bonds have no right to payment of principal of or interest on Outstanding Bonds from or lien on amounts on deposit in the respective Bond Reserve Account, Refunding Series 2010B or Refunding Series 2010C.

The Bond Fund Reserve Requirement for the respective Series of the Series 2010 Bonds will be $7,040,000 for the Series 2010B Bonds and $1,617,000 for the Series 2010C Bonds. See **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Funds and Accounts --** ***Bond Reserve Fund***."

The Bond Fund Reserve Requirement for the Bond Reserve Accounts, Refunding Series 2010B and Refunding Series 2010C, respectively, will initially be satisfied by the deposit of surety bonds provided by Assured Guaranty Municipal payable to the Authority for the benefit of the holders of the respective series of the Series 2010 Bonds, entitling the Authority to draw, in an aggregate amount equal to all or any portion of the difference between the Bond Fund Reserve Requirement for the respective series of the Series 2010 Bonds and the amount, if any, on deposit in the respective Bond Reserve Account for the Series 2010 Bonds.

The Authority is required to reimburse draws under the surety bonds with interest at a market rate, which reimbursement obligation of the Authority is subordinate to the Authority's obligations with respect to the Bonds.

For further information on Assured Guaranty Municipal, see the subsections "**Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)**" and "**Recent Developments**" below in "**BOND INSURANCE**" and **Appendix E – "Specimen Municipal Bond Insurance Policy and Municipal Bond Debt Service Reserve Insurance Policy."**

Airport Agreements

Airport Revenues are derived primarily from lease payments made by contracting airlines and rental car agencies for the use of certain facilities at the Airport, concession revenues and parking fees. See **"THE AIRPORT – Sources of Revenue."** These revenues include the following:

(1) terminal and ramp area rentals and landing fees payable pursuant to the Amended and Restated Lease Agreements (the "Signatory Leases") which have been entered into by eight of the scheduled airlines that currently serve the Airport (the "Airlines"); specifically American, American Eagle, Delta (which now includes Northwest Airlines since consummation of the merger between the two airlines), Express Jet, Frontier, Southwest, United Airlines and US Airways have executed the Signatory Leases;

(2) operating agreements with the non-signatory passenger and cargo airlines operating at the Airport, providing for the use of the Airport and for the payment of landing fees and certain other charges;

(3) concession agreements for operation of concessions at the Airport and the provision of rental cars, bus, limousine and hotel courtesy car services; and

(4) revenues from parking facilities.

The Signatory Leases terminate on September 30, 2017, or earlier under certain conditions, but any obligation as to which an airline may be in default (other than a rejection in federal bankruptcy) will survive the termination of its Lease. The Signatory Leases are "residual" in nature, pursuant to which the Signatory Airlines generally provide for break-even financial operation of the Airport. See "**THE AIRPORT"** and **Appendix C – "Summary of Principal Legal Documents – The Signatory Leases."**

Separate Entities

The Authority has formed the MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, pursuant to an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The commissioners of the Authority constitute the board of directors of the MPC. The Authority made an initial capital contribution of $9 million to MPC in August 2007.

During 2008, MPC Holdings, LLC, a limited liability company of which MPC is the sole member (the "LLC"), acquired two separate multi-tenant facilities, both on Airport property. The first, International Plaza, was purchased for $7.5 million, and the second was purchased from a major tenant (that still occupies a portion of the building) for $1.36 million. Both acquisitions were financed with bank loans from SunTrust Bank and related interest rate swap agreements. See **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."**

In late 2009, the Authority and MPC caused the creation of MPC CONRAC, LLC, as a Tennessee nonprofit limited liability company, in connection with the special facilities financing for the Authority's consolidated rental car or CONRAC facility. MPC is the sole member of MPC CONRAC, LLC.

The operating expenses of MPC (and any subsidiaries of MPC) are not Operating Expenses of the Authority and the income and revenues of MPC (and any subsidiaries of the MPC) are not included in Airport Revenues, except that ground rent payments and management fees by such entities to the Authority are included in Airport Revenues. Although the Authority may commit amounts in the Discretionary Fund to support projects undertaken by MPC (or any subsidiaries of MPC), it is currently expected that no other property or assets of the Authority will be committed to support MPC or any subsidiary. See Note 1 (*Metropolitan Nashville Airport Authority*) in **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."**

The Authority has covenanted with SunTrust Bank that, in the event the LLC fails to meet certain liquidity and coverage covenants, the Authority shall fund to the LLC such amounts as shall be necessary to meet such covenants up to a maximum aggregate amount to be funded annually by the Authority of $200,000 from amounts on deposit in the Discretionary Fund. The Authority also may be required to fund up to $200,000 to the Discretionary Fund when notes issued to SunTrust Bank are outstanding in order to satisfy the funding obligations set forth above.

BOND INSURANCE

There follows certain information concerning Assured Guaranty Municipal and the terms of the Municipal Bond Insurance Policy to be issued by Assured Guaranty Municipal. Information with respect to Assured Guaranty Municipal has been provided Assured Guaranty Municipal and has not been independently confirmed or verified by the Authority. No representation is made by the Authority or the Underwriters as to the accuracy or adequacy of such information. The Municipal Bond Insurance Policy does not constitute a part of the contract between the Authority and the holders of the Series 2010 Bonds. Except for the payment of the premium on the Municipal Bond Insurance Policy, the Authority has no responsibility with respect to such insurance in any way, including maintenance, enforcement or collection thereof. See ***Appendix E.***

The following information is not complete and reference is made to **Appendix E** for a specimen of the municipal bond insurance policy (the "Municipal Bond Insurance Policy") of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc, and referred to as "Assured Guaranty Municipal" or the "Bond Insurer").

Bond Insurance Policy

Concurrently with the issuance of the Series 2010 Bonds, Assured Guaranty Municipal (formerly known as Financial Security Assurance Inc.) will issue its Municipal Bond Insurance Policy for the Series 2010 Bonds. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2010 Bonds when due as set forth in the form of the Municipal Bond Insurance Policy included under **Appendix E** to this Official Statement. The Municipal Bond Insurance Policy does not insure the Series 2010 Bonds maturing on July 1, 2011.

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

Assured Guaranty Municipal Corp.
(formerly known as Financial Security Assurance Inc.)

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

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

Assured Guaranty Municipal's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of Assured Guaranty Municipal at the then current rating level. Each rating of Assured Guaranty Municipal should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy,

sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of Assured Guaranty Municipal in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty Municipal. Assured Guaranty Municipal does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Assured Guaranty Municipal. At the same time, S&P continued its negative outlook on Assured Guaranty Municipal. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

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

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

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

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

Capitalization of Assured Guaranty Municipal

At June 30, 2010, Assured Guaranty Municipal's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

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

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to Assured Guaranty Municipal included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c) or 15(d) of the Securities Exchange Act, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2010 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

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

OTHER FINANCIAL INSTRUMENTS

Letters of Credit

The Series 2008A Bonds are supported by a letter of credit provided by Société Générale, New York Branch ("SocGen") pursuant to a reimbursement agreement dated as of June 1, 2008. The SocGen letter of credit expires July 3, 2019, while the Series 2008A Bonds mature July 1, 2019.

The PFC Bonds are supported by a letter of credit provided by SunTrust Bank ("SunTrust") pursuant to a reimbursement agreement dated as of July 1, 2003. The SunTrust letter of credit expires July 23, 2012, while the PFC Bonds mature July 1, 2012. The PFC Bonds are not hedged with an interest rate swap.

See **"INVESTMENT CONSIDERATIONS – Letter of Credit and Swap Providers.**"

Swap Agreements

The Authority entered into a Swap Agreement in connection with its Series 1993 Bonds (the "SocGen Swap"), which Swap Agreement was transferred to the Series 2008A Bonds in connection with the issuance of such bonds to refund the Series 1993 Bonds. See Note 8 (*Derivative Financial Instruments*) in **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."**

In addition, the Authority has from time to time entered into and may in the future enter into a variety of swap transactions intended to accomplish a variety of purposes. Certain of these transactions have been undertaken as variable to fixed forward synthetic advance refundings or synthetic fixed rate bonds in which a fixed rate swap is integrated with variable rate bonds for the term of the issue. These transactions have been used by the Authority to effectively lock in a fixed rate issue at either market rates or rates designed to produce up-front benefits to the Authority and do not alter the Authority's obligation to pay debt service on, and do not provide a source of security for, the underlying variable rate bonds or any other debt of the Authority.

Under certain circumstances (including certain events of default with respect to the Authority or a swap provider), a Swap Agreement may be terminated. Following any termination of a Swap Agreement, either the Authority or the swap provider may owe a termination payment to the other, depending upon market conditions and the events that caused such Swap Agreement to terminate. Under certain market conditions, the Authority may owe a termination payment to a Swap provider, which could be substantial. Net fixed or variable rate swap payments payable by the Authority under a Swap Agreement are treated as Operating Expenses for the purposes of the General Resolution. Termination payments may be treated as Operating Expenses for the purposes of the General Resolution if certain requirements of the General Resolution are met and otherwise must be subordinate to the Bonds. Currently, the SocGen Swap provides for a termination payment that is payable as Operating Expenses for the purposes of the General Resolution. See **Appendix C – "Summary of Principal Legal Documents – The General Resolution -- Authorization and Issuance of Bonds and Other Indebtedness -- *Treatment of Payments Under a Swap Agreement as Operating Expenses*."** Payments received by the Authority under a Swap Agreement are Airport Revenues. The Swap Agreements are not treated as Bonds for purposes of the rate covenant, additional bonds tests or reserve requirements of the General Resolution.

See **"INVESTMENT CONSIDERATIONS – Letter of Credit and Swap Providers."**

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DEBT SERVICE REQUIREMENTS

Set forth below are the total debt service requirements for the Series 2003B Bonds, the Series 2008A Bonds, the Series 2009A Bonds, the Series 2010A Bonds and the Series 2010 Bonds:

Fiscal Year	Principal and Interest[1] (Series 2003B, 2008A[2] 2009A[3] and 2010A)	Principal (Series 2010B and 2010C)	Interest (Series 2010B and 2010C)	Total Debt Service (Series 2010B and 2010C)	Total Debt Service
2011	$13,203,337.00	$0.00	$1,092,604.17	$1,092,604.17	$14,295,941.17
2012	15,751,422.00	12,795,000.00	2,954,775.00	15,749,775.00	31,501,197.00
2013	10,982,254.00	17,075,000.00	2,506,725.00	19,581,725.00	30,563,979.00
2014	10,830,057.00	17,590,000.00	1,898,800.00	19,488,800.00	30,318,857.00
2015	10,846,294.00	18,295,000.00	1,181,100.00	19,476,100.00	30,322,394.00
2016	10,801,261.00	19,075,000.00	433,700.00	19,508,700.00	30,309,961.00
2017	11,715,181.00	1,740,000.00	26,100.00	1,766,100.00	13,481,281.00
2018	13,762,430.00				13,762,430.00
2019	9,870,740.00				9,870,740.00
2020	13,393,560.00				13,393,560.00
2021	1,341,067.00				1,341,067.00
2022	1,339,547.00				1,339,547.00
2023	1,335,989.00				1,335,989.00
2024	1,335,249.00				1,335,249.00
2025	1,331,725.00				1,331,725.00
2026	1,330,245.00				1,330,245.00
2027	1,330,942.00				1,330,942.00
2028	1,328,670.00				1,328,670.00
2029	1,328,280.00				1,328,280.00
2030	1,324,623.00				1,324,623.00
2031	1,322,550.00				1,322,550.00
2032	1,321,764.00				1,321,764.00
2033	1,321,969.00				1,321,969.00
2034	1,318,016.00				1,318,016.00
Total	$139,767,172.00	$86,570,000.00	$10,093,804.17	$96,663,804.17	$236,430,976.17

[1] Does not include debt service on the Refunded Bonds. On July 1, 2010 the Authority made principal and interest payments on the Refunded Bonds in the amount of $18,457,388.

[2] Assumes an interest rate of 4.49% on the Series 2008A Bonds.

[3] Debt service reserve accounts for the Refunded Bonds are funded with debt service reserve fund surety instruments issued by Financial Guaranty Insurance Corporation. See "**SECURITY FOR THE SERIES 2010 BONDS – Reserve Fund; Assured Guaranty Municipal Reserve Fund Surety Bond.**" These reserve accounts do not secure the Series 2010 Bonds.

Note: Totals may not foot due to rounding.

THE AUTHORITY

General

The Authority is a metropolitan airport authority created pursuant to the provisions of the Act. The Authority is acting as an agency and instrumentality of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government"). The principal purpose of the Authority is the management and operation of the Airport and other airports and auxiliary fields either acquired or placed under its control. The Authority is empowered under the Act to construct, improve and operate airports and to establish and charge fees, rentals, rates and other charges. Further, the Authority is

authorized to issue revenue bonds for the purposes authorized by the Act. The Authority also owns the John C. Tune Airport, a 399-acre general aviation reliever airport in West Nashville.

The Board, whose members serve without compensation, consists of ten members, nine of whom are appointed by the Metropolitan Government's Mayor (the "Mayor"), with the tenth being the Mayor (or his designee). All appointments are confirmed by the Metropolitan Council, except that of the Mayor. All appointments to the Board are for four-year terms. The terms of Board members are staggered to provide for continuity of Airport development and management. The Board appoints by contract the President, who is the chief executive and administrative officer responsible for day-to-day operations and planning for all Authority entities. The President heads a full-time staff of professional and technical personnel located at the Airport.

The Board of Commissioners of the Authority

Following are brief biographies of the current members of the Board:

Jack O. Bovender, Jr. is the retired Chairman and Chief Executive Officer of Nashville-based HCA, the nation's leading provider of healthcare services. He is a 34-year veteran of the healthcare industry and worked at HCA for more than 20 years. Following HCA's merger with Columbia in 1994, Mr. Bovender left the company to serve on the boards of several public and private companies, including Quorum Health Group, Inc., American Retirement Corp. and Nashville Electric Service. He returned to HCA in 1997 as HCA's President and Chief Operating Officer. He was appointed to HCA's Board of Directors in 1999 and was named President and CEO in 2001. He became Chairman and CEO of HCA in January 2002. Mr. Bovender is a member of the Duke University Board of Trustees and the Board of Directors of the Duke University Health System. He received his bachelor's degree in psychology from Duke University and his master's degree in healthcare administration from Duke University. Mr. Bovender was appointed to the Board in 2003, and his current term expires in 2011.

James H. Cheek, III is a member of the law firm of Bass, Berry & Sims PLC in Nashville, Tennessee. He graduated from Duke University and Vanderbilt Law School and received an LL.M. degree from Harvard University. Mr. Cheek served as Chair of the American Bar Association Section of Business Law during 1998-1999 and served as Chair of the Legal Advisory Committee of the New York Stock Exchange from 1989 to 1992. He also served as chair of the Legal Advisory Board to the National Association of Securities Dealers from 1995 to 1997. Mr. Cheek was appointed in 2001, and his current term expires in 2013.

Mayor Karl F. Dean is the sixth mayor of the Metropolitan Government of Nashville and Davidson County, having been elected on September 11, 2007. His priorities as mayor are improving schools, making neighborhoods safer and bringing more and better jobs to Nashville. Mayor Dean first held public office when he was elected as Nashville's Public Defender in 1990, a post he was re-elected to in 1994 and 1998. Mayor Dean served as Metropolitan Government Law Director from 1999 to January 2007, when he resigned to run for the office of mayor. Mayor Dean completed the program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard in 1999. He has served as an Adjunct Professor of Law at Vanderbilt University. Mayor Dean was appointed in 2007 and his current term expires in 2011.

Rod Essig is with Creative Artists Agency, a full service talent agency representing professionals working in film, television, music, theatre, video games, and sports. His experience in the music industry began in 1973 as Vice President and co-owner of Minneapolis-based booking agency, Variety Artists International. In 1993 he relocated to Nashville and joined CAA, where he is presently the responsible agent for country music stars such as Martina McBride, Reba McEntire, Tim McGraw, LeAnn Rimes and

Phil Vassar. He has many affiliations on boards in the community and serves as Chairman of the Board of the Academy of Country Music. He also serves on the Board of Directors at Belmont University, and the Tennessee Film Commission. He has received numerous awards and honors, including Polistar's prestigious Bobby Brooks Agent of the Year Award in 1999 and Third Coast Agent of the Year Award in 1995, 1996 and 1998. He received the NATD Talent Director of the Year Award in 1997, 1998, 1999, and in 2000 was awarded the NATD Hubert Long Award. Mr. Essig is a donor and volunteer to many local charities, including Habitat for Humanity, PENCIL Foundation, Second Harvest Food Bank, and the Martell Foundation. Mr. Essig was appointed in 2008, and his current term expires in 2013.

Robert J. Joslin is the Owner of Joslin and Son Signs and serves on the State Leadership Council of the National Federation of Independent Business and on the board of the Nashville Business Coalition. Mr. Joslin is a member of the Aircraft Owners and Pilots Association, Nashville State Technical Community College Business Management Committee, Donelson-Hermitage Chamber of Commerce and Nashville Area Chamber of Commerce. He attended Middle Tennessee State University and George Peabody College. Mr. Joslin serves as one of the Board's business and finance representatives. He was appointed in 2009, and his current term expires in 2013.

William A. Martin is the Founder and Chief Executive Officer of Cushion Employer Services Corporation. He is a native of Nashville, Tennessee and a graduate of the University of Arkansas, where he received a Bachelor of Science degree in Business Management. Before establishing Cushion, Mr. Martin was employed with the Tennessee Department of Labor and Senior Vice President of Human Resources for Crook's Supermarkets, Incorporated, a regional independent supermarket chain. He is a member of Tennessee's Workforce Investment Board, Founder of the Metro Center Advisory Board, member of United Way of Nashville Human Resources Advisory Committee and a Member of 100 Black Men of Middle Tennessee. Mr. Martin is a 20 year veteran of the U.S. Air Force. Mr. Martin was appointed in 2008, and his current term expires in 2012.

Juli H. Mosley recently retired as an Environmental Engineer from Barge, Waggoner, Sumner and Cannon, Inc., an engineering and architectural firm. Ms. Mosley joined Barge, Waggoner as an Environmental Designer in 1994 and became an Environmental Engineer in 1999. Ms. Mosley received her B.A. degree in Mathematics from the University of North Carolina-Greensboro, her B.S. in Civil Engineering from Tennessee Technological University and an M.E. in Environmental Engineering from Vanderbilt University. She has served on the Board of Nashville Thermal Transfer Corporation, the Davidson County Region Solid Waste Authority and Nashville Electric Service, and she has been President of the Board of the Cumberland Valley Girl Scouts. Ms. Mosley was appointed in 2002, and her current term expires in 2014.

Dr. A. Dexter Samuels currently serves as the Assistant Dean in the College of Public Services and Urban Affairs at Tennessee State University. He formerly served as the Director of the Title VI Program for the Tennessee Department of Transportation. Additionally, Dr. Samuels served as the Program Director of the Tennessee Department of Mental Health and Mental Retardation in the Division of Mental Health Services. His academic background includes a Bachelor of Science Degree in Psychology from Michigan State University, a Master of Science Degree in Healthcare Administration from Western Kentucky University, and a Doctorate of Philosophy Degree in Public Administration from Tennessee State University. He is a recipient of the 2007 Kettering Foundation Public Scholars Fellowship. Also, Dr. Samuels is a graduate of the Tennessee Government Executive Institute Class as well as Leadership Middle Tennessee Class. Dr. Samuels was appointed in 2007, and his current term expires in 2012.

Saul Solomon is the President of the North America Tire Division of Bridgestone Americas Tire Operations. He formerly served as President of Bridgestone Bandag Tire Solutions from 2007 to 2008, General Counsel for Bridgestone Americas from 1993 to 1997 and from 2000 to 2007 and Vice President

of Labor Relations for Bridgestone Americas from 1997 to 2000. He received his Bachelor's of Arts from the University of Michigan and his Doctor of Jurisprudence from the University of North Carolina. Mr. Solomon was appointed on August 17, 2010 for a term commencing as of the date thereof, to succeed Frank M. Garrison, whose term expired upon Mr. Solomon's appointment. His current term expires in 2014.

Robert J. Walker practices trial law with Walker, Tipps & Malone, with an emphasis on commercial and business litigation, including securities and corporate governance lawsuits, shareholder and hostile takeover suits, anti-trust, consumer protection, business fraud suits, proxy challenges, and director and officer liability claims. Mr. Walker was born and raised in Monterey, Tennessee, graduated from Vanderbilt University in 1962, and graduated from Vanderbilt Law School in 1968, following service in the U.S. Navy as a naval officer on a destroyer. Mr. Walker served as President of the Nashville Bar Association in 1981 and in 1986 was elected a Fellow in the American College of Trial Lawyers. He is listed in "The Best Lawyers in America" in several categories. He has been a principal in and served as an officer and director of a variety of businesses. In 1986, Mr. Walker was elected a Fellow in the Society of International Business Fellows, an organization dedicated to development of international business in the southeastern United States, where he maintained fellowship for over ten years. He is also a licensed and active pilot. Mr. Walker was appointed in 2008, and his current term expires in 2012.

Authority Administration

The administrative staff of the Authority includes the following management personnel:

Raul L. Regalado serves as President and Chief Executive Officer of the Authority. In this position, Mr. Regalado directs the planning, development and operation of Nashville International Airport and John C. Tune General Aviation Airport. Mr. Regalado received a Bachelor's Degree in aviation management from Embry-Riddle Aeronautical University and has completed graduate level work with the USDA and Vanderbilt University. Prior to joining the Authority, Mr. Regalado served as President of Raul Regalado & Associates, a private consultant to the aviation, airport and travel industry. From 1991 to 1995, Regalado was the Deputy Director of Aviation in Houston, Texas, with senior management responsibilities for George Bush Intercontinental-Houston Airport, William P. Hobby Airport, Ellington Field and the Houston Central Business District Heliport. Mr. Regalado was also Director of Aviation for the City of San Jose, California, overseeing the San Jose International Airport. Prior to that position, he served as Airport Manager for Orange County, California, with responsibility for John Wayne Orange County Airport, Airport Manager for the City of Fresno, California and Airport Manager for Klamath Falls, Oregon. Mr. Regalado has more than 29 years of experience in aviation and has held positions as a leading manager of hub airports. He is also a Certified Airport Executive (CAE) of the Southwest Chapter of the American Association of Airport Executives.

Montford (Monty) O. Burgess, Executive Vice President – Chief Operating Officer, has served in this capacity at the Authority since July 2004. In this position he supervises the overall daily operations of Nashville International Airport and John C. Tune General Aviation Airport. Burgess joined the Authority staff in 2002 from St. Petersburg, Florida, where he served as the Airport Director since 1998. Previously, Burgess worked as the Airport Executive Director for Montgomery Airport Authority from 1995 to 1997 and as the Director of Aviation at the Mobile Airport Authority from 1987 to 1995. Other previous employers include the Birmingham Municipal Airport, the Albuquerque International Airport, and the Dothan-Houston County Airport Authority. In addition to Mr. Burgess's aviation industry experience, he served six years in the United States Army. He has a Master of Business Administration degree from Troy State University and a Bachelor of Science degree from Auburn University. Mr. Burgess is also an Accredited Airport Executive (AAE) of the American Association of Airport Executives.

Stan R. Van Ostran, Vice President – Chief Financial Officer, joined the Authority in 2008, with responsibility for finance, properties, procurement, air service and business development. Mr. Van Ostran is an Attorney, Certified Public Accountant, Certified Internal Auditor, Certified Financial Services Auditor and Certified Fraud Examiner. He earned a Juris Doctorate from the University of Tulsa – School of Law and a Bachelor of Science in Business Administration from Missouri Southern University. He was previously employed with the State of Oklahoma serving in several roles, including Comptroller for the Oklahoma Lottery Commission, Chief Financial Officer and Administrator for the Oklahoma Department of Central Services and Oklahoma Capital Improvement Authority where he administered statewide programs for purchasing, property and risk management, fleet services; and revenue bond administration. Mr. Van Ostran previously practiced law, focusing on corporate transactions and securities law, and served as counsel for Oklahoma's largest commercial insurance carrier and as a senior auditor for an aerospace company, at the time the nation's largest defense contractor.

Robert C. Watson, Senior Vice President – Chief Legal Officer, provides in-house legal and government relations services while administering and coordinating the legal and business relationships between the Authority and its contract legal counsel and government relations consultants. Most recently Mr. Watson was employed with the Department of Justice where he held the positions of Civil Chief, First Assistant United States Attorney and Assistant United States Attorney in the Middle District of Tennessee. Mr. Watson received a Bachelor of Arts degree from Vanderbilt University, a Juris Doctorate from Vanderbilt University Law School, and a Master of Science in Criminal Justice from Auburn University.

Kinney Baxter, P.E., is Senior Vice President and Chief Engineer for the Authority, a position he has held since 2007. He manages the Authority's planning, design and construction functions. Previously, he served as Senior Project Manager for PBS&J, an architectural/engineering/construction firm with 75 offices located nationally, and as Aviation Resource Manager with Tetra Tech WHS engineering consultants in Fort Lauderdale, FL, and held several positions with the Tulsa Airport Authority, including Deputy Airport Director – Engineering and Facilities. Mr. Baxter earned a Bachelor of Science degree in Civil Engineering from the University of Kansas and is a registered Civil Engineer in Oklahoma, Ohio, Indiana and Kentucky.

Vanessa J. Hickman joined the Authority in 2005 and as Vice President and Chief Information Officer is responsible for procuring, managing and supporting information technology and telecommunications systems for the Authority. She has more than 34 years of experience in the information technology industry, including previous positions with Gaylord Entertainment from 1994 to 2005 as Director of Application Development and Support and with IBM from 1975 to 1994 in a variety of positions. Ms. Hickman has earned a Bachelor's Degree in Business Management from East Tennessee State University.

Walt Matwijec is Assistant Vice President of Continuous Improvement for the Authority, a position he assumed in 2005 and which is designed to orchestrate and implement the streamlined, disciplined approach to the organization's processes, championing the Authority's recently embraced Six Sigma culture. Previously, Mr. Matwijec held positions in a variety of capacities with Gaylord Entertainment, Rogers Group, Inc., Magnetek and Westinghouse Electric Company in Pittsburg, Penn. He has received a Master's of Business Administration degree from Youngstown State University; a Bachelor's of Arts degree in Physics from SUNY Oneonta; a Bachelor's of Engineering degree from New York University; and a Six Sigma Black Belt certification from Villanova University.

John Howard, Jr., Assistant Vice President of Properties and Business Development, is responsible for both the management of real estate and business development, acquisition, leasing and

disposition in accordance with the strategic objectives of the Authority's long term strategic business plan. Mr. Howard assumed this position in June, 2007, prior to which he served as Senior Manager of Channel Partner Business Relations at CompuPay/PayMaxx Incorporated and as Chief Executive Officer at Affirmative Ventures, a development consulting and strategic planning firm. He holds both Bachelor's and Master's degrees in Business Administration from Tennessee State University and serves on the Board of Directors for the YMCA Middle Tennessee Urban Services and the Nashville Alumni Chapter of the Kappa Alpha Psi Fraternity, Inc.

Amelia (Amy) N. Armstrong is the Vice President and Chief People Officer, in connection with which she plans, organizes, administers and directs the Authority's human resources, health and welfare benefits, employee compensation, and administrative services. Prior to this position, she retired from the U.S. Army as a lieutenant colonel, serving more than 21 years as a military intelligence officer. Ms. Armstrong also worked for the F.B.I. in Washington, D.C. and a telecommunications consulting firm in Bethesda, Maryland. Ms. Armstrong founded the Airport Human Resources Consortium and currently serves as the Chairman. Ms. Armstrong has a Bachelor of Arts in Geopolitics from Austin Peay University in Clarksville, Tennessee, and a Master's in Public Administration from the University of Oklahoma at Norman.

Budget Process

The Authority generally begins preparation of its annual operating and capital budget in February and March of each fiscal year (the Authority has a July 1 to June 30 fiscal year). The Chief Financial Officer and Controller, with input from members of other departments, prepare the draft budget for initial review by the Finance and Administration Committee. After this review, a final budget is submitted to the Board of Commissioners for final approval and adoption. Final approval is usually given in April or May for the fiscal year commencing July 1.

The signatory airline component of the budget is based on a residual airline rate model as outlined in the Signatory Leases. All eligible revenue sources are identified in the process with eligible expenses, local share of capital costs for the budget year, and annual debt service deducted from the amount. The shortfall becomes the responsibility of the airlines in the form of five signatory rates, including landing fees, ramp fees, north and south concourse fees, and a main terminal fee.

Employee Relations

As of June 30, 2010, the Authority employed 282 persons, none of whom are presently represented by labor unions. The Authority's fiscal year 2011 budget provides for 284 full-time equivalent employees.

THE AIRPORT

General

The Airport is classified as a medium hub by the Federal Aviation Administration (the "FAA"). During the year ended June 30, 2010, approximately 4.49 million total passengers were enplaned at the Airport, of which approximately 84% were origination and destination passengers. The Airport serves as the principal commercial airline passenger airport for the Middle Tennessee area and portions of Southern Kentucky and Northern Alabama.

Established in 1936 as Berry Field on a 340-acre tract, the Airport has been expanded and developed over the years to meet increased demand and accommodate the economic growth of the Middle Tennessee region. Today, the Airport covers more than 4,800 acres. It is located approximately six miles from downtown Nashville. The Airport operates with four runways of 8,000 feet, 7,700 feet, 8,000 feet and 11,000 feet in length utilized by all types of commercial and private aircraft.

The main passenger terminal complex at the Airport includes the passenger terminal building, aircraft parking apron, airline cargo (belly freight) facility, a consolidated services facility for the maintenance group, aircraft rescue and fire fighting facilities, U.S. Postal Service facility, fuel tanks, triturator, rental car ready/return areas and quick-turn-around facilities, entrance and circulation roadways, and automobile parking areas.

Access to the passenger terminal complex is primarily via Donelson Pike, a major north-south divided roadway that connects to a "loop" roadway in front of the passenger terminal building to Interstate 40 at its northern end.

Air carrier operations take place on the east side of the Airport from a terminal complex center. The main passenger terminal building was completed in September 1987 and has approximately 821,600 gross square feet of space on three public levels, with 46 air carrier gates, all of which are currently in use, and 15 aircraft parking positions. Car rental facilities and ground access are located on the ground level. Baggage claim is located on the second level. Ticketing, aircraft departure lounges and gates, security checkpoint, and food, beverage, and gift concessions are located on the third level. Improvements during the 1990s included a Federal Inspection Station, concourse connectors and additional ramp space for commuter aircraft parking and de-icing operations. The Airport is fully equipped with modern electronic equipment used for flying in inclement weather.

As newly renovated, the terminal's concessions offer a new array of beverage and retail vendors that feature local flavor, brands and culture, as well as national brands and concepts. Stores offer music in many forms, from live performance and karaoke recording spaces, to on-screen videos, DVD listening stations and CDs that reflect not only country music, but every musical taste. Many of the stores have been custom designed with a decor that reflects the flavor, feel and culture of Nashville.

Four separate public automobile parking areas at the Airport, comprising approximately 13,000 spaces, provide short-term, long-term, economy and valet parking. Approximately 700 rental car ready/return spaces are located in the terminal garage structure directly across from the passenger terminal building together with 300 close-in surface positions adjacent to the terminal building. Additionally, there are rental car ready/return parking spaces in the surface lots adjacent to Concourses A and D. The Authority commenced construction in early 2010 of its consolidated rental car facility, which will be built in the existing long-term parking lot, immediately north of the existing short-term garage, and will accommodate all rental car companies operating on Airport premises. See "**SECURITY FOR THE SERIES 2010 BONDS – Additional Indebtedness**" herein.

The Airport has four primary cargo facilities. Two are located on the east side of the terminal complex for airline air freight and belly cargo, and two are located on the west side to serve major domestic and international air cargo companies.

General aviation activities are located south of the main terminal complex area and consist of corporate hangar facilities, T-hangars, fixed base operator offices, aircraft maintenance base hangars, fuel farms and fueling facilities. The FBO and aviation support businesses in this area provide a wide range of

general aviation services, including aircraft fueling, airframe and engine repair, ramp parking and tie downs, ground handling, hangar storage, pilots' lounge, and avionics repair.

Airport support facilities include the air traffic control tower and facilities for airport police, fuel storage, airport rescue and fire-fighting, and Authority administration, operations, and maintenance.

A variety of other important facilities and uses are located at the Airport. These facilities include the Tennessee Air National Guard, the Tennessee Department of Transportation and other commercial, aviation-related, and non-aviation uses. Aviation-related major institutions both on and off Airport property include the Aerostructures Corporation, Embraer (formerly Celsius Aerotech) and a Dell Computer Corporation campus.

Additional information about the Authority and the Airport is available at www.flynashville.com.

Airline Service at the Airport

Geographically, Nashville is well situated as an aviation hub within the continental United States, offering efficient access to and from major markets in every region of the nation and abroad. Nashville is a vibrant and growing commercial and cultural center with a diversified economy that features high-tech components of healthcare and medical research, music and book publishing, government, automotive manufacturing, finance, entertainment and tourism.

Origination and Destination Traffic Market Measurement. As a strategic link in the national system of aviation, the Nashville region depends upon modern aviation facilities and services. The strength of air service market is measured in terms of Origination and Destination Passengers (O&D) in the area served by an airport. Thus, an area in which a high percentage of traffic either originates in the immediate area or serves as a destination for business travelers and tourists, is considered to be stronger than a market that is dominated by connecting passengers. Nashville's total passenger count (both enplaning and deplaning passengers) was nearly nine million in the fiscal year ended June 30, 2010.

Carriers. As of June, 2010, commercial air carriers operating at the Airport provided more than 376 daily arrivals and departures, offering jet service to approximately 47 non-stop markets. Scheduled passenger service was provided by 22 U.S. certificated passenger airlines and one foreign flag carrier. Scheduled service is provided by 12 of the nation's 17 major passenger airlines, which represent the largest group of passenger airlines in terms of total annual revenues. See the airplane enplanements table in "**Historical Enplanement Activity"** below for a list of the signatory and non-signatory carriers at the Airport. These carriers offer different levels of services, prices, and incentives to business, personal, and tourist travelers.

Air Service Development Program. Passenger activity at the Airport is substantially dependent upon the marketing activities of a variety of competing carriers. Carriers serving the region seek to tap the community's strong O&D market with various levels of services, prices and incentives such as frequent flyer programs and special travel packages.

The Authority plays a leadership role in developing future air service at Nashville working with other community leaders such as the Nashville Area Chamber of Commerce, Partnership 2010 (a local economic development organization of the Chamber) and elected officials at the local, state and federal levels. In addition to attracting additional domestic air service, this ongoing program focuses on the development of international service.

The air service development program exists in the context of a deregulated aviation industry, in which major carriers are taking action to return to profitability in the face of high costs and fierce competition by domestic and foreign carriers and lower costs. As a result, the community and the Authority are emphasizing the inherent strengths that make the Nashville region a strong aviation market, which include a sound O&D market, a diversified and growing economic base and leadership that is committed to aviation.

Air Trade Area. The Airport serves a large area, drawing from a population base of nearly 3 million within a 100-mile radius of Nashville in portions of three states - Middle Tennessee, Southern Kentucky and Northern Alabama. Certain information pertaining to the "Air Trade Area" is set forth in **Appendix B – "Economic and Demographic Profile of the Air Trade Area**."

The Nashville region has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, healthcare, music, tourism, manufacturing and distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

Noise Abatement Program

The Authority initiated an airport noise and land use compatibility study for the Airport in February 1988. The study referred to as the "Part 150 Study," was conducted in compliance with Federal Aviation Regulation Part 150, "Airport Noise Compatibility Planning." The noise abatement program was a five year $68 million program designed to implement the recommendations of the "Part 150 Study." The noise abatement program was completed in 1995.

Federal regulations require that the noise abatement program be updated every five years. The Authority has completed its most recent update in 2005 and the noise contour boundaries were reduced from those resulting from the noise abatement program completed in 1995 due in part to federal regulations requiring the elimination of noisier aircraft from the nation's fleet, after December 31, 1999.

The Authority is in the process of updating its noise exposure maps.

Environmental Compliance

The Authority has entered into a Consent Decree with the Tennessee Department of Environment and Conservation in which the Authority has agreed to comply with all federal pollutant discharge elimination system permits for its stormwater discharges as administered by the State of Tennessee. In October 1995, the Authority completed construction of a water quality treatment facility in compliance with federal water quality standards under the Clean Water Act Amendments of 1990 in response to the Consent Decree. The water quality treatment facility consists of two holding basins and a treatment basin, an apron drainage system to collect stormwater runoff from the aircraft parking positions where aircraft de-icing occurs, and wetland and stream mitigation.

