NEW ISSUE (Book-Entry Only) **RATINGS: See "Ratings" herein**

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein interest on the Bonds (a) 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 Bond for any period during which the Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person, and (b) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. See "TAX EXEMPTION" herein for a description of certain other provisions of law which may affect the Federal tax treatment of interest on the Bonds. In addition, in the opinion of Bond Counsel, under the laws of the State of Tennessee, the Bonds and the income therefrom are exempt from all state, county and municipal taxation within the State of Tennessee except inheritance, transfer and estate taxes and except to the extent such income may be included within the measure of corporate privilege taxes imposed pursuant to the laws of the State of Tennessee.

$30,290,000
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT REVENUE BONDS,
SERIES 2010A

Dated: Date of Delivery **Due: As shown on the inside cover**

The Memphis-Shelby County Airport Authority (the "Authority") Airport Revenue Bonds, Series 2010A (the "Bonds") are being issued to finance a portion of the costs of construction, acquisition and equipping airport improvements, including terminal improvements, parking facilities and related improvements and to pay related costs of issuance. The Bonds are being issued under the Metropolitan Airport Authority Act, Tennessee Code Annotated 42-4-101 *et seq.*, and are being issued pursuant to the Authority's Resolution No. 88-3227 duly adopted by the Board of Commissioners of the Authority (the "Board") on January 29, 1988, as amended, and a Supplemental Resolution No. 09-4488 duly adopted by the Board on November 19, 2009, authorizing the issuance of the Bonds.

The Bonds are issuable as fully registered Bonds without coupons in denominations of $5,000 or any integral multiple thereof, and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). (See "DESCRIPTION OF THE BONDS - Book-Entry Only Method"). Interest on the Bonds will be payable on July 1 and January 1 in each year commencing on July 1, 2010. Payments of principal, premium, if any, and interest on the Bonds will be made by the Authority. The Bank of New York, Birmingham, Alabama, will serve as trustee for the Bonds (the "Trustee"). So long as the Bonds are held by DTC, the principal of, interest and premium, if any, on the Bonds will be payable by wire transfer to DTC which in turn is required to remit such principal, interest and premium, if any, to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein.

The Bonds will be subject to optional redemption prior to maturity as more fully described herein.

The Bonds will be payable from, and are secured solely by a pledge of and lien upon, the Revenues of the Authority subject to the prior payment of Costs of Operation and Maintenance of the Airport and on a parity with the Authority's outstanding $311,830,000 Bonds (the "Outstanding Bonds"), and bonds hereafter issued on a parity therewith. The Bonds shall not in any manner or to any extent be an indebtedness of the State of Tennessee or of the City of Memphis, the County of Shelby or any municipality or political subdivision of the State of Tennessee, or a general obligation of the Authority or a charge upon any other revenues or assets of the Authority not specifically pledged under the Resolution. The Authority has no taxing powers.

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

ASSURED GUARANTY® MUNICIPAL

The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their Counsel, Charles E. Carpenter, A Professional Corporation, Memphis, Tennessee and for the Authority by Sara L. Hall, General Counsel to the Authority. It is anticipated that delivery of the Bonds will be made on or about February 4, 2010 in New York, New York.

Morgan Keegan & Company, Inc. **Siebert Branford Shank & Co., LLC**

This Official Statement is dated January 21, 2010

$30,290,000
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT REVENUE BONDS,
SERIES 2010A

MATURITY SCHEDULE

Term Bonds

$7,370,000 5.00% Term Bond due July 1, 2030, Yield 4.76%*
CUSIP Number 586111KY1**

$11,490,000 5.00% Term Bond due July 1, 2035, Yield 5.00%
CUSIP Number 586111KZ8**

$11,430,000 5.00% Term Bond due July 1, 2039, Yield 5.02%
CUSIP Number 586111LA2**

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* Priced to July 1, 2020 par call.

** CUSIP numbers have been assigned to this issue by the Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
2491 Winchester Road, Suite 113
Memphis, TN 38116-3856

BOARD OF COMMISSIONERS

Members	Year of Initial Appointment	Occupation
Arnold E. Perl, Chairman	1983	Attorney
Jim D. Ethridge, Vice Chairman	2002	Businessman
Herbert H. Hilliard, Sr	2000	Businessman
James Keras, Jr.	2007	Businessman
John W. Stokes, Jr.	2004	Businessman
Jon K. Thompson	1988	Businessman
Ruby R. Wharton	1995	Attorney

AUTHORITY OFFICERS AND STAFF

Members	Year of Initial Employment	Position
Larry D. Cox, A.A.E.	1973	President and Chief Executive Officer
Scott A. Brockman, A.A.E.	2003	Executive Vice President, Chief Operating Officer, Authority Treasurer
John R. Greaud, P.E., A.A.E.	1989	Vice President Operations
Sara L. Hall, Esquire	2007	Vice President & General Counsel, Authority Secretary
George E. Mabon, P.H.R.	1996	Vice President Human Resources Authority Assistant Secretary
Richard V. White, A.A.E.	1999	Vice President of Properties and Business Development
Forrest B. Artz, C.P.A.	2008	Director of Finance and Chief Financial Officer, Authority Assistant Treasurer
James A. Hay, II, P.E.	1995	Director of Development
Mahi C. Chambers, C.P.A.	1989	Director of Staff Services
Bobby D. Kellum	1985	Director of Maintenance
Walter T. White, A.A.E.	1986	Director of Operations and Public Safety

AUTHORITY CONSULTANTS

Hawkins Delafield & Wood LLP	Bond Counsel
Fullerton & Friar, Inc. D+G Consulting Group, LLC ComCap Advisors, a division of Community Capital	Co-Financial Advisors
Jacobs Consultancy, Inc.	Airport Consultant

This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement, including the appendices attached hereto, at any time does not imply that information herein is correct as of any time subsequent to its date. No dealer, salesman or any other person has been authorized by the Authority to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of any offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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 Airport or the Insurer since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISISON UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATIONS OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

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

TABLE OF CONTENTS

Page

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OFFICIAL STATEMENT

Relating to

$30,290,000
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT REVENUE BONDS,
SERIES 2010A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth information concerning the Memphis-Shelby County Airport Authority (the "Authority") and the Authority's $30,290,000 Airport Revenue Bonds, Series 2010A the "Bonds". Unless otherwise defined, all capitalized terms herein shall have the same meanings as set forth in the Resolution (as hereinafter defined).

The Bonds are being issued under the Metropolitan Airport Authority Act, Tennessee Code Annotated 42-4-101 *et seq.* (the "Act"), and are being issued pursuant to the Authority's Resolution No. 88-3227 duly adopted by the Board of Commissioners of the Authority (the "Board") on January 29, 1988, as amended (the "Basic Resolution") and a Supplemental Resolution No. 09-4488 duly adopted by the Board on November 19, 2009 authorizing the issuance of the Bonds (the "2009" Resolution," collectively with the Basic Resolution, the "Resolution"). The Bonds are being issued to finance a portion of the costs of construction, acquisition and equipping of airport improvements, including terminal improvements, parking facilities and related improvements and to pay related costs of issuance.

Upon the issuance of the Bonds, there will be outstanding $501,460,000 Airport Revenue Bonds under the Basic Resolution (the "Outstanding Bonds").

The principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds hereafter issued under the Basic Resolution on a parity therewith (herein collectively referred to as the "Airport Revenue Bonds"), are payable from and secured by a pledge of and lien upon the Revenues (as hereinafter defined) of the Authority, subject and subordinate to the prior payment of Costs of Operation and Maintenance of the Memphis International Airport and the Authority's general aviation reliever airports (the General DeWitt Spain Airport and the Charles W. Baker Airport) (together, the "Airport"). The Authority covenants in the Basic Resolution that it will impose and prescribe and collect rates, rentals, fees and charges for the use of the Airport and will revise the same when necessary to produce Revenues, together with other available funds, sufficient to pay when due all principal of and interest, and premium, if any, on the Airport Revenue Bonds and to pay the Costs of Operation and Maintenance of the Airport, and any other claims payable from Revenues. See "SECURITY FOR AIRPORT REVENUE BONDS-Rate Covenant" herein. The Authority has executed substantially similar "use and lease" agreements with the following airlines: AirTran Airways, American Airlines, Continental Airlines, Delta Air Lines[(1)], Federal Express Corporation ("FedEx"), Northwest Airlines [(1)], United Airlines, United Parcel Service and US Airways (the "Airline Agreements"). The terms of such Airline Agreements have been extended to June 30, 2010. Whether or not the Airline Agreements are in effect, the Authority covenants to impose rentals, fees and other charges as necessary to meet the requirements of the Resolution.

The Bonds do not constitute an indebtedness of the State of Tennessee, the City of Memphis (the "City"), the County of Shelby (the "County") or any other municipality or political subdivision of the State of Tennessee, or a general obligation of the Authority or a charge upon any other revenues or assets of the Authority not specifically pledged under the Resolution. The Authority has no taxing power.

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(1) Delta Air Lines and Northwest Airlines have entered into a merger to become the world's largest airline. As these airlines and/or the merged airline continue to evolve toward full consolidation to become one carrier with one operating certificate, one name and one consolidated operation; herein, reference will be made to these airlines and the airline collectively and individually.

2010 PROJECT

The 2010 Project consists of two major components being (i) the Consolidated Parking Facility and (ii) Terminal Improvements, which are more fully described below:

The Consolidated Parking Facility component shall consist generally of the construction of a new seven (7) level parking garage, containing approximately 5,700 spaces and support facilities including a parking office within the new garage and two toll plazas; rental car (RAC) facilities inside the new garage and a quick turnaround (QTA) surface lot; and renovations and rehabilitation of the existing garage. Levels 1 and 2 of the new garage will be for the RAC facilities including approximately 1,200 ready/return spaces, and levels 3 through 7 will provide approximately 4,500 spaces for economy public parking. The Authority estimates that that the Consolidated Parking Facility will be placed in service on or about March 1, 2012. As a part of the Consolidated Parking Facility, certain public access improvements will be constructed including a moving walkway from the new garage through the center of the existing garage at basement level to the terminal; reconfiguration of ramps and equipment in the existing garage to make room for the moving walkway; and improvements to the existing pedestrian tunnels from the existing garage into the terminal.

Terminal Improvements include the expansion and reconfiguration of the existing Terminal B Checkpoint to accommodate enhanced security scanning equipment to be provided by Transportation Security Administration as well as various other improvements to extend the useful life of the terminal complex. The Terminal B Checkpoint element will provide the additional space needed for the new equipment as well as the expansion of the A-B Connector, relocation of existing retail and food service vendors, reconfiguration of existing Authority office space, and new passenger access to the baggage claim level.

The Consolidated Parking Facility, together with the Terminal Improvements, are collectively referred to as the "2010 Project".

FUTURE DEVELOPMENTS

The Authority has developed a $424 million capital improvement program for the Memphis International Airport that it plans to, subject to various considerations, to construct or implement through 2017. The capital improvement program includes the 2010 Project. The actual timing of the construction projects in the capital improvement program will depend on the achievement of forecast demand or other justification of need, the receipt of the required environmental or other regulatory approvals, the availability of grants or other funding sources, and to the extent required under the Airline Agreement or any successor agreements, consultation or agreement with the airlines regarding scope, cost, funding and recovery of costs through airline rents, fees and charges. Generally, future projects include apron, runway and taxiway reconstruction and construction of a glycol environmental control facility. "See Appendix A – REPORT OF THE AIRPORT CONSULTANT-FINANCIAL ANALYSIS– Capital Improvement Program."

PLAN OF FINANCE

The 2010 Project includes a new consolidated parking facility for the Airport and Terminal Improvements. The Consolidated Parking Facility will provide both public parking and a consolidated rental car facility. This will eliminate the need for the busing of rental car customers, provide the Authority with the construction cost savings from a combined project, improve efficiency of operations, and provide enhanced customer service to various users of the Airport.

The Authority estimates that the Consolidated Parking Facility will cost approximately $121 million. Such funding sources include federal AIP grants (for eligible project costs only), state grants, existing bond proceeds, other capital funds, and customer facility charges already collected and projected to be collected during the construction period. The remaining amount of approximately $3.2 million of funding required for the project will be provided from the proceeds of the Bonds.

The Terminal Improvements in the terminal building are estimated to cost $21 million and will be funded entirely from the proceeds of the Bonds.