During a routine compliance inspection in February 2010, state regulatory personnel identified contamination in Sims Branch, the receiving stream from the Airport's stormwater treatment plant. It was determined that such contamination resulted from the release of untreated deicing chemicals. In response to a Notice of Violation (NOV) issued pursuant to that determination, the Authority investigated the source(s) of contamination and determined that due to atypically low temperatures and high snowfall amounts, pavement deicing chemicals had been used in areas outside of the stormwater treatment system and aircraft deicing fluid-laden snow had been pushed to areas outside of the stormwater treatment system, which allowed a slow release of the chemical to the environment as the snow melted.

The Authority undertook certain corrective actions and approved a $1.2 million capital improvement project as part of its fiscal year 2011 capital program to prevent further contamination. In addition, the snow and ice control plan for the Airport is under review and will be revised prior to the beginning of the 2010-2011 deicing season. While the Tennessee Department of Environment and Conservation has indicated approval of the Authority's response to the incident, the Authority continues to await possible enforcement action in response to the initial NOV. The Authority does not anticipate that any enforcement action will have a material adverse impact on its financial condition.

Construction Plans

The Authority has a five-year capital improvement program ("CIP") for fiscal years 2011 through 2015. This CIP has been developed in conjunction with the Authority's long-term strategic business plan and long-term facilities master plan. Although the Authority's CIP is based on these planning documents, the implementation of any individual project or component of the CIP is dependent on appropriate market conditions as well as commitments for funding. In most cases, funding approval is required by either the signatory airlines under terms and conditions contained in the Signatory Leases, the applicable Federal agencies, or the State of Tennessee's airport grant program. The recent five-year capital plan for the Airport includes approximately $160,321,825 in projects, which does not include projects that began prior to 2011. The Authority's approved capital budget for fiscal year 2011 is $44,815,000, of which amount $16,525,350 is expected to be funded with federal and state grants, $5,121,250 with PFCs, $395,000 with CFCs and $455,900 by the Authority. The Authority's current emphasis is on its terminal renovation project, an in-line EDS system, extending runway safety areas, and other runway and taxiway projects, as well as the new consolidated rental car, or CONRAC, facility financed with proceeds of the customer facility charge. An additional $22,317,500 in capital projects is under consideration, many of which are the result of a recent energy study. These projects would be funded through various special financings.

Although the Authority considers the assumptions underlying its CIP to be reasonable, assumptions are inherently subject to certain uncertainties and contingencies. Actual entitlement and/or discretionary funding levels and timing may vary and such differences may be material. In 2003, Congress passed a four-year $60 billion FAA reauthorization bill that expired on September 30, 2007. While Congress has considered reauthorization and funding, it has as of this date only extended the FAA

programs through September 1, 2010, which extension the President has signed into law. The Authority cannot predict whether or when new legislation will be enacted, the amount or type of funding for the FAA that will be approved or the effect of such legislation on the FAA's funding, the timing or amount of FAA grants to the Authority, the requirements the Authority must satisfy as a condition to receipt of FAA funding or to the imposition and use of PFCs, or the FAA's regulations of airport rates, charges and long-term planning and development.

To the extent that any portion of the funding assumed in the CIP is not available as anticipated, the Authority may be required to defer or remove certain of the CIP projects or issue Additional Bonds to pay the costs of such planned CIP projects.

Historical Enplanement Activity

The following table sets forth annual enplanements at the Airport for each fiscal year designated, with the second chart indicating enplanements on a monthly basis since the beginning of calendar year 2005. Enplaned passengers at the Airport increased by 0.6% for fiscal year 2010, while total U.S. domestic enplanements for the July, 2009 through April, 2010 time frame (most recent information available from the U.S. Department of Transportation), declined approximately 0.5%.

Annual Enplanement Activity
(Fiscal Year basis)

Fiscal Year	Signatory Carriers	Non-Signatory Carriers	Total
2010	3,788,267	699,069	4,487,336
2009	3,820,079	640,883	4,460,962
2008	4,195,381	684,979	4,880,360
2007	4,353,465	584,726	4,938,191
2006	4,279,124	456,786	4,735,910
2005	3,844,521	593,871	4,438,392
2004	3,531,114	635,706	4,166,820
2003	3,458,442	539,538	3,997,980
2002	3,584,732	419,675	4,004,407
2001	4,117,912	356,251	4,474,163

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Monthly Enplanement Activity
(Calendar Year basis)

	2005	2006	2007	2008	2009	2010
January	307,531	338,834	353,693	346,332	302,510	314,417
February	302,991	326,787	342,528	351,727	295,740	296,572
March	390,013	418,600	424,995	415,692	374,657	375,893
April	371,842	391,931	407,680	405,083	371,842	373,612
May	423,191	435,067	460,371	442,692	402,484	394,387
June	429,894	438,827	468,447	444,645	427,334	424,451
July	439,164	433,565	457,623	437,475	436,164	–
August	398,983	408,710	420,572	385,286	376,724	–
September	384,393	387,869	378,651	342,672	355,753	–
October	400,650	438,351	430,157	407,614	407,496	–
November	382,577	414,357	400,487	348,954	360,321	–
December	380,097	397,625	386,699	364,394	371,546	–
Calendar Year Totals	4,611,326	4,830,523	4,931,903	4,692,566	4,482,571	

Source: The Metropolitan Nashville Airport Authority.

The following table provides enplanement and market share data for the various major and regional airlines at the Airport:

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Airline Enplanements
Fiscal Years 2006 to 2010

	2006	2007	2008	2009	2010	% of Total
SIGNATORY CARRIERS						
American Airlines	511,263	537,270	569,878	485,037	440,120	9.81%
American Eagle	139,691	139,338	143,476	158,588	201,322	4.49
Continental Express d/b/a ExpressJet	196,633	214,507	211,931	166,732	156,856	3.50
Delta Air Lines Inc.*	268,272	276,209	186,493	170,821 *	195,571 *	4.36
Frontier Airlines	96,023	120,921	121,853	112,954	108,283	2.41
Northwest Airlines Inc.*	338,020	306,451	220,949	170,974 *	82,169 *	1.83
Southwest Airlines	2,396,765	2,435,801	2,474,183	2,341,657	2,400,069	53.49
United Airlines/Comair	112,353	106,866	81,958	35,327	56,844	1.27
USAirways	220,104	216,102	184,660	177,989	147,033	3.28
Sub Total	4,279,124	4,353,465	4,195,381	3,820,079	3,788,267	84.42%
NON-SIGNATORY CARRIERS						
Air Canada d/b/a Jazz Air	11,219	19,471	21,138	19,025	17,762	0.40%
Air Wisconsin	45,414	50,069	47,476	55,347	59,220	1.32
American Connection/Chautauqua	13,965	21,899	14,211	21,222	5,236	0.12
Astral Aviation d/b/a Skyway	20,695	22,097	27,387	26,139	10,152	0.23
Continental Airlines	344	110	288	696	273	0.01
Delta/Chautauqua	21,763	36,306	39,816	38,463	12,006	0.27
JetBlue Airways	-	65,273	40,219	-	-	-
Mesa Airlines	190,725	207,224	94,816	75,315	97,023	2.16
Regionsair Inc	7,400	229	-	-	-	-
Republic	14,995	26,104	53,616	45,458	59,370	1.32
US Air d/b/a US Air Express	5,591	49	-	-	-	-
Various/Trans State Airlines	26,023	42,673	59,315	41,586	26,659	0.59
United/Skywest	57,951	44,788	67,357	72,035	58,021	1.29
Delta/Skywest	-	8,524	27,141	4,056	43,632	0.97
All Others (includes Charters)	40,701	39,910	192,199	241,541	309,715	6.90
Sub Total	456,786	584,726	684,979	640,883	699,069	15.58%
Total	4,735,910	4,938,191	4,880,360	4,460,962	4,487,336	100.00%

Source: The Metropolitan Nashville Airport Authority.
* Although Northwest Airlines Inc. and Delta Airlines Inc. merged during fiscal year 2009, enplanement data is reported separately throughout fiscal years 2009 and 2010.

Historical Landed Weight Activity

The following tables indicate landed weight and market share data for the various major and regional airlines at the Airport:

Passenger Airline Landed Weights (in thousands)
Fiscal Years 2005 to 2009

	2005	2006	2007	2008	2009	% of Total
SIGNATORY CARRIERS						
American Airlines	567,963	634,563	655,872	689,632	649,016	11.0%
American Eagle	201,774	176,907	183,165	187,228	208,495	3.5
Continental Express d/b/a ExpressJet	74,135	210,740	217,946	213,733	178,362	3.0
Delta Air Lines Inc.*	449,781	324,574	332,566	220,001	215,579	3.7
Frontier Airlines	104,454	136,359	156,727	150,367	140,062	2.4
Northwest Airlines*	508,023	451,613	390,255	262,432	217,913	3.7
Southwest	3,566,231	3,483,250	3,585,140	3,612,516	3,320,830	56.3
United/Comair	151,207	139,071	132,699	98,618	45,394	0.8
USAirways	326,295	276,570	286,557	229,738	226,038	3.8
Sub Total	5,949,863	5,833,647	5,940,927	5,664,265	5,201,689	88.1%
NON-SIGNATORY CARRIERS						
Air Canada d/b/a Jazz Air	17,014	17,375	28,848	29,845	30,390	0.5%
Air Wisconsin	41,344	60,771	64,719	67,210	76,469	1.3
American Connection/Chautauqua	15,707	17,686	35,093	22,069	33,815	0.6
Continental Airlines	143,285	656	640	960	2,126	0.0
Delta/Chautauqua	68,125	26,567	39,345	42,535	39,711	0.7
Independence Air	96,350	34,310	-	-	-	-
JetBlue Airways	-	-	87,962	53,009	-	-
Mesa Airlines	189,865	209,875	232,618	158,261	112,812	1.9
Pinnacle Airlines	-	-	28,858	69,143	106,045	1.8
Regionsair	27,675	9,943	375	-	-	-
Skyway	23,605	30,760	30,046	38,778	43,193	0.7
Trans States Airlines	48,943	33,897	56,697	72,332	54,718	0.9
Skywest	19,130	63,303	60,141	85,437	81,313	1.4
United Express/Atlantic Coast	9,930	-	-	-	-	-
All Others (includes Charters)	19,516	14,896	52,582	108,825	118,946	2.0
Sub Total	720,489	520,039	717,924	748,404	699,538	11.9%
TOTAL PASSENGER CARRIER WEIGHT	6,670,352	6,353,686	6,658,851	6,412,669	5,901,227	100.0%
CARGO & MISC CARRIER WEIGHT	629,406	557,889	520,621	567,459	530,230	
TOTAL WEIGHT ALL AIRCRAFT	7,299,758	6,911,575	7,179,472	6,980,128	6,431,457	

Source: The Metropolitan Nashville Airport Authority.
* Although Northwest Airlines Inc. and Delta Airlines Inc. merged during fiscal year 2009, landed weights data is reported separately throughout such period.

The following table indicates daily departures at the Airport (on a typical day in June) for fiscal years 2005 through 2010.

Year	Daily Departures
2010	188
2009	190
2008	188
2007	202
2006	197
2005	213

Source: The Metropolitan Nashville Airport Authority.

Airport Financial Operations

The Authority operates as a self-supporting entity. The following two tables present a summary of the Authority's revenues, expenses and changes in net assets for fiscal years 2005 through 2009 and the eleven-month periods ended May 31, 2010 and 2009. Data for the fiscal years 2005 through 2009 was derived from the Authority's audited financial statements. The information for the eleven-month periods ended May 31, 2010 and 2009 is unaudited. In the opinion of the Authority, there has been no material adverse change in the financial condition of the Authority since June 30, 2009, the date of the last audited financial statements.

Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008" sets forth the Authority's audited financial statements for fiscal years 2009 and 2008.

As described in **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008,"** the information set forth in the following table contains operating and financial data for the Authority's John C. Tune Airport and MPC. For fiscal year 2009, operations at John C. Tune Airport resulted in operating revenues of $693,713, operating expenses of $405,226, depreciation of $997,541 and an operating loss of $709,054. For fiscal year 2009, operations at MPC resulted in operating revenues of $2,127,648, operating expenses of $1,495,264, depreciation of $572,225 and operating income of $60,159. See Note 1 (*Metropolitan Nashville Airport Authority*) and Note 2 (*Summary of Significant Accounting Policies*); and Note 20 (*Information on Authority Operating Results by Entity*) in **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."** Such revenues and expenses are not included as Airport Revenues or as Operating Expenses, respectively, except that ground rent payments and management fees by MPC and its subsidiaries to the Authority are included in Airport Revenues. The table showing revenues, expenses and changes in net assets for the eleven-month periods ended May 31, 2010 and 2009 presents only data for the Airport, and does not include John C. Tune Airport and MPC.

The Metropolitan Nashville Airport Authority
Schedule of Revenues, Expenses and Changes in Net Assets*
For the Fiscal Years 2005 through 2009

	2005	**2006**	**2007**	**2008**	**2009**
TOTAL OPERATING REVENUES	$66,769,863	$71,133,277	$74,899,596	$76,315,326	$80,252,252
TOTAL OPERATING EXPENSES	36,696,955	40,748,604	44,599,143	50,444,188	53,076,173
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	30,072,908	30,384,673	30,300,453	25,871,138	27,176,079
PROVISION FOR DEPRECIATION	17,546,203	17,640,198	18,121,419	20,424,563	25,151,547
OPERATING INCOME	12,526,705	12,744,475	12,179,034	5,446,575	2,024,532
NONOPERATING REVENUES					
Investment Income	2,769,432	2,889,516	4,931,594	4,603,766	1,642,936
Other Nonoperating Revenues	-	-	25,393	27,536	(252,300)
Passenger Facility Charges	11,640,065	12,577,969	13,237,806	12,836,344	11,480,154
Customer Facility Charges	-	-	-	4,259,428	7,648,876
TOTAL NONOPERATING REVENUES	14,409,497	15,467,485	18,194,793	21,727,074	20,519,666
NONOPERATING EXPENSES					
Interest Expense	16,416,304	15,629,637	14,396,542	14,504,722	13,823,696
Other Nonoperating Expenses	938,762	(1,649,398)	1,029,704	1,690,402	1,474,466
TOTAL NONOPERATING EXPENSES	17,355,066	13,980,239	15,426,246	16,195,124	15,298,162
INCOME BEFORE CAPITAL CONTRIBUTIONS	9,581,136	14,231,721	14,947,581	10,978,525	7,246,036
CAPITAL CONTRIBUTIONS	6,970,112	6,244,876	13,168,339	22,299,530	24,316,658
INCREASE IN NET ASSETS	$16,551,248	$20,476,597	$28,115,920	$33,278,055	$31,562,694

* See Note 2 (*Summary of Significant Accounting Policies*) in **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."**

Source: The Metropolitan Nashville Airport Authority Audited Financial Statements.

The Metropolitan Nashville Airport Authority*
Schedule of Revenues, Expenses and Changes in Net Assets
Eleven-Month Periods Ended May 31, 2010 and 2009
(UNAUDITED)*

	Eleven Months Ended May 31, 2010	Eleven Months Ended May 31, 2009
TOTAL OPERATING REVENUES	$70,092,674	$65,103,916
TOTAL OPERATING EXPENSES	47,885,409	44,717,564
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	22,207,265	20,386,352
PROVISION FOR DEPRECIATION	22,124,645	20,151,067
OPERATING INCOME	82,620	235,285
NONOPERATING REVENUES		
Investment Income	747,770	1,354,687
Passenger Facility Charges	13,770,588	10,482,459
Customer Facility Charges	6,870,156	6,963,364
Other Nonoperating Revenue	26,866	-
TOTAL NONOPERATING REVENUES	21,415,380	18,800,510
NONOPERATING EXPENSES		
Loss on Disposal of Property and Equipment	7,140,324	227,982
Interest Expense	12,997,932	12,030,969
Other Nonoperating Expenses	-	4,000
TOTAL NONOPERATING EXPENSES	20,138,256	12,262,951
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,359,744	6,772,844
CAPITAL CONTRIBUTIONS	41,829,153	16,026,557
INCREASE IN NET ASSETS	$43,188,897	$22,799,401

* Totals may not add due to rounding.

Source: The Metropolitan Nashville Airport Authority.

* NOTE: This table presents only data for the Airport, and does not include John C. Tune Airport and MPC.

Management's Discussion of Recent Financial Performance

Fiscal Year 2010 Results through May 31, 2010 (Unaudited). The Authority continued to carefully monitor the Airport's financial position, operations, and general economic conditions during the first eleven months of fiscal year 2010. Enplanements, which drive most airport revenues, were mostly

flat, but showed that the economic downturn had perhaps leveled-off as enplanement activity turned slightly positive. For the eleven-month period, enplanements were up 0.7% over the same period in fiscal year 2009. After eighteen consecutive months of declining enplanements, the Airport experienced eight consecutive months of rising enplanements from September, 2009 to April, 2010. However, the Airport did experience a 2.0% decline in enplanements in May, 2010, attributed to the large number of flights cancelled during the two-day storm that led to wide spread flooding in the Middle Tennessee area. A discussion of the recent flood event and its potential impact to the Authority is presented below.

Operating revenues increased 7.1% over the same period in fiscal year 2009, due to an increase in signatory airline rates and charges. Parking, the largest single source of operating revenue for the Authority, declined by $1.42 million, or 5.5%, during the same eleven-month period in fiscal year 2009 ($25,703,388 in fiscal year 2009 to $24,278,996 in fiscal year 2010). The decline in parking revenue early in fiscal year 2010 was attributable to temporary disruptions resulting from the Terminal Access Roadway Improvement ("TARI") project. In late 2009, preparation began for the construction of a new consolidated rental car facility (CONRAC), which is now fully underway. This project eliminates 2,000 long-term parking spaces near the terminal (1,400 permanently and 600 spaces for staging during the two-year construction period). The Authority "rebranded" parking during the year, creating a new Long Term B parking area in what was formerly the Overflow parking lot. Bus routes were also realigned, with the frequency of trips increased to provide better customer service and address the realignment of parking due to construction activity. The Authority continues to monitor parking revenues and trends and expects additional changes in coming months to maintain parking revenues and provide better customer service.

The remaining operating revenue categories demonstrated mixed results in the first eleven months of fiscal year 2010 compared to the same period in fiscal year 2009. Concession revenues were up in fiscal year 2010, with food and beverage revenues up 4.8% or $117,423, and news and gift revenues up 10.6% or $205,472. The improved revenues follow completion of the Phase I terminal improvements, which helped to successfully realign the Airport's concession programs by providing more customer choices.

Rental car and advertising revenues were down 6.4% or $640,550 and 19.6% or $119,293, respectively, in the first eleven months of fiscal year 2010. Cargo revenue was also down 21.6% or $486,488, due to the loss of China Airlines cargo operations.

Operating expenses for the first eleven months of fiscal year 2010 were up 7.1%, mostly due to increased personnel costs and purchased services. Personnel costs increased due to actuarial studies requiring the Authority to recognize increased pension and other post employee benefit (OPEB) expenses. Purchased services were mostly driven up by a maintenance contract for the new baggage handling system. Despite the increased operating expenses, operating income before depreciation increased 8.9%, approximately $1.8 million over the same period in fiscal year 2009. The Authority finished its analysis of fixed assets schedules and wrote off a number of assets that had been replaced in previous years. In addition, the portion of the terminal building that was replaced during Phase I of the terminal renovation project and the TARI-impacted airport roadways were removed from the balance sheet. The CONRAC project's impact on the public parking footprint accounted for much of the remainder of the loss on the retirement of assets in the current fiscal year.

Within non-operating revenues passenger facility charges increased, mostly due to the increase in the PFC rate from $3.00 to $4.50 during fiscal year 2010. Capital contributions, which consist of state and federal grants receipts, easily doubled over the prior year, from $16.0 to $41.8 million. As a result, net income for the eleven-month period in fiscal year 2010 nearly doubled, from approximately $22.8 million to $43.2 million. The increase in depreciation expense is attributable to the capitalization of the terminal renovation project and runway work. Capital contributions increased to a record level in fiscal

year 2010 due to federal and state funding for the in-line explosive detection system, apron and airfield work. See also "**Recent Events; FY 2011 Budget**" below.

A significant event impacting the Nashville area economy was flooding that occurred in the first days of May, 2010. The storm produced 14 to 18 inches of rain in the metropolitan area over a 36- to 48-hour period. The airport suffered no major damage, but did experience some minor street flooding. Some airlines chose to cancel flights on the second day, more out of difficulties of getting passengers to and from the Airport than due to area flooding. As of the date of this Official statement, the flooding has had a negligible economic impact on the Airport and may even result in increased revenues in some programs. Rental car agencies quickly ran out of vehicles as they were rented to area residents who lost vehicles in flood waters or to aid workers that arrived in the area. Passengers stranded at the airport due to delayed or cancelled flights caused most concession revenues to increase during the flood event. However, the flood damaged two leading tourism area destinations, the Grand Old Opry and Opryland, both not expected to reopen until approximately November, 2010. The Nashville Convention and Visitor Bureau has worked diligently to rebook conventions previously booked at Opryland and has largely been successful. Just weeks after the flood the Country Music Festival was held, setting record attendance levels. Some of the downtown venues hosting festival events were damaged by the flood, but were able to quickly clean-up and reopen. Nevertheless, the closing of the Grand Old Opry and Opryland will have some impact on tourism, including enplanements, during the first half of fiscal year 2011. See also "**INVESTMENT CONSIDERATIONS – Impact of Flooding in Tennessee.**"

Fiscal Year 2009 Results. Traffic declined during the year in every category, with 2009 enplanements down 8.6% from the prior year and off 9.7% from 2007. This decline influenced parking and concession revenues, passenger facility charge collections, and other revenue and expense activity sensitive to passenger traffic. Aircraft operations declined 12.3%, continuing a downward trend began in 2007 and showing an overall decrease of 17.8% from 2007 to 2009. Cargo activity also declined at an aggressive rate of 17.2% in 2009. Passenger aircraft market share was dominated by Southwest Airlines as it captured 52.5% of enplanement activity in 2009 compared to 50.7% in the prior year and 49.3% in 2007.

Eight signatory carriers operate under a residual lease agreement and are responsible to provide the funds if revenues are insufficient to cover the operating costs, including annual debt service, at Nashville International Airport. In 2009, the signatory rental rates were adjusted to provide additional revenue to cover operating expenses. This is the reason for the operating revenue increase in 2009. As a function of the agreement's rate computation, most of the additional $7,265,000 these airlines paid was charged to main terminal rent and landing fees. The total contribution made by these carriers of $17,017,714 was the most that signatory carriers paid to the Authority to operate at the Airport since 2004 when signatory airline operating revenue was $18,545,916. Despite the increase in fees, the Airport continues to be one of the most affordable at a cost of $4.45 per signatory enplaned passenger.

Parking lot revenue continued to be the primary source of operating revenue and declined by $2,230,290 or 7.3% over the prior year. Over the two-year period, however, revenue increased 1.4%, or $380,251. Parking traffic declined in 2009 due to a combination of reduced passenger activity and ongoing construction. The number of transactions in the short-term, long-term, economy, and overflow lots declined 13.9% from 1,728,149 in 2008 to 1,488,071 in 2009.

Additional sources of operating revenue continued to contribute to the net assets of the Authority. Concessions, space rentals, and other revenue represented $35,059,805 or 43.7% of operating income in 2009. This is less than 1% lower than $35,382,575 or 46.4% of operating income in 2008. The transition to the new food and beverage, as well as news and gift concession programs, was completed and earned national recognition from industry media. Public response to the new restaurant mix appeared favorable

with a 9.8% revenue increase, $250,976. The increase since 2007 was 12.2% or $304,628. Concession revenue for news and gift shops increased as well, up 33.6% or $573,836 over the prior year. There was a fractional decline from 2007 to 2008 during renovation of the concession areas of the terminal, but the number, variety, and square footage dedicated to this type of revenue source has proved attractive to the traveling public, as the results demonstrate. Car rental revenue struggled nationwide during the past two years as the economy contracted. At the Airport the 13.4% decline of $1,412,315 outpaced the passenger traffic decline. Over two years, a $984,861 or 9.7% reduction in revenue was very similar to passenger activity. The most dramatic indication of the emerging trends at the Airport was that the main terminal non-signatory rental revenue shrank to $636,356 from $1,709,021 in just one year, 62.8%. This source of revenue was off 73.0% over two years as regional and other non-signatory carriers vacated markets all over the country.

While the Authority maintained a posture of conservative and liquid investments, the cash preservation strategy and the prevailing low interest rates led to a 64.3% reduction in investment income, off 66.7% over two years. The modest decline in nonoperating revenue was attributable to the passenger facility charge ("PFC") collections during the year, closely mirroring the 8.6% enplanement decline.

Capital contributions reached the highest level in the past ten years at $24,316,658. Most of the State of Tennessee funding supported the TARI and In-Line EDS projects, both still very active at the end of the fiscal year. The Department of Homeland Security Administration grant for the In-Line EDS project provided $4,764,640 during the year at the Airport. Federal Aviation Administration grants supported various projects with the most dollars spent on reconstructing Runway 13-31 in the amount of $7,391,582.

Authority staff continued to work diligently to control expenditures. Salaries and wages increased due to the non-cash charge for other post employment benefits ("OPEB") increasing the obligation by $5,043,087. This item is not included in the computation for signatory rates. However, if OPEB liabilities are funded with debt or a trust fund, then cash flows to service the related debt or trust funding will be included in the rate structure. The 2009 OPEB charge compares with $2,529,829 in 2008, the first year of recognizing this unfunded liability. The plan was closed to new entrants on January 1, 2009, in order to better manage future costs of this employee benefit. See Note 16 (*Other Post Employment Benefits (OPEB)*) in **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."** for more information on OPEB. Pension cost, also a non-cash item, was $1,665,239 in 2009, up $384,152 or 30.0% from the prior year. This was as a result of the pension asset investment performance during the year being unable to offset the costs of the program. Since 2007 pension cost increased $525,009 or 46.0%. During fiscal year 2009, 13 employees took advantage of an early retirement incentive plan opportunity that required them to retire on or before June 30, 2009.

Contractual services were renegotiated or brought in-house wherever possible. In two years, operating expenses increased $8,477,030 or 19.0%, and OPEB accounted for $7,572,913 of this amount. Depreciation increased dramatically at the Airport as all completed projects of the terminal renovation program were capitalized along with multi-million dollar airfield projects. The original terminal, built in 1987, had almost fully depreciated by the time the Phase I improvements were placed in service.

Fiscal Year 2008 Results. Enplanements dropped in 2008 from 4,938,191 to 4,880,360. Total revenues and capital contributions increased in 2008 in spite of the decline in enplanements, topping $120 million for the first time in the Authority's history. When analyzing operating revenue, it should be noted that all five signatory rates declined at the Airport for the year. All rates except landing fees also decreased in 2007. Reduced rates and the contraction in scheduled service contributed to the 19.7% decline in signatory airline revenue over 2007. The biggest percentage decrease in signatory revenue was in ramp fees, a decline of 31.6% from $551,328 to $376,976. The largest dollar decrease was attributed to main terminal rent, off $988,443 from 2007 and $1,597,559 less than that same source of revenue in 2006.

Parking lot revenue continued to be the primary source of revenue and increased $2,610,541 or 9.4% during the year, up $5,245,536 or 20.8% since 2006. The 2008 increase in parking revenue is attributable to a rate increase that went into effect in January 2008. Revenue increased even though transaction activity declined approximately 9%. A new valet lot opened in November 2007, which increased the availability of premier short-term spaces for public use.

Additional sources of operating revenue continued to contribute to the net assets of the Authority. Concessions, space rentals, and other revenue represented $35,382,575 or 46.4% of operating income in 2008. The news and gift as well as food and beverage concession programs continued their transition during terminal renovation in the current year. Restaurant activity managed a slight 4.1% increase to $2,556,245 over 2007 and increased 9.9% from $2,325,115 in 2006. Car rental revenue was up 4.2% to $10,566,290, a 14.7% increase since 2006. The increase in space rentals in 2008 was entirely due to the addition of MPC's two properties, with the partial year of operations resulting in $1,531,114 in space rent. Main terminal non-signatory rent declined $644,581, a direct result of the decline in passenger activity.

Recent Events; FY 2011 Budget

The Authority's Board approved the capital and operating budgets for the Airport for fiscal year 2011 on June 24, 2010. The fiscal year 2011 operating budget assumes that most revenues, other than derived from signatory airlines, will remain flat, with no increase in estimated enplanements or landed weights from fiscal year 2010.

The Authority budgeted a 9.0% increase in operating revenues and an 11.9% increase in operating expenses for the upcoming fiscal year. Signatory airline rates are estimated at $26.4 million, with a projected net cost per enplaned passenger for fiscal year 2011 of $6.66, as compared to an estimated $5.39 for fiscal year 2010. The signatory net requirement for the year was based on revenues from other sources of approximately $57 million. Signatory airlines worked collaboratively to negotiate a budget agreement with the Authority to meet the needs of the Authority, but control costs for the benefit of signatory carriers. The final proposed capital and operating budgets for fiscal year 2011 were approved by majority in interest of the signatory airlines in early June, 2010.

The Authority worked to manage budgeted operating expenses at or below the fiscal year 2010 budget. In past years, the Authority was successful in carefully scheduling service, maintenance, and equipment purchases to manage and control costs. However, the Authority was unable to continue this approach in fiscal year 2011 and continue to realize operational savings. Additionally, two new maintenance operating requirements also caused operating expenses, particularly contractual services, to significantly increase. In late fiscal year 2010, the Authority entered into a contract to maintain the new common baggage handling system. The baggage handling systems were previously isolated to and maintained by each respective carrier. In fiscal year 2011, the Authority also expects to enter into maintenance contracts for repair and maintenance of airport roadways. Accordingly, contractual services are estimated to increase by approximately $3.2 million or 18.7%. However, the Authority has budgeted $1.5 million in state grants, as well as increased signatory revenue, to offset the cost for these new maintenance contracts.

Utilities are projected to increase approximately 12.4% due to planned rate and fee increases. The Authority also carefully reviewed its staffing levels in both fiscal years 2010 and 2011, and determined current levels were necessary and appropriate. Despite no increased staffing in fiscal year 2011, personnel costs are expected to increase 7.0%, mostly due to increased pension and other post employment benefit (OPEB) costs. Interest expense will also increase approximately $4.0 million in

fiscal year 2011 due to the issuance of special facilities bonds for the Consolidated Rental Car Facility (CONRAC) project and general airport revenues bonds for the Phase II terminal renovation project, both currently under construction. Customer facility charges (CFC) are pledged to CONRAC special facility bonds and passenger facility charges (PFC) are expected to be available for the Phase II terminal renovations bonds, respectively, and fee increases in fiscal year 2010 more than offset the increased interest expense.

The Airport's operating budget for the Airport for Fiscal Year 2011 is as follows:

	Fiscal Year 2011
TOTAL OPERATING REVENUES	$83,567,800
TOTAL OPERATING EXPENSES	62,095,859
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	21,471,941
PROVISION FOR DEPRECIATION	25,925,004
OPERATING INCOME	(4,453,063)
NONOPERATING REVENUES	
Interest Income	675,000
Passenger Facility Charges	11,678,311
Customer Facility Charges	8,000,000
Gain (Loss) on Disposal of Property and Equipment	-
Other Nonoperating Revenue	-
TOTAL NONOPERATING REVENUES	20,353,311
NONOPERATING EXPENSES	
Interest Expense	16,317,004
Other Nonoperating Expenses	-
TOTAL NONOPERATING EXPENSES	16,317,004
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(416,756)
CAPITAL CONTRIBUTIONS	12,230,000
INCREASE IN NET ASSETS	$11,813,244

Historical Debt Service Coverage

The following table presents amounts available to pay debt service (as defined in the General Resolution) and a comparison of those amounts to the debt service payable on Bonds in fiscal years 2005 through 2009.

Nashville International Airport *
Historical Debt Service Coverage

Description	2005	2006	2007	2008	2009
Operating Revenues	$ 66,351	$ 70,512	$74,231	$74,041	$76,435
Less Operating Expenses (1)	(35,901)	(39,510)	(43,094)	(47,098)	(45,081)
Change in Working Capital and Other Items (all)	(2,415)	4,229	3,786	3,022	(9,188)
Add Interest Income	1,423	1,407	2,618	2,440	1,436
Add Transfer from Capital Improvement Fund	9,828	10,599	9,005	12,238	16,645
Coverage Cash Flow	$ 39,286	$ 47,237	$46,546	$44,643	$40,247
Total Debt Service (2)	29,618	29,875	31,271	31,685	33,788
Less Amount Paid with Passenger Facility Charges (3)	-	-	-	(86)	(4,184)
Net Debt Service	$ 29,618	$29,875	$31,271	$31,599	$29,604
Debt Service Coverage (4)	132.6%	158.1%	148.8%	141.3%	136.0%
Net PFC Revenue	$ 12,949	$ 14,008	$15,497	$14,648	$12,605
Coverage Cash Flow Plus Net PFC Revenue	$ 52,235	$ 61,245	$62,043	$59,291	$52,852
Total Debt Service Including 2003 PFC Special Facility Bonds (5)	$33,534	$34,065	$35,607	$35,842	$38,017
Pro Forma Debt Service Coverage Including PFC Revenues and Expenses (6)	155.8%	179.8%	174.2%	165.4%	139.0%

* This table contains only Airport-related revenues and expenses.

1 Operating expenses less non-cash items of pension, other post-employment benefits, and customer facility charge reimbursed expenses. Includes capital items funded with operating revenues.

2 Includes all debt issued under the General Resolution.

3 Amounts transferred from PFC collections to pay debt service on the Series 2008B and Series 2009A Bonds.

4 The Authority is obligated under the General Resolution to impose rates, rentals, fees and charges sufficient to produce Airport Revenues after deducting Operating Expenses, which, together with other available funds, will at least equal 110% of Debt Service on all Bonds Outstanding. In addition, the Authority has covenanted under the General Resolution to impose rates, rentals, fees and charges such as will produce Airport Revenues at least sufficient (i) to pay the principal of, 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 Operating Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the General Resolution.

5 Sum of all principal payments due on July 1 of subsequent fiscal year and all interest expense in the current fiscal year.

6 The information set forth in this line is illustrative only, as it presents a *pro-forma* calculation of debt service coverage for the periods indicated. This *pro-forma* calculation includes the application of net PFCs (which are not included as Airport Revenues under the General Resolution), the use of such net PFCs to pay debt service on the Authority's Series 2003 PFC Revenue Bonds (which do not constitute "Bonds" under the General Resolution), and the debt service coverage obtained when remaining net PFCs are added to the coverage cash flow figures calculated as described above.

Source: The Metropolitan Nashville Airport Authority.

Debt service coverage is presented because the Authority believes that investors regard debt service coverage as an important measure of the Authority's ability to repay its debt. Debt service coverage should not be considered in isolation or as a substitute for cash flows from operating activities or net increase in net assets (or any other measure of performance determined in accordance with generally accepted accounting principles). **There can be no assurances that the Authority will meet the General Resolution's rate covenant in future years.** See **"THE AIRLINE INDUSTRY"** and **"INVESTMENT CONSIDERATIONS."**

Sources of Revenue

The Authority's revenues are derived primarily from parking revenues, concession charges at the Airport under various concession contracts (including with rental car companies and the food, beverage, retail concession at the Airport), rents and charges for the use of the Airport's facilities, including terminal rents and landing fees from airlines, and non-airline rentals.

A breakdown of the Authority's operating revenues among the Authority's major revenue categories is presented below for the past five fiscal years.

	2005	**2006**	**2007**	**2008**	**2009**
Operating Revenues					
Signatory Airline*	$15,164,912	$13,559,361	$13,116,169	$10,527,728	$17,017,714
Parking	22,787,740	25,159,487	27,794,482	30,405,023	28,174,733
Concession	14,481,791	15,597,529	16,631,319	17,164,513	16,558,935
Space Rental	8,935,551	9,888,852	10,135,718	11,050,944	10,077,305
Other	5,399,869	6,928,048	7,221,908	7,167,118	8,423,565
Total Operating Revenues	**$66,769,863**	**$71,133,277**	**$74,899,596**	**$76,315,326**	**$80,252,252**

* As described in "**SECURITY FOR THE SERIES 2010 BONDS – Airport Agreements**" and **Appendix C – "Summary of Principal Legal Documents – The Signatory Leases**," the residual nature of the Signatory Leases results in the establishment of Signatory Airline rates and charges to provide for break-even financial operations, after the application of non-airline revenues.

Source: The Metropolitan Nashville Airport Authority.

*Parking***.** The Authority's parking facilities, comprising approximately 13,000 spaces, are managed by Central Parking System, Inc. under a contract ending June 30, 2013. For fiscal year 2009, parking revenues comprised 35.1% of total operating revenues.

Concessions. The Authority generates concession revenue from the airport rental car operators at the Airport, as well as from food, beverage and retail operations.

On-airport rental car operators at the Airport include Avis, Budget, Burgner Enterprises Inc. (operating as Thrifty Car Rental), Enterprise, Hertz, Midwest Rental & Leasing LLC (operating as Dollar Rent-a-Car Company), and Vanguard Car Rental USA Inc. (which operates the Alamo and National brands and is wholly owned by Enterprise Holdings). The rental car operators entered into new on-airport concession and lease agreements in connection with the proposed consolidated rental car facility. Under the new agreements, effective in February, 2010, each rental car company is obligated to pay a concession fee of the greater of a specified minimum annual guarantee or 10.0% (initially) of the gross receipts of each on-airport rental car operator. The rental car companies also pay terminal rental for the premises

occupied in the terminal. Further, each rental car company currently assesses its customers and remits to the Authority a customer facility charge established by the Authority to pay for the costs of a proposed consolidated rental car return facility. Pending the effectiveness of the new agreements, the current rental car concession and lease agreements are in a month-to-month status. As explained previously in this Official Statement, such customer facility charges are not part of Net Revenues or otherwise available to make payments on the Bonds, including the Series 2010 Bonds.

In addition to the rental car concessions, the Authority has hotel courtesy car, bus and limousine concessions and certain contracts for the use of its terminal space to certain concessionaires who provide food and beverages as well as retail operations, including newspapers and other sundry items. In connection with the ongoing renovation of the terminal building, the Authority requested proposals to upgrade the Airport's news/gift and specialty retail concession program. The Authority awarded contracts to consortiums led by The Hudson Group, Delaware North Companies and HMSHost and certain minority partners. The concessions program is a targeted mix of newsstands, bookstores, and specialty retail concepts, as well as food and beverage establishments that are specifically designed to meet the Airport's requirements while capturing the distinctive sounds, flavors and spirit of Nashville.

For fiscal year 2009, payments under the Authority's concession agreements accounted for 20.6% of total operating revenues.

Signatory Airline Leases. The Authority has entered into the Signatory Leases as described in "**SECURITY FOR THE SERIES 2010 BONDS – Airport Agreements**" and **Appendix C – "Summary of Principal Legal Documents – The Signatory Leases."** For fiscal year 2009, payments under the Signatory Leases accounted for 21.2% of total operating revenues.

Space Rental. As described above, the Authority has entered into a variety of agreements with users of its airside and landside facilities. Rentals under these arrangements accounted for approximately 12.6% of operating revenues in fiscal year 2009.

Capital Assets

The Authority's net investment in capital assets as of June 30, 2009, amounted to $442,763,034 million. This investment in capital assets includes land and land improvements (including runways and taxiways), buildings and building improvements, equipment, furniture and fixtures, as well as construction in progress and showed a $21,935,224 or 5.2% increase over the prior year.

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including federal grants, state grants, PFCs, debt issuance, and airline rates and charges. See **Appendix A – "Audited Financial Statements of the Authority for the Years Ended June 30, 2009 and 2008."**

Passenger Facility Charge

The Aviation Safety and Capacity Expansion Act of 1990 (the "1990 Act") allows public agencies that control certain commercial service airports (a public airport in a state that the Secretary of Transportation determined has at least 2,500 passenger boardings each year and is receiving scheduled passenger aircraft service) to charge each passenger using the airport a passenger facility fee of $1, $2, or $3 in order to finance eligible airport-related projects, including making payments for debt service on indebtedness incurred to carry out the project. Eligible projects must preserve or enhance the safety, security or capacity of the national air transportation system or enhance airline competition or reduce noise impacts. The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (the

"Aviation 21 Act," and collectively with the 1990 Act, the "Federal Act") increased the maximum allowable PFC that could be charged to a passenger using the airport from $3 to $4.50. Eligible public agencies wishing to impose and use a PFC are required to apply to the FAA, an administration in the Department of Transportation, and to meet the requirements in the legislation and the regulations promulgated thereunder.

PFCs are pledged to the payment of PFC Bonds, and at the sole discretion of the Authority may be used to pay debt service on certain Outstanding Bonds of the Authority as described in "**SECURITY FOR THE SERIES 2010 BONDS – Pledge of Net Revenues.**" The Federal Aviation Administration has approved various of the Authority's PFC applications or amendments thereto, providing for the Authority to collect PFCs for various approved purposes at both the $3.00 and $4.50 level, and the Authority is in the process of amending its PFC application no. 13 to provide for PFCs to be applied to certain specified capital projects. In April, 2009, the FAA approved the Authority's PFC application no. 15, under which PFCs are expected to be primarily used for a "pay-as-you-go" major runway project and construction line of credit. Previously, the FAA approved the Authority's PFC application no. 11 pertaining to the projects financed or refinanced with proceeds of the Refunded Bonds and the payment of debt service with respect to such projects.

Collectively, the FAA has approved an aggregate impose and use authority of $327,137,694 for the Authority's PFC program. Through March 31, 2010, the Authority has collected $223,770,655 in PFCs. Impose authority of $327,137,694 is currently estimated to expire in 2018. Expenditures through March 31, 2010 were $206,758,264.

PFCs not required to pay debt service on the PFC Bonds are deposited in a PFC Capital Fund established under the master resolution (the "PFC Master Resolution") providing for the issuance of the PFC Bonds and, to the extent required to make payments required by the PFC Master Resolution, amounts in the PFC Capital Fund may be used for any lawful purpose, as the Authority may from time to time determine, that is permitted by the applicable PFC regulations and the FAA approvals and consistent with the provisions of the PFC Master Resolution.

Authorization to Impose PFC

There are four primary steps that must be taken in connection with imposing a PFC. First, an agency must develop a plan to impose a PFC, including a description of each of the projects to be financed, their costs and the method, level and duration of imposing the PFC. Second, the agency must consult with the airlines utilizing its facilities after following the notice and other procedures set forth in the FAA regulations. Third, the agency must apply to the Administrator of the FAA for permission to impose the PFC and the Administrator of the FAA must approve the application. Finally, the agency must take appropriate legal action to impose the PFC.

Termination of PFC Authority

The Secretary of Transportation may terminate the authority to impose a PFC to the extent that said Secretary determines the revenues from PFCs are not being used in accordance with the Federal Act. Section 9307 of the Airport Noise and Capacity Act of 1990 (the "Noise Act") also provides that an airport may not collect a PFC unless the Secretary is assured that such airport is not imposing any noise or access restrictions that are not in compliance with the Noise Act. The FAA has promulgated regulations under Federal Act and under the Noise Act which permit termination not only for violations of the Federal Act but for a violation of regulations promulgated under the Noise Act. Thus, violation of these regulations or related assurances contained in any grant of authority to impose a PFC, including, among other things, provisions regarding rates and charges for PFC financed facilities, design and construction

standards and record keeping and reports, could result in termination of the Authority's authorization to impose and collect PFCs.

Collection and Remittance of PFCs

Air carriers are responsible for collecting PFCs from passengers enplaning at the Airport. Collecting carriers are required to establish and maintain a financial management system to account for revenues from the PFCs although revenues from the PFCs may be commingled with the carrier's other sources of revenues. The PFC revenues are regarded as trust funds held by collecting carriers, as agents, for the beneficial interest of the public agency imposing the PFC. However, in the event of a bankruptcy of a carrier, such funds may not be deemed held in trust for the Authority and may be treated as part of the carrier's bankruptcy estate. Revenues from the PFCs collected by carriers are required to be remitted to the public agency on a monthly basis. As compensation for collecting, handling and remitting PFC revenues, the collecting air carrier is entitled to a portion of each PFC imposed on a passenger. In addition, the collecting air carrier is entitled to interest on investment earnings on revenues from the PFCs between the time of collection and remittance to the public agency.

THE AIRLINE INDUSTRY

General Factors Affecting Airline Activity

The Authority's ability to derive Net Revenues from its operations sufficient to pay debt service on the Series 2010 Bonds depends upon many factors, many of which are not subject to the control of the Authority. These factors include the financial strength of the airline industry in general and of the companies in that industry that operate at the Airport in particular. The dynamics in the airline industry have a marked influence on airport activity. The past several years have been particularly difficult for the airline industry due to the convergence of world events – weakness in the U.S. economy, the September 11, 2001 terrorist attacks, the wars in Iraq and Afghanistan, severe acute respiratory syndrome (or SARS), and high fuel prices.

Future airline traffic, both nationally and at the Airport, will continue to be affected by, among other things, general economic and political conditions; airline service and routes; airline economics, competition, and airfares; airline industry consolidation; availability and price of aviation fuel; the capacity of the national air traffic control and airport systems; geopolitical concerns and international conflicts (including the potential for domestic terrorism) and the financial condition of airlines operating at the Airport. Historically, airline passenger traffic nationwide has correlated reasonably closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy generally results in reduced passenger traffic. Future increases in passenger traffic will depend largely on growth in economic output and income. See "**INVESTMENT CONSIDERATIONS – U.S. Economic Conditions.**"

As a result of the 2001 recession in the U.S. economy, the disruption of the airline industry that followed the September 2001 terrorist attacks, high aviation fuel and other operating costs, and intense competition, the U.S. airline industry as a whole has experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion, although net profits rebounded in 2006 and 2007 to $3.1 billion and $5.0 billion, respectively, but returned to losses in 2008 and 2009. The exception to this trend has been Southwest Airlines, the predominant airline serving the Airport, which has generally reported net profits throughout this period.

To mitigate these losses, all the major legacy airlines have restructured their route networks and flight schedules and negotiated with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the threat of such.

Continuing losses could force one or more of the airlines serving the Airport to retrench, seek bankruptcy protection, discontinue marginal operations, or liquidate. The further restructuring or liquidation of one or more of the large network airlines could drastically affect air service at many connecting hub airports, present business opportunities for the remaining airlines, and change air travel patterns throughout the U.S. aviation system. Any significant financial or operational difficulties incurred by airlines which have entered into leases of facilities at the Airport may have an adverse impact on Airport Revenues or Airport operations, the effect of which may be material.

Airline Service and Routes

While passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the number of passengers enplaned also depend on the route networks of the airlines serving that airport. Most major airlines have emphasized the development of hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability. At an airport primarily serving origin-destination passengers, such as the Airport, the number of enplaned passengers is not as dependent upon the hub-and-spoke operations of the airlines. In addition, Southwest Airlines, the largest carrier at the Airport, operates primarily a point-to-point system.

Airline Economics, Competition, and Airfares

Airfares have an important effect on passenger demand, particularly for price-sensitive, "discretionary" travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence, and competition. Over the past several years, the established major airlines have experienced competition from low-cost airlines, including Southwest Airlines, low-cost carriers AirTran Airways and JetBlue Airways, and regional airlines. The response by the established major airlines to the increased competition has varied. In some markets, the major airlines reduced service while maintaining fares; in others, they reduced fares and increased service. Some major airlines have established their own low-fare operations to compete in selected markets.

Airline Industry Consolidation

In response to competitive and other pressures, the U.S. airline industry has consolidated. Recent and potential consolidation of the U.S. airline industry could also affect airline competition, airfares, and passenger numbers at the Airport. In addition to potential consolidation within the U.S. airline industry, alliances among U.S. and foreign-flag airlines have been formed as part of the globalization of the airline industry. Such global alliances typically involve marketing and code-sharing arrangements to facilitate the transfer of passengers between the airlines' route systems and may involve equity investment by the allied airlines.

Delta and Northwest have consummated their merger and consolidated operations at the Airport. Continental and United, with a combined 4.77% of the total enplanements at the Airport in fiscal year 2010, recently announced plans to merge. The merger has been approved by the European Union, but remains subject to additional regulatory and shareholder approvals. The proposed merger is not expected to have a material adverse impact on the Airport. Further airline consolidation remains possible, and could change airline service patterns, especially at hub airports of the merging airlines. The Authority cannot predict what impact, if any, such consolidations would have on future passenger enplanements and

airline traffic at the Airport. See **THE AIRPORT – Airline Service at the Airport and – Historical Enplanment Activity** for information concerning airlines serving the Airport and their respective passenger activity.

Availability and Price of Aviation Fuel

Although there has been no shortage of aviation fuel since 1974, the price of aviation fuel continues to be an important and uncertain factor affecting airline operating economics. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather.

Fluctuating fuel prices generate corresponding fluctuations in airfares and airline operating results. According to the Air Transport Association ("ATA"), fuel, along with labor costs, is one of the largest cost components of airline operations, and a one-dollar increase in the price of oil per barrel equates to approximately $425 million in annual additional expense for U.S. airlines. The price of aviation fuel had been increasing almost continuously from 2003 through July 2008, with the cost of a barrel of crude oil more than quadrupling from an approximate per barrel price of $30 in late 2003 to record per barrel levels of over $140 in July 2008. The price has subsided substantially, with recent fuel prices at approximately $65-$80 per barrel. While there has been no shortage of aviation fuel since the "fuel crisis" of 1974, increases in fuel prices lead to increases in airline operating costs. Jet fuel used by the airlines includes a "crack spread," the difference in prices between crude oil and kerosene used by aircraft and which generally represents refining margins. Air carriers are particularly vulnerable to increasing fuel costs as this crack spread, which increased from less than $4 per barrel in 2003 to over $18 per barrel in 2007 and $25 per barrel in 2008, since declining to less than $10 per barrel. Some airlines have attempted to pass the higher fuel costs to consumers by imposing or increasing a fuel surcharge or increasing the price of airfares, some of which efforts have been unsuccessful due to airlines, particularly low cost carriers, refusing to match the increase. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Many airlines engage in or have engaged in fuel hedging – purchasing fuel in advance at a fixed price through derivative contracts – to help manage the risk of future increases in fuel costs. However, there can be no assurance that any fuel hedging contract can provide any particular level of protection from volatile fuel prices. As described above, any unhedged increase in the fuel prices causes an increase in airline operating costs.

Low-cost Carriers and Low-fare Divisions of Legacy Carriers

The airline industry has gone through a transition prompted by the proliferation of low-cost carriers ("LCCs") across the country. Published estimates indicate that LCCs accounted for about 25% of all domestic enplaned passengers flown in the United States during 2006, and, as a result, pose a competitive threat to the legacy airlines (*i.e.*, large network, major carriers such as American, United, Delta, Continental and Northwest), whose unit operating costs are often much higher. Because the LCCs can transport passengers profitably at much lower fares, the legacy carriers must match those prices or cede passengers to the LCCs. Consequently, the legacy airlines are seeking to reduce significantly their expense base, bring capacity more in line with traveler demand, and find ways to make their operations more efficient. This process has involved some experimentation by the major airlines with the LCC model (such as United Airlines with Ted Airline), as well as significant fare reduction and elimination of

fare restrictions, and is resulting in major restructuring of the airline industry that has generally produced lower airfares.

Southwest Airlines accounts for approximately 53.5% of passenger enplanements at the Airport. See "**THE AIRPORT – Historical Enplanement Activity.**"

Operating Results and Financial Condition of Airlines

The Authority derives a substantial portion of its operating revenues from landing, apron and terminal rental fees. The financial strength and stability of the airlines using the Airport, together with numerous other factors, influence the level of aviation activity at the Airport. The September 11, 2001, terrorist attacks, the war in Iraq, hostilities in Afghanistan and elsewhere, the continued threat of terrorist acts and related security cost increases, rising fuel costs and significant weakness in the economy, have significantly and adversely affected the air transportation industry as described above. The airlines serving the Airport have not been immune to such events and factors. Current and future financial and operational difficulties encountered by the airlines serving the Airport, especially Southwest Airlines, could have a material effect on operations at the Airport and the financial condition of the Authority. Most major airlines, with the exception of Southwest Airlines, have credit ratings that are below investment grade, indicating a material risk of bankruptcy. Additional bankruptcy filings, mergers, consolidations, shutdowns and other major restructurings by airlines are possible.

The Authority cannot predict the likelihood of these disruptions or their impact. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors, potential investors are urged to review the airlines' financial information and reports filed periodically by the airlines with the SEC and the U.S. Department of Transportation. See "**Information Concerning the Airlines**" below and **"INVESTMENT CONSIDERATIONS."**

Effect of Airline Bankruptcy

General. As referenced above, the financial volatility of the air transportation industry has led to airline bankruptcies, with nearly 20 airlines of various sizes, including Frontier, Delta, Northwest, US Airways and United, all of which operate at the Airport, having filed for protection under the U.S. Bankruptcy Code since 2001. With respect to the Airport, such airlines have emerged from bankruptcy and have remitted all material post-bankruptcy payments due to the Authority under the Signatory Leases. Further, as of the date of this Official Statement substantially all airlines are current on their payment obligations to the Authority. Mesa Airlines, which accounts for less than 2% of the Airport's enplanements, recently entered bankruptcy proceedings. No other airline operating at the Airport is currently in bankruptcy proceedings. However, the Authority cannot predict nor give any assurance that the airlines serving the Airport will continue to pay or to make timely payment of their obligations under the Signatory Lease. Nor can the Authority predict whether any particular event or series of events will result in more airline bankruptcies, including airlines that serve the Airport, or the effect of such bankruptcies on the Airport. See **"INVESTMENT CONSIDERATIONS – Effect of Airline Bankruptcy."**

Assumption or Rejection of Agreements. On October 17, 2005, amendments to the United States Bankruptcy Code took effect. The amendments were partially established as a result of bankruptcies of airlines. Among other things, the amendments force companies to reorganize and emerge from Chapter 11 protection more quickly. An airline that has executed a Signatory Lease or other executory contract with the Authority and sought protection under the U.S. bankruptcy laws prior to October 17, 2005, must assume or reject: (a) its Signatory Lease within 60 days after the bankruptcy filing or such later date if

ordered by the court for cause shown, and (b) its other executory contracts with the Authority prior to the confirmation of a plan of reorganization. Bankruptcy courts are courts of equity, however, and as such can, and often do, grant exceptions to such time limitations.

An airline that has executed a Signatory Lease or other executory contract with the Authority and seeks protection under the U.S. bankruptcy laws after October 17, 2005, must assume or reject: (a) its Airline Agreement within 120 days after the bankruptcy filing subject to a court-approved, one-time 90-day extension (further extensions are subject to the consent of the lessor), and (b) its other executory contracts with the Authority prior to the confirmation of a plan of reorganization.

In the event of an assumption of any executory contract or lease, an airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable executory contract or lease. In the event of an assumption by a debtor airline and assignment to a third party, the assurance of future performance would have to be demonstrated by the proposed assignee.

Rejection of a Signatory Lease or other executory contract with the Authority will give rise to an unsecured claim of the Authority for damages, the amount of which in the case of a Signatory Lease or other lease is limited by the U.S. Bankruptcy Code generally to the amount 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. Claims for such damages are subject to the Authority's duty to mitigate damages. The amount ultimately allowed in the event of a rejection of a Signatory Lease or other executory contract could be considerably less, however, than the maximum amount allowed under the U.S. Bankruptcy Code. Amounts unpaid as a result of a rejection of a Signatory Lease by an airline in bankruptcy can be passed on to the remaining Signatory Airlines under the Signatory Lease, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs.

Airport Security

Following the September 11, 2001, terrorist attacks, the Aviation and Transportation Security Act ("ATSA") was enacted on November 19, 2001. This legislation makes airport security the responsibility of the Transportation Security Administration ("TSA"). The TSA was originally made an administrative agency of the United States Department of Transportation, but was subsequently made an administrative agency within the United States Department of Homeland Security ("DHS") by the Homeland Security Act of 2002 ("HSA"). Provisions of the HSA and subsequent governmental directives have called for, among other things, stronger cockpit doors on planes, an increased presence of armed federal marshals on flights, establishment of 100% checked baggage screening, and replacement of private security screeners with federal employees, who must undergo criminal background checks and must be U.S. citizens. Airports may opt out of using federal screeners and contract with TSA-approved private screening companies, but many airports – including the Authority in its operation of the Airport – utilize TSA screeners. Airports are permitted to use state or local law enforcement personnel to provide security services not related to passenger or baggage screening. Under ATSA, the federal government pays for its federal security screening services by charging passengers a security service fee of $2.50 per departure or connection, not to exceed $5.00 per one way trip. This amount is collected by air carriers and remitted to the federal government. To the extent that such fees are deemed to be insufficient, ATSA also authorizes the imposition of fees on air carriers of an Aviation Security Infrastructure Fee for 2002 and thereafter.

ATSA also mandates that certain security measures be undertaken at airports, including the Airport. Among other things, the following security measures are required: (i) screening or inspection of all individuals, goods, property, vehicles and equipment before entry into a secured area of the Airport,

(ii) security awareness programs for airport employees, (iii) screening all checked baggage with explosive detection systems ("EDS") or other approved means or technology, (iv) deployment of sufficient EDS for all checked baggage, and (v) operation of a system to screen, inspect or otherwise ensure the security of all cargo to be transported in all-cargo aircraft.

The federal government paid for much of the EDS equipment, including that installed at the Airport. However, unlike the original deployment of EDS (where TSA paid for the installation of stand-alone systems and limited modifications to passenger screening checkpoints), currently the TSA requires airports to bear a substantial portion of the costs of design, construction and installation of automated in-line baggage screening systems and passenger screening checkpoints to meet TSA specifications. Legislation signed by President Bush in August, 2007, the 9/11 Commission Recommendations Act, provides for $250 million annually in mandatory spending for in-line baggage service systems through 2028, $200 million of which is to be distributed through a letter of intent process.

The TSA has also issued unfunded mandates by way of TSA security directives in addition to the above-described requirements. These include (i) airport-issued identification badge procedures, (ii) performance of inspections of all vendors and vendor products entering secure areas of an airport, and (iii) reductions in the number of airport employees authorized to escort visitors in secure areas. These and additional unfunded security directives may ultimately have a cumulative financial effect on the Authority's financial operations.

Federal Regulation Regarding Rates and Charges

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

The Authority is not aware of any dispute involving the Airport over any existing rates and charges. The Authority believes that the rates and charges methodology utilized by the Authority and the rates and charges imposed by it upon air carriers and other aeronautical users are reasonable and consistent with the Final Rule. However, there can be no assurance that a complaint will not be brought against the Authority in the future challenging such methodology and the rates and charges established by

the Authority or that, if a judgment is rendered against the Authority, that rates and charges paid by aeronautical users of the Airport will not be reduced.

Information Concerning the Airlines

The information included under this caption is for informational purposes only and is not deemed incorporated into this Official Statement by reference.

Certain of the airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Certain information, including financial information, concerning such airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected and copies obtained at prescribed rates at the SEC's principal offices at 100 F Street, N.E. Washington, D.C. 20549, and should be available for inspection and copying at the SEC's regional offices located at 233 Broadway, New York, New York 10279, and 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. The public may obtain information on the hours of operation of the Public Reference Room by calling the SEC at 1-800-SEC-0380. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Some of the airlines are required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation ("DOT"). Such reports can be inspected at DOT's Research and Special Program Administration, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, Room 4125, 400 7th Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations file limited information only with the DOT.

Certain airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. Additional information regarding the bankruptcy proceedings of any airline in bankruptcy can be obtained from the bankruptcy court in which the bankruptcy proceeding is filed.

Because of the constant flow of financial information regarding domestic airlines and the volatility of their financial condition and that of the air transportation industry, potential investors are urged to review the financial information filed by the airlines serving the Airport. However, potential investors are also advised that the Authority has no responsibility for the completeness or accuracy of information available from any airline, the DOT, the SEC or any bankruptcy court, including, but not limited to, updates of information on an airline's, the DOT's, the SEC's or a bankruptcy court's respective Internet sites or links to other Internet sites accessed through an airline's, the DOT's, the SEC's or a bankruptcy court's site.

Neither the Authority nor the Underwriters makes any representation or assurance regarding the information prepared and filed by any airline with the SEC or its continued operations at the Airport. No airline has participated in the preparation of this Official Statement or makes any representation as to the accuracy or completeness of the information contained herein.

INVESTMENT CONSIDERATIONS

The Series 2010 Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2010 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 2010 Bonds. The following section describes certain risk factors affecting the payment of and security for all Bonds outstanding under the General Resolution, including the Series 2010 Bonds. This discussion is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2010 Bonds and does not necessarily reflect the relative importance of the various risks. In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders' risks set forth throughout this Official Statement, and should specifically consider certain risks associated with the Series 2010 Bonds. In particular, this Official Statement contains a specific section devoted to the airline industry, and investors should refer to the information in "**THE AIRLINE INDUSTRY.**"

Hence, no assurance can be given with respect to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including (1) the growth in the population and economy of the Air Trade Area, (2) national and international economic conditions, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, (7) the capacity of the Airport/airways system, and (8) safety concerns arising from international conflicts and the possibility of additional terrorist attacks. Several of these factors, including slow or negative traffic growth in many areas, increased competition among air carriers, bankruptcies, consolidation and mergers among air carriers, increased fuel, labor, equipment and other costs, health concerns such as SARS, increased threat of possible future terrorist attacks, and increases in the requirements for and the cost of debt capital, have combined to reduce profits materially and to cause significant losses for all but a few air carriers. See "**THE AIRLINE INDUSTRY.**"

General Factors Affecting Authority and Airline Revenues

The revenues of both the Authority and the airlines may be materially affected by many factors including, without limitation: declining passenger demand, service and cost competition, mergers, the availability and cost of fuel and other necessary supplies, high fixed costs, high capital requirements, the cost and availability of financing, technological changes, national and international disasters and hostilities, the cost and availability of employees, strikes and other employee disruptions, the maintenance and replacement requirements of aircraft, the availability of routes and slots at various airports, airline capacity to meet passenger demand (*i.e.*, availability of seat inventory) and the capacity of the air traffic control system, litigation liability, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, deregulation, federal and state bankruptcy and insolvency laws and other risks. Many airlines, as a result of these and other factors, have operated at a loss in the past and several have filed for bankruptcy, ceased operations and/or have merged with other airlines. As a result of mergers, acquisitions, asset transfers, bankruptcies, liquidations and decertifications, some consolidation of the airline industry has taken place. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors, potential investors should refer to the statements and reports filed periodically by the airlines.

General Factors Affecting Airline Activity

There are numerous factors which affect air traffic generally and air traffic at the Airport more specifically. Demand for air travel is influenced by factors such as population, levels of disposable

income, the nature, level and concentration of industrial and commercial activity in the service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

U.S. Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. During September, 2008, significant and dramatic changes occurred in the financial markets. Several U.S. commercial and investment banks declared bankruptcy, were acquired by other financial institutions, combined with other financial institutions or sought large infusions of capital. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore the consumers' confidence in the nation's financial markets. It is not known at this time whether a prolonged economic slowdown will extend beyond 2010. There can be no assurances that such developments will not have an adverse effect on the air transportation industry and the Airport.

The current economic environment has impacted national aviation demand levels, with continuing weak demand for air travel. U.S. domestic enplanements declined by approximately 5.2% in 2009, compared to 2008, and, according to U.S. Bureau of Transportation Statistics, 2010 U.S. domestic enplanements through April, 2010, have risen by 0.6% over the same period in 2009.

It is anticipated that the continuing poor economic conditions in the United States will have a similar effect on the Nashville region and the rest of the Airport's Air Trade Area and will in turn affect the enplanement level at the Airport. See "**THE AIRPORT – Recent Events; FY 2011 Budget.**"

Impact of Flooding in Tennessee

During early May 2010, the Nashville metropolitan area experienced record rainfalls that caused major flooding issues in many areas of Davidson County. On May 4, 2010, President Obama declared several counties in Tennessee, including Davidson County, a major disaster area, thus making the area eligible for Federal aid. The Metropolitan Government has estimated that total property damages may reach approximately $2 billion throughout Davidson County, including significant damages to two of the Metropolitan Government's largest taxpayers, Gaylord Entertainment Facilities, (which include the Grand Ole Opry and Opryland Hotel) and Opry Mills (a large retail, shopping and entertainment venue). The Metropolitan Government has estimated that it will lose approximately $4 million in hotel/motel tax collections over the next 6 months although no tax revenue projection analyses have been completed at this time.

While various water and sewer systems in the metropolitan area incurred damage, other public infrastructure entities, such as the Airport and certain electric generation and distribution facilities, were not significantly affected by the flooding. The economic impact from the flooding is still not fully known, and while federal and state assistance will alleviate much of the financial burden of the flooding, local governments will likely bear some unreimbursed expenses.

Although the precise effect of this flooding on the Authority or the Airport cannot be predicted at this time, it may well lead to decreased travel and hence decreased passenger activity at the Airport. See

"**THE AIRPORT – Management's Discussion of Recent Financial Performance – Fiscal Year 2010 Results through May 31, 2010 (Unaudited).**"

Impact of Uncertainties of the Airline Industry on the Airport

The demographic and economic characteristics of the Air Trade Area comprise the underlying components of air transportation demand for passengers and commercial goods at the Airport. These demand components are affected by individual airline decisions regarding air service, hubbing operations and fleet mix. The financial strengths of airlines serving the Airport also are key determinants of future airline traffic. In addition, individual airline decisions regarding levels of service, particularly by Southwest Airlines, will affect total enplanements.

There is no assurance that the Airport, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines serving the Airport and the levels at which that service will be provided, depend on a wide variety of factors, many of which are described or referenced in this Official Statement. Hence, the Authority cannot assure investors as to the levels of aviation activity that will be achieved at the Airport.

Structural Changes in the Travel Market.

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

Cost of Aviation Fuel

As described in **"THE AIRLINE INDUSTRY – Availability and Price of Aviation Fuel,"** aviation fuel is one of the largest items of airline expense. While aviation fuel prices have not affected the ability of airlines to provide service, continued high prices will affect future airline service, airfares and passenger numbers. Airline operating economics will also be affected as regulatory costs are imposed on air travel and the airline industry as a part of efforts to reduce aircraft emissions contributing to global climate change. Significant and prolonged increases in the cost of aviation fuel would have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Effect of Airline Bankruptcy

In the event of bankruptcy proceedings involving one or more of the airlines operating at the Airport, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Signatory Lease or other lease agreements or operating agreements. In the event of assumption, the debtor airline would be required to cure any prior

defaults and to provide adequate assurance of future performances under the relevant agreements. Rejection of a lease or an executory contract by any of such airlines would give rise to an unsecured claim of the Authority for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code. See "**THE AIRLINE INDUSTRY – Effect of Airline Bankruptcies.**"

Aviation Security Concerns

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

Intensified security precautions have been instituted by government agencies, airlines and airport operators since the events of September 11, 2001. No assurances can be given that these precautions will be successful. Also, the possibility of international hostilities and/or further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Capacity of National Air Traffic Control and Airport Systems

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

Letter of Credit and Swap Providers

The downgrade or bankruptcy of a swap provider or provider of a letter of credit and market conditions at such time or at the time of the expiration of a letter of credit could impact, among other things, the Authority's cost of borrowing and expenses, overall liquidity and ability to find a replacement letter of credit and keep bonds outstanding as variable rate bonds; could result in a letter of credit provider holding Bonds at a bank interest rate and could require the Authority to terminate a swap and pay a swap termination payment. The bankruptcy of a swap counterparty could impact, among other things, the timing of, and ability of the Authority to control, the termination of an interest rate swap and the calculation of a termination payment under the terms of the respective swap agreement.

Bond Insurer

The ability of Assured Guaranty Municipal to provide funds to make principal and interest payments on the Insured Series 2010 Bonds in accordance with the Municipal Bond Insurance Policy or under the Reserve Fund Surety Bond is based solely upon Assured Guaranty Municipal's general credit, and is not secured or otherwise guaranteed by any other entity or amounts. The Authority is under no obligation to supply, or cause to be supplied, an alternate insurance policy if Assured Guaranty Municipal fails to pay as required under the Municipal Bond Insurance Policy, or becomes insolvent or bankrupt, or if the ratings on the Insured Series 2010 Bonds are reduced or withdrawn. Prospective

purchasers of the Insured Series 2010 Bonds should analyze the financial condition of the Assured Guaranty Municipal carefully to determine whether it has the ability to make payments required under the Municipal Bond Insurance Policy or the Reserve Fund Surety Bond. For a description of Assured Guaranty Municipal, see **"BOND INSURANCE."**

Passenger Facility Charges

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) and the 2003 FAA Reauthorization Act (collectively, the "PFC Acts"), the FAA has approved the Authority's applications to require airlines to collect and remit to the Authority a PFC on each enplaning revenue passenger at the Airport. See **"THE AIRPORT – Passenger Facility Charge**." **PFCs are an important element of the Authority's funding for its capital improvement program.** See "**THE AIRPORT – Construction Plans**." Declining enplanements lead directly to reduced PFC revenues.

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted, however, to commingle PFC collections with other revenues and also are entitled to retain interest earned on PFC collections until such PFC collections are remitted.

On December 12, 2003, President Bush signed into law the Vision 100 – Century of Aviation Reauthorization Act *("Vision 100")*. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate passenger facility revenue in a separate account for the benefit of the eligible agencies entitled to such revenue. Prior to the amendments made by Vision 100 to allow PFCs collected by airlines to constitute a trust fund, at least one bankruptcy court indicated that the PFC revenues held by an airline in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of the unsecured creditors of such airline.

The Authority cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline.

Limitation of Remedies

Under the terms of the General Resolution, Events of Default are limited to such actions which may be taken at law or in equity. See **Appendix C – "Summary of Principal Legal Documents – The General Resolution** -- **Definitions of Certain Terms**." No mortgage or security interest, however, has been granted or lien created in the Airport to secure the payment of the Series 2010 Bonds.

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2010 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority, the Airport or the payment of Net Revenues.

In the event of a default in the payment of principal of or interest on the Series 2010 Bonds, the remedies available to the owners of the Bonds upon a default are in many respects dependent upon

judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion to be delivered concurrently with delivery of the Series 2010 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See **Appendix D – "Forms of Opinions of Bond Counsel**."

Secondary Market

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

CONTINUING DISCLOSURE

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Pursuant to a Continuing Disclosure Certificate, the form of which is set forth in **Appendix F – "Form of Continuing Disclosure Certificate**," for as long as any of the Series 2010 Bonds are outstanding, the Authority will provide certain annual financial information and material event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format prescribed by the MSRB, and may be accessed through the Internet at emma.msrb.org. Prior to July 1, 2009, filings by the Authority were made through the then-existing nationally recognized municipal securities information repositories or "NRMSIRs." Furthermore, pursuant to the Continuing Disclosure Certificate, for as long as any of the Series 2010 Bonds are outstanding, the Authority will undertake to provide to the MSRB and a state information repository, if any, notice of certain material events as described in the Rule and **Appendix F**.

Within the previous five years, the Authority has not failed to comply in any material respect with any previous undertakings with regard to the Rule to provide certain annual financial information and material event notices.

Pursuant to the Continuing Disclosure Certificate, the right of the holders of the Series 2010 Bonds to enforce the undertaking described above is limited to an action in mandamus or for specific performance to compel performance of the obligations of the Authority under the Continuing Disclosure Certificate. Any failure of the Authority to comply with its obligations will not give rise to an Event of Default under the General Resolution or the Eighteenth Supplemental Resolution.

With respect to the Series 2010 Bonds, no party other than the Authority is obligated to provide, nor is expected to provide continuing disclosure information with respect to the aforementioned Rule.

RATINGS

Moody's Investor's Service ("*Moody's*") and Standard & Poor's Corporation ("*S&P*"), a division of The McGraw-Hill Companies, Inc. (the foregoing are each a "*Rating Agency*" and collectively the "*Rating Agencies*"), are expected to assign ratings on the Insured Series 2010 Bonds of "Aa3 (negative outlook)" and "AAA (negative outlook)", respectively, based upon the issuance of the Municipal Bond Insurance Policy by the Bond Insurer. See "**BOND INSURANCE**." The Municipal Bond Insurance Policy does not insure the Series 2010 Bonds maturing on July 1, 2011.

The Authority has not undertaken to provide any information about the business and affairs of Assured Guaranty Municipal or its financial prospects or of any factors that may affect the ratings on bonds insured by Assured Guaranty Municipal.

In addition, at the Authority's request, Moody's and S&P have independently rated the Series 2010 Bonds without regard to the Municipal Bond Insurance Policy. Moody's and S&P have assigned underlying municipal bond ratings of "A2" (stable outlook)" and "A (stable outlook)", respectively, to the Series 2010 Bonds.

A rating reflects only the views of the Rating Agency assigning such rating, and an explanation of the significance of such rating may be obtained from the applicable Rating Agency. The Authority and the Underwriters have furnished to the Rating Agencies certain information and materials relating to the Series 2010 Bonds and the Airport, including certain information and materials which have not been included in this Official Statement. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any Rating Agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2010 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2010 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. The forms of opinions of Bond Counsel for the Series 2010 Bonds are attached hereto as **Appendix D**. Certain legal matters will be passed upon for the Authority by Adams and Reese LLP, Nashville, Tennessee, counsel to the Authority, and for the Underwriters by Christian & Barton, L.L.P., Richmond, Virginia, and Charles E. Carpenter, A Professional Corporation, Nashville, Tennessee, co-counsel to the Underwriters.