PROJECT COSTS AND SOURCES OF FUNDING

	Project Costs	AIP Grants	State Grants	CFC PAYGO	Capital Funds	Bonds	Total
Consolidated Parking Facility	121,277,000	7,531,000	50,000,000	22,854,000	37,631,000	3,261,000	121,277,000
Terminal Improvements	21,000,000					21,000,000	21,000,000
	142,277,000	7,531,000	50,000,000	22,854,000	37,631,000	24,261,000	142,277,000

FUTURE ANTICIPATED FINANCING

The Authority plans to issue bonds in January 2010 for the financing of the 2010 Project. The Authority also plans to issue Airport Refunding Revenue Bonds, Series 2010B in January 2010 for debt service savings. Other than the issuance of Airport Revenue Bonds for the 2010 Project, the Authority does not currently plan to issue additional Airport Revenue Bonds to finance the remaining costs of its capital improvement program or other capital projects during the period through FY 2017 (the year ending June 30, 2017). The Authority's current capital improvement program through FY 2017 is estimated to cost $280.7 million, excluding the costs of the 2010 Project. See "2010 Project" herein. The Authority believes that it can fund these capital costs with Federal Aviation Administration (FAA) Airport Improvement Program grants, state grants, and moneys accumulated in its capital funds. If these funding sources are insufficient, or other projects are identified, then the Authority may defer projects or consider the issuance of additional Airport Revenue Bonds during the period through FY 2017.

REPORT OF THE AIRPORT CONSULTANT

The Authority has retained Jacobs Consultancy Inc., as recognized experts in their field, to prepare a report of traffic and earnings in connection with the issuance of the Bonds and to provide consulting services in connection with the development and business operation of Memphis International. The report of Jacobs Consultancy ("Airport Consultant") dated December 30, 2009 (the "Report of the Airport Consultant") is included herein as APPENDIX A. This Report should be read in its entirety for an explanation of the assumptions and forecasts therein. References made to the Report herein are made to the entire Report. Any description or summary of the Report herein is qualified in its entirety by reference to the Report.

The Report of the Airport Consultant presents certain airline traffic and financial forecasts for the Fiscal Year 2010 through Fiscal Year 2015 and sets forth the assumptions upon which the forecasts are based. The forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by Authority management. The forecasts reflect Authority management's expected course of action during the forecast period and, in Authority management's judgment, present fairly the expected financial results of the Authority. In the opinion of Jacobs Consultancy, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

The following table, excerpted from the Report of the Airport Consultant, shows the forecast of Net Revenues and the calculation of debt service coverage on the Bonds (including the Bonds) based on such Net Revenues for Fiscal Year 2010 through Fiscal Year 2015. Such forecast reflects the impact on revenues and expenses associated with the 2010 Project as well as other projects in the Authority's Capital Improvement Program expected to be undertaken during the forecast period. The forecast does not reflect the impact on Authority finances of capital projects other than those that are included in the current Capital Improvement Program (as described in the Report of the Airport Consultant). Any additional future capital projects may be financed by future issues of Bonds subject to compliance with the test for Additional Bonds in the Bond Resolution. The forecast also does not reflect the effect on Authority finances of any refunding Bonds issued by or expected to be issued by the Authority after November 1, 2009.

Fiscal Year	Net Revenues [A]	Debt Service Requirement [B]	Debt service coverage ratio [A/B]
2010	$ 66,876	$ 53,501	1.25
2011	64,629	51,703	1.25
2012	64,006	51,205	1.25
2013	61,732	49,385	1.25
2014	55,779	44,623	1.25
2015	55,974	44,779	1.25

SOURCES AND USES OF FUNDS

The following table sets forth sources of funds and uses of proceeds of the Bonds and certain other moneys:

SOURCES	
Principal Amount	$30,290,000.00
Net Original Issue Premium	107,946.60
TOTAL	$30,397,946.60
USES	
Construction Fund Deposit	$24,040,497.96
Capitalized Interest Fund Deposit	2,560,652.18
Deposit to Debt Service Reserve Account	2,838,020.86
Costs of Issuance [(1)]	591,545.16
Bond Insurance Premium	367,230.44
TOTAL	$ 30,397,946.60

(1) Includes underwriters' discount, fees and expenses of attorneys, financial advisors, printing and other costs associated with the issuance of the Bonds.

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DEBT SERVICE

Fiscal Years Ending June 30 (1)	Total Outstanding Airport Revenue Bonds (2)	Series 2010A Bonds Principal	Series 2010A Bonds Interest	Series 2010A Bonds Total	Series 2010B Bonds(5) Principal	Series 2010B Bonds(5) Interest	Series 2010B Bonds(5) Total	City of Memphis General Obligation Bonds (3)	Total Debt Service (4)
2010	$52,681,845		$618,421	$618,421	$240,000	$3,201,532	$3,441,532	$2,074,268	$58,816,066
2011	42,016,676		1,514,500	1,514,500	885,000	8,658,600	9,543,600	2,072,243	55,147,019
2012	38,298,889		1,514,500	1,514,500	5,265,000	8,632,050	13,897,050	2,072,428	55,782,867
2013	33,684,714		1,514,500	1,514,500	3,250,000	8,421,450	11,671,450		46,870,664
2014	32,681,172		1,514,500	1,514,500	1,795,000	8,291,450	10,086,450		44,282,122
2015	33,105,436		1,514,500	1,514,500	2,090,000	8,219,650	10,309,650		44,929,586
2016	32,125,823		1,514,500	1,514,500	5,730,000	8,136,050	13,866,050		47,506,373
2017	17,051,279		1,514,500	1,514,500	13,110,000	7,849,550	20,959,550		39,525,329
2018	21,910,579		1,514,500	1,514,500	13,765,000	7,194,050	20,959,050		44,384,129
2019	21,908,367		1,514,500	1,514,500	14,505,000	6,454,181	20,959,181		44,382,048
2020	21,903,054		1,514,500	1,514,500	15,305,000	5,656,406	20,961,406		44,378,961
2021	21,906,861		1,514,500	1,514,500	16,165,000	4,795,500	20,960,500		44,381,861
2022	21,646,704		1,514,500	1,514,500	17,090,000	3,866,013	20,956,013		44,117,217
2023	21,648,342		1,514,500	1,514,500	18,075,000	2,883,338	20,958,338		44,121,179
2024	21,646,092		1,514,500	1,514,500	19,115,000	1,844,025	20,959,025		44,119,617
2025	21,652,175		1,514,500	1,514,500	12,955,000	744,913	13,699,913		36,866,588
2026	9,823,931		1,514,500	1,514,500					11,338,431
2027		1,710,000	1,514,500	3,224,500					3,224,500
2028		1,795,000	1,429,000	3,224,000					3,224,000
2029		1,885,000	1,339,250	3,224,250					3,224,250
2030		1,980,000	1,245,000	3,225,000					3,225,000
2031		2,075,000	1,146,000	3,221,000					3,221,000
2032		2,185,000	1,042,250	3,227,250					3,227,250
2033		2,290,000	933,000	3,223,000					3,223,000
2034		2,410,000	818,500	3,228,500					3,228,500
2035		2,530,000	698,000	3,228,000					3,228,000
2036		2,655,000	571,500	3,226,500					3,226,500
2037		2,785,000	438,750	3,223,750					3,223,750
2038		2,920,000	299,500	3,219,500					3,219,500
2039		3,070,000	153,500	3,223,500					3,223,500
	$465,691,939	$30,290,000	$36,479,171	$66,769,171	$159,340,000	$94,848,757	$254,188,757	$6,218,939	$792,868,805

(1) The payments due on July 1 of a given year are reflected in the preceding Fiscal Year, which ends June 30.

(2) Does not include debt service to be refunded with the Series 2010B Bonds.

(3) In 1970, the Authority entered into an agreement with the City with respect to the issuance of the City's General Obligation Bonds for Airport purposes. The Authority agreed to pay to the City the amounts required to meet the City's debt service on such bonds. This obligation is junior and subordinate to the obligation to pay Airport Revenue Bonds. Under the current schedule, the outstanding general obligation bonds are anticipated to be paid by 2012.

(4) Totals may not foot due to rounding

(5) Scheduled to close February 18, 2010

SECURITY FOR AIRPORT REVENUE BONDS

Pledge of Revenues

The Bonds are payable from, and are secured solely by a pledge of and lien upon, the Revenues of the Authority subject to the prior payment of Costs of Operation and Maintenance of the Airport and on a parity with the Authority's Outstanding Bonds and bonds hereafter issued on a parity therewith. **"Revenues" are defined in the Resolution to include the total of all income and revenues from all sources, collected or accrued, under generally accepted accounting principles, by the Authority, including all rates, charges, rentals, fees, and any other compensation regardless of form, and investment income, except as otherwise provided in the Resolution. "Revenues" generally exclude, among other things, rental income earned by the Authority pursuant to its Special Facilities Leases (See "SUMMARY OF CERTAIN PROVISIONS OF THE BASIC RESOLUTION" in Appendix E hereto). Customer Facility Charges are not considered revenue under the Resolution. See "AIRPORT REVENUES" herein. The Bonds are not an indebtedness of the State of Tennessee, the City, the County, or any other municipality or political subdivision of the State of Tennessee, or a general obligation of the Authority or a charge upon any other revenues or assets of the Authority not specifically pledged under the Resolution. The Authority has no taxing power.**

Flow of Funds

Revenue Fund

The Revenue Fund created and established by the General Revenue Bond Resolution into which all Revenues are deposited, to be held and administered by the Authority is continued so long as any Airport Revenue Bonds are Outstanding. Moneys in the Revenue Fund shall be used and applied in the following order of priority:

First, there shall be applied each month the amount which the Authority determines to be required to pay Costs of Operation and Maintenance;

Second, there shall be deposited each month into the Airport Improvement Bond Fund and the accounts therein the amounts required by the Resolution to be used for the purposes specified therein;

Third, so long as the Authority shall be required to make payments to the City or the County or other municipality for the payment by such city, county or other municipality of principal, interest and premiums on bonds, notes or other evidences of indebtedness issued by it for the Airport, there shall be set aside in the separate account of the Authority continued under the Basic Resolution that amount which, together with other moneys credited to such account, if the same amount were set aside in such account in each month thereafter prior to the next date on which the Authority is required to make payments to the City or the County or other municipality, as the case may be, for the payment by the City, County or other municipality of principal of and interest and premium on the bonds, notes or other evidences of indebtedness issued by it for the Airport, the aggregate of the amounts so set aside in such separate account will on such next date be equal to the payment required to be made on such date by the Authority to the City or the County or such other municipality, as the case may be; and

Fourth, any moneys remaining may be used by the Authority for any lawful purpose of the Authority.

Moneys in the Revenue Fund shall be invested and reinvested by the Authority. All earnings on and income from investments of moneys in the Revenue Fund shall be deposited in the Revenue Fund.

Airport Improvement Bond Fund

The Airport Improvement Bond Fund is created as a special fund to provide for the punctual payment of the principal, interest, and premium, if any; on any Airport Revenue Bonds when due.

Interest Account. A separate account in the Airport Improvement Bond Fund is established for each series of bonds to provide for the payment of any installment of interest due on such series of bonds, unless otherwise provided for by the Construction Interest Account. In each month, commencing with the last business day of the month which follows the month for which interest on such series of bonds, if any, is provided from moneys credited to the Construction Interest Account for such series of bonds, or, if no interest on such series of bonds is provided from moneys credited to a Construction Interest Account, commencing with the last business day of the month which follows the month in which the series of bonds is delivered and paid for, there shall be deposited in each Interest Account (a) with respect to each series of bonds other than Variable Rate Bonds which have interest payment dates occurring at intervals of one month or less, commencing with the last business day of the month which follows the month in which such series of bonds is delivered and paid for, and continuing on the last business day of each month thereafter so long as any of the Airport Revenue Bonds of each such series are Outstanding, an amount such that, if the same amount were so credited to each such Interest Account on the last business day of each succeeding month thereafter, the aggregate of such amounts on credit to each such Interest Account on the last business day of the month preceding an interest payment date would be equal to the amount required to pay, or to reimburse a draw on the Support Facility made to provide funds for the payment, of the installment of interest falling due on each series of bonds on the Interest Payment Date therefor, and (b) with respect to Variable Rate Bonds which have interest payment dates occurring at intervals of one month or less, on the last business day prior to each interest payment date to and including the last business day prior to a date on which the interest rate may be fixed, if any, the amount required to be credited to the Interest Account established for such Variable Rate Bonds together with other funds available therefor in the Interest Account, to pay; or to reimburse a draw on the Support Facility made to provide funds for the payment of the interest payable on the Outstanding Variable Rate Bonds on each interest payment date.

Serial Principal Account. A separate account in the Airport Improvement Bond Fund is established for the purpose of paying the principal of or to reimburse a financial institution for a draw on the Support Facility made to provide funds for the payment of such Airport Revenue Bonds issued and maturing serially. Commencing with the last business day of the month which is twelve (12) months prior to the first principal payment date of any Airport Revenue Bonds maturing serially and in each month thereafter so long as any Airport Revenue Bonds so maturing are Outstanding, the Authority shall credit to the Serial Principal Account an amount such that, if the same amount were so credited to the Serial Principal Account on the last business day of each succeeding month thereafter, the aggregate of such amounts on credit to the Serial Principal Account on each such principal payment date would be equal to the principal amount of all such Airport Revenue Bonds becoming due on such principal payment date.