TRUSTEE

While U.S. Bank National Association, Nashville, Tennessee, serves as Trustee under the General Resolution, it has no duties or obligations under the General Resolution except in the event of a default under the terms of the General Resolution.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Authority for the fiscal years ended June 30, 2009 and 2008, included as **Appendix A** to this Official Statement, have been audited by Crosslin & Associates, P.C., Nashville, Tennessee, as stated in the independent auditors' report set forth in **Appendix A**.

It should be noted that such financial statements are prepared in accordance with U.S. generally accepted accounting principles. The accounting methods used for Revenues and Net Revenues are prepared as outlined in the Signatory Lease.

UNDERWRITING

The Series 2010B Bonds are being purchased for reoffering by Morgan Keegan & Company, Inc., as representative of the underwriters listed on the cover of this Official Statement (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Series 2010B Bonds at a purchase price of $75,117,422.27, representing the principal amount of the Series 2010B Bonds of $70,400,000, less an underwriting discount of $329,893.33 (0.47% of the par amount of the Series 2010B Bonds) and plus an original issue premium of $5,047,315.60 (7.17% of the par amount of the Series 2010B Bonds). The Series 2010C Bonds are being purchased for reoffering by the Underwriters at a purchase price of $16,803,787.95, representing the principal amount of the Series 2010C Bonds of $16,170,000, less an underwriting discount of $74,815.35 (0.46% of the par amount of the Series 2010C Bonds) and plus an original issue premium of $708,603.30 (4.38% of the par amount of the Series 2010B Bonds).The Bond Purchase Agreement by and between the Authority and the Underwriters sets forth the provisions for the purchase of the Series 2010 Bonds by the Underwriters, and the conditions to such purchase, including the requirement that the Underwriters will purchase all of the Series 2010 Bonds if any are purchased.

The Underwriters intend to offer the Series 2010 Bonds to the public at the offering price or prices set forth on the inside cover page of this Official Statement. The Underwriters may allow concessions from the public offering price to certain dealers, banks and others. After the initial public offering prices may be varied from time to time by the Underwriters.

J.P. Morgan Securities Inc. ("JPMSI"), one of the Underwriters of the 2010 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the 2010 Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase 2010 Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any 2010 Bonds that such firm sells.

FINANCIAL ADVISOR

Public Financial Management, Inc., Memphis, Tennessee (the "Financial Advisor") serves as independent financial advisor to the Authority on matters relating to debt management. The Financial Advisor has provided advice as to the plan of refunding and the structuring of the Series 2010 Bonds and has reviewed and commented on certain legal documentation, including the Official Statement. The advice on the plan of refunding and the structuring of the Series 2010 Bonds was based on materials provided by the Authority and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Authority or the information set forth in this Official Statement or any other information available to the Authority with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information contained in this Official Statement.

LITIGATION

No litigation is pending or, to the knowledge of the undersigned, threatened, in any court which questions the official existence of the Authority or the validity of the Series 2010 Bonds or seeks to

restrain or enjoin the conversion, issuance or delivery of the Series 2010 Bonds or questions the power to collect and pledge Net Revenues to pay the Series 2010 Bonds or questions the validity or enforceability of the Signatory Leases. The operation of the Airport may give rise to litigation from time to time, including various pending litigation matters. In the opinion of the Authority and counsel to the Authority, any losses pursuant to these matters will be payable by others through contractual indemnification or the Signatory Leases.

The Tennessee Department of Environment and Conservation has issued a Notice of Violation (NOV) to the Authority in connection with the release of certain deicing chemicals as described above in "**THE AIRPORT – Environmental Compliance**."

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2010 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2010 Bond for any period during which the Series 2010 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2010 Bonds or a "related person," (ii) interest on the Series 2010B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Series 2010C Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, in connection with the Series 2010 Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2010 Bonds from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009, relating to the treatment of interest on certain tax-exempt bonds, do not apply to the Series 2010 Bonds.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the Series 2010 Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2010 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2010 Bonds in order that interest on the Series 2010 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2010 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2010 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2010 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

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

Prospective owners of the Series 2010 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2010 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2010 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2010 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2010 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond

premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2010 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2010 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2010 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2010 Bonds under Federal or state law and could affect the market price or marketability of the Series 2010 Bonds.

Prospective purchasers of the Series 2010 Bonds should consult their own tax advisors regarding the foregoing matters.

RELATIONSHIP OF PARTIES

The Chairman of the Authority is a member of Bass, Berry & Sims PLC, Nashville, Tennessee, which represents Morgan Keegan & Company, Inc. in matters unrelated to the Series 2010 Bonds.

MISCELLANEOUS

The information contained in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

THE METROPOLITAN NASHVILLE
AIRPORT AUTHORITY

By: /s/ James H. Cheek, III
Chairman

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited the accompanying statements of net assets of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Nashville Airport Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the schedules of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This required supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 23, 2009

2525 West End Avenue, Suite 1100 • Nashville, Tennessee 37203 • phone: 615-320-5500 • fax: 615-329-9465 • www.crosslinpc.com
An Independent Member of The BDO Seidman Alliance

The following Management's Discussion and Analysis ("MD&A") of the Metropolitan Nashville Airport Authority (the "Authority") is presented to assist the reader in focusing on significant financial issues, by providing an overview of the Authority's financial activity, and in identifying changes in the Authority's financial position. Management encourages the reader to consider the MD&A in conjunction with the information contained in the Authority's financial statements.

BASIC FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Please refer to Note 2 to the financial statements for a summary of the Authority's significant accounting policies.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing the change in the Authority's net assets during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the inflows and outflows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided within the Statement of Cash Flows to assist in understanding the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

AIRPORT ACTIVITY HIGHLIGHTS

There was a variety of milestones and events to highlight in fiscal year 2009, despite traffic declines and the overall contraction in the economy. Terminal Renovation Phase I and associated projects such as the flight information display system replacement, all part of the comprehensive terminal renovation program, were completed during the year for $46 million, on time and under budget. The Authority began the ambitious multi-year, multi-phase renovation program in October 2006. More than 30 new food, beverage, and retail vendors now serve the public at BNA, along with new meeter-greeter areas, a consolidated security checkpoint with 12 screening lanes as well as access to the checkpoint area through self-select lanes designated by signage that direct passengers based on their travel needs and knowledge (Expert, Casual, and Family/Special Assistance). Nashville International Airport also became the first airport location of *redbox*, the fully automated DVD rental system. Efficient navigation from landside to airside and the availability of national and local concession brands all further enhanced the Nashville Airports Experience. Two runways, Runway 13-31 (the crosswind and longest runway at BNA) and Runway 2R-20L (the eastern-most runway and that runs north/south) re-opened during the year after concrete pavement and joint repairs, safety area improvements, and taxiway work. These airfield projects represented most of the $40 million in land improvement projects capitalized during the year. The lone runway at John C. Tune Airport, where approximately 150 customers have aircraft based, reopened after being closed for rehabilitation and repaving. In addition, a new hangar, ramp, roadway and entrance to the property were completed in 2009.

Just as these projects were wrapping up, others began. Design continued for renovation and replacement of restrooms, floor and wall coverings, HVAC units, airline gate hold rooms, and baggage claim under Terminal Renovation Phase II. A few of these construction elements were underway by the end of the fiscal year. Much needed roof repairs continued under a multi-phase roof replacement program. In 2002, several explosive trace detection machines were installed in the ticketing lobby and the ticketing curbside. To accommodate this activity, the ticket counters in the lobby were moved out 11 feet, and various additions and alterations took place curbside. A new project for an in-line explosive detection system ("EDS") began this year and will remove the existing machines, restore lobby space, and install a new automated sort controlled, outbound baggage handling system with two separate, in-line screening matrices. This project has been anticipated since 2002 and is expected to be completed around the end of 2010 at a cost of $32 million, funded primarily through federal and state grant dollars.

Outside the terminal, more activity took place. A project to improve navigation on the terminal ring road thoroughfare began during the year. The ring road surrounds the airport's short- and long-term parking lots and provides access to the terminal and access to the planned consolidated rental car facility ("CONRAC"). This $15 million phase of a more comprehensive Terminal Access Roadway Improvements ("TARI") project will be completed in October 2009. The Economic Recovery and Reinvestment Act of 2009 will pay for the $4.8 million Terminal Apron Rehab and Reconstruction project that includes milling and removal of existing pavement, 3.6 acres of apron reconstruction to concrete, apron lighting, signage, shoulder grading, pavement marking, and apron crack and trench drain repairs. About ten percent of the project was completed at fiscal year end, but the project is expected to be finished in November 2009. Reconstruction of Runway 2L-20R began during the year and is expected to be operational by the end of calendar year 2010. Most of the 7,703 foot long runway will be replaced along with shoulder widening and installation of in-pavement lights and centerline lights on the 2L approach only.

Traffic declined during the year in every category. In 2009, there were 4,460,962 enplanements, down 8.6% from 4,880,360 the prior year and off 9.7% from 4,938,191 in 2007. This decline influenced parking and concession revenues, passenger facility charge collections, and other revenue and expense activity sensitive to passenger traffic. Aircraft operations declined 12.3% from 203,890 operations in 2008 to 178,731 in 2009. This downward trend began in 2007 when 217,561 operations occurred, resulting in a decrease of 17.8% from 2007 to 2009. Cargo activity also declined at an aggressive rate of 17.2% in 2009, down to 65,632 tons from 79,266 tons the prior year and off 12.4% since 2007 when there were 74,921 tons of cargo reported. China Airlines maintained a presence at BNA throughout the year, however, gave notice of its intention to suspend operations, and left the Nashville market shortly after year-end in August 2009. Further declines in cargo traffic are expected in the coming year. Passenger aircraft market share was dominated by Southwest Airlines as it captured 52.5% of enplanement activity in 2009 compared to 50.7% in the prior year and 49.3% in 2007.

The big news from the air service perspective was the merger of Northwest Airlines with Delta Airlines, preserving the Delta brand. Delta's consolidation of services at BNA went very smoothly. All carriers adjusted their flight schedules to anticipate seasonal demand throughout the year. Thirteen carriers continued to provide more than 370 average daily arriving and departing flights at Nashville International Airport with direct air service to 70 markets. There were no new entrants during the year. Republic Airways Holdings is in the process of purchasing Frontier Airlines out of bankruptcy, and is continuing scheduled operations under the Frontier name. United Airlines was restored to signatory airline status, and eight signatory carriers captured 85.6% of the total enplanements, up from 84.3% in FY08 but down slightly from 86.0% in FY07. Daily departures stabilized at 190 for a typical weekday in June 2009 compared to 188 at the end of FY08 and 202 for FY07.

The following shows major indicators of the activity during the past three fiscal years:

	2009	2008	2007
Enplanements	4,460,962	4,880,360	4,938,191
% increase (decrease)	(8.6%)	(1.2%)	4.3%
Aircraft landed weight (all – 000)	6,431,869	7,004,753	7,179,472
% increase (decrease)	(8.2%)	(2.4%)	3.9%
Aircraft operations (all)	178,731	203,890	217,561
% increase (decrease)	(12.3%)	(6.3%)	0.5%
Cargo activity (tons)	65,632	79,266	74,922
% increase (decrease)	(17.2%)	5.8%	1.5%
Load factors (all aircraft)	70.2%	71.4%	70.0%
% increase (decrease)	(1.7%)	2.0%	0.1%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing airplanes. A decline from 71.4% of the seats occupied to 70.2% represents a declining trend at a rate of 1.7% while the actual percentage of seats not filled changed 1.2%. Total passenger activity declined 8.8% to 8,913,741, from 9,772,467 in FY08 and down 9.8% from 9,881,745 in 2007.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

The following represents the Authority's summary of changes in net assets over the past three fiscal years with % Change representing the change from 2008 to 2009 and 2007 to 2009:

	2009	2008	%Change	2007	%Change
Operating revenues	$ 80,252,252	$ 76,315,326	5.2%	$ 74,899,596	7.1%
Operating expenses	(53,076,173)	(50,444,188)	5.2%	(44,599,143)	19.0%
Operating income before depreciation	**27,176,079**	**25,871,138**	**5.0%**	**30,300,453**	**(10.3)%**
Depreciation	(25,151,547)	(20,424,563)	23.1%	(18,121,419)	38.8%
Operating income	**2,024,532**	**5,446,575**	**(62.8%)**	**12,179,034**	**(83.4%)**
Nonoperating revenues	20,519,666	21,727,074	(5.6%)	18,194,793	12.8%
Nonoperating expenses	(15,298,162)	(16,195,124)	(5.5%)	(15,426,246)	(0.8%)
Income before capital contributions	7,246,036	10,978,525	(34.0%)	14,947,581	(51.5%)
Capital contributions	24,316,658	22,299,530	9.0%	13,168,339	84.7%
Increase in net assets	**31,562,694**	**33,278,055**	**(5.2%)**	**28,115,920**	**12.3%**
Net assets, beginning of year	282,656,396	249,378,341	13.3%	221,262,421	27.7%
Net assets, end of year	**$314,219,090**	**$282,656,396**	**11.2%**	**$249,378,341**	**26.0%**

OPERATING AND NONOPERATING REVENUE HIGHLIGHTS

Eight signatory carriers operate under a residual lease agreement and are responsible to provide the funds if revenues are insufficient to cover the operating costs, including annual debt service, at Nashville International Airport. In 2009, the signatory rental rates were adjusted to provide additional revenue to cover operating expenses. This is the reason for the operating revenue increase in 2009. As a function of the agreement's rate computation, most of the additional $7,265,000 these airlines paid was charged to main terminal rent and landing fees. The total contribution made by these carriers of $17,017,714 was the most they have paid to the Authority to operate at BNA since 2004 when signatory airline operating revenue was $18,545,916. Despite the increase in fees, this airport continues to be one of the most affordable at a cost of $4.45 per signatory enplaned passenger.

Parking lot revenue continued to be the primary source of operating revenue and declined by $2,230,290 or 7.3% over the prior year. Over the two-year period, however, revenue increased 1.4%, or $380,251. Parking traffic declined in 2009 due to a combination of reduced passenger activity and the TARI project previously mentioned. This project is not expected to be complete until October. In addition to the impact on parking due to the TARI project, the planned CONRAC facility would eliminate approximately 1,400 long-term parking spaces. A comprehensive analysis to rebrand and reconfigure public parking in various other locations on airport property is currently underway. All other lots, including the new $4.1 million employee parking lot, were fully operational when needed. The number of transactions in the short-term, long-term, economy, and overflow lots declined 13.9% from 1,728,149 in 2008 to 1,488,071 in 2009.

Additional sources of operating revenue continued to contribute to the net assets of the Authority. Concessions, space rentals, and other revenue represented $35,059,805 or 43.7% of operating income in 2009. This is less than 1% lower than $35,382,575 or 46.4% of operating income in 2008 and is encouraging since the number of travelers at BNA declined during the year. The transition to the new food and beverage, as well as news and gift concession programs, was completed and earned national recognition from industry media. Public response to the new restaurant mix was favorable with a 9.8% revenue increase, or $250,976. The increase since 2007 was 12.2%, or $304,628. Concession revenue for news and gift shops increased as well, an amazing 33.6% or $573,836 over the prior year. There was actually a fractional decline from 2007 to 2008 during the height of the construction. The number, variety, and square footage dedicated to this type of revenue source proved very popular as the results demonstrate. Car rental revenue struggled nationwide during the past two years as the economy contracted. At BNA the 13.4% decline of $1,412,315 outpaced the passenger traffic decline. Over two years, a $984,861 or a 9.7% reduction in revenue was very similar to passenger activity. The most dramatic indication of the emerging trends at the Nashville International Airport was that the main terminal non-signatory rental revenue shrank to $636,356 from $1,709,021 in just one year, 62.8%. This source of revenue was off 73.0% over two years as regional and other non-signatory carriers vacated markets all over the country. This was part of the reason for the $7.265 million true-up the signatory carriers paid late in the year to make up for the shortfall. The completion of a general aviation land use plan at BNA will provide guidance to staff in pursuing some additional sources of operating revenue, with several sites already identified for development or revitalization.

At John C. Tune Airport, operating revenues were level with 2008 at $653,586 versus $652,797. This is encouraging as many private and corporate aircraft owners have flooded the market nationwide with aircraft for sale. Most hangar spaces were occupied, and the recently completed capital work has generated some renewed interest in the reliever airport. The two properties owned by MPC were in their first full year of operation, and the transition continued with the Authority making needed building improvements. A challenging rental market in the vicinity of the Airport has resulted in occupancy rates around 70% instead of the desired 85% or greater at the International Plaza building. The four tenants under the previous owner at the multi-purpose building continued their presence during the year, and Staff continues to work with an outside firm to generate interest with potential tenants for both locations.

The following represents a summary of Authority revenues for the fiscal years ended June 30, 2009, 2008, and 2007, with % Change representing the change from 2008 to 2009 and 2007 to 2009:

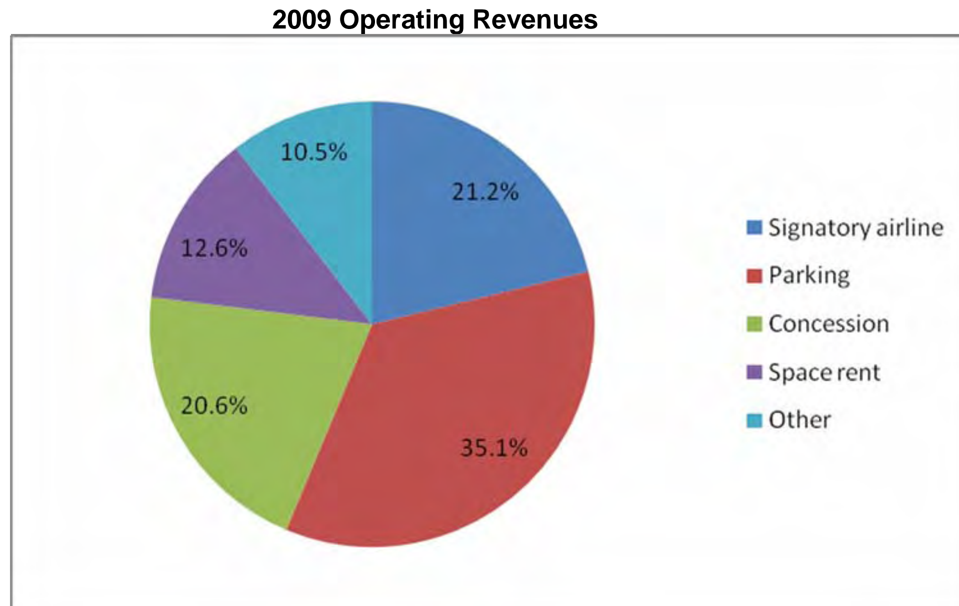
	2009	2008	% Change	2007	% Change
Operating revenues					
Signatory airline	$ 17,017,714	$10,527,728	61.6%	$13,116,169	29.7%
Parking	28,174,733	30,405,023	(7.3%)	27,794,482	1.4%
Concession	16,558,935	17,164,513	(3.5%)	16,631,319	(0.4%)
Space rental	10,077,305	11,050,944	(8.8%)	10,135,718	(0.6%)
Other	8,423,565	7,167,118	17.5%	7,221,908	16.6%
Total operating revenues	**80,252,252**	**76,315,326**	**5.2%**	**74,899,596**	**7.1%**
Nonoperating revenues					
Investment income	1,642,936	4,603,766	(64.3%)	4,931,594	(66.7%)
Passenger facility charges	11,480,154	12,836,344	(10.6%)	13,237,806	(13.3%)
Customer facility charges	7,648,876	4,259,428	79.6%	-	100.0%
Gain (Loss) on disposal of property	(252,300	27,536	100.0%	25,393	100.0%
Total nonoperating revenues	**20,519,666**	**21,727,074**	**(5.6%)**	**18,194,793**	**12.8%**
Capital contributions	**24,316,658**	**22,299,530**	**9.0%**	**13,169,339**	**84.6%**
Total revenues and capital contributions	**$125,088,576**	**$120,341,930**	**3.9%**	**$106,263,728**	**17.7%**

Nonoperating revenue activity for the Authority became very predictable as the year progressed. Only the most conservative investments were considered, and most cash remained in very liquid accounts. This cash-preservation strategy worked well with an unintended consequence of a 64.3% reduction in investment income, off 66.7% over two years. Fiscal year 2009 marked the first full year collecting the customer facility charge ("CFC"). This $4.00 per contract day fee that rental car agencies collect and remit to the Authority is being used to pay for the planning, design, construction, financing, maintenance, and operation of a consolidated rental car facility as well as other costs, fees, and expenses that may be paid from CFC proceeds. The modest decline in nonoperating revenue was attributable to the passenger facility charge ("PFC") collections during the year, closely mirroring the 8.6% enplanement decline. This follows a national trend whereby travelers were cashing in their frequent flyer miles for 'free' tickets, therefore not resulting in any PFC collected. The percentage of tickets at BNA resulting in a $3.00 PFC ($2.89 net to the Authority after the airline deducts its handling fee) was about 89%. This compared with roughly 92% in each of the two prior years, similar to the average across the country.

Capital contributions reached the highest level in the past ten years at $24,316,658. Most of the State of Tennessee funding supported the TARI and In-Line EDS projects, both still very active at the end of the fiscal year. State grant funding at John C. Tune airport helped finish the north ramp development, extension of the perimeter road, and the Runway 2-20 repair projects. The Department of Homeland Security Administration grant for the EDS project provided $4,764,640 during the year at BNA. Federal Aviation Administration grants supported various projects with the most dollars spent on reconstructing Runway 13-31 in the amount of $7,391,582. No federal dollars were spent at the reliever airport in 2009. At least as much nonoperating revenue from state and federal resources is anticipated in the coming year due to the commencement of Runway 2L-20R reconstruction, In-Line EDS, the comprehensive ramp repair project, and others.

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2009:

2009 Operating Revenues



OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS

The following represents the Authority's summary of operating expenses for the fiscal years ended June 30, 2009, 2008, and 2007, with % Change representing the change from 2008 to 2009 and 2007 to 2009:

	2009	2008	% Change	2007	% Change
Operating expenses					
Salaries and wages	$26,339,723	$23,690,248	11.2%	$20,379,3	29.2%
Contractual services	16,358,604	16,299,124	0.4%	14,430,2	13.4%
Materials and supplies	1,704,622	2,228,830	(23.5%)	2,437,2	(30.1%)
Utilities	6,231,268	5,537,335	12.5%	4,408,5	41.3%
Other	2,441,956	2,688,651	(9.2%)	2,943,6	(17.0%)
Total operating expenses before provision for depreciation	**53,076,173**	**50,444,188**	**5.2%**	**44,599,1**	**19.0%**
Provision for depreciation	25,151,547	20,424,563	23.1%	18,121,4	38.8%
Nonoperating expenses					
Interest expense	13,823,696	14,504,722	(4.7%)	14,396,5	(4.0%)
Loss on derivative financial instruments	1,474,466	1,690,402	(12.8%)	318,6	(362.8%)
Other nonoperating expense	-	-	0.0%	711,0	100%
Total nonoperating expenses	**15,298,162**	**16,195,124**	**(5.5%)**	**15,426,2**	**(0.8)%**
Total expenses	**$93,525,882**	**$87,063,875**	**7.4%**	**$78,146,8**	**19.7%**

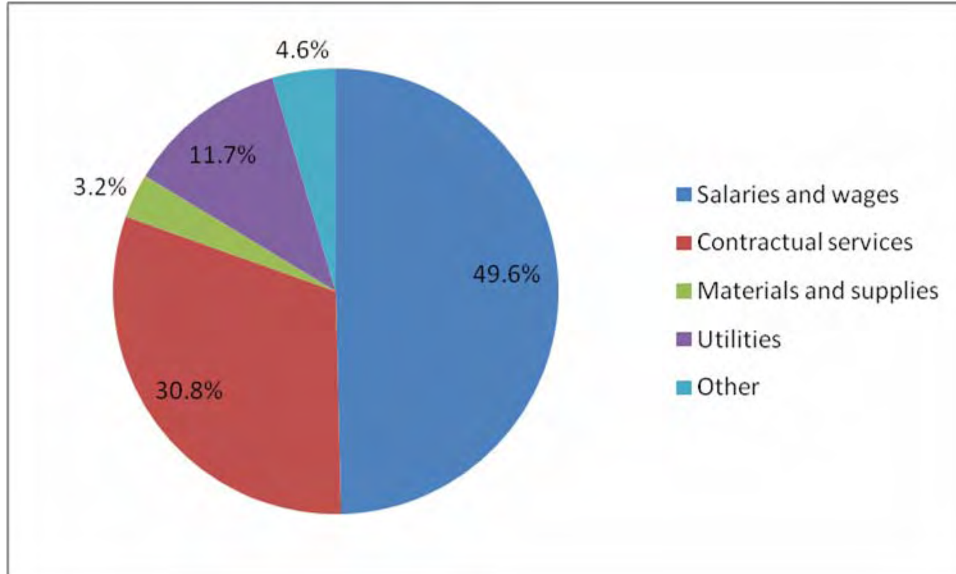
Authority staff continued to work diligently to control expenditures at all three entities. Salaries and wages increased due to the non-cash charge for other post employment benefits ("OPEB") increasing the obligation by $5,043,087. This item is not included in the computation for signatory rates. However, if OPEB liabilities are funded with debt or a trust fund, then cash flows to service the related debt or trust funding will be included in the rate structure. The 2009 OPEB charge compares with $2,529,829 in 2008, the first year of recognizing this unfunded liability. The plan was closed to new entrants on January 1, 2009, in order to better manage future costs of this employee benefit. Refer to Note 16 for more information on OPEB. Pension cost, also a non-cash item, was $1,665,239 in 2009, up $384,152 or 30.0% from the prior year. This was as a result of the pension asset investment performance during the year being unable to offset the costs of the program. Since 2007 pension cost increased $525,009 or 46.0%. There continue to be no employees at MPC, three at John C. Tune Airport, and 270 at BNA. During fiscal year 2009, 13 employees took advantage of an early retirement incentive plan opportunity that required them to retire on or before June 30, 2009.

Contractual services were renegotiated or brought in-house wherever possible. This operating item included $858,959 spent on CONRAC-related activity, all paid for with dollars collected from CFC's. Necessary repairs were undertaken at International Plaza, accounting for much of the $1,495,264 spent on operating items. Management authorized only the most critical expenditures at John C. Tune as it is conserving cash in anticipation of some major capital work in coming years. The increase in utility costs was anticipated, due to rate increases and construction-related activity. New chillers installed during the year will help offset some future increases in rates and usage. In two years, operating expenses increased $8,477,030 or 19.0%, and OPEB accounted for $7,572,913 of this amount. Depreciation increased dramatically at BNA as all completed projects of the terminal renovation program were capitalized along with multi-million dollar airfield projects. The original terminal, built in 1987, had not fully depreciated by the time the Phase I improvements were placed in service. However, some individual elements had.

Nonoperating activity included interest owed on $249,925,000 in long-term debt, monthly interest payments on the two MPC loans, and a small amount associated with a line of credit with a local financial institution during the construction of In-Line EDS. A similar arrangement will be entered into when Runway 2L-20R is reconstructed. Remarketing fees associated with some of the variable debt spiked for a short time during the year and retreated to more favorable levels by the end of the year. No bonds were refunded during the year, but the Series 2009A bonds were issued in March 2009 to provide funds sufficient to pay for the Phase II terminal renovation construction. The only interest expense at John C. Tune resulted from a short-term note with BNA early in the year to pay for Runway 2-20 reconstruction. This was repaid two months later when grant reimbursements were received. The low interest rates contributed to the additional losses on the derivatives associated with bonds and loans. Refer to Notes 5 through 8 for more information on long-term debt, loans, and derivatives.

This chart shows the major cost components of the Authority's operating expenses for the year ended June 30, 2009:

2009 Operating Expenses before Provision for Depreciation



For further information about each of the three MNAA entities, please refer to the schedule of revenues, expenses, and changes in net assets information by entity for the year ended June 30, 2009, in the supplementary information section later in this report.

FINANCIAL POSITION SUMMARY

The Statements of Net Assets depict the Authority's financial position as of one point in time – June 30 – and include all assets and liabilities of the Authority. The Authority's assets exceeded liabilities by $314,219,090, a $31,562,694 or 11.1% increase over 2008 and a two-year increase of $64,840,749 or 26.0% over 2007. In the current year, the capital program and CFC collections were responsible for the increase. Over two years, the increase was a combination of operational income and capital activity funded with federal and state dollars.

Following is a condensed summary of the Authority's financial position at June 30, 2009, 2008, and 2007. The % Change reflects changes from 2008 to 2009 and 2007 to 2009 as follows:

	2009	2008	% Change	2007	% Change
Assets					
Current assets	$138,007,855	$110,849,165	24.5%	$ 95,096,920	45.1%
Noncurrent and capital assets	462,525,003	443,663,579	4.3%	424,093,155	9.1%
Total assets	**$600,532,858**	**$554,512,744**	**8.3%**	**$519,190,075**	**15.7%**
Liabilities					
Current liabilities	$ 44,077,363	$ 45,446,204	(3.0%)	$ 40,852,673	7.9%
Noncurrent liabilities	242,236,405	226,410,144	7.0%	228,959,061	5.8%
Total liabilities	**286,313,768**	**271,856,348**	**5.3%**	**269,811,734**	**6.1%**
Net assets					
Invested in capital assets, net of debt	235,035,655	202,605,751	16.0%	150,379,604	56.3%
Restricted	68,634,046	70,242,815	(2.3%)	74,876,391	(8.3%)
Unrestricted	10,549,389	9,807,830	7.6%	24,122,346	(56.3%)
Total net assets	**314,219,090**	**282,656,396**	**11.1%**	**249,378,341**	**26.0%**
Total liabilities and net assets	**$600,532,858**	**$554,512,744**	**8.3%**	**$519,190,075**	**15.7%**

Current assets increased $27,158,690 or 24.5% due to proceeds from the Series 2009A bonds issued to pay for Terminal Renovation Phase II in the next two years. As investments matured, cash balances increased or were reinvested in very conservative and low yield investments. Collections from PFCs have exceeded expenditures since MNAA began participating in the program in the mid-1990's, building up a balance of $33 million at the end of 2008. This balance declined to less than $26 million at June 30, 2009, as dollars were used to support pay-as-you-go PFC projects and debt service on the Series 2003 special revenue PFC bond and the Series 2008B and Series 2009A bonds, both issued under MNAA's master resolution due to more favorable pricing.

Liabilities increased $14,457,420 or 5.3% from one year earlier reflecting the impact of debt service reductions offset by issuance of the Series 2009A bonds in the amount of $36,000,000 and the increasing OPEB balance of $7,572,913. Noncurrent liabilities specifically increased $15,826,261 or 7.0%. In contrast, current unrestricted liabilities decreased from $16,279,071 to $9,126,315 as the Authority continued to meet its obligations in a timely fashion. There were also fewer outstanding invoices at year-end than in the prior year. Current liabilities overall increased only slightly, 3.0% or $1,368,841 in 2009. This compares with a two-year increase of $3,224,690 or 7.9% on the $40,852,673 balance reported at June 30, 2007.

The portion of the Authority's net assets shown below, $68,634,046, represents 21.8% of total net assets. This compares with $70,242,815 in restricted net assets at June 30, 2008, or 24.9%, and $74,876,391 or 30.0% of total net assets in 2007. These resources are subject to restrictions on use. The restricted net assets are not available for new spending as they have already been committed as follows:

Passenger facility charge projects	$30,014,741
Debt service	32,430,731
Other	6,188,574
Total restricted net assets	$68,634,046

The unrestricted net assets of $10,549,389 may be used to meet the Authority's ongoing obligations. This represents a slight increase from $9,807,830 in 2008 and is less than half the $24,122,346 balance available two years earlier in 2007. Those reserves were used to pay for capital projects that received no funding from other sources.

For further information about the Authority's financial position by entity, please refer to the schedule of net assets information by entity at June 30, 2009, in the supplementary information section later in this report.

CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES

All cash receipts are deposited daily into interest-bearing accounts. All investments are in compliance with the laws of the State of Tennessee and the Investment Policy adopted by the Authority's Board of Commissioners. The proceeds from issuance of the Series 2009A bond, to cover construction costs on Terminal Renovation Phase II, account for the increase of cash and cash equivalents at June 30, 2009.

	2009	2008	2007
Cash flows provided by (used in):			
Operating	$ 26,658,600	$ 32,899,204	$ 35,828,414
Non-capital financing	(1,341,987)	(1,344,510)	(1,354,471)
Capital and related financing	(8,165,269)	(42,978,508)	(30,326,611)
Investing	26,981,622	15,742,938	23,355,783)
Net increase in cash and cash equivalents	**44,132,966**	**4,319,124**	**27,503,115**
Cash and cash equivalents:			
Beginning of year	67,840,463	63,521,339	36,018,224
End of year	**$ 111,973,429**	**$ 67,840,463**	**$ 63,521,339**

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, increased from $420,827,810 to $442,763,034 at year-end. This $21,935,224 or 5.2% increase was due to the various project activity occurring both landside and on the airfield mentioned earlier. A similar trend is likely in 2010 and beyond as several large projects are under consideration at this time. Staff continued to secure federal and state support for eligible projects. Additional funding is provided through PFCs, airline rates and charges, and the issuance of debt. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Note 4 provides additional information about the additions, retirements, and transfers during the years ended June 30, 2009 and 2008.

DEBT ADMINISTRATION

The Authority issued Airport Improvement Revenue Bond Series 2009A in the amount of $36,000,000 on March 31, 2009, to pay for most of Phase II of the comprehensive terminal renovation project. Interest payments in the total amount of $382,942 were made during the year, and the first principal payment, $715,000, is due on July 1, 2010. This bond matures on July 1, 2019, and was issued at a $180,568 premium. As of June 30, 2009, the Authority's balance of outstanding long-term revenue bonds was $249,925,000 compared with $238,325,000 at the end of the prior year. The current portion of revenue bonds totaled $26,170,000 and is due on July 1, 2009. This amount would have been higher, however the Authority tendered $980,000 of 2003 PFC bonds early. The only bond issued under the PFC resolution will mature July 1, 2012, with $14,145,000 in principal owed on or before that date. In addition, the Series 2008B bonds were issued under the MNAA master resolution but are being paid for under a unique arrangement. A PFC application approved in 2003 included reimbursements for projects

undertaken in the 1990's. These dollars are being reimbursed back to the Authority as needed to cover both principal and interest payments until maturity. Under PFC Application 14, approved during fiscal year 2009, debt service on the Series 2009A will also be paid with PFC collections. However, this bond series was actually issued under the MNAA master resolution as a general airport revenue bond rather than as a special revenue bond (under the PFC resolution) resulting in lower financing costs. Refer to Note 5 for more information about long-term debt.

A summary of the Authority's bonds that remained outstanding at June 30, 2009, is as follows:

Series Description	Beginning Balance	New Bonds	Principal Repayment	Ending Balance
Series 1995 Revenue Bonds	$ 46,875,000	$ -	$ (4,100,000)	$ 42,775,000
Series 1998A Revenue Bonds	7,435,000	-	(1,625,000)	5,810,000
Series 1998C Revenue Bonds	20,010,000	-	(1,860,000)	18,150,000
Series 2001A Revenue Bonds	62,180,000	-	(6,150,000)	56,030,000
Series 2003 PFC Revenue Bonds	18,675,000	-	(4,530,000)	14,145,000
Series 2003 B Revenue Bonds	17,945,000	-	(335,000)	17,610,000
Series 2008A Revenue Bonds	37,600,000	-	(5,800,000)	31,800,000
Series 2008B Revenue Bonds	27,605,000	-	-	27,605,000
Series 2009A Revenue Bonds	-	36,000,000	-	36,000,000
Total	$ 238,325,000	$ 36,000,000	$ (24,400,000)	$ 249,925,000

More detailed information about the Authority's debt can be found in Note 5 to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide detail information on the Authority's operations to the Authority's Board of Commissioners, management, investors, creditors, customers and all others with an interest in the Authority's financial affairs and to demonstrate the Authority's accountability for the assets it controls and the funds it receives and expends. Questions concerning any of the information provided in this report or any request for additional information should be made in writing to MNAA, One Terminal Drive, Suite 501, Nashville, Tennessee, 37214-4114, or by calling (615) 275-1600.