Sinking Fund Account. A separate account in the Airport Improvement Bond Fund is established to provide for the retirement of any Airport Revenue Bonds issued as term bonds. Commencing with the last business day of the month which is twelve (12) months prior to the first mandatory retirement of any term bonds and on the last business day of each month thereafter, so long as any term bonds are Outstanding, the Authority shall transfer to the Sinking Fund Account an amount such that, if the same amount were so credited to the Sinking Fund Account on the last business day of each succeeding month thereafter, the aggregate of the amounts on credit to the Sinking Fund Account on the last business day of the month next preceding a mandatory retirement date would be sufficient to retire such term bonds in the principal amounts and at the times specified in the Supplemental Resolution providing for the issuance thereof.

Unless and except as otherwise provided in a Supplemental Resolution, the Authority may apply moneys credited to the Sinking Fund Account to the purchase of Airport Revenue Bonds of a particular Series issued in term form, in which case the principal amount required to be redeemed on the next ensuing installment date shall be reduced by the principal amount of the Airport Revenue Bonds so purchased; provided that no Airport Revenue Bonds shall be purchased during the interval between the date on which notice of redemption is given and the date of redemption set forth in such notice unless the Airport Revenue Bonds purchased are called for redemption in the notice or are purchased from moneys other than those credited to this Account. No purchase of Airport Revenue Bonds shall be made if the purchase would require the sale at a loss of securities credited to the Sinking Fund Account unless the difference between the actual purchase price paid and the then maximum purchase price permitted to be paid is greater than the loss upon sale of such securities. The purchase price shall not exceed the then applicable redemption price of such Airport Revenue Bonds plus accrued interest.

Debt Service Reserve Account. A separate account in the Airport Improvement Bond Fund may be established for each series of bonds to provide moneys which constitute a reserve for the payment of the principal, interest and premium, if any, on such series of bonds. The Debt Service Reserve Account Requirement for each series of bonds shall be that amount provided for in the Supplemental Resolution providing for the issuance of such series of bonds. No Airport Revenue Bonds other than Airport Revenue Bonds of the series for which such account has been created shall have any right to be paid from such account. In the event Revenues are insufficient to make all the deposits required to be made to the Airport Improvement Bond Fund, such Revenues shall be deposited therein without regard to the existence of the Debt Service Reserve Accounts for the respective series of bonds.

Moneys on credit to a Debt Service Reserve Account shall be used and applied whenever there are insufficient moneys with respect to the series of bonds for which the Account was created on credit to the Interest Account, Serial Principal Account and Sinking Fund Account. Investment of moneys credited to the Debt Service Reserve Accounts shall be in Investment Securities maturing within the earlier of eight years or the final maturity date of the series of bonds then outstanding for which the Account was created.

Pursuant to the 2009 Resolution, the Authority has created Debt Service Reserve Account, (the " Debt Service Reserve Account") for the Bonds in an amount equal to the lesser of (i) an amount equal to the maximum principal and interest payments for any future fiscal year for the Bonds of the respective series then outstanding, (ii) an amount at least equal to but not in excess of 10% of the proceeds of the Bonds of the respective series, or (iii) 125% of the average annual principal and interest payments of the Bonds of the respective series (the "Debt Service Reserve Requirement"). The Debt Service Reserve Requirement may be satisfied with the purchase of a surety bond.

Rate Covenant

The Authority covenants in the Basic Resolution that it will impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of the facilities and commodities furnished by its Airport and will revise the same from time to time whenever necessary; and will collect the income, receipts and other moneys derived therefrom, so as to produce Revenues which will be sufficient (1) to pay all Costs of Operation and Maintenance (as defined in the Basic Resolution); (2) to pay the principal of and interest and premium, if any, on any Airport Revenue Bonds issued under the Basic Resolution when due; (3) to pay the City and the County or any other municipality all amounts required to be paid to them by reason of the payment by them of the principal of and interest and premium on bonds, notes or other evidences of indebtedness (including the General Obligation Bonds) issued by them to finance all or any portion of the Airport; (4) to pay all other claims, charges or obligations payable from Revenues; and (5) to carry out all provisions and covenants of the Basic Resolution. Without limiting the provisions of the next preceding sentence, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Revenues in an amount at least equal to one hundred twenty-five percent (125%) of the Debt Service Requirement on all Airport Revenue Bonds.

In the event there are Outstanding any Variable Rate Bonds, in determining the rates, rentals, fees and charges, the payment of the principal of and interest on the Variable Rate Bonds shall be calculated at the maximum rate borne by the Variable Rate Bonds for the twelve month period then ended at the time of calculation.

Use of Other Airport Funds

The Authority may take into account and use other Airport funds that do not constitute Revenues under the Basic Resolution, including CFCs and other moneys, in determining compliance with the requirements set forth under "Rate Covenant" and "Additional Bonds" and may, but is not obligated to, apply such amounts to pay debt service on the Bonds. The Authority has taken certain amounts derived from CFC's into account in determining compliance with the requirements set forth under "Additional Bonds" with respect to the Bonds.

MUNICIPAL BOND INSURANCE

There follows certain information concerning AGM and the terms of the Policy to be issued by AGM. Information with respect to AGM and the Policy has been supplied by AGM. No representation is made by the Authority or the Underwriters as to the accuracy or adequacy of such information. The Policy does not constitute a part of the contract between the Authority and the holders of the Bonds. Except for the payment of the premium on the Policy, the Authority has no responsibility with respect to such insurance in any way, including maintenance, enforcement or collection thereof. See "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("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, structured finance and mortgage markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia S.A. ("Dexia"). In connection with such acquisition, Holdings' financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on July 8, 2009.

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

AGM's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's") and "AA" (Negative Outlook) by Fitch, Inc. ("Fitch"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

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

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Financial Security Assurance Inc. ("Financial Security"), now known as AGM, to "AA" (Negative Outlook) from "AA+" (Ratings Watch Negative). 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 July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Financial Security, now known as AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by Holdings with the SEC on March 19, 2009, Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by Holdings with the SEC on May 20, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which was filed by AGL with the SEC on November 16, 2009. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

Capitalization of AGM

At September 30, 2009, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,365,609,560 and its total net unearned premium reserve was approximately $2,380,470,385 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

(i) Annual Report of Holdings on Form 10-K for the fiscal year ended December 31, 2008 (which was filed by Holdings with the SEC on March 19, 2009);

(ii) Quarterly Report of Holdings on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by Holdings with the SEC on May 20, 2009);

(iii) the Current Reports on Form 8-K filed by Holdings with the SEC on May 21, 2009, June 10, 2009, and July 8, 2009;

(iv) Quarterly Report of AGL on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009);

(v) the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009; and

(vi) Quarterly Report of AGL on Form 10-Q for the quarterly period ended September 30, 2009 (which was filed by AGL with the SEC on November 16, 2009).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at Holdings' website at http://www.fsa.com, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

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

Additional Bonds

One or more series of Airport Revenue Bonds may be issued by the Authority from time to time in order to accomplish any purpose of the Authority, the costs of which are to be financed by the issuance of Additional Bonds, but only upon compliance with the following conditions, among others:

(1) Revenues, certified by the Treasurer of the Board for the twelve consecutive months immediately preceding the month in which the Additional Bonds are delivered and paid for, shall have at least equaled the amounts required: (i) to pay the principal, interest and premium, if any on the Airport Revenue Bonds when due; (ii) to reimburse the City and the County or other municipality for principal, interest and premium, if any on the bonds, issued by them for the Airport; (iii) to pay all Costs of Operation and Maintenance; and (iv) to pay all claims, charges or obligations payable from Revenues for such twelve-month period. Revenues derived in any interval prior to such twelve-month period which are in excess of all charges paid or accrued, or required to be paid or accrued, during such interval and which excess Revenues are carried forward in the Revenue Fund into such twelve-month period and are available for use and application during such twelve-month period as are all other Revenues derived during such period may be deemed to be and treated as Revenues derived during such twelve-month period. Amounts received during such twelve-month period arising out of and attributable to the payment of interest and principal on temporary or short-term borrowings incurred to pay Costs of Operation and Maintenance shall not be considered to be Revenues.

(2) Revenues estimated by an Airport Consultant to be derived in each Fiscal Year from the date the proposed Additional Bonds are delivered and paid for to the estimated date that a substantial portion of the project(s) is placed in continuous service or commercial operation, are sufficient (i) to pay during each such Fiscal Year the principal, interest and premium, if any on the Airport Revenue Bonds when due; (ii) to reimburse the City and the County or other municipality for principal, interest and premium, if any, on the bonds issued by them for the Airport; (iii) to pay all Costs of Operation and Maintenance; and (iv) to pay all claims, charges or obligations payable from the Revenues. See "SECURITY FOR THE AIRPORT REVENUE BONDS – Rate Covenant" herein.

(3) An Airport Consultant estimates that the Net Revenues to be derived in each of the two Fiscal Years following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation shall be equal to not less than 125% of the Debt Service Requirement for such Fiscal Year on all Airport Revenue Bonds outstanding including such Additional Bonds.

(4) An Airport Consultant estimates that the Net Revenues to be derived in the third Fiscal Year following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation is equal to not less than 125% of the greater of (i) the Debt Service Requirement for such Fiscal Year on all Airport Revenue Bonds outstanding including Additional Bonds, and (ii) the maximum Debt Service Requirement for any Fiscal Year thereafter on all Airport Revenue Bonds outstanding, including such Additional Bonds.

The foregoing provisions will be amended upon obtaining the consent of the requisite holders of Airport Revenue Bonds and/or Support Providers as set forth under "AMENDMENT OF BASIC RESOLUTION" herein.

Refunding Bonds

The Authority, without complying with the provisions of the Basic Resolution for the issuance of Additional Bonds, may at any time and from time to time issue one or more series of Additional Bonds for the purpose of refunding at any time any Airport Revenue Bond.

AGM Deemed Holders of Bonds

AGM shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to the Resolution.

DESCRIPTION OF THE BONDS

General

The Bonds are issued pursuant to the Resolution. The Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest at the rates specified herein, payable semiannually on July 1 and January 1 in each year beginning July 1, 2010. Interest on the Bonds will be calculated on the basis of a 30-day month and a 360-day year.

Optional Redemption

The Bonds maturing on or after July 1, 2021 shall be subject to optional redemption prior to maturity by the Authority on or after July 1, 2020 at a price of par plus accrued interest to the date fixed for redemption, without premium or penalty, in whole or in part at any time in such order as determined by the Authority.

Mandatory Redemption

The Bonds maturing July 1, 2030 shall be redeemed by sinking fund installments which shall be accumulated in the Sinking Fund Account in the Airport Improvement Bond Fund in amounts sufficient to redeem on July 1 of each year the principal amount of such Bonds specified for the year set forth below:

Year	Principal Amount
2027	$1,710,000
2028	1,795,000
2029	1,885,000
2030*	1,980,000
*Maturity	

The Bonds maturing July 1, 2035 shall be redeemed by sinking fund installments which shall be accumulated in the Sinking Fund Account in the Airport Improvement Bond Fund in amounts sufficient to redeem on July of each year the principal amount of such Bonds specified for the year set forth below:

Year	Principal Amount
2031	$2,075,000
2032	2,185,000
2033	2,290,000
2034	2,410,000
2035*	2,530,000
*Maturity	

The Bonds maturing July 1, 2039 shall be redeemed by sinking fund installments which shall be accumulated in the Sinking Fund Account in the Airport Improvement Bond Fund in amounts sufficient to redeem on July 1 of each year the principal amount of such Bonds specified for the year set forth below:

Year	Principal Amount
2036	$2,655,000
2037	2,785,000
2038	2,920,000
2039*	3,070,000
*Maturity	

At the option of the Authority, whenever the Bonds are purchased, or redeemed (other than pursuant to the scheduled Sinking Fund Requirements), the principal amount of Bonds so retired will satisfy and be credited against the Sinking Fund Requirements (and the corresponding redemption requirements) for the Bonds of the same series in such manner as the Authority determines.

Notice of Redemption

Notice of any redemption of the Bonds shall specify the Bonds to be redeemed, the redemption date and the place where the amount due will be payable. Such notice shall also state that upon the date fixed for redemption the principal amount thereof plus the premium, if any, due on the redemption date together with the accrued interest thereon shall become due and payable. The Authority shall cause the Registrar for the Bonds to mail a copy of such notice at least 30 days before the redemption date to the registered owners of the Bonds at their addresses appearing on the registration books as of the 45th day preceding the date fixed for redemption. As long as a book-entry system is used to determine ownership of the Bonds, the Authority shall send notice of redemption to DTC. Any failure of DTC to mail such notice to any DTC participant will not affect the sufficiency or the validity of the redemption of the Bonds.

If at the time of the giving of any notice of redemption there shall not be on deposit with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, the notice of redemption shall state that the redemption of such Bonds is conditional and subject to deposit of moneys with the Paying Agent sufficient to redeem all such Bonds not later than the opening of business on the redemption date, and that such notice shall be of no effect with respect to any of such Bonds for which moneys are not on deposit. If the amount on deposit with the Paying Agent, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Bonds called for redemption on such date, the Paying Agent shall redeem and pay on such date an amount of such Bonds for which such moneys or other available funds are sufficient, selecting the maturities of Bonds to be redeemed and Bonds within a maturity to be redeemed by lot.

Book-Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

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

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

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

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

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

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

The Authority will have no responsibility or obligation to Direct Participants, to Indirect Participants or to Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC, any Direct Participants or Indirect Participants, or (ii) the payment by DTC, any Direct Participants or any Indirect Participants of any account in respect of principal or redemption price of or interest on the Bonds, or (iii) any notice which is permitted or required to be given to owners (except such notice as is required to be given by the Authority to DTC), or (iv) the selection by DTC of any Participant to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as owner of the Bonds, or (vi) any other event or purpose.

MEMPHIS INTERNATIONAL AIRPORT SERVICE AREA
DEMOGRAPHIC AND ECONOMIC BASIS FOR AIRLINE TRAFFIC

The Authority has positioned itself to be a leader in the emergence of the City of Memphis ("City") as "America's Aerotropolis" where runway, road, rail and river transportation merge. An Aerotropolis is a city which has centered its economy around and is greatly dependent upon its airport. The Airport has been considered as the United States' best example of an Aerotropolis and officials of the Authority and City have designated Memphis as "America's Aerotropolis".

The City has a central location, highly developed infrastructure, growing economy and depth of logistics and transportation services. Its logistics and transportation services allow customer orders to be placed late in the day for next morning delivery. The three main benefits offered to companies to locate to an Aerotropolis are speed, agility and connectivity. The City has all three and has planned multi-year projects to upgrade its corridors by improving the areas surrounding the Airport as well as make the Memphis International Airport more aesthetically pleasing as the City's gateway. In addition, the Memphis International Airport is the world's busiest cargo airport and the single largest economic engine in the Mid-South.

Memphis International Airport Service Region

The Memphis International Airport, located in Shelby County about 13 miles by road southeast of downtown Memphis, is the principal air carrier airport serving west Tennessee, north Mississippi, southeast Missouri and east Arkansas.

The "primary" Airport service region is a 300-square-mile area defined as the Memphis Metropolitan Statistical Area (MSA), comprising Fayette, Shelby, and Tipton counties in Tennessee; Desoto, Marshall, Tate, and Tunica counties in Mississippi; and Crittenden County in Arkansas. The MSA population was estimated to be approximately 1.3 Million in 2008. The MSA accounts for approximately 80% of the passengers originating their airline journeys at the Airport.

The Memphis area continues to show the effects of the slow recovering economy this year with higher unemployment rates than has been seen in several years. The MSA unemployment rate for July 2009 is 10.3%, which is below the State of Tennessee rate of 10.6% but above the national average of 9.6%.

Memphis International Airport and the Port of Memphis, as well as the seven federal highways, 15 state highways and two U. S. interstate systems, with a third one under construction, that cross the City, along with its central location in the United States, all contribute to Memphis' position as America's Aerotropolis. Accordingly, transportation plays a major role in the economy of the MSA. More metropolitan markets can be served overnight (within 600 miles) from Memphis than any other city in the central United States. Memphis offers multiple inter-modal transportation options such as air to truck or truck to air, water to truck or rail, or rail to truck. Memphis is the second largest port on the Mississippi River and the fourth largest inland river port in the United States.

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TOP EMPLOYERS IN THE MEMPHIS MSA
(2008; RANKED BY NUMBER OF EMPLOYEES)

Company Name	Local Employees	Type of Business
Federal Express Corporation	32,000	Transportation
Memphis City Schools	15,240	Primary and secondary education
United States Government	14,500	Federal government
Methodist Healthcare	8,937	Integrated health care delivery system
City of Memphis	6,909	City Government
Baptist Memorial Health Care Corp	6,791	General medical hospitals and health
Shelby County Government	6,513	County Government
Naval Support Activity Mid-South	6,372	Military installation
Wal-Mart Stores, Inc.	6,000	Discount general merchandise
Harrah's Entertainment	5,780	Casino entertainment, management
Shelby County Schools	5,200	Primary and secondary education
Tennessee State Government	5,000	State Government
University of Tennessee, Memphis	3,822	Health science university
Desoto County School District	3,600	Primary and secondary education
Regions Financial Corporation	3,524	Financial services
The Kroger Co.	3,500	Retail groceries
St. Jude Children's Research Hospital	3,207	Medical research hospital
First Horizon National Corp.	3,027	Financial services
Technicolor Video Services, Inc.	2,800	Retail provider of video tapes, DVDs
Memphis Light, Gas & Water	2,700	Utility services
The University of Memphis	2,605	Post-secondary, graduate, and legal
The ServiceMaster Co.	2,585	Landscaping, disaster restoration
Walgreen Co.	2,500	Retail drugs and sundries
International Paper Co.	2,300	Paper, packaging and forest products
Regional Medical Center at Memphis	2,248	General medical center

Source: Memphis BizJournal.

THE AIRPORT

The Authority

A seven-member Board of Commissioners (the "Board") governs the Authority with all members appointed by the Mayor of the City, of which two are nominated by the Mayor of the County. The City Council confirms these appointments for seven-year staggered terms. A member of the Board may be removed from office by a two-thirds vote of the City Council, but only after notice of cause for the removal has been served and the member has been granted an opportunity for a public hearing on the matter.

Management

Larry D. Cox has been employed by Memphis-Shelby County Airport Authority since 1973. He became the Authority's 3rd President and CEO in 1985, a position he has held for almost 25 years. Mr. Cox became the Authority's 1st Accredited Airport Executive in 1975. He has served on the Board of Directors of Airports Council International, Past Chair of the American Association of Airport Executives, Past President of the Southeast Chapter of the American Association of Airport Executives, and Past President of the Tennessee Association of Air Carrier Airports. Larry currently serves on the Boards of the Memphis Area Chamber of Commerce and the Memphis Convention & Visitors Bureau. Among Larry's many acknowledgements for his service to the aviation industry include: the "Chairs" Award from the American Association of Airport Executives, the Bravo Zulu Award from Federal Express Corporation, and the Memphis Business Journal 25 Most Influential People in Memphis. Larry was most recently inducted into the Tennessee Aviation Hall of Fame in 2005. Larry is a General Aviation Pilot and holds a commercial license.

Scott A. Brockman, A.A.E., joined the Memphis-Shelby County Airport Authority in 2003, currently serving as Executive Vice President and Chief Operating Officer. He has over twenty five years of service in the aviation industry at four major airports. Scott became an accredited member of the American Association of Airport Executives (AAAE), in 1994 and currently serves on the AAAE Board of Examiners and as Audit Committee Chairman. He is currently serving as President-Elect of the Southeast Chapter AAAE Board of Directors. He has previously served as Chair of the ACI-NA Economic Affairs Committee, ACI-NA World Economic Committee, Transportation Research Board - Airport Cooperative Research Program (TRB-ACRP) Panels and has served for many years on the AAAE Annual Conference and National Airports Conference planning committees.

Airport Facilities

The Memphis International Airport occupies approximately 4,640 acres of land in the County and includes a terminal complex containing approximately one million square feet and four other buildings containing approximately 100,000 square feet, used by air carriers and all-cargo carriers as transfer facilities for cargo. These buildings are adjacent to the terminal complex and are separate from the FedEx facilities that occupy approximately 518 developed acres. The United Parcel Service facility is located on the east side of the Memphis International Airport and occupies approximately 84 developed acres. Delta/Northwest Airlines leases approximately 80% of the total airline space in the terminal complex.

The terminal complex consists of three connected terminal buildings: West (A), Center (B), and East (C). The terminal buildings are essentially self-contained and each serves its own concourse: A, B, and C, respectively, with passenger holdrooms and airline operations facilities.

Terminal Complex. The first (lower) level of each terminal building of the Memphis International Airport accommodates baggage handling facilities and other support facilities. Passenger ticketing lobbies, airline ticketing and baggage check-in counters, concessions, waiting areas and security screening facilities are located on the second (upper) level. On the third (mezzanine) level are tenant and Authority's offices.

Concourses A, B and C are two-level structures. Passenger holdrooms, circulation corridors, restrooms and concessions occupy the upper level and airline operations occupy the lower (apron) level. Concourse B also contains the International Arrivals Area, including Federal Inspection Service facilities.

The terminal apron is currently configured to provide 88 aircraft parking positions that provide direct access to the terminal via 79 gates. Of the 88 aircraft parking positions, 76 are equipped with passenger loading bridges while the remaining 12 are accessed via 3 ground level gates. Delta/Northwest and its regional affiliates use 70 of the 79 gates on a preferential use basis.

Airfield. The Memphis International Airport has four runways: one east-west runway, Runway 9-27, 8,946 feet in length, and the remaining three are north-south runways: Runways 18L-36R, 9,000 feet in length, 18C-36C, 11,120 feet in length and 18R-36L, 9,320 feet in length. All are 150 feet wide and are equipped with precision instrument landing systems and are suitable for use by large air carrier aircraft. A Surface Movement Guidance System has been installed on the airfield to aid aircraft in navigating the various taxiways under low visibility. Also located at the Airport are fixed base operator facilities serving general aviation, a unit of the Tennessee Air National Guard, a Federal Aviation Administration (FAA) air route traffic control center, and various aviation support facilities.

Reliever Airports. The Authority operates two general aviation reliever airports; the General DeWitt Spain Airport and the Charles W. Baker Airport, each located on approximately 400 acres of land in the County. There are approximately 220 based general aviation aircraft at Baker Airport and DeWitt Spain Airport. Both airports have automated fueling systems, aircraft maintenance services, hangars and tie downs, aircraft rentals and charter services for general aviation. Runway 18-36 at Baker Airport is 3,500 feet in length and Runway 16-34 at DeWitt Spain Airport is 3,800 feet in length. Both runways are 75 feet wide with asphalt surfaces.

Parking and Rental Cars. The Memphis International Airport offers several areas for public automobile parking. The main three-level parking structure next to the terminal building has 2,750 public spaces, including 900 short-term ("premium") parking spaces at the upper and ground level and 1,850 long-term ("general") parking spaces on all three levels of the structure. There is a surface lot connected to the north side of the parking structure providing 975 additional long-term spaces; however, this lot is expected to be closed in early 2010 for construction of a new seven level, approximately 5,700 space parking structure. An outlying lot has approximately 1,900 spaces used for long-term public parking with 200 sectioned off for employee parking. A remote lot containing approximately 3,105 spaces is also being used for employee parking. Shuttle buses transport passengers and employees to and from the outlying parking lots and the remote lot. See "2010 Project" herein.

Alamo/National, Avis, Budget, Hertz, and Dollar/Thrifty lease rental car facilities on Memphis International Airport property north of the airfield and remote from the terminal complex. Enterprise Rental Car facility is located off the property of the Memphis International Airport. Each rental car facility operates its own shuttle bus to the terminal complex.

Delta/Northwest

On October 29, 2008, Delta and Northwest merged to become the world's largest airline based on total revenues and available seat miles. While Delta has acquired 100 percent ownership of Northwest and has announced its plans to fully integrate Northwest into Delta's operations, during the process of such integration, the airlines continue to operate independently. The merged airline is referred to herein as Delta/Northwest (Delta/Northwest). While the effect of this merger cannot be fully known at this time, the Authority currently anticipates that the merger will have no material adverse impact on the operations or financial condition of the Airport. Although the Authority does not expect any financial impact resulting from the combination of Northwest and Delta at the Airport, it makes no assurance that the combination of Northwest and Delta would not significantly impact the operation of the Airport, or the Airport's future activity levels. Delta/Northwest has described to the Authority its plans to shift more of its connecting passengers at Hartsfield-Jackson Atlanta International Airport (Atlanta), the largest hub airport in the Delta/Northwest network, who originate or terminate their trips west of Memphis to connecting flights at Memphis instead. Likewise, it will shift more of its connecting passengers at the Airport, who originate or terminate their trips east of Atlanta to connecting flights at Atlanta. Delta/Northwest is reported to be planning this realignment of routes and connecting passengers in order to improve the economics of the network by better utilizing the geographical strengths of both the Airport and Atlanta. See "AVIATION INDUSTRY CONSIDERATIONS-Northwest Merger with Delta".