Respectfully Submitted,

Stan Van Ostran
VP & Chief Financial Officer
Nashville, Tennessee

Jamesina McLeod
Controller

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

ASSETS

	2009	2008
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 23,381,738	$ 24,844,223
Short-term investments	196,641	1,986,197
Accounts receivable (net of allowance for doubtful accounts of $86,484 and $112,741, respectively)	5,927,326	2,394,058
Inventories	425,140	446,335
Accrued interest receivable	51,103	100,689
Prepaid expenses and other	892,794	1,212,018
Total current unrestricted assets	30,874,742	30,983,520
Restricted assets:		
Cash and cash equivalents	88,591,691	42,996,240
Short-term investments	10,826,130	32,894,847
Passenger facility charges receivable	1,495,791	930,404
Customer facility charges receivable	685,512	832,804
Amounts due from governmental agencies	5,483,457	2,106,704
Accrued interest receivable	50,532	104,646
Total current restricted assets	107,133,113	79,865,645
Total current assets	138,007,855	110,849,165
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	509,009,664	469,124,672
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	171,150,808	156,272,307
Equipment, furniture and fixtures	50,436,887	44,528,367
Construction in progress	32,813,869	48,447,958
Total capital assets	800,112,296	755,074,372
Less accumulated depreciation	(357,349,262)	(334,246,562)
Total capital assets, net	442,763,034	420,827,810
Restricted investments	18,018	978,683
Unrestricted investments	3,929,156	4,703,600
Deferred bond issue costs	2,782,067	2,422,427
Other assets	13,032,728	14,731,059
Total noncurrent assets	462,525,003	443,663,579
TOTAL ASSETS	$ 600,532,858	$ 554,512,744

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	$ 6,565,078	$ 13,163,279
Accrued payroll and related items	2,113,237	2,667,792
Current maturities of notes payable	448,000	448,000
Total payable from unrestricted assets	9,126,315	16,279,071
Payable from restricted assets:		
Trade accounts payable	4,339,137	1,249,122
Accrued interest payable	4,441,911	4,498,011
Current maturities of airport revenue bonds	26,170,000	23,420,000
Total payable from restricted assets	34,951,048	29,167,133
Total current liabilities	44,077,363	45,446,204
NONCURRENT LIABILITIES:		
Airport revenue bonds, less current maturities (net of unamortized deferred amount on refunding of $7,675,177 and $9,493,871, respectively)	216,260,391	205,411,129
Notes payable, less current maturities	7,825,333	8,273,333
Synthetic advance refunding, Series 2001A	2,577,768	3,308,619
Fair value of derivative financial instruments	4,334,856	2,860,390
Deferred interest income	1,686,297	2,044,693
Deferred rental income	1,978,847	1,982,151
Other postemployment benefits obligation	7,572,913	2,529,829
Total noncurrent liabilities	242,236,405	226,410,144
Total liabilities	286,313,768	271,856,348
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS:		
Invested in capital assets - net of related debt	235,035,655	202,605,751
Restricted:		
Passenger facility charge projects	30,014,741	34,949,517
Debt service	32,430,731	31,048,968
Other	6,188,574	4,244,330
Total restricted net assets	68,634,046	70,242,815
Unrestricted net assets	10,549,389	9,807,830
Total net assets	314,219,090	282,656,396
TOTAL LIABILITIES AND NET ASSETS	$600,532,858	$554,512,744

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Signatory airline	$ 17,017,714	$ 10,527,728
Parking	28,174,733	30,405,023
Concession	16,558,935	17,164,513
Space rental	10,077,305	11,050,944
Other	8,423,565	7,167,118
	80,252,252	76,315,326
OPERATING EXPENSES:		
Salaries and wages	26,339,723	23,690,248
Contractual services	16,358,604	16,299,124
Materials and supplies	1,704,622	2,228,830
Utilities	6,231,268	5,537,335
Other	2,441,956	2,688,651
	53,076,173	50,444,188
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	27,176,079	25,871,138
PROVISION FOR DEPRECIATION	25,151,547	20,424,563
OPERATING INCOME	2,024,532	5,446,575
NONOPERATING REVENUES:		
Investment income	1,642,936	4,603,766
Passenger facility charges	11,480,154	12,836,344
Customer facility charges	7,648,876	4,259,428
(Loss) gain on disposal of property and equipment	(252,300)	27,536
	20,519,666	21,727,074
NONOPERATING EXPENSES:		
Interest expense	13,823,696	14,504,722
Loss on derivative financial instruments	1,474,466	1,690,402
	15,298,162	16,195,124
INCOME BEFORE CAPITAL CONTRIBUTIONS	7,246,036	10,978,525
CAPITAL CONTRIBUTIONS	24,316,658	22,299,530
INCREASE IN NET ASSETS	31,562,694	33,278,055
TOTAL NET ASSETS - BEGINNING OF YEAR	282,656,396	249,378,341
TOTAL NET ASSETS - END OF YEAR	$ 314,219,090	$ 282,656,396

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 76,716,760	$ 76,289,729
Cash paid to employees	(21,851,194)	(21,074,845)
Cash paid to suppliers	(25,765,010)	(19,627,029)
Other payments	(2,441,956)	(2,688,651)
Net cash provided by operating activities	26,658,600	32,899,204
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments on long-term debt	(335,000)	(325,000)
Interest paid on long-term debt	(1,006,987)	(1,019,510)
Net cash used in noncapital financing activities	(1,341,987)	(1,344,510)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	10,914,767	13,779,339
Receipt of customer facility charges	7,796,168	3,426,624
Purchases of property and equipment	(47,414,719)	(63,099,797)
Proceeds from sale of property and equipment	75,648	32,511
Interest paid on long-term debt	(11,389,045)	(11,923,555)
Proceeds from issuance of long-term debt, net of refundings	36,180,568	18,280,000
Payment of bond issue costs	(755,561)	(820,963)
Payments on long-term debt	(24,513,000)	(22,718,220)
Repayment related to debt service forward delivery agreement	-	(1,080,000)
Contributions from governmental agencies	20,939,905	21,145,553
Net cash used in capital and related financing activities	(8,165,269)	(42,978,508)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(35,173,191)	(87,163,281)
Proceeds from the sale and maturities of investments	60,942,382	98,568,343
Interest received on investments	1,212,431	4,337,876
Net cash provided by investing activities	26,981,622	15,742,938
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,132,966	4,319,124
CASH AND CASH EQUIVALENTS		
Beginning of year	67,840,463	63,521,339
End of year	$ 111,973,429	$ 67,840,463

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 2,024,532	$ 5,446,575
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	25,151,547	20,424,563
Amortization of deferred real estate leasing commission	1,080	1,080
Amortization of deferred rental income	(34,904)	(34,904)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(3,533,268)	(22,829)
Decrease in inventories	21,195	36,309
Decrease (increase) in prepaid expenses	319,224	(210,636)
Decrease in other assets	1,697,251	917,951
(Decrease) increase in trade accounts payable	(3,508,186)	3,694,636
(Decrease) increase in accrued payroll and related items	(554,555)	85,574
Increase in deferred rental income	31,600	31,056
Increase in other postemployment benefit obligation	5,043,084	2,529,829
Net cash provided by operating activities	$ 26,658,600	$ 32,899,204
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	$ 23,381,738	$24,844,223
Restricted cash and cash equivalents	88,591,691	42,996,240
	$111,973,429	$67,840,463

NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2009 and 2008, $2,214,615 and $2,562,919, respectively, were charged to interest expense for amortization of deferred bond issue costs and amortization of deferred loss on refunding of debt.

During 2009 and 2008, interest expense was reduced by $730,851 and $787,172, respectively, for the amortization of the synthetic advance refunding.

During 2009 and 2008, $358,396 and $427,615, respectively, were included in interest income related to the amortization of deferred interest income.

During 2009 and 2008, losses of $1,474,466 and $1,690,402, respectively, were recognized for the change in fair value of derivative financial instruments.

See accompanying notes to financial statements.

1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

The creation of Metropolitan Nashville Airport Authority (the "Authority") was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session. The Metropolitan Council of The Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government") created the Authority to operate as a separate enterprise. The Authority owns and operates Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. Based upon the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, it has been determined that the Authority is a component unit of the Metropolitan Government.

The Authority's Board of Commissioners consists of ten members who serve without compensation, nine of whom are appointed by the Metropolitan Government Mayor and approved by the Metropolitan Government Council, with the tenth being the Mayor (or his designee). There are provisions whereby commissioners may be removed by vote of the Metropolitan Government Council. All appointments to the Authority are for a term of four years. The terms are staggered to provide for continuity of Airport development and management. The Board of Commissioners appoints a president and charges him with the responsibility for day-to-day operations.

During April 2007, the Board of Commissioners of the Authority approved an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government. As a result of this action, MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, was formed for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The Commissioners of the Authority constitute the Board of Directors of MPC. For financial reporting purposes, MPC is a blended component unit of the Authority. A capital contribution of $9,000,000 was transferred from the Authority to MPC in August 2007. During fiscal year 2008, MPC Holdings, LLC, a limited liability company in which MPC is the sole member, purchased two separate multi-tenant buildings and commenced operation. Both facilities are on Nashville International Airport property. It is currently expected that no other property or assets of the Authority will be pledged or committed to support MPC or any subsidiaries of MPC.

The accompanying financial statements also include the accounts of the Arts at the Airport Foundation, a nonprofit organization that facilitates the display and performance of artists within the Nashville International Airport terminal. The Arts at the Airport Foundation qualifies as a component unit of the Authority due to it being fiscally dependent on the Authority and due to the Authority's appointment of the voting majority of its governing board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Basis of Presentation

The financial statements of the Authority are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred. The financial statements include the operations of the Nashville International Airport, John C. Tune Airport, and MPC as noted above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Authority applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of capital assets, the fair value of derivative financial instruments, the allowance for doubtful accounts, other postemployment benefits obligation, and certain self-insured liabilities. Actual results could differ from those estimates.

Budgets

The Authority is required to prepare an annual operating budget to obtain the support of the Airline Affairs Committee, which is composed of the eight signatory airlines, and the approval of the Board of Commissioners. A five-year capital improvement program, including modifications and reasons therefore, is also required to be submitted each year. In addition, an operating budget and capital improvement program are submitted to the Board of Commissioners for approval for John C. Tune Airport and MPC.

The Authority is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data is not included in the basic financial statements. All budgets are prepared in accordance with bond covenants and airport lease and use agreements. Unexpended operating appropriations lapse at year-end.

Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and operating expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. Revenues from space rental and fees, landing fees, parking and other miscellaneous income are reported as operating revenues. Transactions that are capital, financing or investing related, are reported as nonoperating revenues. Such nonoperating revenues include passenger facility charges (PFCs) as described in Note 9 and customer facility charges (CFCs) as described in Note 10. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

The Authority's operating revenues are presented in five components as follows:

Signatory Airline - Signatory Airline revenue consists of the revenues earned from eight signatory airlines primarily for terminal space rentals and landing fees. Terminal rents and landing fees charged to the signatory airlines are based on a residual agreement which takes into account all eligible revenues, expenses and debt service of the Authority. The residual agreement is designed to minimize the landing fees and terminal rents of the signatory airlines while assuring the payment of all net operating costs and debt service relating to the Authority (see Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Parking - Parking revenue is generated primarily from the operation of Authority owned parking facilities at Nashville International Airport.

Concession - Concession revenue is generated through concessionaires and tenants who pay monthly fees for using airport facilities to offer their goods and services to the public. Payments to the Authority are based on negotiated agreements with concessionaires to remit amounts usually based either on a minimum guarantee or on a percentage of gross receipts.

Space Rental - Space rental revenue includes nonsignatory airline terminal space rental, car rental companies' space rental, and certain other income received from leases of Authority owned property.

Other - Other revenue consists primarily of nonsignatory airline landing fees, cargo airline landing fees and the Authority's portion of fixed based operators' fuel sales.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

Investments

Investments consist primarily of U. S. Government securities and corporate bonds. Investments are accounted for in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* which requires that certain investments be recorded at fair value (e.g., quoted market prices). Short-term, highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Amounts Due from Governmental Agencies

The Authority has grants for aid in construction from the Federal Airport Improvement Program ("AIP"), the American Recovery and Reinvestment Act of 2009 ("ARRA"), and the U. S. Department of Homeland Security ("DHS"). Amounts due from governmental agencies under the terms of grant agreements are accrued as the related reimbursable costs are incurred.

Inventories

Inventories are stated at the lower of cost or market under the first-in, first-out method and consist primarily of supplies and maintenance repair parts.

Restricted Assets

Restricted assets consist of cash and cash equivalents, investments and other resources which are restricted legally or by enabling legislation. The Authority's restricted assets are to be used for purposes specified in the respective bond indentures, other authoritative or legal documents as is the case with the collection of CFCs for building a consolidated rental car facility, or for purposes specified by the PFC program, as administered by the Federal Aviation Administration.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at fair value at the time of contribution. The Authority's policy is to capitalize assets with a cost of $5,000 or more at Nashville International Airport and $10,000 at John C. Tune Airport and MNAA Properties Corporation. Routine maintenance and repairs are expensed as incurred. Net interest cost incurred during the construction of facilities is capitalized as part of the cost. Provision for depreciation of property and equipment is made on a basis considered adequate to depreciate the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method.

Asset lives used in the calculation of depreciation are generally as follows:

Land improvements	20 to 30 years
Buildings and building improvements	10 to 30 years
Equipment, furniture and fixtures	3 to 15 years

Derivative Financial Instruments

The Authority's derivative financial instruments are accounted for at fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, with any gains or losses resulting from the fair value measurements being recorded as nonoperating.

Deferred Bond Issue Costs

Deferred bond issue costs incurred in connection with issuance of the airport revenue bonds are being amortized to interest expense using the effective interest method, or the straight-line method when not materially different, over the term of the respective bonds.

Postemployment Benefits

Postemployment benefits are accounted for under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

Compensated Absences

Compensated absences are accrued as payable when earned by employees and are cumulative from one fiscal year to the next. The compensated absences liability is reported with accrued payroll and related items in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Self-insurance

The Authority is self-insured, up to certain limits, for employee group health insurance claims. The Authority has purchased reinsurance in order to limit its exposure. The cost of claims reported and an estimate of claims incurred but not reported are charged to operating expenses. Liabilities for unpaid claims are accrued based on management's estimate using historical experience and current trends. The appropriateness of the self-insurance accrued liabilities are continually reviewed and updated by management.

Deferred Revenue

Deferred revenue consists of deferred interest income and deferred rental income. Deferred interest income relates to the Authority's debt forward delivery agreements entered into in connection with certain bond financing transactions. The deferred interest income is being amortized to income using the effective interest method over the term of the related agreements. Deferred rental income represents lease rentals, received in advance, for certain ground leases entered into with developers. The deferred rental income is being recognized in income on a straight-line basis over the terms of the related leases.

Components of Net Assets

The Authority's net asset classifications are defined as follows:

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

Restricted net assets - This component of net assets represents restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Taxes

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Effective January 1, 2008, the Authority adopted SFAS No. 157, "Fair Value Measurements," which established a framework for measuring fair value in accordance with GAAP, and expands disclosures about the use of fair value measures. The adoption of SFAS No. 157 did not have an impact on the Authority's financial position or operating results. Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by SFAS No. 157, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Authority's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Reclassifications

Certain reclassifications have been made to the fiscal year 2008 financial information in order to conform with the presentation adopted for fiscal year 2009.

Recent Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB 51 provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. GASB 51 provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. The requirements of GASB 51 are applicable to the Authority in fiscal year 2010, and management is currently evaluating the impact of the requirements on the financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. Specifically, GASB 53 requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. GASB 53 also addresses hedge accounting requirements, providing specific criteria that governments will use to determine whether a derivative instrument results in an effective hedge. The requirements of GASB 53 are applicable to the Authority in fiscal year 2010, and management is currently evaluating the impact of the requirements on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In March 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles. GASB 55 was effective upon issuance and contributes to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. The Authority's financial statements have been prepared under the GAAP hierarchy prescribed in GASB 55.

In March 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* GASB 56 incorporates accounting and financial reporting guidance previously only contained in the AICPA auditing literature into the GASB's accounting and financial reporting literature for state and local governments. GASB 56 addresses three issues from the AICPA's literature: (1) related party transactions; (2) going concern considerations; and (3) subsequent events. GASB 56 brings existing guidance (to the extent appropriate in a governmental environment) without substantive changes into the GASB's body of standards. GASB 56 is part of the GASB's effort to codify all generally accepted accounting principles for state and local governments so that they derive from a single source. This is intended to make it easier for preparers of state and local government financial statements to identify and apply relevant accounting guidance. GASB 56 was effective April 16, 2009, and the Authority's financial statements have been prepared in accordance with the provisions of the Statement.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority's deposit and investment policy is governed by the laws of the State of Tennessee and bond trust indentures and supplemental resolutions, which govern the investment of bond proceeds. Permissible investments generally include direct obligations of, or obligations guaranteed by, the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper, and money market funds.

Cash and Cash Equivalents

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling $113,225,858 and $65,178,542 at June 30, 2009 and 2008, respectively (with a carrying value of $111,973,429 and $67,840,463) represent a variety of time deposits and cash equivalents with banks.

All cash deposits are in a single financial institution and are carried at cost plus interest, which approximates fair value. Cash deposits are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

The Authority's financial institution is a member of the State of Tennessee's Bank Collateral Pool that collateralizes public funds accounts including those of the Authority. Financial institutions participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for the Authority. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Cash equivalents are held at another financial institution, and consist of money market and other short-term investments with original maturities of three months or less. Cash equivalents are collateralized at 105%, as required by state statute

Investments

As of June 30, 2009, the Authority had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1– 5	6–10
U.S. agencies	$ 7,476,220	$ 4,277,470	$ 3,198,750	$ -
Corporate bonds	2,001,160	2,001,160	-	-
Asset - backed securities	298,122	-	298,122	-
Mortgage - backed securities	646,943	196,641	201,802	248,500
Certificate of deposit	4,547,500	4,547,500	-	-
	$ 14,969,945	$ 11,022,771	$ 3,698,674	$ 248,500

As of June 30, 2008, the Authority had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1– 5	6–10
U.S. agencies	$ 22,945,098	$ 19,261,431	$ 3,683,667	$ -
Commercial paper	9,327,596	9,327,596	-	-
Corporate bonds	2,023,332	1,598,272	425,060	-
Asset - backed securities	224,824	-	224,824	-
Mortgage - backed securities	1,348,732	-	829,476	519,256
Certificate of deposit	4,693,745	4,693,745	-	-
	$ 40,563,327	$ 34,881,044	$ 5,163,027	$ 519,256

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

The carrying amount of investments is reflected in the accompanying statements of net assets as follows:

	2009	2008
Short-term unrestricted investments	$ 196,641	$ 1,986,197
Short-term restricted investments	10,826,130	32,894,847
Noncurrent unrestricted investments	3,929,156	4,703,600
Noncurrent restricted investments	18,018	978,683
	$ 14,969,945	$ 40,563,327

Interest Rate Risk - The investment policy states that the portfolio may be allocated among U.S. Treasury Obligations (0 - 100%), U.S. Agency Instruments (0 - 100%), Repurchase Agreements (0 - 20%), Commercial Paper (0 - 25%), Money Market Mutual Funds (0 - 25%), Corporate Debt (0 - 15%), Asset Backed Securities (0 - 25%), and CMOs/Mortgage Backed Securities (0 - 25%). In addition, the maximum maturity of investments is 270 days (commercial paper), 180 days (repurchase agreements), 365 days (certificates of deposit, time deposits, and bankers acceptances), five years (all other corporate debt), and ten years (all other investments). To control the volatility of the portfolio and limit exposure to interest rate risk, the Authority's Chief Financial Officer determines a duration target for the portfolio, which typically will not exceed three years.

Credit Risk - The investment policy specifies acceptable credit ratings by instrument type but overall long-term credit ratings range from “A2” to “AAA” by Moody's and “A” to “AAA” by Standard & Poor's. Acceptable short term credit rating levels are “A1“ or better by Standard & Poor's and “P1” or better by Moody's.

Custodial Credit Risk - All investment securities purchased by the Authority or held as collateral on either deposits or investments are held in third-party safekeeping at a financial institution, acting solely as agent of the Authority and qualified to act in this capacity. As a means to limit custodial credit risk, all trades of marketable securities are executed on the basis of delivery versus payment and avoid the physical delivery of securities (bearer form) to ensure that securities are deposited with a custodian prior to the release of Authority funds. The Authority's unrestricted and restricted investments at June 30, 2009 and 2008, are all insured by securities held by the Authority's agent in the Authority's name.

Concentration of Credit Risk - The investment policy requires that no more than 10% of the Authority's portfolio may be invested in the securities of any single issuer with a maturity of less than 365 days and not more than 5% of the Authority's portfolio may be invested in the securities of any single issuer with a maturity greater than one year except that 100% of the Authority's portfolio may be invested in U.S. Treasury Obligations and U.S. Agency Instruments.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Forward Delivery Agreements

In August 1994, the Authority entered into a Forward Delivery Agreement ("1994 FDA"), with a financial institution for the continuous investment of the Series 1991A principal and interest investments through the term of the bonds; Series 1991C principal and interest investments through June 2009; and Series 1993 principal investments through June 2009. The future investment earnings under these contracts, discounted at the financial institution's cost of funds on the contract date, were received by the Authority in an upfront, lump sum payment of $2,870,735. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds (see Note 5).

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement ("1999 DSFDA") with a financial institution for the continuous investment of the Series 1991C principal and interest investments from July 2009 through the term of the bonds; Series 1993 principal investments from July 2009 through the term of the bonds; Series 1995 principal and interest investments through the term of the bonds; Series 1998A principal and interest investments through the term of the bonds; and Series 1998C principal and interest investments through the term of the bonds. The present value of future investment earnings under the 1999 DSFDA was received by the Authority in an upfront, lump sum payment of $3,275,000. These proceeds were used to fund a portion of the construction of the short-term parking lot expansion. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds. The 1993 principal and interest investments were replaced with the Series 2008A principal and interest investments upon refunding of the Series 1993 bonds with the Series 2008A bonds (see Note 5).

In November 2001, the Authority entered into a Debt Service Forward Delivery Agreement ("2001 DSFDA") with a financial institution for the continuous investment of the Series 1993 bond reserve fund through the term of the bonds. The present value of future investment earnings under the 2001 DSFDA was received by the Authority in an upfront, lump sum payment of $1,325,000. These proceeds were used to fund various capital improvement projects. The amount of the upfront payment was recorded as deferred interest income and was being amortized into income over the term of the agreement. This agreement was terminated in June 2008 when Series 1993 bonds were refunded with the Series 2008A bonds. A termination payment of $1,080,000 was paid at that time. The balance of unamortized deferred interest income at the time of termination was $832,953.

The remaining unearned amounts relating to the forward delivery agreements were $1,686,297 and $2,044,693 at June 30, 2009 and 2008, respectively. Such amounts are reported as deferred interest income in the accompanying statements of net assets.

4. CAPITAL ASSETS

Capital assets and related accumulated depreciation activity for the years ended June 30, 2009 and 2008, were as follows:

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Capital assets not being depreciated:					
Land	$ 62,659,897	$ -	$ -	$ -	$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	48,447,958	47,406,516	-	(63,040,605)	32,813,869
Total capital assets not being depreciated	147,808,923	47,406,516	-	(63,040,605)	132,174,834
Capital assets being depreciated:					
Land improvements	406,464,775	-	(950,908)	40,835,900	446,349,767
Buildings and building improvements	156,272,307	-	-	14,878,501	171,150,808
Equipment, furniture and fixtures	44,528,367	8,203	(1,425,887)	7,326,204	50,436,887
Total capital assets being depreciated	607,265,449	8,203	(2,376,795)	63,040,605	667,937,462
Less accumulated depreciation:					
Land improvements	(238,333,893)	(14,245,702)	723,811	-	(251,855,784)
Buildings and building improvements	(74,581,589)	(7,002,384)	-	-	(81,583,973)
Equipment, furniture and fixtures	(21,331,080)	(3,903,461)	1,325,036	-	(23,909,505)
Total accumulated depreciation	(334,246,562)	(25,151,547)	2,048,847	-	(357,349,262)
Total capital assets being depreciated	273,018,887	(25,143,344)	(327,948)	63,040,605	310,588,200
Net capital assets	$ 420,827,810	$ 22,263,172	$ (327,948)	$ -	$ 442,763,034

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Capital assets not being depreciated:					
Land	$ 62,659,897	$ -	$ -	$ -	$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	46,276,385	63,099,797	-	(60,928,224)	48,447,958
Total capital assets not being depreciated	145,637,350	63,099,797	-	(60,928,224)	147,808,923
Capital assets being depreciated:					
Land improvements	387,482,242	-	-	18,982,533	406,464,775
Buildings and building improvements	127,250,001	-	-	29,022,306	156,272,307
Equipment, furniture and fixtures	31,813,649	-	(208,667)	12,923,385	44,528,367
Total capital assets being depreciated	546,545,892	-	(208,667)	60,928,224	607,265,449
Less accumulated depreciation:					
Land improvements	(226,337,938)	(11,995,955)	-	-	(238,333,893)
Buildings and building improvements	(69,016,881)	(5,564,708)	-	-	(74,581,589)
Equipment, furniture and fixtures	(18,670,872)	(2,863,900)	203,692	-	(21,331,080)
Total accumulated depreciation	(314,025,691)	(20,424,563)	203,692	-	(334,246,562)
Total capital assets being depreciated	232,520,201	(20,424,563)	(4,975)	60,928,224	273,018,887
Net capital assets	$ 378,157,551	$ 42,675,234	$ (4,975)	$ -	$ 420,827,810

5. AIRPORT BONDS

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993

During October 1993, the Authority issued Series 1993 bonds in the principal amount of $53,500,000. The bonds were issued to provide funds to refund $11,400,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989B and $36,000,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991B. The Series 1989B bonds were redeemed on July 1, 1998, at a redemption price of 102% of the principal amount thereof, while the Series 1991B bonds were redeemed on July 1, 2001, at a redemption price of 102% of the principal amount thereof.

The Series 1993 bonds were refunded in their entirety with the Series 2008A bonds in June 2008. See further discussion of the 2008A bonds below.

The Authority entered into an interest rate swap agreement on the Series 1993 bonds. This swap agreement continued uninterrupted with the Series 2008A bonds (see Note 8).

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1995

During June 1995, the Authority issued Series 1995 bonds in the principal amount of $74,810,000. The bonds were issued to provide funds to refund $74,810,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1985. The Series 1995 bonds were issued bearing interest at a weekly rate. To manage its exposure to market risks from fluctuations in interest rates, the Authority entered into a forward interest rate swap agreement (the "1995 Swap Agreement") eliminating any basis risk to the Authority, resulting in a net fixed rate of 9.29% on the Series 1995 bonds.

During January 1998, the Series 1995 bonds were remarketed with a fixed rate. In connection with the remarketing, the 1995 Swap Agreement was terminated requiring the Authority to pay a Termination Payment. The Termination Payment was funded through the issuance of the Series 1998A and Series 1998B bonds (discussed below). The remarketing of the Series 1995 bonds and termination of the 1995 Swap Agreement resulted in a difference between the remarketing price and the net carrying amount of the original debt of $19,804,773 (including unamortized loss on refunding of Series 1985 bonds of $4,224,093). In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities,* the difference is reported in the accompanying financial statements as a deduction from long-term debt, and is being charged to operations through the year 2016 using the effective interest method. The Authority completed the remarketing and termination of the 1995 Swap Agreement to reduce its total debt service payments over 17 years by $681,220. No significant economic gain or loss resulted from this refunding transaction.

The Series 1995 bonds contain serial bonds at interest rates ranging from 4.70% to 5.00%, maturing in progressive annual amounts ranging from $4,510,000 on July 1, 2009, to $7,990,000 on July 1, 2015. At the option of the Authority, the Series 1995 bonds maturing on and after July 1, 2009, may be repaid at 101% of the principal balance outstanding, declining to 100% on July 1, 2010.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Series 1998

During December 1997, the Authority issued Series 1998A and Series 1998B bonds in the principal amount of $19,695,000 and $9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 Bonds. The Series 1998A issue contains serial bonds at interest rates ranging from 4.80% to 5.15%, maturing in decreasing annual amounts ranging from $1,480,000 on July 1, 2009, to $350,000 on July 1, 2014. At the option of the Authority, the 1998A bonds maturing on and after July 1, 2009, may be repaid at 101% of the principal balance outstanding, declining to 100% on July 1, 2010. The Series 1998B bonds have been repaid and there is no outstanding balance at June 30, 2009 or 2008.

During March 1998, the Authority issued Series 1998C bonds in the principal amount of $32,660,000. The bonds were issued to provide funds to refund $30,940,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989A. The 1998C issue contains serial bonds at the interest rate of 5.38% (except bonds maturing July 1, 2011, at 5.00%), maturing in annual amounts ranging from $1,960,000 on July 1, 2009, to $1,900,000 on July 1, 2016. At the option of the Authority, the bonds may be repaid beginning July 1, 2009, at 101% of the principal balance outstanding, declining to 100% on July 1, 2010.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,710,369. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2017 using the effective interest method. The Authority completed the advance refunding to reduce its total debt service payments over 19 years by $3,511,337 and to obtain an economic gain of approximately $2,300,000.

Airport Improvement Revenue Bonds, Series 2001A

During April 2001, the Authority issued Series 2001A bonds in the principal amount of $91,930,000. The bonds were issued to provide funds to refund $91,930,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991C. The proceeds from the issue were used to redeem the series 1991C bonds on July 1, 2001, at a redemption price of 102% of the principal amount thereof.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,701,472. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2015 using the effective-interest method. The Authority completed the advance refunding to facilitate the upfront payment under the synthetic advance refunding (discussed below) and to obtain an economic gain of approximately $5,500,000. The economic gain is inclusive of funds made available through the upfront payment resulting from the synthetic advance refunding (discussed below).

The Series 2001A issue contains serial bonds at an interest rate of 6.60% maturing in progressive annual amounts ranging from $6,555,000 on July 1, 2009, to $9,615,000 on July 1, 2015.

5. AIRPORT BONDS - Continued

Synthetic Advance Refunding, Series 2001A

During September 1998, the Authority completed a synthetic advance refunding of $91,930,000 of the callable Airport Revenue Bonds, Series 1991C (the "1991C Bonds"), to take advantage of significantly lower interest rates.

As discussed above, during April 2001, the Authority issued debt (the "2001A Bonds"), the proceeds of which were used to redeem the long-term portion of the outstanding 1991C Bonds on July 1, 2001.

The Authority accelerated annual savings resulting from the synthetic advance refunding transaction. This was done through an off-market swap in which the fixed rate liability was set at an artificially higher interest rate such that its net debt service liability approximated that of the refunded 1991C Bonds. In exchange for the higher payments, the Authority received a net upfront payment of $7,947,134 based on the increased value of the swap. The net upfront payment was recorded as a deferred credit upon receipt and will be credited to interest expense over the term of the Airport Revenue Bonds, Series 2001A. Interest accretion began upon receipt resulting in a charge to operations, based upon the discount rate used in determining the present value of the accelerated annual savings, with a corresponding increase in the deferred credit.

Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 2003

During July 2003, the Authority issued Refunding Series 2003 bonds in the principal amount of $32,020,000. These bonds were issued together with other available funds of the Authority to provide funds to refund $29,885,000 aggregate principal amount of the Authority's Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992, to fund a reserve with respect to the Series 2003 bonds and to pay for certain costs in connection with issuance of the bonds. The Series 1992 bonds were redeemed on July 24, 2003, at a redemption price of 101% of the principal amount thereof.

The refunding resulted in a difference between the reacquisition and the net carrying amount of the old debt of $988,946. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2012 using the effective interest method.

The Series 2003 bonds initially bore interest at a weekly rate determined by SunTrust Capital Markets, Inc. Subject to the satisfaction of certain conditions in the Supplemental Resolution, the Authority may from time to time change the method of determining the interest rate on the Series 2003 Bonds to a daily rate, weekly rate, a commercial paper rate or a fixed rate. The bonds mature in progressive annual amounts ranging from $2,660,000 on July 1, 2009, to $3,925,000 on July 1, 2012. During June 2009, the Authority paid $980,000 for bonds maturing on July 1, 2009, thereby reducing the amount due on July 1, 2009.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Series 2003B

During November 2003, the Authority issued Series 2003B taxable bonds in the principal amount of $19,585,000. These bonds were issued to provide funding for a portion of the projected unfunded liability of the Metropolitan Nashville Airport Authority Retirement Plan for Employees and to pay for the cost of issuance of the bonds.

The Series 2003B bonds contain serial bonds at interest rates ranging from 4.13% to 5.94%, maturing in progressive annual amounts ranging from $350,000 on July 1, 2009, to $1,280,000 on July 1, 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

Airport Improvement Revenue Bonds, Series 2006

During December 2006, the Authority issued Series 2006 bonds in the principal amount of $18,285,000. The bonds were issued to provide funds for a portion of the first phase of the multiple-phase terminal renovation project that began in October 2006. The Series 2006 bonds were issued bearing interest at a weekly variable rate. These bonds were refunded with the Series 2008B bonds in June 2008.

Airport Improvement Bonds, Series 2007A

During August 2007, the Authority issued Series 2007A bonds in the principal amount of $8,700,000. The bonds were issued to provide funds for a portion of the first phase of the multi-phase terminal renovation project that began in October 2006. The Series 2007A bonds were issued bearing interest at a weekly variable rate. These bonds were refunded with the Series 2008B bonds in June 2008.

Airport Improvement Revenue Bonds, Refunding Series 2008A

During June 2008, the Authority issued Refunding Series 2008A in the principal amount of $37,600,000. These bonds were issued to provide funds to refund $37,600,000 aggregate outstanding principal amount of the Authority's Series 1993 bonds. The purpose of the refunding was to replace the liquidity facility agreement with a direct pay letter of credit. There was no significant economic gain as a result of the refunding. There were no changes to the debt service schedule or other terms of the bonds. The refunding of the Series 1993 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,124,070. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through fiscal year 2020 using the effective interest method.

The Series 2008A issue contains serial bonds bearing interest at a weekly variable rate. In order to limit its exposure to changes in interest rates, the Authority transferred its existing 1993 interest rate swap agreement to the 2008A bonds ("2008A Swap Agreement"), resulting in a fixed interest rate of 4.49% (See Note 8). The 2008A bonds mature in various annual amounts ranging from $6,100,000 on July 1, 2009, to $3,800,000 on July 1, 2019.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Refunding Series 2008B

During June 2008, the Authority issued Refunding Series 2008B in the principal amount of $27,605,000. These bonds were issued to provide funds to refund $26,985,000 aggregate outstanding principal amounts of both the Series 2006 and Series 2007A bonds and to pay for costs of issuance. The purpose of the refunding was to replace the liquidity facility with a direct pay letter of credit. There were no significant changes to the terms of the bonds, and there was no significant economic gain as a result of the refunding.

The refunding of the Series 2006 and 2007A bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $547,608. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through fiscal year 2018 using the effective interest method.

The Series 2008B issue contains serial bonds bearing interest at a weekly variable rate. To manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement (the "2008B Swap Agreement") eliminating any basis risk to the Authority, resulting in a net fixed rate of 3.32% on the Series 2008B bonds (see Note 8). The Series 2008B bonds mature in various progressive annual amounts ranging from $2,555,000 on July 1, 2009, to $3,590,000 on July 1, 2018.

Airport Improvement Revenue Bonds, Series 2009A

During March 2009, the Authority issued Series 2009A bonds in the principal amount of $36,000,000. The bonds were issued to provide funds for the majority of the costs associated with the second phase of the terminal renovation project, to fund a deposit to the debt service reserve account for the Series 2009A bonds, and to pay for the cost of issuance of the bonds.

The Series 2009A bonds contain serial bonds at interest rates ranging from 3.00% to 5.25%, maturing in progressive annual amounts ranging from $715,000 on July 1, 2010, to $7,970,000 on July 1, 2019. The debt service reserve account and interest earned on that account will be used to pay a portion of the final principal payment on July 1, 2019.

5. AIRPORT BONDS - Continued

In summary, all of the Authority's bonds, except for the Series 2003 PFC Bonds, were issued under the General Resolution and are secured by a pledge of and lien on net revenues derived by the Authority from the operation of the airports. The 2003 PFC Bonds were issued under the PFC Resolution and were secured by an additional pledge of and lien on PFC revenues less operating expenses. The Authority is also using PFC revenues that were approved under PFC Program Application for its annual debt service costs on the 2008B bonds and the Series 2009A bonds (See Note 9).

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2009 and 2008 (the restricted funds relate primarily to airport bonds and related activity):

	2009	2008
Principal and Interest Funds:		
Airport Improvement Revenue Bonds,		
Adjustable Rate Refunding, Series 1995	$ 5,556,007	$ 5,559,129
Airport Improvement Revenue Bonds, Series 1998	4,050,012	3,940,647
Airport Improvement Revenue Bonds Series 2001A	8,339,482	8,143,230
Airport Improvement Revenue Bonds, Series 2003B	407	846,260
PFC and Airport Improvement Revenue Bonds, Series 2003	3,065,676	3,642,913
Airport Improvement Revenue Bonds, Series 2008A	6,166,650	5,736,369
Airport Improvement Revenue Bonds, Series 2008B	5,708,243	5,370,407
Airport Improvement Revenue Bonds, Series 2009A	382,943	-
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	4,776,843	4,670,632
Airport Improvement Revenue Bonds, Series 2009A	3,603,631	-
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	22,318,841	29,332,451
Airport Improvement Revenue Bonds, Series 2006	-	4,332,466
Airport Improvement Revenue Bonds, Series 2007	-	1,899,495
Airport Improvement Revenue Bonds, Series 2009A	29,964,041	-
Other Funds (not bond related):		
CFC Construction Funds	5,070,575	2,417,088
Capital Sales Assistance Funds	432,488	978,683
	$ 99,435,839	$ 76,869,770

5. AIRPORT BONDS - Continued

Airport bond activity for the year ended June 30, 2009, is summarized as follows:

Series Description	Balance June 30, 2008	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2009
Series 1995	$ 46,875,000	$ -	$ (4,100,000)	$ -	$ -	$ 42,775,000
Series 1998A	7,435,000	-	(1,625,000)	-	-	5,810,000
Series 1998C	20,010,000	-	(1,860,000)	-	-	18,150,000
Series 2001A	62,180,000	-	(6,150,000)	-	-	56,030,000
Series 2003 PFC	18,675,000	-	(4,530,000)	-	-	14,145,000
Series 2003B	17,945,000	-	(335,000)	-	-	17,610,000
Series 2008A	37,600,000	-	(5,800,000)	-	-	31,800,000
Series 2008B	27,605,000	-	-	-	-	27,605,000
Series 2009A	-	36,000,000	-	-	-	36,000,000
Total	238,325,000	36,000,000	(24,400,000)	-	-	249,925,000
Plus unamortized premium on Series 2009A	-	180,568	-	-	-	180,568
Less unamortized deferred amount on refunding	(9,493,871)	-	-	-	1,818,694	(7,675,177)
	228,831,129	$ 36,180,568	$ (24,400,000)	$ -	$ 1,818,694	242,430,391
Less current portion	(23,420,000)					(26,170,000)
	$ 205,411,129					$ 216,260,391

Airport bond activity for the year ended June 30, 2008, is summarized as follows:

Series Description	Balance June 30, 2007	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2008
Series 1993	$ 43,200,000	$ -	$ (5,600,000)	$ (37,600,000)	$ -	$ -
Series 1995	50,600,000	-	(3,725,000)	-	-	46,875,000
Series 1998A	9,185,000	-	(1,750,000)	-	-	7,435,000
Series 1998C	21,770,000	-	(1,760,000)	-	-	20,010,000
1999 Subordinated Note	409,553	-	(409,553)	-	-	-
Series 2001A	67,945,000	-	(5,765,000)	-	-	62,180,000
Series 2003 PFC	22,145,000	-	(3,470,000)	-	-	18,675,000
Series 2003B	18,270,000	-	(325,000)	-	-	17,945,000
Series 2006	18,285,000	-	-	(18,285,000)	-	-
Series 2007A	-	8,700,000	-	(8,700,000)	-	-
Series 2008A	-	37,600,000	-	-	-	37,600,000
Series 2008B	-	27,605,000	-	-	-	27,605,000
Total	251,809,553	73,905,000	(22,804,553)	(64,585,000)	-	238,325,000
Less unamortized deferred amount on refunding	(10,813,988)	-	-	(799,825)	2,119,942	(9,493,871)
	240,995,565	$ 73,905,000	$(22,804,553)	$ (65,384,825)	$ 2,119,942	228,831,129
Less current portion	(22,593,543)					(23,420,000)
	$ 218,402,022					$ 205,411,129

5. AIRPORT BONDS - Continued

Aggregate maturities of revenue bonds at June 30, 2009, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 26,170,000	$ 11,739,890	$ 37,909,890
2011	29,260,000	10,712,182	39,972,182
2012	31,135,000	9,208,676	40,343,676
2013	27,825,000	7,876,708	35,701,708
2014	25,175,000	6,518,121	31,693,121
2015-2019	85,355,000	14,319,960	99,674,960
2020-2024	15,000,000	3,660,103	18,660,103
2025-2029	4,285,000	2,364,864	6,649,864
2030-2034	5,720,000	888,922	6,608,922
	$ 249,925,000	$ 67,289,426	$ 317,214,426

The interest amounts on the variable rate debt that have interest rate swap agreements associated with them were computed based on the fixed rates in the agreements plus an estimate for additional fees where applicable. The Series 2003 PFC bond's interest computation was based on the weekly reset in place at June 30, 2009, of 1.85%.

During September 2008, the Authority entered into a $15,000,000 line-of-credit agreement with a financial institution. Proceeds from the line-of-credit shall be used solely to pay accrued debt services on certain bond issues designated for refunding by the Authority. There were no draws on the line-of-credit as of the date of issuance of these financial statements. The line-of-credit bears interest at LIBOR plus 40 basis points and expires in September 2010.

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE

In October 2007, MPC Holdings, LLC entered into a term note in the amount of $7,600,000 with a financial institution. Proceeds were used to replenish MPC Holdings, LLC's cash balance shortly after its purchase of International Plaza for $7,500,000 plus associated costs in September 2007. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of $31,667. The obligation matures in November 2012, at which time the remaining balance will be $5,700,000. The principal balance at June 30, 2009, was $6,998,333. The note is collateralized by the building. In order to reduce its exposure to fluctuations in interest rates, MPC Holdings, LLC entered into an interest rate swap agreement ("2007 MPC Swap Agreement") that fixes the interest rate at 5.67% (see Note 8).

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE - Continued

In March 2008, MPC Holdings, LLC entered into a term note in the amount of $1,360,000 with a financial institution. Proceeds were used to purchase a multi-purpose building on airport property from a major tenant. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of $5,666. The obligation matures in February 2013, at which time the remaining balance will be $1,020,000. The principal balance at June 30, 2009, was $1,275,000. The note is collateralized by the building. MPC Holdings, LLC entered into an interest rate swap agreement ("2008 MPC Swap Agreement") that fixes the interest rate at 4.33% (see Note 8).

The aggregate principal maturities of the MPC notes payable are $448,000 in fiscal years 2010, 2011, 2012 and $6,929,333 in fiscal year 2013. As part of its loan agreements, MPC is required to comply with debt covenants, including certain financial ratios and minimum balance requirements. As of June 30, 2009, MPC was not in compliance with certain financial covenants; however, MPC has obtained an appropriate waiver of the non-compliance from the financial institution.

7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2009 and 2008, is as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2008	Net Cash Receipts (Repayments)	Amortization	Loss on Derivative Instruments	Balance June 30, 2009
Synthetic advance refunding, Series 2001A	$ 3,308,619	$ -	$ (730,851)	$ -	$ 2,577,768
Fair value of derivative financial instruments	2,860,390	-	-	1,474,466	4,334,856
Deferred interest income	2,044,693	-	(358,396)	-	1,686,297
Deferred rental income	1,982,151	31,600	(34,904)	-	1,978,847
	$ 10,195,853	$ 31,600	$ (1,124,151)	$ 1,474,466	$ 10,577,768

Other Noncurrent Liabilities Description	Balance June 30, 2007	Net Cash Receipts (Repayments)	Amortization	Loss on Derivative Instruments	Balance June 30, 2008
Synthetic advance refunding, Series 2001A	$ 4,095,791	$ -	$ (787,172)	$ -	$ 3,308,619
Fair value of derivative financial instruments	1,169,988	-	-	1,690,402	2,860,390
Deferred interest income	3,305,261	(832,953)	(427,615)	-	2,044,693
Deferred rental income	1,985,999	31,056	(34,904)	-	1,982,151
	$ 10,557,039	$ (801,897)	$ (1,249,691)	$ 1,690,402	$ 10,195,853

8. DERIVATIVE FINANCIAL INSTRUMENTS

1993/2008A Interest Rate Swap Agreement - In connection with the Series 1993 bonds, so as to manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement dated November 1, 1993, (the "1993 Swap Agreement") with a bank (the "1993 Swap Provider"). In general, the 1993 Swap Agreement provides that the Authority will pay a fixed rate of 4.49% to the 1993 Swap Provider on a notional amount equal to the principal amount of the Series 1993 bonds outstanding, and the 1993 Swap Provider will pay interest at the rates borne by the Series 1993 bonds. Arrangements made in the 1993 Swap Agreement do not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the Series 1993 bonds. During 2008, in connection with the refunding of the Series 1993 bonds with the Series 2008A bonds, the 1993 Swap Agreement was transferred from the 1993 bonds to the 2008A bonds. All the terms of the 1993 Swap Agreement remained intact and apply to the Series 2008A bonds.

2008B Interest Rate Swap Agreement - In connection with the Series 2008B bonds, so as to manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement dated June 9, 2008, (the "2008B Swap Agreement") with a bank (the "2008B Swap Provider"). In general, the 2008B Swap Agreement provides that the Authority will pay a fixed rate of 3.32% to the 2008B Swap Provider on a notional amount equal to the principal amount of the Series 2008B bonds outstanding, and the 2008B Swap Provider will pay interest at the rates borne by the Series 2008B bonds. Arrangements made in the 2008B Swap Agreement do not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the 2008B bonds.

MPC *2007 Interest Rate Swap Agreement* - In October 2007, MPC Holdings, LLC entered into an interest rate swap agreement (the "2007 MPC Swap Agreement") in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-tenant structure. In general, this agreement provides that MPC will pay a fixed rate of 5.67% on the outstanding principal amount. This agreement terminates November 1, 2012, to correspond with the termination of the loan.

MPC 2008 Interest Rate Swap Agreement - In March 2008, MPC Holdings, LLC entered into an interest rate swap agreement (the "2008 MPC Swap Agreement") in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-purpose structure. In general, this agreement provides that MPC will pay a fixed rate of 4.33% on the outstanding principal amount. This agreement terminates March 1, 2013, to correspond with the termination of the loan.

Since the counterparties to all of the Authority swap agreements are major financial institutions, the Authority does not anticipate credit related losses from nonperformance by such counterparties.

In accordance with SFAS No. 133, the Authority has recorded the fair values of the interest rate swap agreements in the respective statements of net assets. The fair values of these financial instruments at June 30, 2009, have been calculated taking into consideration current and anticipated interest rates. The change in the fair values of these financial instruments for the years ended June 30, 2009 and 2008, has been recorded as loss on derivative financial instruments in the statements of revenues, expenses and changes in net assets under nonoperating expenses.

8. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

The following presents the (asset)/liability fair values of the interest rate swaps as of June 30, 2009 and 2008:

	2009	2008
1993/2008A Swap Agreement	$ 2,577,115	$ 2,446,422
2008B Swap Agreement	1,098,645	188,519
2007 MPC Swap Agreement	603,144	249,844
2008 MPC Swap Agreement	55,952	(24,395)
	$ 4,334,856	$ 2,860,390

9. PASSENGER FACILITY CHARGES

On January 1, 1993, the airlines began collecting a Passenger Facility Charge ("PFC") on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration ("FAA"). Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is $4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2009 and 2008 totaled $11,480,154 and $12,836,344, respectively.

The Authority has received approval from the FAA to impose a $3.00 PFC. The following project summary has been approved by the FAA as of June 30, 2009:

Airfield development	$182,379,025
Terminal development	26,727,200
Land acquisition	132,818,236
	$341,924,461

As of June 30, 2009, cumulative expenditures to date on approved PFC projects totaled $187,548,988.

10. CUSTOMER FACILITY CHARGES

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge ("CFC") to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car Facility ("CONRAC facility"), and other costs, fees and expenses that may be paid from CFC proceeds. The CFC is a $4.00 per transaction day fee and is collected by the on-Airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has the right to pledge the CFC proceeds as collateral security for the payment of any debt obligations incurred by the Authority in connection with the planning, design, construction, financing, maintenance and operation of the CONRAC facility. CFCs are recorded as nonoperating revenue. CFC revenue during fiscal years 2009 and 2008 totaled $7,648,876 and $4,259,428, respectively.

10. CUSTOMER FACILITY CHARGES – Continued

Restricted net assets relating to CFCs totaled $ 5,756,087 and $3,249,892 at June 30, 2009 and 2008, respectively, and are included in other restricted net assets in the statements of net assets. As of June 30, 2009, the CONRAC facility continued in the design phase.

11. SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds, Series 2005

During April 2005, the Authority issued $9,500,000 of Special Facility Revenue Bonds, Series 2005, on behalf of Embraer Aircraft Maintenance Services, Inc. The bonds were issued to finance the development and construction of an aircraft maintenance facility at Nashville International Airport.

The outstanding Special Facility Revenue Bonds, Series 2005, are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Embraer Aircraft Maintenance Services, Inc., pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

Special Facility Revenue Bonds, Series 2006

During July 2006, the Authority approved an amendment to the ground lease with Aero Nashville, LLC, whereby the Authority agreed to issue $6,515,000 of Special Facility Revenue Bonds, Series 2006, on behalf of Aero Nashville, LLC. Aero Nashville is an affiliate of Aeroterm US, Inc., the firm selected by Federal Express Corporation to be the developer of a 69,000 square foot cargo and support facility on approximately 15 acres of land at Nashville International Airport in 2005.

The outstanding Special Facility Revenue Bonds, Series 2006, are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville, LLC pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

12. AIRLINE LEASE AGREEMENTS

During the year ended June 30, 1975, the Authority entered into long-term lease agreements with certain of the airlines serving Nashville for use of the facilities at Nashville International Airport. Rentals and fees due under terms of the leases are based upon the Authority's projected cost of providing the facilities to the airlines. Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding.

These long-term lease agreements have been subsequently amended and restated with extension through September 14, 2017, which is 30 years from the occupancy date of the airport terminal.

13. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters.

Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 30, *Risk Financing Omnibus*. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is reported with accrued payroll and related items in the financial statements. This liability does not include nonincremental claims adjustment expenses.

The following summarizes the changes in the estimated claims payable liability:

	2009	2008
Balance—Beginning of year	$ 284,638	$ 356,360
Provision for incurred claims	3,655,397	3,250,627
Claim payments	(3,562,548)	(3,322,349)
Balance—End of year	$ 377,487	$ 284,638

Compensated absences is another component of the Authority's employee benefits program. Based on years of service, employees earn annual leave and may accumulate earned hours to certain limits for future use. The accrued annual leave liability increased $99,904 in fiscal year 2009 to an ending balance of $1,230,748 at June 30, 2009, up from $1,130,844 at June 30, 2008. Payments of $49,342 and $171,021 were made during the years ended June 30, 2009 and 2008, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

The Authority carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. COMMITMENTS AND CONTINGENCIES

Estimated costs of completion of construction in progress at June 30, 2009 relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental contracts	$ 45,108,610
Amount to be funded by passenger facility charges collected	46,829,628
Amount to be funded by customer facility charges collected	59,285,108
Amount to be funded by the Authority	4,727,292
	$ 155,950,638

14. COMMITMENTS AND CONTINGENCIES - Continued

In February 2009, the Authority entered into a $7,500,000 line of credit loan agreement with financial institution to provide bridge financing on the In-Line EDS project. Over half the funding for this project is expected to be received from the Department of Homeland Security (DHS), and it is unclear how long it may take to be reimbursed for ongoing costs associated with the project. The interest rate on any outstanding balance is 3.34%, payable monthly. As costs are incurred, draws are made on the credit line; when grant revenue is received, the credit line is paid down. However, DHS retains 5% of every invoice amount until the project is finalized. Therefore, there will continue to be an increasing balance on the line of credit as the project progresses. The balance at June 30, 2009, was $2,080,996 as a draw had just been made and not yet reimbursed by DHS. This line of credit is available through June 30, 2011. Project completion is expected several months earlier. The balance outstanding on the line of credit is reported in accounts payable in the accompanying statement of net assets.

The Authority is a defendant to various legal proceedings incidental to its operations. In the opinion of management and the Authority's legal counsel, while the ultimate outcome of these matters, including an estimate of potential loss, cannot presently be determined, any losses sustained would not be material to the Authority's financial position or operations. Additionally, any losses sustained would be recoverable through the Authority's leases with certain airlines discussed in Note 12.

15. RETIREMENT BENEFIT PLANS

Effective September 1989, the Authority adopted a single-employer public employee retirement system ("PERS") for its employees whereby the net assets available for benefits relative to the Authority's employees were transferred from the Metropolitan Government's pension system to the Metropolitan Nashville Airport Authority Retirement Plan for Employees (the "Plan"). Certain Authority employees participate in the pension system of the Metropolitan Government of Nashville and Davidson County, Tennessee, a cost-sharing multiple employer PERS. Employees participate in either "Fund B" (pension benefits for credited service other than credited Fire and Police service) or "Fund C" (pension benefits for credited Fire and Police service) of the Metropolitan Employees' Benefit Trust Fund (the "Fund"). New employees of the Authority and those previously selecting the new Metropolitan Nashville Airport Authority's single-employer PERS are not eligible for participation in the Metropolitan Government's pension system. As a result of the relatively few number of employee participants, additional postemployment benefits information in regards to the Fund has not been presented.

The Plan is a non-contributory defined benefit pension plan administered by the Authority. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Authority. Benefit provisions are established and may be amended by the Authority. Effective June 27, 2003, the plan was closed to new participants; therefore, employees hired after June 27, 2003, are not eligible to participate in the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee, 37214, or by calling (615) 275-1600.

For the year ended June 30, 2009, the Authority's annual pension cost of $1,665,239 was equal to the annual required contribution of $1,478,412 less interest in the amount of $1,092,652 on the net pension asset plus the annual required contribution adjustment of $1,279,479. For the year ended June 30, 2008, the Authority's annual pension cost of $1,281,087 was equal to the annual required contribution of $1,094,240 less interest in the amount of $1,195,139 on the net pension asset plus

15. RETIREMENT BENEFIT PLANS - Continued

the annual required contribution adjustment of $1,381,986. No actual contribution was made to the Plan during 2009 or 2008 due to a contribution of $19,000,000 made in 2004 through the issuance of Airport Improvement Revenue Bonds, Series 2003B (see Note 5). The annual required contribution for the current year was determined as part of the July 1, 2008, actuarial valuation using the projected unit credit method.

The following table presents the annual pension cost, percentage of annual pension cost contributed, and the net pension asset for the years ended June 30, 2009, 2008, and 2007:

Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2009	$1,665,239	-%	$(11,992,912)
2008	1,281,087	-%	(13,658,151)
2007	1,140,231	-%	(14,939,238)

The funded status of the pension plan as of the valuation date, July 1, 2008, is detailed below:

Actuarial accrued liability (a)	$35,683,005
Actuarial value of plan assets (b)	30,589,830
Unfunded actuarial accrued liability (a) - (b)	$ 5,093,175
Funded ratio (b) / (a)	85.7%
Covered payroll (c)	$8,940,848
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	57.0%

Actuarial valuations of an ongoing plan involve 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 projected salary increases. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Significant actuarial methods and assumptions as of July 1, 2008, which were confirmed with the issuance of the July 1, 2009, actuarial valuation, are detailed below:

Actuarial valuation method	Projected unit credit method
Amortization method	Level percentage over 30 years
Discount rate	8.0%
Asset valuation method	3-year weighted average of asset gains and losses
Rate of investment return	8.0% per annum for funding purposes
Projected salary increases	4.0%
Cost-of-living adjustments	None in the current year

15. RETIREMENT BENEFIT PLANS - Continued

The Authority announced an early retirement incentive program (ERIP) in March 2009. Thirteen employees took advantage of the opportunity and completed their service to the organization on or before June 30, 2009. The employees were able to choose between adding three years of service or three years of age to their retiree benefit computation. The 2009 ERIP is expected to add $469,690 to the accumulated benefit balance. See further information in the Pension Plan Schedule of Funding Progress (unaudited) in the required supplementary information section.

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority provides postemployment health care benefits to all employees who retire under either the Authority's PERS or the Metropolitan Government's PERS.

Under the Authority's PERS, the Authority pays approximately 75% of the medical, dental, vision, and prescription coverage cost, with the retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a $10,000 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of supplemental life insurance coverage. Currently, 81 retirees are receiving benefits under the PERS. The monthly contribution requirements for participants in the Authority's medical plan range from $3 (single "Core Wellness" premium) to $225 (family "Core Plus" premium). The plan was closed to new entrants on January 1, 2009. Therefore, any employee hired on or after this date will not be eligible for any post-employment benefits through the Authority.

Fiscal year 2008 was the first year of implementation for GASB Statement No. 45 as described in Note 2. For the year ended June 30, 2009, the Authority's annual OPEB cost of $6,362,894 was equal to the annual required contribution of $6,402,374 plus interest on the net OPEB obligation of $101,193 less the amortization on the net OPEB obligation of $140,673. The Authority's contributions during fiscal years 2009 and 2008 totaled $1,319,807 and $644,171, respectively. The Authority's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2009 and 2008 are as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$6,362,894	20.7%	$7,572,913
2008	3,174,000	20.3%	2,529,829

The funded status of the medical plan as of the most recent actuarial valuation date, July 1, 2008, is detailed below:

Actuarial accrued liability (a)	$52,084,263
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$52,084,263
Funded ratio (b) / (a)	-%
Covered payroll (c)	$13,075,350
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	398.3%

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Actuarial valuations of an ongoing plan involve 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial 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.

The July 1, 2008, actuarial valuation was reaffirmed by the July 1, 2009, valuation in which the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Entry age normal method
Amortization method	Level percentage over 30 years
Discount rate	4.00%
Health care cost trend rate	9% graded down uniformly to 5% for 2012 and beyond
Mortality	RP-2000 Combined Mortality Table
Retirement rates	Varying rates beginning with 10% at age 55 to 100% retirement at age 65

The Authority adopted the requirements of GASB Statement No. 45 during fiscal year 2008. It elected to apply the provisions of the Statement on a prospective basis, and accordingly, the disclosures presented in Note 16, and the information in the OPEB Plan Schedule of Funding Progress (unaudited) in the required supplementary information section, are presented for fiscal years 2009 and 2008 only.

On April 22, 2009, the Board of Commissioners approved MNAA Resolution 2009-07 establishing an investment trust for the purpose of funding OPEB as provided in Tennessee Code Annotated, Title 8, Chapter 50, Part 12. The Tennessee State Funding Board approved the formation of the trust on June 17, 2009. There is no obligation to fund the trust, and management is currently working to develop a plan whereby cash contributions would be made to help offset the anticipated increased outflows in future years to cover retiree benefits.

Under the Metropolitan Government's PERS, the Authority pays 75% of the cost of medical and dental coverage, while the retirees pay the remaining 25%. The Authority also pays 100% of the premium cost of a $10,000 life insurance policy on each retiree. Currently, 17 retirees are receiving benefits under the PERS. During the years ended June 30, 2009 and 2008, payments of $23,650 and $36,665, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

17. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net assets. Beginning January 1, 2001, the Authority's matching contributions have been made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Amounts contributed by the Authority to the deferred compensation plan were $662,844 and $601,320 in 2009 and 2008, respectively.

18. LAND LEASES AND LAND OPTIONS

The Authority leases, or has entered into options to lease, several tracts of land to developers. The leases expire in 2058. In accordance with the terms of the lease agreements, the Authority received advance rental payments totaling $2,533,613. This amount is being amortized into income over the terms of the leases. The unamortized amount was $1,701,767 and 1,736,671 at June 30, 2009 and 2008, respectively. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

19. MAJOR CUSTOMERS

The two largest airlines serving Nashville International Airport accounted for approximately 63.4% and 62.4% of the total enplanements of 4,460,962 and 4,880,360 in fiscal years 2009 and 2008, respectively.

20. INFORMATION ON AUTHORITY OPERATING RESULTS BY ENTITY

Operating income (loss) consists of revenues from operations less operating expenses and depreciation. Nonoperating items such as interest income, passenger facility charges, customer facility charges, and interest expense are not considered in determining operating income (loss).

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2009				
Operating revenues	$ 77,430,891	$ 693,713	$ 2,127,648	$ 80,252,252
Operating expenses	51,175,683	405,226	1,495,264	53,076,173
Provision for depreciation	23,581,781	997,541	572,225	25,151,547
Operating income (loss)	$ 2,673,427	$ (709,054)	$ 60,159	$ 2,024,532

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2008				
Operating revenues	$ 74,041,224	$ 696,220	$ 1,577,882	$ 76,315,326
Operating expenses	48,993,890	413,299	1,036,999	50,444,188
Provision for depreciation	19,241,605	872,602	310,356	20,424,563
Operating income (loss)	$ 5,805,729	$ (589,681)	$ 230,527	$ 5,446,575

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Authority's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2009:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Assets/ Liabilities Measured at Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$111,973,429	$111,973,429	$111,973,429	$111,973,429	$ -	$ -
Investments	14,969,945	14,969,945	14,969,945	12,023,720	2,946,225	-
Long-term debt	250,703,724	284,289,318	-			
Derivative financial instruments	4,334,856	4,334,856	4,334,856	-	4,334,856	-

The following methods were used to estimate fair value of each class of significant financial instruments:

Cash and Cash Equivalents (both restricted and nonrestricted) Accounts Receivable, Accounts Payable, and Accrued Liabilities - Carrying amount approximates fair value due to short-term nature of those instruments.

Investments (both restricted and unrestricted) - Fair value is estimated based upon quoted market prices, where available, and on Level 2 inputs.

Long-term Debt - Fair value is estimated based upon market prices, and discounted cash flow analysis based on the current incremental borrowing rate.

Derivative Financial Instruments - The fair value is estimated based on quotes from dealers of these instruments (see Note 8).

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

22. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 23, 2009, the issuance date of the financial statements, and has determined that there are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2009 (UNAUDITED)

PENSION PLAN:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Under) Overfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$31,266,571	$29,890,861	$1,375,710	104.60%	$9,215,800	(14.93%)
July 1, 2007	31,554,953	33,173,924	(1,618,971)	95.12%	8,612,671	18.80%
July 1, 2008	30,589,830	35,683,005	(5,093,175)	85.73%	8,940,848	56.97%

OPEB PLAN:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Underfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	$ -	$26,393,914	$(26,393,914)	- %	$13,278,414	198.77%
July 1, 2008	-	52,084,263	(52,084,263)	- %	13,075,350	398.34

See independent auditors' report.

APPENDIX B

ECONOMIC AND DEMOGRAPHIC PROFILE OF THE AIR TRADE AREA

The Metropolitan Government of Nashville and Davidson County (Tennessee) is the source for all information contained in Appendix B, as published in its Official Statement dated June 3, 2010. The Authority has made no independent investigation and makes no representation as to the information contained in Appendix B. For additional information regarding Appendix B, please contact The Metropolitan Government of Nashville and Davidson County (Tennessee).

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Economic and Demographic Profile of Nashville and Davidson County

Introduction

The Metropolitan Government of Nashville and Davidson County ("The Metropolitan Government"), as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

Population Growth

The following table sets forth information concerning population growth in Nashville. A comparison with the Nashville Metropolitan Statistical Area ("MSA"), the State and the United States serves to illustrate relative growth.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEMOGRAPHIC STATISTICS – POPULATION GROWTH

Area	1990	2000	% Change 1990-2000	Estimated 2007	% Change 2000-2007
Nashville/Davidson [1]	510,786	569,691	11.5 %	578,698	1.6 %
MSA [1]	985,026	1,311,789	33.2	1,455,097	10.9
State [2]	4,890,640	5,689,283	16.3	6,156,719	8.2
United States [2]	248,709,925	281,421,906	13.2	301,621,157	7.2

Source: Population is from the U. S. Department of Commerce, Bureau of the Census except for "Estimated 2007" which are from the following sources:

(1) Bureau of the Census provides Population estimates as of July 1, 2006.

(2) Bureau of the Census provides Population estimates as of July 1, 2007.

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

Per Capita Personal Income

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Nashville/Davidson	30,005	31,494	33,369	34,726	35,927	36,724	38,245	39,403	41,805	43,394
MSA	27,621	28,928	30,595	31,281	31,912	32,745	34,306	35,692	37,587	38,851
State	23,989	24,898	26,097	26,839	27,448	28,276	29,565	30,705	32,167	33,395
United States	23,534	24,356	25,945	26,809	27,806	28,816	30,303	31,338	33,183	34,478

Source - Bureau of Economic Analysis (BEA.Gov)

Economy of the Metropolitan Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, health care, music, tourism, manufacturing and distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

Employment

The following table shows the labor force segments of the eight county Nashville Metropolitan Statistical Area for calendar years 2002 through June 2008.

NASHVILLE MSA

EMPLOYMENT BY INDUSTRY (1)

Industry	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Education & Health Services	88,700	93,100	93,081	96,606	104,539	105,383	111,100
Financial Activities	43,000	44,300	44,247	44,539	46,323	46,308	46,267
Government	87,700	89,400	95,472	95,639	98,040	99,183	99,783
Information	21,200	19,600	19,181	19,015	20,172	19,692	46,267
Leisure & Hospitality	68,700	71,000	72,081	73,339	78,247	78,317	82,467
Manufacturing	79,900	78,400	83,739	84,198	84,523	82,658	73,758
Professional & Business Services	86,600	82,400	91,090	96,606	100,473	99,425	101,917
Trade, Transportation, Utlities	134,900	139,000	145,122	148,348	154,082	156,028	156,550
Total Non-Agriculture Employment	672,300	680,800	715,548	725,096	753,039	760,258	764,833

(1) Employment numbers in thousands.

PERCENTAGE OF PERSONS EMPLOYED BY INDUSTRY: MSA, STATE, AND NATION

	Nashville MSA					Tennessee					United States				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Total All Industries (1)	759	762	752	735	715	2,777	2,797	2,783	2,743	2,706	137,066	137,598	136,086	133,703	131,435
In Percentages:															
Construction & Mining	5.2%	5.5%	5.2%	4.9%	4.8%	4.8%	4.9%	4.8%	4.6%	4.5%	5.8%	6.1%	6.2%	6.0%	5.8%
Manufacturing	9.7%	10.4%	11.2%	11.5%	11.7%	13.0%	13.6%	14.4%	14.9%	15.2%	9.8%	10.1%	10.4%	10.6%	10.9%
Trade, Transportation & Utilities	20.3%	20.3%	20.4%	20.5%	20.4%	21.6%	21.8%	21.8%	21.8%	21.7%	19.2%	19.4%	19.3%	19.4%	19.4%
Information	2.8%	2.6%	2.6%	2.7%	2.7%	1.8%	1.8%	1.8%	1.8%	1.8%	2.2%	2.2%	2.2%	2.3%	2.4%
Financial Activities	6.1%	6.1%	6.1%	6.1%	6.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.9%	6.0%	6.1%	6.1%	6.1%
Professional & Business Services	13.2%	13.4%	13.2%	13.2%	12.8%	11.6%	11.5%	11.5%	11.4%	11.2%	13.0%	13.0%	12.9%	12.7%	12.5%
Education & Health Services	14.6%	14.2%	13.9%	13.8%	13.8%	12.9%	12.5%	12.2%	12.0%	11.9%	13.8%	13.3%	13.1%	13.0%	12.9%
Leisure & Hospitality	10.5%	10.6%	10.3%	10.1%	10.1%	9.9%	9.9%	9.7%	9.6%	9.4%	9.8%	9.8%	9.6%	9.6%	9.5%
Government	13.5%	13.1%	13.1%	13.1%	13.4%	15.4%	15.1%	15.0%	15.0%	15.3%	16.4%	16.1%	16.1%	16.3%	16.4%
Unclassified	4.1%	4.0%	4.0%	4.1%	4.1%	3.7%	3.7%	3.7%	3.7%	3.8%	4.0%	4.0%	4.0%	4.0%	4.1%

(1) Total Employment in thousands of persons

Source: Bureau of Labor Statistics

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METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Unaudited - See Accompanying Accountants' Report

	June 30, 2009				June 30, 2000			
Employer	Employees	Rank	% of Total Employment		Employees	Rank	% of Total Employment	
State of Tennessee	20,800	1	2.76	%	18,409	1	2.64	%
Vanderbilt University and Medical Center	19,968	2	2.65		10,417	4	1.49	
Metro Nashville-Davidson Co. Government and Public Schools	19,692	3	2.62		19,800	2	2.84	
U.S. Government	11,271	4	1.50		11,437	3	1.64	
HCA (including Tri-Star Health System) (1)	8,700	5	1.16		-		-	(2)
St. Thomas Health Services	7,200	6	0.96		4,943	9	0.71	
Nissan North America Inc.	6,750	7	0.90		6,115	7	0.88	
Wal-Mart Stores Inc.	4,500	8	0.60		-		-	(2)
CBRL Group Inc.	4,017	9	0.53		-		-	(2)
Shoney's Inc.	4,000	10	0.53		-		-	(2)
Saturn Corporation	-		-	(2)	8,400	5	1.21	
Gaylord Entertainment Co. (1)	-		-	(2)	6,602	6	0.95	
Kroger Company	-		-	(2)	5,199	8	0.75	
BellSouth Telecommunications	-		-	(2)	3,203	10	0.46	
	106,898		14.20	%	94,525		13.56	%

Sources:
Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal
Total Employment - TN Department of Labor & Workforce Development

(1) National, State or Corporate Headquarters.

(2) Values for employers that are outside the top ten ranking are excluded.

Unemployment Rates

The following table sets forth the unemployment percentage rates in Nashville, the MSA, the State and the United States for the calendar years 2000-2008.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Davidson County	2.7	3.1	3.8	3.9	3.8	4.8	4.3	4.1	5.2
Nashville MSA*	2.6	3.3	3.8	3.9	3.8	4.6	4.1	4.2	5.9
Tennessee	3.7	4.5	5.0	5.2	5.0	5.7	5.2	5.1	6.7
United States	4.1	4.8	5.8	6.0	5.6	4.8	4.8	4.7	6.0

Source: Tennessee Department of Labor and Workforce Development 2008

* The federal designation of the Nashville MSA expanded from 8 to 13 counties in 2003.

Investment and Job Creation

In the past two years, the Nashville Area Chamber of Commerce announced some 203 business relocations or expansions into the Nashville MSA, collectively bringing 16,911 new jobs to the Metro area. The capital investment for these projects totaled $3.2 billion. Continued expansion has occurred in recent years in corporate and regional headquarters, information processing operations, the automotive industry, health care management and many areas where the local economy has established strength and growth potential.

Over the past five years, many sizable headquarters have relocated to Nashville. Asurion, which provides enhanced services to the wireless telecommunications industry, relocated from Silicon Valley in May 2003, adding 600 jobs to Nashville's employment base. CareMark Rx, a Fortune 100 pharmaceuticals company, moved its headquarters from Birmingham, AL to downtown Nashville, bringing 50 executive jobs with the relocation. Aegis Sciences, a provider of scientific services and programs, relocated its headquarters to Nashville. Quanta is the world's largest manufacturer of notebook computers and brought 500 new jobs with their initial move. Louisiana-Pacific Corporation, which manufactures building products, relocated its headquarters to downtown Nashville after 30 years in Portland, OR. The move created 225-plus jobs. Clarcor, Inc., a manufacturer of filtration products with a market cap of $1.1 billion, relocated its corporate headquarters to the Nashville area from Rockford, Ill, creating up to 75 executive positions. Actus Lend Lease moved its military housing operations company from Napa Valley to Nashville in January 2005. Great American Country also relocated in 2005, bringing their headquarters from Denver to Music Row. The Fraternal Order of Police constructed a new 20,000 square-foot facility in Nashville's Century City to house headquarter operations. Nissan North America relocated corporate operations to Middle Tennessee in June 2006, temporarily moving into downtown Nashville before settling into a new campus in Cool Springs in 2008. The Barbershop Harmony Society's international headquarters, founded in 1938, the largest all-male singing organization with 30,000 members occupies a 36,000 square foot building in downtown Nashville.

Education

The School System had its beginning in 1963 with the merger of Nashville and Davidson County. The Nashville public schools make up the second largest school system in Tennessee. In the 2009-2010 school year, Nashville has 139 public schools, with over 77,400 students and over 5,700 teachers. In addition, there are 75 independent schools, which are attended by over 27,800 students from pre-kindergarten through 12th grade.

The Metropolitan Board of Education, consisting of 9 members, administers the school system. Davidson County voters elect one member from each school district to a four-year term. The terms are staggered so that at least four

members are elected every two years. The Board of Education holds regular meetings on the second and fourth Tuesday of each month. These meetings are open to the public.

The current members of the Metropolitan Board of Education, the office held by each and the date their term of office expires are listed below.