The Airport's Role in the Delta/Northwest Network

The Airport is one of seven airports used as hubbing locations by Delta/Northwest within its U.S. route network. The U.S. hub airports include the Delta hubs of Atlanta, Cincinnati, New York-JFK and Salt Lake City, and the former Northwest airport hubs of Detroit, Memphis and Minneapolis/St. Paul. The Airport's role in the Delta/Northwest route network is largely a domestic hub, although it does have daily scheduled service to Amsterdam and other international destinations. The Airport accounts for approximately 6.3% of the hub airports total domestic scheduled seats, 1.4% of their international seats and 5.7% of total scheduled seats.

FedEx

FedEx, an all-cargo air carrier, has its world headquarters in Memphis and operates its Super Hub at the Memphis International Airport. Effective January 1, 2007, FedEx has executed a new lease with the Authority with an initial term of thirty (30) years, ending December 31, 2036 (the "FedEx Lease"). The FedEx Lease also contains terms providing for two extension periods of ten (10) years each. FedEx's aircraft serve various destinations in the United States and around the world. The Memphis International Airport SuperHub is the primary sorting facility for FedEx and serves as the center of its global hub-and-spoke system. FedEx has been located in Memphis since 1973. The SuperHub is a state-of-the-art facility which operates 24 hours a day 365 days per year. The facility includes over 150 miles of conveyor belts which move an average of 1.5 million packages a day during five daily sort operations that involve approximately 1,250 FedEx flights per week at the Airport. FedEx facilities at Memphis International Airport include aircraft hangars, aircraft ramp areas, vehicle parking areas, flight training and fuel facilities, administrative offices and warehouse space. During FY 2009, FedEx enplaned and deplaned approximately 3.9 million U.S. tons of cargo at the Memphis International Airport and accounted for approximately 72.4% of landed weight at the Memphis International Airport. FedEx has made significant investments in facilities at the Memphis International Airport. FedEx continues to dominate the cargo business at the Airport, transporting approximately 99% of all cargo handled at the Airport in FY 2009. FedEx's share of cargo at the Airport has surpassed 95% since 1992.

HISTORICAL ACTIVITY AT THE AIRPORT

Since its creation in 1969, the Authority has moved forward to continue the growth of Memphis International in the Mid-South region of the United States. Since 1991, the Memphis International Airport has been designated the *Number One Airport in the World for Cargo* by Airports Council International. For 18 consecutive years, the Airport has maintained this number one ranking and expects to keep that title well into the 21st Century.

The Memphis International Airport is unique because it operates as a dual hub serving both passengers and cargo. Prior to Northwest's merger with Delta and continuing to date, the Memphis International Airport has served as a connecting hub for Northwest beginning in 1986. FedEx also operates transfer hub operations at the Airport. Currently, FedEx's and all other cargo airlines share is approximately 74% and Delta/Northwest and all other passenger airlines share represents approximately 26% of the total landed weight at the Memphis International Airport. In FY 2009, Northwest and Delta and their regional affiliates accounted for 80.5% and 5.9%, respectively, of the enplaned passenger total. Northwest Airlink, which includes air service provided by Northwest's regional affiliates accounted for 45.0% of enplaned passengers in FY 2009.

Total enplaned passenger traffic at the Airport has produced moderate growth at an annual rate of approximately 0.9% over the period FY 1990 through FY 2009. Over the same period, total passenger traffic in the United States increased at a faster annual rate of 2.9% and with generally less year-to-year variability. The higher year-to-year variability at the Airport can be attributed to its role as a connecting hub airport where its traffic patterns can be largely influenced by the activity of the hubbing airline. From 2008 to 2009, both the Airport and the United States recorded significant decreases of 7.4% and 7.9%, respectively.

The fall-off in traffic from FY 2008 to FY 2009 for the Airport and the United States was the result of a national economic recession, exacerbated by a record setting spike in oil prices and the turmoil in the U.S. housing and credit markets. U.S. airlines responded to the fall-off in passenger demand by reducing capacity (total scheduled seats) and eliminating marginal routes. The airlines, which were struggling under financial pressure caused by the combination of a jump in fuel prices and falling passenger demand, attempted to increase revenue by adding new fees and surcharges and, initially by raising fares. The combination of the national economic conditions and the airlines' response to these events resulted in the largest decrease in passenger traffic since the period following the events of September 11, 2001 and the 2001 economic recession.

In its role as the FedEx Super Hub, Memphis International Airport handled in excess of 3.9 million U.S. tons of cargo in FY2009. All cargo operations represent flights by airlines that are involved solely in the transportation of air cargo, such as FedEx and UPS. In FY 2009, 96.2% of all-cargo operations at the Airport were performed by FedEx and UPS. FedEx continues to dominate the cargo business at the Memphis International Airport, transporting approximately 99% of all cargo handled at the Memphis International Airport last year. Based on information from FedEx, the Authority believes that FedEx has shifted sorting activity from its regional facilities back to Memphis International Airport in order to make better use of the SuperHub capacity during the current recessionary period.

In addition to the capital commitments, the Authority has made substantial commitments in operations and maintenance costs that are required of a 24-hour airport. The majority of the air cargo activity occurs between 11:00 p.m. and 5:00 a.m. In addition, the Authority has made a commitment to keep the Memphis International Airport open during inclement weather.

Cargo airlines, especially FedEx, depend heavily on being able to deliver cargo in tight time frames; therefore, they must be able to fly in all weather conditions. For snow operations, the Authority has purchased state-of-the-art snow removal equipment and expanded the capacity of the de-icing chemical storage facilities. The Authority has been able to meet the demands of the cargo airlines by keeping the Airport operational for all but 2 hours during the past 10 years. Management is committed to meeting the operational requirements of all airlines so as to maintain a proper balance of cargo and passenger use.

Also, military activity at the Airport primarily includes the operations of the 164th Airlift Wing of the Tennessee Air National Guard which has a major air base at the Airport.

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Operating Statistics

The following is a list of airlines serving the Memphis International Airport as of June 30, 2009:

Passenger		
Major and National	**Regional Affiliates**	**All-Cargo**
AirTran Airways	American Eagle [(a)]	Air Transport International
American Airlines	Atlantic Southeast Airlines [(b)]	Baron Air
Delta Air Lines	Comair [(b)]	FedEx Express
Northwest Airlines	Compass Airlines [(b)]	Mountain Air
	Continental Express [(d)]	United Parcel Service
	Mesa Airlines [(c), (e)]	Airnet Systems
	Mesaba Airlines [(b)]	
	Pinnacle Airlines Inc. * [(b)]	
	Skywest Airlines[(b)(e)]	
	Shuttle America [(b)]	
	PSA Airlines[(f)]	
	Republic Airlines[(f)]	

[(a)] Affiliated with American Airlines
[(b)] Affiliated with Delta/Northwest
[(c)] Affiliated with U.S. Airways
[(d)] Affiliated with Continental
[(e)] Affiliated with United Airlines
[(f)] Affiliated with US Airways

*Headquartered in Memphis

Source: Official Airline Guide, Inc.

The following table and the information contained therein are compiled from the records of the Authority:

MEMPHIS INTERNATIONAL AIRPORT AVIATION ACTIVITY
Fiscal Year Ended June 30

	2005	2006	2007	2008	2009
Enplaned Passengers By Airline Type:					
Major/National	3,318,327	3,031,869	2,960,251	2,932,876	2,169,570
Regional/Commuter	2,067,501	2,310,807	2,297,483	2,432,574	2,800,446
Non-scheduled	17,617	6,431	5,782	4,435	1,712
Total	5,403,445	5,349,107	5,263,516	5,369,885	4,971,728
Aircraft Movements	392,711	389,405	379,425	372,350	348,480
Aircraft Landed Weight (in thousand pound units)	25,594,661	25,960,030	26,565,330	26,792,837	25,883,319

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATISTICAL REPORTING FOR AIRLINE MARKET SHARES OF TOTAL ENPLANED PASSENGERS
AS OF JUNE 30

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	
Airline	**Enplaned Passengers**	**Share of Total**	**Enplaned Passengers**	**Share of Total**	**Enplaned Passengers**	**Share of Total**	**Enplaned Passengers**	**Share of Total**	**Enplaned Passengers**	**Share of Total**
Northwest Total	4,334,590	80.2%	4,281,909	80.0%	4,244,061	80.6%	4,293,148	79.9%	4,002,761	80.5%
Northwest Mainline	2,800,141	51.8%	2,545,100	47.6%	2,561,041	48.7%	2,467,336	45.9%	1,767,932	35.6%
Northwest Regional Affiliates[a]	1,534,449	28.4%	1,736,809	32.5%	1,683,020	32.0%	1,825,812	34.0%	2,234,829	45.0%
Delta Total	393,886	7.3%	325,378	6.1%	264,988	5.0%	263,189	4.9%	291,477	5.9%
Delta Mainline	290,782	5.4%	236,424	4.4%	117,219	2.2%	114,941	2.1%	156,574	3.1%
Delta Regional Affiliates [b]	103,104	1.9%	88,954	1.7%	147,769	2.8%	148,248	2.8%	134,903	2.7%
American [c]	161,319	3.0%	196,585	3.7%	193,971	3.6%	196,349	3.7%	165,578	3.3%
US Airways [d]	116,757	2.2%	135,979	2.5%	160,884	3.1%	182,051	3.4%	185,549	3.7%
AirTran	141,971	2.6%	152,708	2.9%	164,148	3.1%	171,915	3.2%	141,882	2.9%
Continental [e]	90,320	1.7%	96,419	1.8%	102,943	2.0%	100,285	1.9%	93,126	1.9%
United Express	107,055	2.0%	126,241	2.4%	106,929	2.0%	90,968	1.7%	89,635	1.8%
Frontier	0	0	0	0.0%	8,355	0.2%	58,598	1.1%	0	0.0%
All Other Airlines	57,547	1.1%	33,888	0.6%	17,237	0.3%	13,382	0.2%	1,720	0.0%
TOTAL[f]	5,403,445	100.0%	5,349,107	100.0%	5,263,516	100.0%	5,369,885	100.0%	4,971,728	100.0%

[a] For FY2009 Northwest Regional Affiliates are comprised of Comair, Compass, Mesaba and Pinnacle Airlines.
[b] For FY2009 Delta Regional Affiliates are comprised of Atlantic Southeast, Chautauqua, Comair, Mesa, Mesaba, Pinnacle, Shuttle America and Skywest Airlines.
[c] For FY2009 includes service by both mainline American and regional affiliates, American Eagle, Chautauqua Airlines.
[d] For FY2009 includes service by both mainline US Airways and regional affiliates, Mesa, PSA and Republic Airlines.
[e] For FY2009 includes service by both mainline Continental and regional affiliate, Continental Express.
[f] Totals may not equal due to rounding.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATISTICAL REPORTING FOR AIRLINE MARKET SHARES OF LANDED WEIGHTS
AS OF JUNE 30

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	
	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total
Federal Express	17,398	68.00%	18,098	69.70%	18,899	71.10%	19,111	71.30%	18,739	72.40%
Northwest total[a]	6,185	24.2	5,890	22.7	5,800	21.8	5,672	21.2	5,169	20
Northwest	4,173	16.3	3,646	14	3,667	13.8	3,472	13	2,521	9.7
Northwest Airlink	2,012	7.9	2,244	8.6	2,132	8	2,200	8.2	2,649	10.2
Delta total[b]	525	2	459	1.8	368	1.4	350	1.3	333	1.3
Delta	387	1.5	344	1.3	169	0.6	157	0.6	222	0.9
Delta Connection	138	0.5	115	0.4	199	0.7	193	0.7	111	0.4
AirTran	182	0.7	183	0.7	210	0.8	216	0.8	181	0.7
US Airways Express[d]	75	0.3	111	0.4	111	0.4	205	0.8	204	0.8
American[c]	104	0.4	142	0.5	193	0.7	202	0.8	202	0.8
UPS	141	0.6	153	0.6	153	0.6	191	0.7	209	0.8
Continental Express	134	0.5	122	0.5	137	0.5	135	0.5	129	0.5
Frontier	-	-	-	-	21	0.1	131	0.5	-	-
United Express	146	0.6	178	0.7	142	0.5	128	0.5	124	0.5
American Eagle	126	0.5	142	0.5	118	0.4	109	0.4	95	0.4
Air Transport Intl.	84	0.3	78	0.3	77	0.3	77	0.3	60	0.2
Compass	-	-	-	-	-	-	67	0.2	310	1.2
DHL	14	0.1	40	0.2	41	0.2	43	0.2	24	0.1
Kalitta Air	40	0.2	55	0.2	102	0.4	36	0.1	23	0.1
Mountain Air Cargo	48	0.2	30	0.1	27	0.1	33	0.1	32	0.1
ABX	82	0.3	35	0.1	27	0.1	26	0.1	29	0.1
Continental[e]	26	0.1	9	0	2	0	1	0	0.4	0
Other	285	1.1	236	0.9	139	0.5	61	0.2	19	0.1
Total[f]	25,595	100.00%	25,960	100.00%	26,565	100.00%	26,793	100.00%	25,883	100.00%

[a] For FY2009 Northwest Regional Affiliates are comprised of Comair, Compass, Mesaba and Pinnacle Airlines.
[b] For FY2009 Delta Regional Affiliates are comprised of Atlantic Southeast, Chautauqua, Comair, Mesa, Mesaba, Pinnacle, Shuttle America and Skywest Airlines.
[c] For FY2009 includes service by both mainline American and regional affiliates, American Eagle, Chautauqua Airlines.
[d] For FY2009 includes service by both mainline US Airways and regional affiliates, Mesa, PSA and Republic Airlines.
[e] For FY2009 includes service by both mainline Continental and regional affiliate, Continental Express.
[f] Totals may not equal due to rounding.

AIRPORT REVENUES

Airport Use and Lease Agreements

The Authority has in effect individual lease agreements with each of the following air carriers serving the Memphis International Airport: AirTran Airways, American Airlines, Continental Express, Delta Air Lines, FedEx, Northwest Airlines, and United Parcel Service (the "Signatory Airlines"). These Airline Agreements were effective as of July 1, 1999. The Signatory Airline rentals and fees are calculated to ensure that the Authority generates sufficient Revenues to operate the Airport on a break-even basis after paying debt service on all outstanding Airport Revenue Bonds and the City's General Obligation Bonds issued for the Airport; paying the Costs of Operation and Maintenance (including making provision for certain required capital outlays); making agreed-upon contributions to the capital reserve account; and providing for 125% coverage under the Rate Covenant.

Under the "residual cost" formula established in the Airline Agreements, revenues from sources other than the Signatory Airline rentals and fees are credited against the Airport's total operating, maintenance, and capital outlay requirements to determine the amount of the Signatory Airline rentals and fees to be paid. The accumulated surplus (or deficit) in the Revenue Fund, after all other requirements have been met, is normally included as a deduction (or addition) in the calculation of the net requirement to be met from the Signatory Airline rentals and fees. The current Airline Agreements have been extended to June 30, 2010. Notwithstanding the expiration of the Airline Agreements, the Rate Covenant contained in the Basic Resolution will continue to be effective. The Airline Agreements provide for the rental of space and the use of certain facilities by the Signatory Airlines, the establishment of cost accounting centers and the periodic adjustment of the rentals, charges and landing fees to be paid by the Signatory Airlines as determined by the costs and expenses associated with the Terminal Complex Area, Terminal Aircraft Apron Area, and Landing Field Area (each as defined in the Airline Agreements), and certain other areas. See "SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS" in Appendix E hereto.

The Authority has covenanted in the Basic Resolution that it will not consent to any amendment to the Airline Agreements or, said agreements having expired or otherwise terminated, enter into new leases, or consent to any amendments to its agreements with its creating or participating municipalities, which would impair or diminish the security and payment of the Airport Revenue Bonds, including the Bonds.

Passenger Facility Charges

Passenger Facility Charges ("PFC's") are fees authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations issued with respect to the PFC Act (the "PFC Regulations"). The PFC Act allows a public agency such as the Authority, which controls a commercial service airport to charge each paying passenger enplaning at the airport (subject to certain limited exceptions) a PFC of up to $4.50.

The Authority charges no PFC's and has no current plans to impose PFC's, but has the right in the future to do so.

Customer Facility Charges

The Authority was authorized to collect, effective August 1, 2001, a Customer Facility Charge (CFC) pursuant to Resolution No. 01-4267 adopted by the Board on July 19, 2001 in the amount of $3.00 per transaction day per vehicle from all customers of rental car companies operating at or serving the Airport. However, due to the events of September 11, 2001, the Authority temporarily rescinded the collection of CFC's effective November 1, 2001 and planned to reinstate the CFC at a later time as economic conditions dictated. The Authority reinstated the collection of CFC's pursuant to Resolution No. 07-4393 on March 19, 2007, effective April 1, 2007, at a rate of $4.00 per transaction day per vehicle. CFC's are an integral part of the Authority's funding plan. CFC's are not a part of Revenues as defined in the Resolution. The Authority intends, but is not obligated to, use CFC's as an offset to fund debt service requirements for the Bonds. See "PLAN OF FINANCE". CFC collections for FY 2008 and FY 2009 were $5,938,000 and $4,758,000, respectively.

Federal Grants-in-Aid

The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon enplaned passengers and landed weight of all-cargo aircraft. Discretionary funds are available at the discretion of the FAA based upon a national priority system.

In 2002, the Authority was granted an AIP letter of intent by the FAA for approximately $75.4 million to fund the reconstruction of Runway 18R-36L and Taxiway M, which was subsequently amended to include the construction of Taxiway Yankee to the south. This will be paid out through discretionary funds. The Authority has received $70.6 million in discretionary funds to date and anticipates collection of the remaining $4.8 million by the middle of FY 2010.

Actual entitlement funds will vary with the actual number of passenger enplanements, with total appropriations for the AIP and with any revision of the existing statutory formula for calculating such funds. No assurance can be given that federal grants-in-aid will actually be received in amounts or at times contemplated by the Authority.

State Grants

The Authority receives grants from the Tennessee Department of Transportation (TDOT). TDOT grants are primarily funded from the tax collected on the sale of aviation fuel. The Authority has entered into a multi year grant agreement with TDOT to fund $50 million of the costs of the Consolidated Parking Facility. As of October 31, 2009 the Authority has received grant funding allocations of $34.0 million from TDOT. The Authority can draw on these allocations at anytime to reimburse itself for eligible costs of expenditures for the Consolidated Parking Facility under the grant. The Authority expects to receive the remaining allocations in two installments effective July 1, 2010 and July 1, 2011. Additionally, the Authority expects to receive $52.1 million of TDOT grants for other projects in its Capital Improvement Program.

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The table below summarizes the Authority's financial results for the years 2005-2009 based on the Authority's audited financial results.

AIRPORT FINANCIAL INFORMATION
SUMMARY OF HISTORICAL REVENUES, COSTS OF OPERATION AND MAINTENANCE, AND DEBT SERVICE COVERAGE (NON-GAAP BASIS [1])
(IN THOUSANDS OF DOLLARS)
FOR THE FISCAL YEARS ENDED JUNE 30

Operating Revenues	**2005**	**2006**	**2007**	**2008**	**2009**
Terminal	$ 29,659	$ 29,287	$ 28,728	$ 29,929	$ 29,123
Airfield	48,769	48,013	46,867	46,875	44,712
Ground Transportation	18,972	21,850	23,317	23,740	20,970
Other Aviation	4,562	4,824	4,986	4,473	5,409
Non-Aviation	6,431	7,041	8,736	6,530	7,738
Total Operating Revenues	108,393	111,015	112,634	111,547	107,952
Operation and Maintenance Expenses					
Terminal Building	12,158	12,538	12,533	14,122	14,059
Airfield	7,149	8,265	10,396	10,421	9,977
Ground Transportation	4,516	4,045	4,492	4,322	4,257
General Administration	11,967	15,551	13,852	14,668	13,697
Police	4,497	4,432	4,373	5,690	5,625
Field Shop	1,436	1,478	1,161	1,819	1,618
Other Aviation	62	76	174	143	204
Non-Aviation	217	410	4,505	724	745
Total Operation and Maintenance Expenses before Depreciation and Amortization	42,002	46,795	51,486	51,909	50,182
Net Operating Income before Depreciation and Amortization (1)	$ 66,391	$ 64,220	$ 61,148	$ 59,638	$ 57,770
Debt Service Coverage on Airport Revenue Bonds (2)	134%	136%	137%	135%	129%

Source: Memphis - Shelby County Airport Authority Audited Financial Statements

(1) Operating results may be reconciled to the Audited Financial Statements by deducting depreciation and amortization expenses
(2) Debt Service Coverage calculated in accordance with Basic Bond Resolution

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating Results

The following is a summary of the Authority's operating revenues and operation and maintenance expenses for the five-year period 2005 through 2009. See "APPENDIX C – FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT."

Audited Financial Statements

The financial statements of the Authority included as APPENDIX C to this Official Statement have been audited by Dixon Hughes PLLC, independent auditors, as stated in their report appearing in APPENDIX C.

Discussion of Financial Operations

Audited Financial Information for 2005-2009

The "Historical Operating" table on the prior page summarizes the Authority's audited financial results for the fiscal years 2005 through 2009. Operating revenues in the table are comprised of landing fess, terminal area rent/use charges, other rentals and concessions. Operation and maintenance expenses are comprised of salaries and wages, repairs and maintenance, utility costs, materials and supplies, professional services and other operating costs.

Because of the "residual" nature of the Airport Use Agreements, the Authority charges the airline parties based on a projection of the net airline requirement (equal to operation and maintenance expenses, debt service requirements and discretionary fund deposit requirements less non-airline revenues). Accordingly, operating revenues of $107.9 million for fiscal year 2009 decreased by $3.6 million under 2008 revenues of $111.5 million. This decrease in operating revenues is primarily due to decreased landing fees ($2.6 million), terminal rentals ($1.0 million), parking garage revenues ($1.7 million), terminal concessions ($1.3 million) and rental car revenues ($1.1 million), offset by increased cargo and other rentals ($2.7 million) and special facilities lease income ($1.2 million).

In 2009, the Authority's operating expenses of $52 million decreased under 2008 operating expenses of $51.9 million by $1.7 million. The decrease was mainly due to decreased airfield costs, administration costs and field shop costs of $.4 million, $1.0 million and $.2 million, respectively. These decreases were primarily due to cost cutting measures implemented by management during the fiscal year that mainly targeted materials and supplies and professional and contractual services costs.

Although not shown in the table on the prior page, as of June 30, 2009 the Authority reported $25.8 million of unrestricted cash and investments and $192.9 million of restricted cash and investments, compared to June 30, 2008 balances of $25.4 million and $219.6 million, respectively. The slight increase of .4 million in unrestricted cash and investments was due to a small increase of discretionary funds on hand at year-end 2009.

The $26.7 million decrease in restricted cash and investments is mainly due to capital expenditures of approximately $70 million offset by capital grant reimbursements received of approximately $38 million and the collection of approximately $5 million of CFC revenues.

AVIATION INDUSTRY CONSIDERATIONS

The Airlines

Certain Signatory Airlines, including FedEx and Delta/Northwest (or their respective parent corporations), are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. In accordance therewith, certain information, including financial information, concerning such domestic airlines or their respective parent corporations, is disclosed in certain reports and statements filed with the Securities and Exchange Commission (the "SEC"). Such reports and statements can be inspected at the public reference facilities maintained by the SEC at 100 F Street NE, Washington, D.C., 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 100 F St NE Washington, D.C., 20549, at prescribed rates. In addition, each Signatory Airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the following locations:

Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, and the Department of Transportation, 1200 New Jersey Avenue, SE, Washington, D.C., 20590. Copies of such reports can be obtained from the Department of Transportation at prescribed rates.

Airport Rates and Charges

The Authority has entered into written Airline Agreements with all Signatory Airlines operating at the Memphis International Airport. See "SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS" in Appendix D hereto.

General Factors Affecting the Airline Industry

No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) aviation safety and security concerns, (2) national and international economic and political conditions, (3) airline competition and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the national air traffic control system, (7) airline consolidation and alliances, (8) the capacity of the Airport/airways system, and (9) financial health of the airline industry. Slow or negative traffic growth in many areas; increased competition among air carriers; consolidation and mergers among air carriers; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for the air carriers. See "MANAGEMENT DISCUSSION OF RECENT TRENDS AND DEVELOPMENTS – Financial" herein.

The level of aviation activity at the Airport can have a material impact on the amount of Revenues of the Airport. The amount of moneys to be deposited into the Revenue Fund in any given month is also dependent upon (1) payment of amounts due from air carriers under the Airlines' Use Agreements and (2) the level of concession and non-air carrier revenues, which is dependent upon activity at the Airport. Amounts available for deposit in the Revenue Fund could be adversely affected by delays or defaults in the payments of rates and charges by the air carriers at the Airport.

National and International Economic and Political Conditions. Historically, air carrier passenger traffic nationwide has correlated closely with the state of the United States economy and levels of real disposable income. The recession in the U.S. economy that began in late 2007, combined with reduced discretionary income and increased airfares has contributed to reduced airline travel demand in 2008 and 2009 and will continue to do so in the near term. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships and hostilities are important influences on passenger traffic at major U.S. airports. Sustained future increases both in domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Air Carrier Service and Routes. While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Most major air carriers have developed "hub-and-spoke" route networks as a means of increasing their service frequencies, passenger volumes, and profitability. The Airport serves both as a gateway to the metropolitan service area, and as a connecting hub for Delta/Northwest.