The Metropolitan Board of Public Education
2009-2010

Member	Office	Term Expires
David Fox	Chairman	2010
Gracie Porter	Vice-Chairman	2012
Sharon Dixon Gentry, Ed.D.	Member	2012
Dr. Jo Ann Brannon	Member	2010
Mark North	Member	2012
Steve Glover	Member	2010
Karen Y. Johnson	Member	2010
Edward T. Kindall	Member	2012
Kay Simmons	Member	2010

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The following tables summarize certain information regarding the School System's building facilities and enrollment and attendance trends.

SCHOOL SYSTEM

Public Education Facilities

2009-2010

Education Level	Number of Schools	School Year Enrollment
Pre-School		127
Pre-Kindergarten		1,595
Elementary	72	31,741
Middle	34	21,123
High	21	19,850
Alternative	3	
Exceptional Education	4	1,749
Charter Schools	5	1,256
Total	139	77,441

SCHOOL SYSTEM

Public Schools Enrollment and Attendance

School Year	Enrollment [1]	Average Attendance
1996-1997	71,341	67,702
1997-1998	71,000	67,450
1998-1999	69,878	63,896
1999-2000	69,723	66,118
2000-2001	69,457	65,289
2001-2002	69,700	66,319
2002-2003	70,028	66,554
2003-2004	70,760	65,857
2004-2005	71,651	65,960
2005-2006	72,735	67,530
2006-2007	74,163	69,360
2007-2008	74,733	70,231
2008-2009	75,043	68,052

The Nashville Metropolitan Statistical Area has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and with Meharry Medical College specializing in health care delivery.

Manufacturing

As of June 2008, an average of 73,700 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Nashville MSA's largest manufacturing employers include Nissan North America , Bridgestone Americas, Electrolux Home Products, A.O. Smith Water Products and Vought Aircraft Industries.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with retail sales of over $27.0 billion. Major regional shopping centers register more than $3.0 billion in retail sales annually, placing Nashville in the nation's top 50 markets. Outside the Nashville downtown area there are five major shopping centers, four of which are enclosed malls, and 60 smaller shopping complexes.

Agriculture

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. Additionally, the area surrounding Nashville is the home of the Tennessee Walking Horse.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Custom Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

A commuter rail service from Lebanon to Nashville, approximately 32 miles, known as the Music City Star commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes Metropolitan Transportation Authority ("MTA") bus service on circulator routes in the downtown area.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Nashville International Airport (the "Airport") is situated approximately eight miles from downtown Nashville.

Airport Facts:

- 900,000-square-foot terminal

- 45 gates and 15 commuter aircraft parking positions

- Up to 78 commuter aircraft parking positions on 4,500 acres

- Four runways

- Ranked sixth in the nation of airports its size in customer satisfaction in 2008 by J.D. Power and Associates

- Nearly 10 million passengers a year

- $1.18 billion in wages and more than 39,700 jobs annually

- 76,000-plus tons of cargo in 2008

- Serving 74 markets; 47 nonstop (11/09)

- 375 daily flights (11/09)

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

The Metropolitan Transit Authority ("MTA") provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates trolley cars in the downtown area for shoppers, tourists and downtown workers.

Construction

Construction in Nashville is illustrated by the following table describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government. Construction has grown through most of the 2000's. In 2009, the Metropolitan Government saw a total dollar volume of permit activity at $913.7million.

Of the seven major areas of office development in Nashville, the Central Business District ("CBD" is by far the largest, with approximately 7 million square feet of leasable space. The CBD saw a year-to-date net absorption of 49,000 square feet of space as of the third quarter of 2007. Office vacancy in the CBD at the end of the third quarter of 2007 was 10.8%, about the same level as the previous year. The CBD has a great deal of office construction both scheduled and underway. SunTrust Plaza, a new 338,000 square foot office building adjacent to the Ryman Auditorium, was 85% leased in December 2007. The Pinnacle at Symphony Place (28-stories, 530,000 square feet) opened in the fall of 2009.The building is anchored by the Bass, Berry & Sims law firm and more than half is already leased.

	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other (1)		Total
Calendar Year	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Permit Value
2000	2,421	444,626,418	1,010	386,428,784	4,673	479,932,778	1,272	11,960,044	1,322,948,024
2001	2,975	521,311,880	896	354,527,042	4,146	336,595,779	1,179	14,962,413	1,227,397,114
2002	2,846	476,572,494	851	173,707,294	4,302	405,697,860	1,433	20,029,867	1,076,007,515
2003	3,207	536,278,115	693	279,867,295	4,531	356,979,647	1,222	20,013,372	1,193,138,429
2004	3,708	655,382,120	849	398,788,311	4,023	351,762,279	1,291	23,195,687	1,429,128,397
2005	3,794	747,525,151	865	428,627,829	4,431	462,950,966	1,434	24,073,860	1,663,177,806
2006	3,801	758,964,847	620	503,077,069	5,094	553,177,902	1,422	15,722,367	1,830,942,185
2007	5,965	851,544,710	1,453	619,951,806	2,754	267,721,486	1,469	17,293,882	1,756,511,884
2008	4,361	412,842,242	489	408,945,106	3,597	460,743,268	858	21,723,839	1,304,254,455
2009	3,149	318,357,857	495	375,074,904	1,913	205,828,855	1,730	14,464,364	913,725,980

(1) Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and signs & billboard permits

Source: Metropolitan Government Department of Code Administration

Tourism

Tourism is a major industry in Nashville. The Convention and Visitors Bureau and U. S. Travel Data Center estimate that more than 11 million tourists came to Nashville in 2008 and they spent approximately $3.9 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors. Excellent air service combined with geographic location and a superior highway transportation system contribute to the cities success.

In the spring of 2010, the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County began construction on the Music City Center. The new convention center, scheduled for completion in February 2013, will feature an approximate 350,000 square foot exhibit hall, approximately 75,000 square feet of ballroom space (consisting of a 57,000 square foot grand ballroom and an 18,000 square foot junior ballroom), approximately 90,000 square feet of meeting rooms, and 31 loading docks. In addition, there are approximately 30,000 square feet of retail space and a parking garage with approximately 1,800 spaces. The Convention Center is located downtown in the Metropolitan Government's central business district, and is within walking distance of many notable attractions, including, but not limited to, the Bridgestone Arena, the Ryman Auditorium, the Country Music Hall of Fame and the Schermerhorn Symphony Center.

The Schermerhorn Symphony Hall in downtown Nashville opened in 2006. The $123 million concert hall is an acoustic masterpiece that impressed national and international music critics and journalists beginning with the opening concert and adds one more attraction to a city known world-wide as Music City. The Nashville Symphony has become the top selling Naxos orchestra for Compact Disks and the performance hall has garnered stellar reviews.

The Country Music Hall of Fame in downtown Nashville is a striking architectural statement featuring music related icons both outside and inside the building. From a distance, the front façade of the building looks like a piano keyboard. The shape of the building is that of the musical notation for a bass cleft. The conservatory entrance is available for after-hour events and spaces of varying sizes offer attractive event spaces. The Hall of Fame features live entertainment daily with musical instruments demonstrations, songwriting sessions, and performances each day at lunch.

Each year, the Country Music Association coordinates a music festival known as CMA Music Festival. The event includes performances by more than 100 entertainers and groups, autograph sessions and activities directed at the attendees. In 2001, the music festival moved to downtown Nashville and attendance has steadily increased each year since then, with average estimates at 124,000 attendees annually. The last three years CBS or ABC have broadcast a 2 hour show of highlights with Nashville featured as much as the music.

Opry Mills is 1.1 million square foot megamall, which opened in May 2000. The mall contains 200 stores, theme restaurants, a multi-theater complex, an IMAX theater and Gibson Guitars Bluegrass instrument factory where visitors can see luthiers hand-crafting mandolins. The mall hosts more than 12 million visits annually.

The downtown entertainment district features the Hard Rock Café, the Wild Horse Saloon; a concert hall, restaurant, dance hall and TV production facility. The Ryman Auditorium (2,200 seats), a former home of the Grand Ole Opry, is known for outstanding acoustics. The Ryman has become a venue of choice by entertainers visiting Nashville and has twice been named Pollstar Magazines venue of the year for the United States. A three block section of the downtown area; called lower Broadway, features bars and clubs known as Honky Tonks. These venues are housed in historic brick buildings and feature "no-cover-charge" live bands performing 15 hours a day, 7 days a week. The close proximity of the Bridgestone Arena (20,000 seats) and the LP Field to this entertainment district assures good crowds on event days.

The Grand Ole Opry is America's longest running live radio show. The Opry first broadcast in 1925 and the country music variety show now plays in a 4,400 seat theater in the Gaylord Opryland complex a few miles from downtown. Each show features 10 to 20 acts or performers, is delightfully unrehearsed and draws fans from around the world.

The Bridgestone Arena is now in its eleventh year of operation as a premier entertainment facility. The Arena is home of the Nashville Predators, an NHL team in its tenth season in Nashville.

The Tennessee NFL Stadium, opened in 1999 and now named LP Field, is the home of the 1999 AFC Champion and 2002 AFC South Division Champion Tennessee Titans and the 1999 OVC Champion Tennessee State University Tigers. Now in its tenth year of operation, 100% of Titans season ticket packages are sold, and the Titans have played every game since the facility opened in front of a sell-out crowd. The Coliseum seats slightly fewer than 69,000 fans.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, President Andrew Jackson's Home: The Hermitage, Belmont Mansion, The Tennessee Performing Arts Center, the Adventure Science Center, and the Parthenon supplement educational and cultural opportunities in the City. The Tennessee Performing Arts Center, a State facility in Downtown Nashville, contains a 2,442-seat concert hall, a 1,054 seat theater and a 300 seat flexible theater.

The Adventure Science Center and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Center features a state-of-the-art Planetarium. It also features exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing its multi-year, multi-million dollar expansion program which will make it one of the largest Zoo's in the Country. The Zoo property is built around the historic Grassmere Home and features an ever-expanding display of reptiles, amphibians and birds from throughout the world.

The Parthenon is a full-scale replica of the original in Athens Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building features a 41' tall gilded statue of Athena. Close ties have been established between Nashville and Athens Greece to market and promote the two complimentary buildings.

The Nashville MSA has more than 280 hotels and motels that offer more than 35,400 rooms. The Gaylord Opryland Resort and Convention Center is the third largest hotel/convention center under one roof in the United States. The complex features 2,884 hotel rooms, 300,000 square feet of exhibit space and 300,000 square feet of meeting space. The hotel recently announced plans to build an additional 400 rooms and 450,000 square feet of exhibit and meeting space. Below is a history of hotel/motel rooms in Nashville MSA and percentage of occupancy from 1997 through 2008:

HOTEL AND MOTEL ROOMS

Calendar Year	Rooms Available	Occupancy Rate
1996	27,041	67.2%
1997	28,684	66.4
1998	30,122	61.9
1999	31,106	61.0
2000	32,385	59.9
2001	33,316	56.5
2002	33,474	56.9
2003	32,661	58.5
2004	32,727	60.7
2005	32,983	62.3
2006	33,052	66.2
2007	33,056	66.9
2008	34,921	62.5

Source: Nashville Conventions and Visitors Bureau

Medical and Cultural Facilities

Nashville is one of the nation's leaders in the healthcare field. HCA Healthcare has its headquarters and operates several hospitals in the surrounding area. Baptist Hospital, Vanderbilt University Medical Center, and St. Thomas Hospital are the city's other primary hospitals.

The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to the Metropolitan Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

A new downtown main library, with over 280,000 square feet, opened in the spring of 2001. With the downtown public library, its 20 community branches, the Vanderbilt University Library, and the libraries of other schools, Nashville offers a wide range of books and other materials for instruction, research and innovation.

The Schermerhorn Symphony Center, named in honor of the late Maestro Kenneth Schermerhorn who led the Nashville Symphony for 22 years, opened in September 2006. Home to the critically acclaimed Nashville Symphony, the Schermerhorn Symphony Center plays host to more than 100 classical, pops, and special concert events each season. In addition, the Nashville Symphony presents recitals, choral concerts, cabaret, jazz, and world music events. With the Schermerhorn Symphony Center's debut, the Tennessee Performing Arts Center, a State cultural facility in Downtown Nashville which contains a 2,442-seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater, is now able to feature a multitude of additional cultural events each year.

The Frist Center for the Visual Arts opened in the spring of 2001 in Nashville's historic downtown post office building. A public-private partnership between the Metropolitan Government, the Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions. The Frist Center does not intend to build a permanent art collection but will instead place special emphasis on education, arts-related programs for the school children of Nashville, and community outreach. The Center will give Nashville the ability to host significant art shows that have not exhibited here in the past.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, The Tennessee Performing Arts Center, the Adventure Science Center, and the Parthenon supplement educational and cultural opportunities in the City.

The Parthenon is a full-scale replica of the original in Athens Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building features a 41' tall gilded statue of Athena. The Adventure Science Center and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Adventure Science Center is undergoing expansion of the building which will feature a state-of-the-art Planetarium. The current Center features exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing its multi-year, multi-million dollar expansion program. The Zoo property is built around the historic Grassmere Home and features an ever-expanding display of animals from throughout the world.

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

THE SIGNATORY LEASES

The Authority has entered into various substantially similar Signatory Leases providing for terminal and ramp area rentals and landing fees. Set forth below is a brief summary of certain provisions of the Signatory Leases which does not purport to be comprehensive or definitive. The summary is qualified in its entirety by reference to the Signatory Leases.

Scope

The Signatory Leases govern the operations of the Airlines at the Airport. The Signatory Leases establish five cost centers for the purpose of determining rates and charges payable by the Airlines and other users of Airport facilities: landing fees, ramp area, terminal building, north concourse and south concourse.

Term

The Signatory Leases terminate on September 30, 2017, or earlier under certain conditions, but any obligation as to which an Airline may be in default will survive the termination of its Signatory Lease.

Determination of Rates and Charges

Rates charged the Airlines for use of each cost center are determined on a residual basis. A cost center compensatory requirement is established for each cost center consisting of all operating expenses, overhead, debt service on bonds approved in writing by a Majority-In-Interest of the Airlines and on bonds issued to refund such bonds ("Revenue Bonds") and other capital costs allocable to such cost center. Debt service is allocated to each cost center on the basis of construction costs financed at such cost center with the proceeds of Revenue Bonds and includes amounts necessary to meet the Authority's rate covenants. Debt service for Runway 2R20L has been allocated to the terminal building, ramp area, north concourse, and south concourse cost centers. Debt Service attributable to Revenue Bonds issued to finance tenant finishes for a particular Airline is excluded from such debt service calculation.

Airline rates and charges are determined by adding all non-Airline revenues to the aggregate cost center compensatory requirement for all cost centers and subtracting the aggregate of all Airport operating expenses, overhead, debt service on Revenue Bonds and other expenses. The resulting deficit or surplus is used to reduce or increase the aggregate cost center compensatory requirement which is then allocated ratably among the cost centers. Landing fees in the landing field cost center are determined based on projected landed weights of the Airlines. Rentals in the other cost centers are based on rentable space allocated to Airlines. Any lease of space by a person other than an Airline must be at the full compensatory rate for such cost center on a square or linear foot basis.

Revision of Rates

The rates and charges may be adjusted without approval of a Majority-In-Interest of the Airlines if, during the preceding three-month period, amounts derived from the operation of the Airport are not sufficient to pay principal of, premium, if any, and interest on Revenue Bonds.

Application of Moneys in Capital Improvement Fund

A majority of the Airlines may direct that all or a portion of any balance determined to be excess revenue in the Capital Improvement Fund in excess of $1,000,000 be applied to the payment of Revenue Bonds or the reduction of Airline rates and charges.

Other Charges

Rental for the baggage claim area in the terminal building cost center is apportioned pursuant to formula. Each Airline also pays a rental fee for the use of areas outside the terminal building.

Capital Improvements

All capital improvements to the Airport, except those paid for from the Discretionary Fund, or as an Operating Expense, and except for any Special Facility independently financed, must be approved in writing by a Majority-In-Interest of the Airlines unless (1) such expenditure is for a capital improvement intended for the use of the public or the nonexclusive use of all Airlines, and the cost of such improvement does not exceed $40,000; and (2) the total of all such capital expenditures in any Fiscal Year does not exceed $120,000.

Maintenance

The Authority agrees to operate, maintain and repair the Airport. The Authority also agrees to adequately and attractively supply, equip and furnish the public areas and keep them clean and presentable.

If the Authority finds it necessary to effect any maintenance or repair of any kind whatsoever, the total cost of which exceeds $10,000, and which constitutes an increase in the previously approved annual budget, then the Authority must request a Majority-In-Interest approval in writing from the Airlines, unless such maintenance or repair is of an emergency nature that would have the effect of closing the Airport to scheduled airline flight operations within 48 hours, in which event no such approval is required.

Damage or Destruction

If any portion of the Airport is damaged by fire or other casualty and such damage is repairable within four (4) months from the date of the damage, the Authority is required to repair the Airport with due diligence, and the rental charges allocable to the proportion of the Airport rendered untenantable will be abated until the repairs are completed. In the event of total destruction of any portion of the Airport, or if in the opinion of the Authority the damage cannot be repaired within four (4) months, the Authority may elect to terminate the Signatory Lease to the extent that it applies to the premises rendered untenantable. If the Authority elects to continue the Signatory Leases with respect to the damaged or destroyed premises, the Authority will restore or repair the premises with due diligence, and rentals allocable to the premises made untenantable will be abated until the restoration or repairs are completed. If the Authority elects to terminate the Signatory Leases with respect to the premises rendered untenantable, then the rental charges allocable to such premises will be abated entirely. In the event that the Authority elects to terminate the Signatory Lease as to the portion of the premises damaged or destroyed, and in the event the loss of use thereof by an Airline will have a substantial adverse effect on such Airline's use of the remainder of the premises and its business and operations at the Airport, the Airline may terminate the Signatory Lease in its entirety.

Indemnification; Liability Insurance

Each Airline agrees to defend and to hold and save the Authority harmless from all liabilities and expenses, including expenses of investigation and litigation in connection with any claims, judgments, or other suits which may arise out of the alleged negligence of an Airline, its officers, employees or agents. In addition, each Airline will, at its own expense, maintain proper and sufficient primary liability insurance with a reputable insurance company licensed to conduct business in the State of Tennessee.

The Authority agrees to maintain in safe condition all places in and about the Airport which are used by, or made accessible to the public, such as waiting rooms, lavatories, parking lots, streets, sidewalks and other approaches, and the Authority agrees to indemnify and hold harmless each Airline from any and all claims against an Airline arising out of and as a result of the condition of any of the publicly used premises in and about the Airport and the Authority further agrees to reimburse each Airline for any and all costs and expenses incurred in investigating, defending or settling any such claims.

Assignment or Sublease

No Airline may assign its Signatory Lease, nor sublet all or any portion of its leased premises without written approval of the Authority, which approval may not be unreasonably withheld; provided that the foregoing does not prevent the assignment of a Signatory Lease to any corporation with which such respective Airline may merge or consolidate, or which may succeed to the business of such Airline.

Default by Airline

If any Airline fails to keep any of the covenants and agreements set forth in its Signatory Lease, the Authority may elect to terminate the Airline's rights under the Signatory Lease and re-enter and take possession of the premises, after sixty (60) days advance written notice stating the nature of the default, in order to permit such default to be remedied by the Airline within the sixty (60) days, or such other period as may be agreed upon between the parties, after the receipt by the Airline of such notice. Notwithstanding any such re-entry by the Authority, the liability of the Airline for the full rental provided for under the related Signatory Lease will not be extinguished for the balance of the term of the related Signatory Lease, and the Airline will make good to the Authority any deficiency arising from a reletting of the premises at a rental less than that provided for in its Signatory Lease.

Covenant Not To Grant More Favorable Terms

The Authority covenants and agrees not to enter into any agreement with any other air transportation company containing more favorable terms than the Signatory Leases, or to grant to any certificated air carrier rights, privileges or concessions with respect to the Airport which are not accorded to the Airlines under the Signatory Leases, unless the same rights, terms, and privileges are concurrently made available to the Airlines.

Termination for Reasons Other than Default

Any Airline may terminate its Signatory Lease upon sixty (60) days prior written notice if: (a) the FAA refuses to permit the Airline to operate into and from the Airport; (b) the Airline is restrained by a court of competent jurisdiction from using the Airport for a period of at least sixty (60) days; (c) the federal government assumes operation, control or use of the Airport in such a manner as to preclude the Airline, for at least sixty (60) days, from using the Airport; or (d) by material default on the part of the Authority so as to make the Airport unusable for the Airline's air transportation business for a period of at least sixty (60) days.

The Signatory Lease may be terminated by the Authority if: (i) the federal government or the State of Tennessee or any agency or instrumentality thereof, by condemnation or otherwise, takes title to or possession of the Airport or any part thereof; (ii) a court of competent jurisdiction renders a decision which has become final and which will prevent the performance by the Authority of any of its obligations under the Signatory Leases; or (iii) the Airline files a petition in bankruptcy or is adjudged bankrupt or insolvent by any court, or if a receiver of the property of the Airline is appointed, or if the Airline makes an assignment for the benefit of its creditors, or if any proceeding is commenced to foreclose any mortgage or any other lien on the Airline's interest in the Airport or on any personal property kept or maintained on the Airport by the Airline, and if such proceedings are not vacated, dismissed or otherwise stayed within sixty (60) days. In the event any such taking referred to in (i) above materially interferes with an Airline's use of the premises, which interference cannot be substantially remedied by furnishing other substituted facilities to such Airline, the Airline may also terminate the Signatory Lease. An Airline may also terminate its Signatory Lease as the result of any event described in (ii) above.

THE GENERAL RESOLUTION AND CERTAIN PROVISIONS OF THE EIGHTEENTH SUPPLEMENTAL RESOLUTION

Definitions of Certain Terms

The following are definitions of certain terms used in the General Resolution and the Eighteenth Supplemental Resolution.

"Airline" means any air transportation company at any time serving the Airport on the basis of one of the Leases.

"Airline Approval" means approval in writing by a Majority-in-Interest of the Airlines under the Leases.

"Airport" means Nashville International Airport, including any extensions, additions or improvements thereto, but excluding any satellite or auxiliary landing field, airport or other facility unless such other facilities are included in the definition of Airport pursuant to the Leases.

"Airport Consultant" means a nationally recognized firm of consultants experienced in the field of the financial feasibility of airport revenue financing.

"Airport Facilities" means all facilities, equipment, improvements and structures, other than Special Facilities, made available by the Authority at the Airport.

"Airport Purpose" means any action or undertaking by the Authority reasonably related to the development and operation 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 in the State generally and in Authority of Nashville and Davidson County in particular.

"Airport Revenues" means all income and revenue from all sources, without limitation (except as otherwise expressly provided in the General Resolution), collected or received by the Authority in the operation of the Airport, including all rates, charges, rentals, fees and other compensation collected or received by the Authority in connection with the operation of the Airport, and any money transferred from the Capital Improvement Fund as provided in the General Resolution, all investment income earned

by the Authority and any amounts not constituting Airport Revenues which are deposited in the Revenue Fund to be applied in accordance with the provisions of the General Resolution; excluding (a) any income or revenue from any Special Facility (other than rental properly attributable to administrative and other expenses of the Airport) at any time during which any special facility revenue bonds are outstanding with respect to such Special Facility, (b) any grant or payment from any government or public agency, (c) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder, (d) the proceeds of any Support Facility, (e) amounts on deposit in the Land Acquisition Fund and earnings thereon, (f) the proceeds of any passenger facility or analogous charge or fee that may hereafter be levied (whether levied on the use of the Airport, on transportation, or otherwise) which are received and retained by the Authority, and (g) earnings on amounts on deposit in the Construction Fund.

"Bond" or *"Bonds"* means all bonds from time to time authenticated and delivered under the General Resolution.

"Bond Redemption Fund" means the Airport Improvement Bond Redemption Fund maintained under the General Resolution.

"Bond Reserve Fund" means the Airport Improvement Bond Reserve Fund maintained under the General Resolution.

"Bond Reserve Fund Requirement" means (a) $7,040,000 with respect to the Series 2010B Bonds and $1,617,000 with respect to the Series 2010C Bonds, and (b) with respect to any other Series of Bonds issued pursuant to the General Resolution, the amount required to be maintained in the Bond Reserve Fund with respect to such Series of Bonds as provided in the supplemental resolution providing for the issuance thereof.

"Construction Fund" means the Airport Improvement Construction Fund maintained under the General Resolution.

"Costs of Construction" includes, generally, all costs and expenses necessary or desirable and appertaining or incident to construction, acquisition, undertaking or implementing of any Project, as estimated or otherwise ascertained by the Authority as specified in the General Resolution.

"Debt Service" means, as of any date of computation and for any particular period or year, the total of the aggregate amount required pursuant to the General Resolution to be deposited during such period or year in the Principal and Interest Fund to provide for the payment of interest on the Bonds (to the extent not capitalized), to provide for the payment at maturity of the Bonds issued in serial form and to provide for the retirement or mandatory sinking fund redemption of any of the Bonds issued in term form. For the purposes of computing Debt Service with respect to a Series of Bonds issued as Variable Rate Bonds, the interest rate per annum thereon will be determined as follows: (i) with respect to a Series of Variable Rate Bonds Outstanding at the time of calculation, for the purpose of complying with the provisions of the Authority's rate covenant, the interest rate per annum will be calculated at the weighted average interest rate per annum borne by such issue of Variable Rate Bonds (computed on an actual day basis) for the twelve month period then ended at the time of calculation and (ii) with respect to any Outstanding or proposed Series of Variable Rate Bonds for the purpose of the test for issuing Additional Bonds, the interest rate per annum will be calculated on the basis of the highest of: (x) the actual rate on the date of calculation, or if the Bonds are not yet Outstanding, the initial rate (if established and binding), (y) if the Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (z) (1) if interest on the Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently

published Revenue Bond Index plus .5%, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus .5%. For the purposes of (i) above, in the event that a Series of Variable Rate Bonds will be Outstanding less than 12 months at the time the Authority calculates rates, rentals, fees and charges for any Fiscal Year, the interest rate per annum will be the higher of the weighted average interest rate per annum borne by such Variable Rate Bonds for the period such Variable Rate Bonds have been Outstanding and the average interest rates for the twelve month period then ended on the date of calculation on five separate issues of obligations selected by the Remarketing Agent or underwriter for the Variable Rate Bonds having substantially identical credit ratings and interest rate provisions as such Variable Rate Bonds. If the principal coming due with respect to any Series of Bonds in any year exceeds by more than 25% the amount coming due on all Bonds of such Series in any prior year, principal payments on such Series will be calculated as if the principal of such Series matures in annual installments resulting in approximately level debt service for all Bonds of such Series over the term of such Series to maturity. Debt Service does not include any Interest Increment Amount.

"Designated Financial Officer" means any financial officer of the Authority so designated by the Board.

"Financial Institution" means any issuers of the Support Facility, its successors and assigns.

"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 custody or trust agreement, or (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 must 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 the General Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond 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 nationally recognized bond rating agencies in the highest rating category, or (iv) Refunded Municipal Obligations.

"Interest Increment Amount" means, as of any particular date of computation and for any particular period or year, with respect to any Variable Rate Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Bonds in accordance with their terms as set forth in the supplemental resolution providing for the issuance thereof for all holders other than a Financial Institution and the rate such Variable Rate Bonds bear when such Variable Rate Bonds are held by a Financial Institution.

"Lease" and *"Leases"* refers to those certain Amended and Restated Lease Agreements with respect to the Airport and in effect as of the effective date of the General Resolution, entered into by the Authority as lessor and certain of the Airlines as lessees, and including any other substantially similar Lease Agreement which may be entered into after the date of the General Resolution between the Authority and any other Airline.

"Majority-in-Interest" means a "majority-in-interest" under the Leases, which is currently that number of Airlines which represent at least 60% in number of the Airlines which together have landed at least 50% of the total landed weight of all Airlines during the immediately preceding fiscal year, or at least 50% in number of the Airlines which together have landed at least 60% of the total landed weight by all Airlines during the immediately preceding fiscal year.

"Net Revenues" means (i) for any past period or year which has concluded at the time a calculation was made, the aggregate of the Airport Revenues minus for such past period or year the aggregate of the Operating Expenses; and (ii) for any future period or year, the aggregate of the estimated Airport Revenues minus for such future period or year the aggregate of the estimated Operating Expenses payable in such year or future period.

"Operating Expenses" means, with respect to any period of time, all necessary and reasonable expenses incurred (whether paid or accrued) in the maintenance, operation, administration and insuring of the Airport, as specified in the General Resolution, including any payments under any interest rate swap or exchange agreement entered into to hedge the interest rate on any Bonds, including, without limitation, payments to indemnify or otherwise pay any person for any loss of benefits under such agreement upon early termination thereof or default thereunder, as otherwise limited in a Supplemental Resolution providing for the issuance of a Series of Bonds; provided, however, that with respect to any such agreement dated after November 10, 1993, unless Financial Guaranty Insurance Company has approved the treatment of such payments as Operating Expenses, such payments must meet the requirements set forth under the caption "--Authorization and Issuance of Bonds and Other Indebtedness--Treatment of Payments under a Swap Agreement as Operating Expenses" in order to be treated as Operating Expenses under the General Resolution. Notwithstanding the foregoing, net payments due to any provider with respect to the fixed or variable interest rate swap payments which Authority agrees to pay under any interest rate swap or exchange agreement entered into to hedge the interest rate on any Bonds will be treated as Operating Expenses without the approval of Financial Guaranty Insurance Company. "Operating Expenses" does not include any allowance for depreciation or any amounts for capital replacements or reserves therefor and certain other moneys as provided in the General Resolution.

"Other Obligations" means subordinate lien obligations issued by the Authority as provided in the General Resolution.

"Outstanding" when used with reference to Bonds, subject to the provisions of the General Resolution, means as of any particular time all the Bonds authenticated and delivered by the Registrar under the General Resolution, except

(a) Bonds theretofore canceled by the Registrar or delivered to the Registrar canceled or for cancellation;

(b) Bonds for the payment or redemption of which moneys or securities in the necessary amount have been deposited with the Paying Agent, and with respect to Bonds to be redeemed prior to maturity, notice of such redemption has been provided for; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the terms of the General Resolution.

For purposes of the General Resolution, in the event any Bonds are issued and sold at a price such that a portion on all of the interest thereon is intended to be earned by accrual of original issue discount, 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 the General Resolution otherwise, shall be the accreted value thereof, determined in accordance with the General Resolution. Unless otherwise provided in the supplemental resolution providing for the issuance of a Series of Bonds, the provisions of the General Resolution described in this paragraph apply only to issues with an original issue discount in excess of 5% from the par amount thereof.

"Principal and Interest Fund" means the Airport Improvement Principal and Interest Fund maintained under the General Resolution.

"Project" means a project for any Airport Purpose to be financed from the proceeds of Bonds as defined in a supplemental resolution of the Authority.

"Qualified Investments" means any of the following which at the time are legal investments under the laws of the State of Tennessee for the moneys held under the General Resolution and then proposed to be invested therein:

(1) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(2) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; 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 ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit -backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities (collectively, "Agency Obligations");

(3) direct obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured, unsecured and unguaranteed general obligation debt is rated, at the time of the purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of the purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation;

(4) commercial paper (having original maturities of not more than 270 days) rated, at the time of the purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation;

(5) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;

(6) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(7) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation;

(8) repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service and "A-1" or "A-" or better by Standard & Poor's Corporation, provided:

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

(b) the securities are held free and clear of any lien by an independent third party acting solely as agent ("Agent") for the Bondholders, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the issuer has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Bondholders;

(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 Bondholders;

(d) the repurchase agreement has a term of 180 days or less, and the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation;

(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 103%; and

(9) Any additional investment approved by each Financial Institution.

"Refunded Municipal Obligations" means obligations of any state or any political subdivision thereof, the District of Columbia or possession of the United States which obligations are rated in the

highest rating category by Moody's Investors Service and Standard & Poor's Corporation and provision for the payment of the principal of and interest on which has 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 is sufficient to pay when due the principal and interest on such obligations of such state or political subdivision, the District of Columbia or possession.

"Refunding Bonds" means bonds issued to refund any Outstanding Bonds issued under the General Resolution.

"Registrar" means the Authority or any other entity appointed to serve as Registrar.

"Remarketing Agreement" means any agreement entered into by the Authority with a Remarketing Agent which provides for the purchase and remarketing of Variable Rate Bonds, as such agreement may be supplemented and amended from time to time.

"Revenue Bond Index" means the thirty (30) 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 Bonds determined in accordance with the Revenue Bond Index will be 9.2%.

"Revenue Fund" means the Revenue Fund created pursuant to the General Resolution.

"Series" or *"Series of Bonds"* means any particular Series of Bonds issued pursuant to a supplemental resolution.

"Special Facility" means any hangar, maintenance building or other facility or structure acquired or constructed at the Airport for the use of one or more but not all of the Airlines or other Airport tenant, and being used as a Special Facility, the entire cost of which has been paid from the proceeds of Special Facility Revenue Bonds, and with respect to which Special Facility the Authority has entered into a lease or installment sale contract under which rentals or other amounts payable to the Authority will be at least sufficient to pay (a) the entire amount of principal of and interest on special facility revenue bonds issued to pay the cost of the Special Facility, reserves established in connection with such special facility revenue bonds, and all other expenses in connection therewith; (b) the Authority's expenses, if any, of operating and maintaining the Special Facility; and (c) administrative and other expenses of the Airport properly attributable to the Special Facility.

"Support Facility" means any instrument entered into or obtained in connection with a Series of 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 either (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, or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof, or both.

"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 will 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.

Authorization and Issuance of Bonds and Other Indebtedness

Additional Bonds. The Authority may issue Bonds or other obligations under the General Resolution upon satisfaction of certain conditions, including the following:

(1) The Designated Financial Officer has found and determined that no Event of Default exists under the General Resolution; and

(2) Either (i) the Designated Financial Officer has certified that, based on the latest available audited financial statements of the Authority, the Airport Revenues after deducting Operating Expenses for that fiscal year as derived from said audited financial statements equaled not less than 100% of average Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued and any amount required to be deposited in the Bond Reserve Fund to make up any deficiencies therein; or (ii) an Airport Consultant has certified that estimated Airport Revenues after deducting Operating Expenses to be derived in each of the three full fiscal years following the fiscal year in which (a) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction 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, equals not less than 110% of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds and 100% of any amount required to be deposited in the Bond Reserve Fund to make up any deficiencies therein.

In addition, the Authority may issue Additional Bonds without complying with the conditions described in paragraph (2) above, in each of the following circumstances:

Completion Bonds. The Authority may issue one or more Series of Additional Bonds for the purpose of completing any Project for which Bonds have been previously issued. Prior to the issuance of any Series of such Additional Bonds, the Authority must find and determine that such Project has not been materially changed in scope since the issuance of the initial Series of Bonds for such purpose and that the issuance of such Additional Bonds is necessary to provide funds for the completion of the Project.

Refunding Bonds. The Authority may issue one or more Series of Refunding Bonds except as otherwise provided in the General Resolution, in the following cases:

(1) Bonds may be issued for the purpose of refunding (including by purchase) within one year prior to maturity any Bonds for the payment of which sufficient Airport Revenues are not available. Any Refunding Bond issued for such purpose must mature not (and no sinking fund installments therefor will commence) earlier than the latest stated maturity of any Bonds not refunded to be Outstanding after such refunding.

(2) Bonds bearing a fixed rate of interest may be issued at any time for the purpose of refunding (including by purchase) any Bonds bearing a fixed rate of interest, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Refunding Bonds and of effecting such refunding, provided that the Debt Service on all Bonds to be Outstanding after the issuance of the Refunding Bonds is not greater in any fiscal year in which Bonds not refunded remain Outstanding than

would have been the Debt Service on Bonds in any such fiscal year were such refunding not to occur. For the purposes of this subparagraph (2), the Authority may treat an issue of Variable Rate Bonds as Bonds bearing a fixed rate of interest if, and for such period as, the Authority has entered into an interest rate swap or exchange agreement pursuant to which the Authority has agreed to pay a fixed rate of interest to a counterparty (which fixed rate shall be treated as the fixed rate of interest on such Bonds for purposes of this subparagraph (2)) and such counterparty has agreed to pay in full the Authority's variable rate of interest on the Variable Rate Bonds; provided, however, the provider of such agreement is rated at least "A-" or better by S&P and "A3" or better by Moody's at the time compliance with the test set forth in this subparagraph (2) is established.