Cost of Fuel. Airline earnings are significantly affected by the price of aviation fuel. According to the Air Transport Association, (the "ATA") fuel is the largest cost component of airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics, There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant price increases for fuel. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other developing countries; the rapidly growing economies of China, India and other developing countries; and other factors influencing the demand for and supply of oil.

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.

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. Any unhedged increase in the fuel prices causes an increase in airline operating costs

Air Carrier Economics, Competition, and Airfares. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. Future passenger numbers, both nationwide and at the Airport will depend on the level of airfares.

Capacity of National Air Traffic Control and Airport Systems. Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After 2001, and again in 2008 and 2009, air traffic delays decreased as a result of reduced numbers of aircraft operations, but, as air travel demand increases in the future, flight delays and restrictions will recur.

World Health Concerns. Periodically, outbreaks of infectious diseases may adversely affect air travel. Most recently an outbreak of influenza A (H1N1) virus in Mexico and cases reported in the United States have caused travel concerns that could adversely affect air traffic. The United States government urged Americans to avoid all non-essential travel to Mexico. Americans are also concerned about exposure to the virus from contact with other airline passengers, and many have curtailed domestic and foreign travel. Although the World Health Organization raised the influenza pandemic alert to phase 5, it did not recommend travel restrictions related to the outbreak of influenza A.

Seat Capacity Cuts and Other Airline Cost-Cutting Reductions Airlines reduced domestic seat capacity (i.e., departing seats on scheduled domestic flights per the Official Airline Guide) 3.7% in 2008 and 7.3% in 2009 in response to high fuel prices and weak demand. These declines compared to declines of 2.4% in 2001 and 7.8% in 2002 following the September 11, 2001 terrorist attacks. Domestic seat capacity in 2009 was 82% of capacity levels in 2000. Based on advance schedules published by the Official Airline Guide, domestic capacity for the first two quarters of 2010 is expected to be 3.5% less than the comparable period of 2009.

In addition to cutting seat capacity, U.S. airlines have also reduced their number of employees. As reported by the U.S. Department of Transportation Bureau of Transportation Statistics, U.S. airline employment, as measured by full time equivalent (FTE) employees, has declined by 9.3% from 2000 to 2008. And based on data for the period January through September 2009, FTE airline employment has declined by 8.6% from the same period in 2008.

Northwest Merger with Delta

On October 29, 2008, Northwest Airlines and its wholly-owned regional airline subsidiaries Compass Airlines, Inc. and Mesaba Aviation, Inc. completed a merger with Delta Air Lines (Delta). As a result of the merger, Northwest became a wholly owned subsidiary of Delta. On December 31, 2009, the merged airline received final authorization from the FAA to begin operating under one U.S. Department of Transportation operating certificate under the Delta name. The merged airline will operate under the Delta name with a single reservation system, frequent flyer program, unified aircraft livery, airport branding and signage, etcetera.

Prior to Northwest's merger with Delta and continuing to date, the Airport has served as a major connecting hub in the route network of Northwest. Each year since 1987, Northwest accounted for at least 75% of total enplaned passengers at the Airport. In FY 2009, Northwest and Delta accounted for 80.4% and 6.0%, respectively, of the enplaned passenger total. The merger of Delta and Northwest has resulted in the creation of the world's largest airline measured in terms of total airline revenue and available seat miles.

The combined airline now operates a fleet of nearly 800 aircraft with a global network of connecting hub airports. Delta operates connecting hubs in Atlanta, Cincinnati, New York-JFK, and Salt Lake City while Northwest operates hubs at Detroit, Memphis, Minneapolis/St. Paul, Amsterdam, and Tokyo-Narita. The combination of Delta's market strength in the south, mountain west, and northeast United States, Europe, and Latin America with Northwest's strength in the Midwest and northwest United States and Asia results in one of the most diversified global airline networks.

Northwest and Delta are both members of the SkyTeam global alliance which was formed to provide member airlines with the opportunity for mutual codesharing arrangements, increased connecting flight opportunities, reciprocal frequent flyer and airport lounge programs, coordinated cargo operations, and overall enhanced customer service. SkyTeam member airlines include Aeroflot, Aeromexico, Air France, Alitalia, China Airlines, China Southern, CSA Czech Airlines, KLM Royal Dutch Airlines (KLM), and Korean Air. Continental Airlines was a member of the SkyTeam alliance but ended its membership effective October 24, 2009. In addition to its SkyTeam membership, Northwest is part of a major transatlantic joint venture operation with Air France-KLM through KLM's hub in Amsterdam. Air France and KLM are subsidiaries of the same holding company. Northwest also operates an extensive Pacific route network with a connecting hub at Tokyo's Narita International Airport. Northwest also has international codesharing arrangements with Air France, Korean Air, and Malev Hungarian Airlines.

Delta has international codesharing arrangements with Aeromexico, Air France, Alitalia, China Southern, Continental, CSA Czech Airlines, KLM Royal Dutch Airlines, Korean Air, and Royal Air Morac. In May 2008, Delta, Northwest, Air France, Alitalia, CSA Czech Airlines, and KLM received limited anti-trust immunity from the United States Department of Transportation that enables them to offer a more integrated route network and develop commons sales, marketing and discount programs for customers.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand.

Since September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airport operators. These precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Safety Administration (the "TSA") and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Historically, air travel demand has recovered after temporary drops from security-related concerns stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities. Provided that the intensified security precautions now being implemented in the United States and elsewhere are effective in restoring confidence in the safety of commercial aviation while not imposing unacceptable inconveniences and delays for air travelers, it is expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors.

Effect of Bankruptcy of Air Carriers

In the event a bankruptcy case is filed with respect to any of the Signatory Airlines, a bankruptcy court could determine that the Airline Agreement of such Signatory Airline was an executory contract or unexpired lease pursuant to Section 365 of the Federal Bankruptcy Code. In that event, a trustee in bankruptcy or a debtor-in-possession might reject such Airline Agreement.

The Authority covenants in the Basic Resolution that it will impose and prescribe and collect rates, rentals, fees and charges for the use of the Airport and revise the same when necessary to produce Revenues, together with other available funds, sufficient to pay when due all principal of and interest, and premium, if any, on the Airport Revenue Bonds and to pay the Costs of Operation and Maintenance of the Airport, and any other claims payable from Revenues. See "SECURITY FOR AIRPORT REVENUE BONDS-Rate Covenant" herein.

Environmental Regulations

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Environmental regulations of general applicability (such as hazardous waste handling and disposition requirements, underground storage tank rules, stormwater permitting requirements, and the like) which are enforced by the Federal Environmental Protection Agency and the Tennessee Department of

Environment and Conservation, not FAA, apply to the Memphis International Airport; compliance with those requirements may impose costs from time to time.

AMENDMENT OF BASIC RESOLUTION

The Basic Resolution will be amended to delete the test in clause (4) under the caption "SECURITY FOR AIRPORT REVENUE BONDS – Additional Bonds" and the amend the test in clause (3) thereunder to provide that an Airport Consultant must estimate that the Net Revenues to be derived in each of the three Fiscal Years following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation shall be equal to not less than 125% of the Debt Service Requirement for such Fiscal Year on all Airport Revenue Bonds Outstanding including such Additional Bonds.

Such amendments shall take effect at such time as either (a) the Outstanding Bonds are no longer Outstanding, or (b) the Bondholders of not less than fifty-one percent (51%) in principal amount of the aggregate amount of Airport Revenue Bonds then Outstanding, or any Support Facility provider required to give such consents on behalf of such Bondholders, and any Support Provider whose consent to amendments is required in addition to Bondholder consent, consent to such amendments. ***The Bondholders of the Bonds and any Airport Revenue Bonds subsequently issued under the Resolution are hereby deemed to consent to such amendments.***

LITIGATION

To the best of the knowledge of the Authority and its General Counsel, there is no pending or threatened litigation in any court questioning the corporate existence of the Authority or which would restrain or enjoin the issuance or delivery of the Bonds, or which concerns the proceedings of the Authority taken in connection with the authorization or issuance of the Bonds or the pledge or application of any Revenues provided for their payment, or which contest the powers of the Authority with respect to the foregoing.

On December 3, 2009 the Authority was served with a lawsuit alleging violations of the Fair Credit Reporting Act (FCRA) and the Fair and Accurate Credit Transaction Act (FACTA) in the Authority's public parking operations. The lawsuit alleges that from June 3, 2008 through April 5, 2009 the equipment/software used for revenue control at the Authority's parking lot exits printed four digits of the credit card number and the expiration date on customer receipts in violation of FACTA. The complaint does not allege actual harm to any plaintiff or plaintiffs caused by the printing of this information on receipts but rather requests that statutory penalties for technical violations be imposed. Likewise, the complaint does not allege that the Authority overcharged patrons for parking or any other claim for disgorgement.

The lawsuit seeks class action certification. The issue of whether a class action certification is appropriate has yet to be considered by the court. It is premature to speculate at this point as to potential liability, if any. As with any case, the Authority will vigorously defend its interests in the lawsuit.

Excluding the above case for which no opinion regarding potential liability is offered by the Authority's General Counsel, it is the opinion of the General Counsel of the Authority that the other pending litigation will not have a material adverse effect upon the finances of the Authority or the revenues of the Airport System.

TAX EXEMPTION

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 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 Bond for any period during which the Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person, and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. 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 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 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 apply to the Bonds.

In addition, in the opinion of Bond Counsel to the Authority, under existing laws of the State of Tennessee, the 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 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 hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses 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 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 Bonds in order that interest on the 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 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 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 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 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 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 Bonds.

The Bonds are not taken into account (subject to certain limitations) in determining the portion of a financial institution's interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax exempt obligations. The Bonds, however, are taken into account in the calculation of the amount of a financial institution's preference items under Section 291 of the Code. Prospective owners of the 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 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

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 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 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 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 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 unless the recipient is one of a limited class of exempt recipients, including corporations. 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 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 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 Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL MATTERS

The authorization, issuance and sale of the Bonds are subject to the approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, substantially in the form set forth in Appendix A hereto. Certain legal matters in connection therewith will be passed upon by Sara L. Hall, General Counsel to the Authority; and for the Underwriters by Charles E. Carpenter, A Professional Corporation, Memphis, Tennessee, as Counsel to the Underwriters.

FINANCIAL ADVISORS

Fullerton & Friar, Inc., D+G Consulting Group, LLC and ComCap Advisors, a division of Community Capital, have been employed by the Authority to perform professional services in the capacity of financial advisors. In their role as financial advisors to the Authority, they have not independently verified the factual information contained in the Official Statement and the appendices hereto, but relied on the information supplied by the Authority and other sources and the Authority's certificate as to the Official Statement.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Group (“Standard & Poor’s”) and Fitch Ratings (“Fitch”) are expected to assign ratings to the Bonds of “Aa3” (negative outlook), “AAA” (negative outlook) and “AA” (negative outlook), respectively, based on the issuance of the financial guaranty policy by AGM at the time of delivery of the Bonds. The Bonds have been rated “A2” by Moody's, “A-” by Standard & Poor's and “A+” by Fitch without taking into account the policy issued by AGM. Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies, if in the judgment of any or all such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

INDEPENDENT AUDITORS

The financial statements of the Authority as of and for the years ended June 30, 2009 and 2008 included in Appendix C in this official statement have been audited by Dixon Hughes, PLLC, independent auditors, as stated in their report also appearing in Appendix C.

UNDERWRITING

The Bonds are being purchased by Morgan Keegan & Company, Inc., as representative (the “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 Bonds at a price of $30,163,240.49, (which represents $30,290,000 par amount of bonds, less allowance for an underwriting discount of $234,706.11, plus a net original issue premium of $107,946.60). The Underwriters will be obligated to accept delivery and pay for all of the Bonds if any are delivered.

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

In addition, the Representative and/or its affiliates may in the future receive additional fees for providing services as registrar, paying agent and/or authenticating agent with respect to the Bonds. Further, the Representative and/or its affiliates may in the future receive additional fees for providing services as the funds custodian/depository with respect to the proceeds of the Bonds and for providing services as a loan provider to the Authority.

CONTINUING DISCLOSURE UNDERTAKING

Pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"), the Authority has undertaken for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Information") relating to the Authority and to provide notices of the occurrence of certain enumerated events with respect to the Bonds, if material. The Annual Information relating to the Authority's fiscal year ended June 30 is to be provided not later than December 31 of each year, commencing December 31, 2010. The Annual Information will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board (the "MSRB"), as the sole nationally recognized municipal securities repository, and its Electronic Municipal Market Access ("EMMA") System for municipal disclosure. Notices of the aforesaid material events will be filed by or on behalf of the Authority with the MSRB.

As noted herein under the caption "AVIATION INDUSTRY CONSIDERATIONS," certain of the Signatory Airlines at the Airport (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. Also, certain filings by such Signatory Airlines must be made with the U.S. Department of Transportation ("DOT").

In addition, the Signatory Airlines have covenanted in the Airline Agreements to provide certain information, including financial information, to the Authority, as requested.