(3) Variable Rate Bonds may be issued at any time for the purpose of refunding (including by purchase) at any time any Bonds bearing a fixed rate of interest, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Refunding Bonds and of effecting such refunding, provided that the Debt Service on all Bonds to be Outstanding after the issuance of the Refunding Bonds (assuming such Variable Rate Bonds bear a fixed rate of interest of 9.2% per annum in the case of the first Variable Rate Bonds issued as described in this subparagraph and in the case of all subsequent Variable Rate Bond issues the highest of: (i) the actual rate on the date of calculation, or if the Bonds are not yet Outstanding, the initial rate (if established and binding), (ii) if the Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Revenue Bond Index plus .5%, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus .5%, is not greater in any fiscal year in which Bonds not refunded shall remain Outstanding than would have been the Debt Service on Bonds in any such fiscal year were such refunding not to occur.

Special Facility Revenue Bonds. Special facility revenue bonds may be issued if the lease or installment sale contract securing such special facility revenue bonds makes provision for amounts payable to the Authority, as Airport Revenues, properly attributable to the Special Facility as administrative and other expenses of the Airport; provided, however, that the construction of a Special Facility and the issuance of special facility revenue bonds may not result in a reduction in Net Revenues or otherwise impair the security afforded Bondholders under the General Resolution.

Subordinate Indebtedness. Bonds, notes, certificates, warrants or other evidences of indebtedness may be issued by the Authority for any corporate use or purpose of the Authority relating to the Airport payable as to principal and interest from the Airport Revenues subject and subordinate, and secured by a lien and pledge on the Airport Revenues junior and inferior, to the lien and pledge on Net Revenues created by the General Resolution for the payment and security of the Bonds.

Variable Rate Bonds. The General Resolution authorizes the issuance of Variable Rate Bonds pursuant to a supplemental resolution. The supplemental resolution or resolutions providing for the issuance of such Variable Rate Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into support agreements in connection therewith, enter into Remarketing Agreements and appoint remarketing agents, establish methods of determining interest rates, establish provisions for the purchase, redemption, delivery or tender of Variable Rate Bonds and provide for other terms customary in the issuance of Variable Rate Bonds.

Other Credit Provisions. The Authority may agree to such terms, provisions, covenants and agreements with the provider of a Support Facility with respect to a Series of Bonds and may incorporate

such terms, provisions and covenants into the supplemental resolution providing for the issuance of such Series of Bonds; provided such terms, provisions, covenants and agreements may not adversely affect the holders of any other Series of Bonds.

Treatment of Payments under a Swap Agreement as Operating Expenses. Payments under an interest rate swap or exchange agreement entered into after November 10, 1993 may be treated as Operating Expenses for the purpose of the General Resolution if an Airport Consultant reasonably acceptable to Financial Guaranty Insurance Company certifies that, over the term of such proposed interest rate swap or exchange agreement, on the basis of the facts, assumptions, estimates and methodology set forth in a report prepared by such Airport Consultant, the Authority has the capability to produce Airport Revenues sufficient to pay all amounts which are, or could become, payable under such agreement and all other obligations of the Authority, including all amounts necessary to comply with the Authority's covenants under the General Resolution, including all amounts which are, or could be, payable under then existing interest rate swap or exchange agreements of the Authority, including any potential termination payments thereunder. Such report will be submitted to Financial Guaranty Insurance Company for its review. If Financial Guaranty Insurance Company determines that the methodology employed by the Airport Consultant is not a reasonable method of determining Authority's payment capability, the Airport Consultant will either make appropriate modifications to such methodology or, if such Airport Consultant disagrees with Financial Guaranty Insurance Company's conclusions, such Airport Consultant will so notify Financial Guaranty Insurance Company and attempt to resolve any disagreements on the methodology employed. If such disagreements cannot be resolved, the Airport Consultant and Financial Guaranty Insurance Company will select a second Airport Consultant and the determination of any two of such Airport Consultants and Financial Guaranty Insurance Company shall be binding on the Airport Consultant preparing the report regarding methodology employed in determining the Authority's payment capability.

Funds and Accounts

General. The funds listed in (i) through (iv) below were continued under the General Resolution. All other funds listed below were created under the General Resolution. All such funds are held and administered by the Authority.

(i) the Revenue Fund;

(ii) the Operating Fund;

(iii) the Discretionary Fund;

(iv) the Capital Improvement Fund;

(v) the Principal and Interest Fund, and therein an Interest Account and a Principal Account for each Series of Bonds;

(vi) the Bond Redemption Fund;

(vii) the Construction Fund;

(viii) the Bond Reserve Fund, and therein an account with respect to each Series of Bonds;

(ix) the Commitment Fee Fund; and

(x) the Support Facility Fund.

Revenue Fund. All Airport Revenues are required to be deposited in the Revenue Fund and will be disbursed as described below under "--Application of Airport Revenues."

Operating Fund. Amounts on deposit in the Operating Fund will be maintained in a separate checking account subject to withdrawal by the Authority and used solely for the purpose of paying Operating Expenses.

Discretionary Fund. Amounts on deposit in the Discretionary Fund will be deposited in a separate checking account subject to withdrawal by the Authority and used by the Authority for the purposes and within the limits established by the Leases.

Capital Improvement Fund. Amounts on deposit in the Capital Improvement Fund will be disbursed to remedy any deficiency in any of the funds in the order of priority enumerated in the General Resolution; and to the extent not so required, to pay for replacements of and extraordinary repair to Airport Facilities; and upon Airline Approval, if required by the Leases, for land acquisition, capital improvements, and for transfer to the Revenue Fund of all or any part of the amount on deposit therein in excess of $1,000,000.

Principal and Interest Account. Amounts on deposit in the Principal and Interest Account will be disbursed solely for the purpose of paying principal of and interest on the Bonds of the Series for which such accounts were created as the same come due, and to the full extent of money therein available for that purpose, to redeem Bonds of the Series for which such accounts were created in the manner provided in the General Resolution, and may not be applied to the payment of principal of or interest on any other Series of Bonds.

Bond Redemption Fund. Amounts on deposit in the Bond Redemption Fund will be disbursed solely for the purpose of paying principal of and interest due on Bonds called for redemption or otherwise paid in advance of maturity.

Construction Fund. Amounts on deposit in the Construction Fund will be disbursed to pay Costs of Construction in the manner provided in the General Resolution, and upon certification of the completion and acceptance of a Project, any money in the Construction Fund not required to satisfy claims thereon, may be applied to the redemption of Bonds subject to the limitations, and in accordance with the provisions of the General Resolution.

Bond Reserve Fund. Amounts on deposit in each account established in the Bond Reserve Fund will be disbursed 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 is insufficient money in the Principal and Interest Fund. The holders of any other Series of Bonds have no right to payment of principal of or interest on Bonds from or a lien on amounts on deposit in such account. The Bond Reserve Fund Requirement will be determined with respect to any Series of Bonds and the manner in which such Bond Reserve Fund Requirement will be initially funded, the sources of such initial funding and the period of time in which such initial funding will be completed will be as set forth in the supplemental resolution providing for the issuance of such Series of Bonds.

When a Series of Bonds is refunded or is otherwise paid so that all of the Bonds of such Series are no longer Outstanding, moneys may be withdrawn from the Bond Reserve Fund 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 or

may be otherwise applied in a manner which in the opinion of bond counsel to the Authority will not adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes; provided that immediately after such withdrawal or transfer there is on credit to the Bond Reserve Fund an amount equal to the Bond Reserve Fund Requirement.

In lieu of the deposit of moneys in the Bond Reserve Fund, the Authority may cause to be so credited a surety bond, an insurance policy or a letter of credit in an amount equal to the difference between the Bond Reserve Fund Requirement and the amounts then on deposit in the Bond Reserve Fund with respect to the Bonds of a Series. The surety bond, insurance policy or letter of credit must be payable (upon the giving of notice as required thereunder) on any date on which (a) moneys will be required to be withdrawn from the Bond Reserve Fund and applied to the payment of the principal of or interest on the Bonds of the Series with respect to which such surety bond, insurance policy or letter of credit was obtained, and (b) such withdrawals cannot be made from amounts credited to the appropriate account in the Bond Reserve Fund. The insurer providing such surety bond or insurance policy must 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 either Standard & Poor's Corporation or Moody's Investors Service, or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A.M. Best & Co. or any comparable service. The letter of credit issuer must be a bank or trust company which is rated not lower than the second highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, or their successors. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit, the Authority will be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Bond Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as to provide that the amount credited to the Bond Reserve Fund equals the Bond Reserve Fund Requirement for such Series of Bonds. The Authority is further obligated to pay such interest on any disbursement made pursuant to a surety bond, insurance policy or letter of credit as may be specified therein and the related expenses of the provider of such surety bond, insurance policy or letter of credit and such amounts will be payable to such provider in the same manner and at the same time as any other deposits required to be made to the Bond Reserve Fund as described in subparagraph (IV) under the caption "--Application of Airport Revenues."

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Bond Reserve Fund ceases to have a rating described in the immediately preceding paragraph, the Authority will 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 is not obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Airport Revenues in the Bond 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 will continue to fully satisfy the Bond Reserve Fund Requirement with respect to a particular Series of Bonds notwithstanding such decrease in rating.

Commitment Fee Fund. Amounts on deposit in the Commitment Fee Fund will be used to pay commitment fees payable to Financial Institutions with respect to Support Facilities.

Support Facility Fund. Amounts on deposit in the Support Facility Fund will be used to pay fees and charges (other than commitment fees) payable to Financial Institutions in connection with Support Facilities.

Application of Airport Revenues

All Airport Revenues are required to be deposited in the Revenue Fund and will be disbursed from the Revenue Fund in the order of priority set forth below.

(I) To make deposits to the credit of the Operating Fund in monthly amounts equal to 10% of the Operating Expense portion of the Annual Budget, but no such deposit may be made in any month when the amount of money on deposit therein equals or exceeds 15% of said Operating Expense portion of the Annual Budget, and deposits into the Operating Fund in any fiscal year may not exceed 110% of the Operating Expense portion of the Annual Budget for such fiscal year.

(II) To make deposits to the credit of the Commitment Fee Fund in each month in an amount so that there will be on deposit therein the commitment fees payable to a Financial Institution with respect to a Support Facility as the same become due and payable.

(III) To make deposits to the credit of the Principal and Interest Fund. In each month, commencing with the 25th 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), there will be credited to the Interest Account an amount such that if the same amount were so credited to the Interest Account on the 25th day of each succeeding month thereafter, the aggregate of such amounts on credit to the Interest Account on the 25th day of the month preceding an interest payment date will be equal to the installment of interest falling due on the Bonds 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 25th day of the month prior to each interest payment date there will be credited to the 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 the Outstanding Variable Rate Bonds on such interest payment date. In each month, commencing with the 25th day of the month which is twelve (12) months prior to the first principal payment date of such Bonds (whether due at maturity or by mandatory sinking fund redemption) and on the 25th day of each month thereafter so long as any of such Bonds are Outstanding, there will be credited to the Principal Account an amount such that, if the same amount were so credited to the Principal Account for such Series on the 25th day of each succeeding month thereafter, the aggregate of such amounts on credit to the Principal Account will on the principal payment date or date upon which a sinking fund installment falls due be equal to the principal amount of all such Series of Bonds becoming due on such principal payment date or be sufficient to redeem the term Bonds of such Series in the principal amounts and at the times specified in the supplemental resolution authorizing the issuance thereof, as the case may be.

(IV) To the credit of the Bond Reserve Fund. In each month there will be deposited in each account in the Bond Reserve Fund the amount required by the provisions of the General Resolution. At any time after completion of the initial funding of an account in the Bond Reserve Fund established with respect to a Series of Bonds in accordance with the supplemental resolution providing for the issuance of such Series of Bonds, if a deficiency in an account the Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on a particular Series of Bonds then in each month, commencing with the month which follows

the month in which such withdrawal is made from such account in the Bond Reserve Fund, the Authority will deposit from the Net Revenues on deposit in the Revenue Fund, after making the deposits described in (I)-(III) above, to the deficient account in the Bond Reserve Fund at least an amount which if the same amount were to deposited to such account in the Bond Reserve Fund in each month thereafter until the last day of the month which is twelve (12) months from the making of the first of such deposits, there will be on deposit in such account in the Bond Reserve Fund on such day an amount not less than the Bond Reserve Fund Requirement for such Series of Bonds. When the amount in an account in the Bond Reserve Fund is equal to or exceeds the Bond Reserve Fund Requirement for the related Series of Bonds, no further deposits need be made into such Bond Reserve Fund and any excess may be transferred to the Capital Improvement Fund.

(V) To make deposits to the Support Facility Fund in amounts sufficient to pay all fees and charges to the Financial Institution in connection with a Support Facility other than amounts constituting commitment fees or interest on Bonds held by such Financial Institution.

(VI) To provide for the payment of the next succeeding installment of Other Obligations and any amounts required to be deposited in any reserve funds established therefor.

(VII) Next to make deposits to the credit of the Discretionary Fund. In each month, there will be deposited in the Discretionary Fund the amount of $8,333.33 or, subject to Airline Approval, such greater amount as may be established by the Authority in a supplemental resolution, but the aggregate amount on deposit in the Discretionary Fund will in no event exceed $1,000,000 or, subject to Airline Approval, such greater amount as may be established by the Authority in a supplemental resolution.

(VIII) Money thereafter remaining in the Revenue Fund will be deposited in the Capital Improvement Fund.

If in any month money in the Revenue Fund is insufficient to deposit the required amount in any of the said funds, the deficiency will, to the extent not paid from the Capital Improvement Fund, be made up in the following month or months after payment into all other funds enjoying a prior claim shall have been made in full.

In the event that a portion of the Airport is taken by exercise of the power of eminent domain, and if such condemnation result in damage to any Airport Facilities, the net proceeds of the condemnation award will be disbursed for any necessary restoration or rebuilding.

Money received by the Authority from the net proceeds of any condemnation or insurance award and not required for restoration of the Airport or Airport Facilities, respectively, will if the Authority has determined that the continued operation of the Airport is not feasible, be deposited in the Bond Redemption Fund and applied to the prompt retirement of Bonds by redemption, or by purchase at a price not higher than the redemption price on the next succeeding redemption date.

Investment of Funds

Money in any of the funds created or continued under the General Resolution may be invested by the Authority or at the Authority's direction in Qualified Investments. Unless otherwise provided in a supplemental resolution with respect to an account established in the Bond Reserve Fund, moneys on deposit in the Bond Reserve Fund and the Capital Improvement Fund may be invested in Qualified Investments maturing not later than ten and five years, respectively, after the date of investment. Money

in all other funds may be invested in Qualified Investments maturing not later than the time at which the money so invested is required for the purposes of the fund. Qualified Investments in the Bond Reserve Fund will be valued as of July 1 of each year or upon withdrawal therefrom at market value exclusive of accrued interest.

All income derived from the investment of money on deposit in the Construction Fund and the Land Acquisition Fund will be retained in said funds; provided that income from the investment of money on deposit in the Construction Fund after any period of construction of a Project will be deposited in the Revenue Fund. All income derived from the investment of money on deposit in any other fund to the extent not required to be retained therein to satisfy the funding requirements thereof, will be deposited in the Capital Improvement Fund, except as may otherwise be provided in any supplemental resolution authorizing additional Bonds.

Insurance

The Authority will carry insurance with generally recognized responsible insurers with policies payable to the Authority 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 Authority will seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport, and the Authority will take into consideration 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 Authority as provided in the General Resolution.

Any insurance carried by the Authority pursuant to the General Resolution may be procured and maintained as part of or in conjunction with any other policy or policies carried by it. The Authority may create and establish special funds for self-insurance. In the event the Authority establishes and maintains any such special funds, the Authority will establish such reasonable reserves as are recommended by an insurance consultant and will obtain at least annually a certificate of such insurance consultant regarding the adequacy of such reserves.

The proceeds of all insurance, to the extent the same are paid directly to the Authority, will be held by the Authority under and subject to the General Resolution and applied as follows: (i) the proceeds of fire and extended coverage insurance and war damage insurance will be deposited in the Capital Improvement Fund and applied to the repairing, replacing or reconstruction of the damaged or destroyed property and thereafter or will be deposited in the Bond Redemption Fund as provided in the General Resolution; (ii) the proceeds of loss of use insurance will be deposited in the Revenue Fund for use and application as are all other moneys deposited in that Fund; and (iii) the proceeds of liability insurance and workmen's compensation insurance will be applied toward extinguishing, satisfying or remedying the liability, loss or damage with respect to which such proceeds may be paid.

Certain Covenants of the Authority

Negative Pledge. The Authority will not create or give, or cause to be created or given, or permit to be created or given, or suffer to exist, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport or assign, pledge, transfer, or, except as provided in the General Resolution, hypothecate any Airport Revenues. Except where additional Bonds are permitted under the General Resolution, the Authority will not create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from the Airport Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Bonds.

Sale or Other Disposition of Property. The Authority will not sell or otherwise dispose of real or other properties constituting Airport Facilities required for the efficient operation of the Airport. Property not required for the efficient operation of the Airport may be sold or otherwise disposed of by the Authority by law and only if the estimated Airport Revenues to be derived from the remaining properties of the Airport will be sufficient to enable the Authority to comply with all covenants and conditions of the General Resolution. The proceeds of any such sale will be deposited in the Capital Improvement Fund.

Special Covenants with Respect to Federal Tax Status of Bonds. The Authority may issue a Series of Bonds under the General Resolution the interest on which is either taxable or excludable from gross income for federal income tax purposes. If any Series of Bonds is issued the interest on which is excludable from gross income for federal income tax purposes, so long as any of the Bonds of such Series are Outstanding, the Authority shall comply with all applicable provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as amended and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Other Covenants. The Authority will: (1) maintain the Airport, or cause it to be maintained, in good repair and condition, ordinary wear and tear excepted, and will not commit or allow any waste; (2) will promptly take such actions as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Airport Revenues or any part thereof; (3) adopt Annual Budgets; (4) except in connection with a refunding issue, not assent to extensions of time for payment of interest; (5) keep proper books and accounts and prepare financial statements and provide for the annual auditing of such books and accounts; (6) pay all assessments and charges upon the Airport promptly.

Defaults and Remedies

Events of Default. Under the General Resolution, the happening of one or more of the following events constitutes an Event of Default:

(i) if default is made by the Authority in the due and punctual payment of the principal of or interest or premium (if any) on any Bond when and as the same becomes due and payable;

(ii) if a default occurs in the performance or observance by the Authority of the rate covenant (except as described in the second paragraph under the caption "SECURITY FOR THE SERIES 2010 BONDS - Rate Covenant");

(iii) if the Authority has defaulted in the performance or observance of any of the covenants, agreements or conditions contained in the General Resolution or in the Bonds (other than as described in (a) and (b) above), and such default continues for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than 25% in aggregate principal amount of the Outstanding Bonds;

(iv) if the Authority (i) admits in writing its inability to pay its debts generally as they come due, (ii) files a petition in bankruptcy or takes advantage of any insolvency act, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (v) in a petition in bankruptcy filed against the Authority, is adjudicated as bankrupt; or

(v) if the Authority files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any State thereof, or if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of the Authority, a receiver of the Authority, or of the whole or any substantial part of its property, or approving a petition filed against the Authority seeking reorganization of the Authority under the federal bankruptcy laws or any other applicable law or statute of the United States of America, or any state thereof, and such order, judgment or decree is not vacated or set aside or stayed within 60 days from the date of the entry thereof; or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property, and such custody or control is not terminated or stayed within 60 days from the date of assumption of such custody or control.

The Trustee will 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 (30) days after the occurrence thereof, unless the event of default has been cured before the giving of such notice.

Remedies. In each and every case of an event of default, and during the continuance of such event of default, unless cured by the Authority within 30 days after written notice thereof, and unless the principal of all the Bonds has already become due and payable, the Trustee by notice in writing to the Authority, may, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds will, 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 will become and will be immediately due and payable, anything contained in the General Resolution or in the Bonds to the contrary notwithstanding.

Upon the occurrence of an Event of Default, the Authority will, upon demand by the Trustee or upon the demand by the holders of 25% in principal payment amount of the Outstanding Bonds, transfer Net Revenues held by the Authority and all Funds and Accounts established under the General Resolution to the Trustee and such Net Revenues and Funds and Accounts will be administered by the Trustee in place of the Authority in accordance with the General Resolution.

The Trustee, in case of an event of default, may, and upon the written request of the holders of not less than 25% in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, will, exercise any or all of the following remedies to the extent that the same are then legally available:

(i) 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 in the General Resolution or in aid of the execution of any power granted therein, 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 the General Resolution; and

(ii) 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 Airport Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The

receiver will collect and dispose of Airport Revenues in accordance with the terms and conditions of the General Resolution or as the court directs.

Waivers. After the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, if the Authority pays to or deposits 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, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured or adequate provisions have been made therefor, then and in every case, the holders of at least 66-2/3% in aggregate principal amount of the Outstanding Bonds, by written notice to the Authority and to the Trustee, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment may extend to or affect any subsequent default, nor may it impair or exhaust any right or power consequent thereon.

Limitations on Suits. No Bondholder has any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions of the General Resolution or of any remedies under the General Resolution unless the Trustee has neglected for 60 days to take such action, after a request in writing by the holders of 25% in aggregate principal amount of the Outstanding Bonds and after the Trustee has been assured such reasonable indemnity as it may require, provided, however, that the right of any holder of any Bond to receive payment of principal and/or interest on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, will not be impaired or affected without the consent of such holder.

Bondholders' Committee. In the event the Trustee has failed or refused to comply with the written request or direction of the holders of Bonds, as stated above, the holders of not less than 20% in principal amount of the Bonds then Outstanding may call a meeting of the holders of Bonds for the purpose of electing a Bondholder's Committee. Such meeting may be called and proceedings may be conducted as required under the General Resolution. 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 will act as trustee for all Bondholders. The Bondholders present in person or by proxy at such 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 will be elected or appointed; (ii) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it in the General Resolution; and (iii) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee elected by the Bondholders in the manner provided in the General Resolution, and their successors, as a Committee, are 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 regarding defaults and remedies conferred on the Trustee or any Bondholder.

The Trustee

U.S. Bank National Association, as successor trustee, is Trustee under the General Resolution (the "Trustee"). Prior to the occurrence of an Event of Default under the General Resolution, the Trustee has no duties and obligations as trustee under the General Resolution other than to act as paying agent or as registrar if so appointed under the General Resolution or in a supplemental resolution with respect to a Series of Bonds and upon the occurrence of an Event of Default under the General Resolution of which it has actual knowledge, all such estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee under the General Resolution will vest in the Trustee unless and until all such Events of Default have been cured in accordance with the provisions of the General Resolution. The General Resolution contains provisions regarding the appointment and removal of the Trustee. The Authority may at any time remove the Trustee, provided that such removal is subject to revocation by 10% of the holders of Bonds Outstanding and that such removal may not be effected if an Event of Default has occurred and is continuing or there is any deficiency in any fund or account held under the General Resolution.

Supplemental Resolutions

The Authority may adopt resolutions supplemental to the General Resolution for any or more of the following purposes:

(i) to add to the covenants and agreements of the Authority under the General Resolution or to surrender any right or power therein conferred upon the Authority;

(ii) to cure any ambiguity or to cure, correct or supplement any defective or inconsistent provision contained in the General Resolution;

(iii) to subject, describe or redescribe any property subjected or to be subjected to the lien of the General Resolution;

(iv) to provide for the issuance of Additional Bonds to the extent permitted under the General Resolution;

(v) to modify, amend or supplement the General Resolution or any resolution supplemental thereto in such manner as specified in the General Resolution to permit qualification under certain federal laws;

(vi) 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;

(vii) to prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the Authority payable from the Airport Revenues;

(viii) to make any modification to a supplemental resolution as may be specifically provided for therein with respect to a Series of Variable Rate Bonds and which stipulates that Bondholder consent will not be required, including, but not limited to, provisions permitting changes in the method of determining or establishing rates of interest, premiums payable upon redemption, serial maturities or sinking fund payments; or

(ix) to modify in any other respect any of the provisions of the General Resolution, provided that such modifications has no material adverse effect as to any Bond or Bonds which are then Outstanding.

With the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Bonds at the time Outstanding, the Authority may adopt resolutions supplemental to the General Resolution for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the General Resolution or of any supplemental resolution; provided, however, that no such supplemental resolution may (a) extend the fixed maturity of the Bonds (except pursuant to refunding as expressly permitted in the General Resolution) or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected (except for changes described in (viii) above); (b) reduce the percentage of holders of Bonds required to approve any such supplemental resolution; (c) permit the creation of any lien on the pledged properties prior to or on a parity with the lien of the General Resolution, or deprive the holders of the Bonds of the lien created by the General Resolution upon said properties; (d) give to any Bond or Bonds any preference over any other Bond; (e) permit the creation of a mortgage or lien upon the properties constituting a part of the Airport; (f) rescind or diminish the rights of any Bondholder to receive payment of principal of and/or interest on Bonds on or after their respective due dates or to institute suit for the enforcement of such payment; or (g) otherwise have an adverse affect on the Bonds or the security therefor without the consent of the holders of all Bonds affected thereby.

Bond Insurer Deemed Holder of Series 2010 Bonds for Certain Purposes

For purposes of the exercise of rights and remedies by Bondholders upon the occurrence of an Event of Default under the General Resolution and the consent to supplemental resolutions, so long as it is not in default in its payment obligations under the Policy, the Bond Insurer will be deemed to be the holder of all the Series 2010 Bonds insured by it.

Defeasance

The General Resolution will cease, determine and become null and void if the Authority pays and discharges the entire indebtedness of all Bonds Outstanding under the General Resolution in one or more of the following ways:

(i) by paying or causing to be paid the principal of, and redemption premiums, if any, and interest on Bonds Outstanding under the General Resolution, as and when the same become due and payable;

(ii) by delivering to the Registrar, for cancellation by it, Bonds Outstanding under the General Resolution: or

(iii) by irrevocably depositing with the Paying Agent for such Bonds, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (x) moneys sufficient to make such payment or (y) Governmental Obligations 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 or (z) a combination of both such moneys and such Governmental Obligations, and all necessary and proper fees of the Trustee, the Registrar and the Paying Agent has been paid or provided for.

Upon the deposit with the Paying Agent, in trust, at or before maturity, of money or Government Obligations, if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given, or provisions satisfactory to the Paying Agent has been made for the giving of such notice, all liability of the Authority in respect of such Bonds is completely discharged and the holders thereof will thereafter be entitled only to the payment out of the money deposited with the Paying Agent for their payment.

APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

[Letterhead of Hawkins Delafield & Wood LLP]

August 26, 2010

Board of Commissioners
The Metropolitan Nashville Airport
Authority
Nashville International Airport
Nashville, Tennessee 37317

Ladies and Gentlemen:

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
AIRPORT IMPROVEMENT REVENUE BONDS, REFUNDING SERIES 2010B
$70,400,000

At your request we have examined into the validity of Seventy Million Four Hundred Thousand Dollars ($70,400,000) principal amount of Airport Improvement Revenue Bonds, Refunding Series 2010B (the "Series 2010B Bonds") of the Metropolitan Nashville Airport Authority (the "Authority"). The Series 2010B Bonds are issued in fully registered form; are dated their date of delivery; are of the denomination of $5,000 or any integral multiple thereof; are numbered consecutively from RB-1 upwards, bear interest payable January 1, 2011 and semi-annually thereafter each January 1 and July 1 at the rates per annum set forth in the schedule below; and mature and become payable as to principal on July 1 in each of the years and in the principal amounts as follows:

Year (July 1)	Principal Amount	Interest Rate
2011	$9,990,000	3.000%
2012	13,865,000	3.000
2013	14,580,000	4.000
2014	15,490,000	4.000
2015	16,475,000	4.000

The Series 2010B Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2010B Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee,

including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and pursuant to an Airport Improvement Revenue Bond Resolution (the "Bond Resolution") of the Authority adopted August 15, 1991, and an Eighteenth Supplemental Resolution of the Authority adopted August 11, 2010 and related Certificate of Determination of the Designated Financial Officer dated August 26, 2010 (collectively, the "Supplemental Resolution") (the Bond Resolution and Supplemental Resolution are referred to herein collectively as the "Resolution"). We have examined the Constitution and statutes of the State of Tennessee and certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2010B Bonds, including the Resolution. We have also examined a specimen Series 2010B Bond.

In our opinion:

1. The Series 2010B Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and constitute valid and binding special obligations of the Authority enforceable in accordance with their terms payable, on a parity with all Bonds heretofore or hereafter issued under the Bond Resolution, from, and secured, equally and ratably with said bonds, by, the Net Revenues pledged to the payment thereof by the Bond Resolution.

2. The Bond Resolution and the Supplemental Resolution have been duly adopted by the Authority; the provisions of the Bond Resolution and the Supplemental Resolution are valid and binding obligations of the Authority enforceable in accordance with their terms; and the holders of the Series 2010B Bonds are entitled to the security and benefits of the Resolution.

3. Under existing statutes, the Series 2010B Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2010B Bonds is (i) excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2010B Bond for any period during which the Series 2010B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2010B Bonds or a "related person," and (ii) not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph (4), we have

relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2010B Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Series 2010B Bonds from gross income under Section 103 of the Code. Under the Code, noncompliance with such requirements may cause the interest on the Series 2010B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is discovered.

We express no opinion regarding other federal or state tax consequences arising with respect to the Series 2010B Bonds. We have rendered our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010B Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Series 2010B Bonds under the Resolution and under such Series 2010B Bonds and the enforceability of such rights may be subject to the exercise of judicial discretion, the sovereign police powers of the State of Tennessee and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2010B Bonds and express no opinion relating thereto.

Very truly yours,

Hawkins Delafield & Wood LLP

[Letterhead of Hawkins Delafield & Wood LLP]

August 26, 2010

Board of Commissioners
The Metropolitan Nashville Airport
Authority
Nashville International Airport
Nashville, Tennessee 37317

Ladies and Gentlemen:

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
AIRPORT IMPROVEMENT REVENUE BONDS, REFUNDING SERIES 2010C
$16,170,000

At your request we have examined into the validity of Sixteen Million One Hundred Seventy Thousand Dollars ($16,170,000) principal amount of Airport Improvement Revenue Bonds, Refunding Series 2010C (the "Series 2010C Bonds") of the Metropolitan Nashville Airport Authority (the "Authority"). The Series 2010C Bonds are issued in fully registered form; are dated their date of delivery; are of the denomination of $5,000 or any integral multiple thereof; are numbered consecutively from RC-1 upwards, bear interest payable January 1, 2011 and semi-annually thereafter each January 1 and July 1 at the rates per annum set forth in the schedule below; and mature and become payable as to principal on July 1 in each of the years and in the principal amounts as follows:

Year (July 1)	Principal Amount	Interest Rate
2011	$2,805,000	3.000%
2012	3,210,000	3.000
2013	3,010,000	4.000
2014	2,805,000	4.000
2015	2,600,000	4.000
2016	1,740,000	3.000

The Series 2010C Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2010C Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and pursuant to an Airport Improvement Revenue Bond Resolution (the "Bond Resolution") of the Authority adopted August 15, 1991, and an Eighteenth Supplemental Resolution of the Authority adopted August 11, 2010 and related Certificate of Determination of the Designated Financial Officer dated August 26, 2010 (collectively, the "Supplemental Resolution") (the Bond Resolution and Supplemental Resolution are referred to herein collectively as the "Resolution"). We have examined the Constitution and statutes of the State of Tennessee and certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2010C Bonds, including the Resolution. We have also examined a specimen Series 2010C Bond.

In our opinion:

5. The Series 2010C Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and constitute valid and binding special obligations of the Authority enforceable in accordance with their terms payable, on a parity with all Bonds heretofore or hereafter issued under the Bond Resolution, from, and secured, equally and ratably with said bonds, by, the Net Revenues pledged to the payment thereof by the Bond Resolution.

6. The Bond Resolution and the Supplemental Resolution have been duly adopted by the Authority; the provisions of the Bond Resolution and the Supplemental Resolution are valid and binding obligations of the Authority enforceable in accordance with their terms; and the holders of the Series 2010C Bonds are entitled to the security and benefits of the Resolution.

7. Under existing statutes, the Series 2010C Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

8. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2010C Bonds is (i) excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2010C Bond for any period during which the Series 2010C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2010C Bonds or a "related person," and (ii) treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering the opinions in this paragraph (4), we have

relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2010C Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Series 2010C Bonds from gross income under Section 103 of the Code. Under the Code, noncompliance with such requirements may cause the interest on the Series 2010C Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is discovered.

We express no opinion regarding other federal or state tax consequences arising with respect to the Series 2010C Bonds. We have rendered our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010C Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Series 2010C Bonds under the Resolution and under such Series 2010C Bonds and the enforceability of such rights may be subject to the exercise of judicial discretion, the sovereign police powers of the State of Tennessee and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2010C Bonds and express no opinion relating thereto.

Very truly yours,

Hawkins Delafield & Wood LLP

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

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

By ______________________________
Authorized Officer

(212) 826-0100

Form 500NY (5/90)

SPECIMEN

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:	Policy No.:
BONDS:	Effective Date:
	Premium: $
	Termination Date:

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

AGM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy. Upon such payment, AGM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Insurance Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to AGM by or on behalf of the Issuer. Within three Business Days of such reimbursement, AGM shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall AGM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that AGM has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the

stated date for payment of interest. “Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed $. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

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

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

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

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

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

By ______________________________
Authorized Officer

A subsidiary of Asured Guaranty Municipal Holdings Inc. (212) 826-0100
31 West 52ND Street, New York, N.Y. 10019

Form 501 NY (6/90)

SPECIMEN

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") dated as of August 26, 2010, is being provided in connection with the issuance by The Metropolitan Nashville Airport Authority (the "Issuer") of its $70,400,000 original principal amount of Airport Improvement Revenue Bonds, Refunding Series 2010B and $16,170,000 original principal amount of Airport Improvement Revenue Bones, Refunding Series 2010C (collectively, the "Series 2010 Bonds"). The Series 2010 Bonds were issued pursuant to an Airport Improvement Revenue Bond Resolution (the "Bond Resolution") adopted August 15, 1991, and a Eighteenth Supplemental Resolution (the "Eighteenth Supplemental Resolution") adopted August 11, 2010 (the Bond Resolution, the Eighteenth Supplemental Resolution and all amendments and supplements thereto are hereinafter referred to as the "Resolution"). Capitalized terms used in this Certificate which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I
The Undertaking

Section 1.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal year 2011, by no later than six (6) months after the end of the respective fiscal year, to MSRB.

The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to MSRB.

Section 1.4. Material Event Notices. If a Material Event occurs, the Issuer shall provide, in a timely manner, notice of such Material Event to MSRB.

Any notice of a defeasance of Series 2010 Bonds shall state whether the Series 2010 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Information or

Material Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

ARTICLE II
Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Material Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Information and Notices. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. The Issuer's current fiscal year is July 1 - June 30, and the Issuer shall promptly notify the MSRB of each change in its fiscal year.

Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III
Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Series 2010 Bonds.

(b) The Issuer's obligations under this Certificate shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Series 2010 Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Certificate, or such provision, as the case may be, do not or no longer apply to the Series 2010 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Series 2010 Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel) and acceptable to the Issuer, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Series 2010 Bonds or (ii) the holders of the Series 2010 Bonds consent to the amendment to this Certificate pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Series 2010 Bonds pursuant to Section 13.02 of the Bond Resolution as in effect on the date of this Certificate, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Series 2010 Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (2) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Certificate as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

In addition to subsections (a) and (b) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Series 2010 Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Series 2010 Bonds, except that beneficial owners of Series 2010 Bonds shall be third-party

beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Certificate. In consideration of the third-party beneficiary status of beneficial owners of Series 2010 Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Series 2010 Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Certificate shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV
Definitions

Section 4.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

"Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the Issuer, for each fiscal year of the Issuer, as follows:

The Annual Report shall include in a similar format as set forth in the Official Statement delivered with respect to the Series 2010 Bonds the following information:

1. "Airline Enplanements" as shown on pages 27 to 29 (which may be presented on an annual basis and which shall include airlines serving the Airport and market shares);

2. "Airline Landed Weights" as shown on page 30;

3. "Average Daily Departures" as shown on page 31;

4. "Schedule of Revenues, Expenses and Changes in Net Assets" (fiscal year basis) as shown on page 32; and

5. "Historical Debt Service Coverage" as shown on page 39.

and (ii) the information regarding amendments to this Certificate required pursuant to Sections 3.2(c) and (d) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating

data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

"Audited Financial Statements" means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law a regulation describing such accounting principles, or other description thereof.

"Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

"Material Event" means any of the following events with respect to the Series 2010 Bonds, whether relating to the Issuer or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;
(vii) modifications to rights of Bondholders;
(viii) Bond calls;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the Series 2010 Bonds; and
(xi) rating changes.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

"Official Statement" means "final official statement", as defined in paragraph (f)(3) of the Rule.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"SEC" means the United States Securities and Exchange Commission.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Authority as of the ___ day of August, 2010.

THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY

By: ________________________________
Raul Regalado
President
The Metropolitan Nashville Airport Authority

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