At this time, only FedEx and Delta are "obligated persons" for such purposes. FedEx and Delta are both subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. See "APPENDIX F - FORM OF CONTINUING DISCLOSURE UNDERTAKING" for the detailed provisions of the Authority's obligation to provide continuing disclosure.

MISCELLANEOUS

The foregoing summaries or descriptions of provisions in the Resolution and Airline Agreements and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions and reference is hereby made to the complete documents relating to such matters for further information, copies of which may be obtained from the office of the Authority.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

/s/ Scott A. Brockman
Designated Financial Officer

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APPENDIX A – REPORT OF THE AIRPORT CONSULTANT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT REVENUE BONDS
SERIES 2010A

Prepared for

Memphis-Shelby County Airport Authority
Memphis, Tennessee

Prepared by

Jacobs Consultancy, Inc.
Burlingame, California

December 30, 2009

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December 30, 2009

Mr. Larry D. Cox, A.A.E.
President
Memphis-Shelby County Airport Authority
Memphis International Airport
P. O. Box 30168
Memphis, Tennessee 38130-0168

Re: **Report of the Airport Consultant,**
Memphis-Shelby County Airport Authority,
Airport Revenue Bonds Series 2010A

Dear Mr. Cox:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Airport Revenue Bonds Series 2010A (the 2010A Bonds) by the Memphis-Shelby County Airport Authority (the Authority) to finance the costs of capital improvements at Memphis International Airport (MEM or Memphis International). The Authority owns and operates Memphis International and two general aviation reliever airports, Charles W. Baker Airport and General DeWitt Spain Airport (collectively, the Airport per the Bond Resolution). * This letter and the accompanying attachment and exhibits constitute our report.

The 2010A Bonds are being issued under the terms of a resolution authorizing the issuance of Airport Revenue Bonds (Bonds) of the Authority adopted in 1988, as amended, and a supplemental resolution authorizing the issuance of the 2010A Bonds, adopted on November 19, 2009 (collectively, the Bond Resolution). Capitalized terms in this report are used as defined in the Bond Resolution except as defined otherwise herein.

The Bond Resolution sets forth, among other things, certain covenants with respect to (a) issuing Additional Bonds, (b) imposing rates, rentals, fees, and charges to insure sufficient Revenues as provided under the Rate Covenant, and (c) paying the Costs of Operation and Maintenance, principal and interest on Outstanding Bonds, and other expenses.

This report was prepared to estimate the ability of the Authority to generate sufficient Net Revenues to meet the requirements of the Rate Covenant during the period through

* References in the report to the Bond Resolution, resolutions of the Authority, and various leases and agreements entered into by the Authority do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference thereto.

the Fiscal Year ending June 30, 2015 (FY 2015) taking into account Outstanding Bonds and the proposed 2010A Bonds.

2010A Bonds

The 2010A Bonds are, according to the Authority's financial advisors, to be issued as fixed rate bonds in the aggregate principal amount of approximately $29 million to finance the costs of certain projects in the Authority's Capital Improvement Program, as discussed below, and to pay related costs of issuance.

The 2010A Bonds are to be secured by a lien on Revenues on a parity with Outstanding Bonds. Revenues include all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the operation of Memphis International and its general aviation reliever airports. Such Revenues do not include, among other things, passenger facility charge (PFC) revenues or customer facility charge (CFC) revenues. As of June 30, 2009, the principal amount of Outstanding Bonds was approximately $478 million.

The Authority is also obligated to make payments to the City of Memphis (the City) for debt service on certain General Obligation Bonds issued by the City for the Airport. This obligation is junior and subordinate to the obligation to pay debt service on Outstanding Bonds. As of June 30, 2009, the principal amount of outstanding General Obligation Bonds issued for the Airport was approximately $5.7 million.

The 2010A Bonds are considered Additional Bonds pursuant to Section 2.2 of the Bond Resolution. As the Airport Consultant, we will separately provide, by documentation outside of this report, the information needed from the Airport Consultant, which the Authority will use in part to demonstrate compliance with the test for issuing Additional Bonds (the Additional Bonds Test).

Capital Improvement Program

The Authority has developed a $424 million program of capital improvements at Memphis International (the Capital Improvement Program) that it plans, subject to various considerations, to construct or implement through FY 2017. Elements of the Capital Improvement Program to be financed, in part, by the 2010A Bonds, referred to collectively as the 2010 Project, include an automobile parking garage (of which certain rental car facilities are an integral part) and various terminal improvements including an expansion of the Terminal B Checkpoint. The elements of the 2010 Project are described in the attachment. Remaining elements of the Capital Improvement Program primarily include additional improvements to airfield and the passenger terminal apron facilities. The estimated costs and funding of projects in the Capital Improvement Program are summarized in Exhibit A at the end of the report.

The actual timing of construction projects in the Capital Improvement Program will depend on the achievement of forecast demand or other justification of need, the receipt of required environmental or other regulatory approvals, the availability of grant or other funding sources, and, to the extent required under the Airline Agreement (as defined below) or any successor agreements, consultation or agreement with the airlines regarding scope, cost, funding, and recovery of costs through airline rents, fees, and charges. All elements of the 2010 Project have been approved by a majority-in-interest of the Signatory Airlines.

Rate Covenant

In the Bond Resolution, Section 5.2 (referred to herein as the Rate Covenant), the Authority covenants to impose and collect rates, rentals, fees, and other charges from users and tenants of the Airport so as to produce Revenues sufficient to pay (1) debt service on Outstanding Bonds, (2) debt service on outstanding General Obligation Bonds of the City issued for the Airport, (3) Costs of Operation and Maintenance, and (4) all other charges and obligations payable from Revenues. The Rate Covenant further requires that Net Revenues, i.e., Revenues less Costs of Operation and Maintenance, must equal at least 125% of the Debt Service Requirement of all Outstanding Bonds.

The Authority may, but is not obligated to, use PFC revenues, CFC revenues, and other funds that do not constitute Revenues to provide for the payment of debt service on Bonds. In determining compliance with the Rate Covenant and the test for issuing Additional Bonds, the Debt Service Requirement and the required principal and interest payment on Bonds are reduced by the amount of such funds the Authority expects to use to provide for the payment of debt service on Bonds.

The Authority does not impose and has no plans to impose a PFC, although it has the right to impose a PFC in the future to fund the eligible costs of projects approved by the Federal Aviation Administration (the FAA).

The Authority imposes a CFC by resolution of the Board, and it plans to use a certain amount of CFC revenues to provide for the payment of a portion of the debt service on the 2010A Bonds.

CFC Revenues

CFC revenues are derived from the customer facility charge imposed by resolution of the Authority and paid by rental car customers. As discussed later in this report, the CFC revenues of the Authority are forecast to be $4.5 million to $5.0 million per year. The Authority plans to use approximately $1.5 million per year in CFC revenues to provide for the payment of a portion of the debt service on the 2010A Bonds. To the extent CFC revenues are insufficient, the Authority is able, under the Airline

Agreement, to adjust rates, rentals, fees, and other charges to ensure that Revenues are sufficient to meet the Rate Covenant.

A key assumption in this report is that the Authority will (1) use its CFC revenues as planned, first to provide for payment of a portion of the debt service on the 2010A Bonds, second to fund pay-as-you-go costs of the 2010 Project, and finally for other uses contemplated in the resolution authorizing the imposition of a CFC; (2) increase CFC revenues through adjustments in the level of the CFC if necessary to insure the first and second uses are satisfied; and/or (3) increase Revenues through adjustments in rates, rentals, fees, and other charges.

The Authority is negotiating with rental car companies over the terms governing use and occupancy of the rental car facilities included in the 2010 Project. Such terms include potential provisions for facility rents, contingent rents in the event CFCs are insufficient for their intended purposes, and reimbursement of operating expenses incurred by the Authority. These rents and reimbursements will be treated as Revenues when earned.

Airline Agreement

The Authority has entered into use and lease agreements (collectively, the Airline Agreement) with the following airlines (the Signatory Airlines) serving Memphis International:

AirTran Airways	FedEx
American Airlines	Northwest Airlines
Continental Airlines	United Parcel Service
Delta Air Lines	

The Airline Agreement establishes procedures for the annual review and adjustment of Signatory Airline terminal building rentals, aircraft landing fees, and apron use fees according to a "residual cost" formula so as to ensure that the Rate Covenant of the Bond Resolution is met and 125% coverage of Bond debt service by Net Revenues is provided.

All airline rentals and fees payable under the Airline Agreement, together with all other Airport Revenues, are to be pledged to the payment of debt service on Outstanding Bonds and the 2010A Bonds as well as any future Bonds the Authority may choose to issue. The Airline Agreement was to expire by its terms June 30, 2007, but was extended to June 30, 2009 and again to June 30, 2010.

As of the date of this report, the Authority intends to negotiate a new airline agreement with substantially similar terms including provisions for calculating airline rates, fees, and charges. For the purpose of this report, it was assumed that there would be no change in the rate-setting methodology for calculating the rentals and fees payable by the Signatory Airlines.

Scope of Report

In preparing this report, we analyzed:

- The facilities to be provided by the Capital Improvement Program, particularly the 2010 Project, including their status, estimated dates of beneficial occupancy, and estimated costs.
- Future airline traffic demand at Memphis International giving consideration to the demographic and economic characteristics of the MEM service region, historical trends in airline traffic, and key factors that will affect future traffic.
- Estimated sources and uses of funds for the Capital Improvement Program and the associated annual Debt Service Requirement on the Outstanding Bonds and the proposed 2010A Bonds.
- Historical relationships among revenues, expenses, and airline traffic at Memphis International and other factors that may affect future revenues and expenses.
- The Authority's FY 2010 budget, projected staffing requirements, the facilities to be provided by implementation of the Capital Improvement Program, and other operational considerations affecting revenues and expenses.
- The Authority's policies and contractual agreements relating to the use and occupancy of Airport facilities, including the calculation of airline rentals and fees under the Airline Agreement; the operation of concession privileges; and the leasing of buildings and grounds.

We also assisted the Authority staff in identifying the key factors upon which the future financial results of the Authority may depend and in formulating assumptions about the factors. On the basis of those assumptions, we assembled the financial forecasts presented in the exhibits at the end of this report.

We have relied upon the Authority and its consultants for estimates of project costs, funding sources, and construction schedules; upon Fullerton & Friar Inc., the Authority's financial advisor, for the plan of debt finance and the estimated Debt Service Requirement for the 2010A Bonds; and upon Hawkins Delafield & Wood LLP, the Authority's bond counsel, for the interpretation of the Bond Resolution including the treatment of CFC revenues. The forecasts take into account the operating expenses, and revenues associated with implementing the projects in the Capital Improvement Program. The financial forecasts are predicated on the assumption that the Authority will collect all airline rentals and fees required by the provisions of the Airline Agreement through the forecast period.

Forecast Debt Service Coverage

As shown in Exhibit H and the following tabulation, in each year of the forecast period, the Revenues are forecast to be sufficient to pay the Costs of Operation and Maintenance and to provide for the payment of debt service on Outstanding Bonds and the proposed 2010A Bonds, assuming the Authority uses a certain amount of CFC revenues to provide for the payment of debt service on the 2010A Bonds.

The debt service coverage ratio for the Bonds is forecast to be at least equal to 125% in each year of the forecast period. The forecasts presented in Exhibit H demonstrate compliance with the Rate Covenant in each year of the forecast period.

Fiscal Year	Net Revenues [A]	Debt Service Requirement [B]	Debt service coverage ratio [A/B]
2010	$66,876	$53,501	1.25
2011	64,629	51,703	1.25
2012	64,006	51,205	1.25
2013	61,732	49,385	1.25
2014	55,779	44,623	1.25
2015	55,974	44,779	1.25

Assumptions Underlying the Financial Forecasts

The forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by Authority management. The forecasts reflect Authority management's expected course of action during the forecast period and, in Authority management's judgment, present fairly the expected financial results of the Authority. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither Jacobs Consultancy nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the report. We have no responsibility to update this report to reflect events and circumstances occurring after the date of the report.

* * * * *

We appreciate the opportunity to serve as the Authority's Airport Consultant on the proposed financing.

Respectfully Submitted,

Jacobs Consultancy

Jacobs Consultancy

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT REVENUE BONDS
SERIES 2010A

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CONTENTS

CONTENTS *(continued)*

Page

AIRLINE TRAFFIC ANALYSIS (continued)

CONTENTS *(continued)*

Page

FINANCIAL ANALYSIS (continued)

TABLES

Page

FIGURES

EXHIBITS

AIRLINE TRAFFIC ANALYSIS

Memphis International Airport (Memphis International or MEM) is the primary commercial service airport for the City of Memphis and the surrounding metropolitan area. FedEx Express (FedEx), the world's largest airline in terms of aircraft fleet and freight tons flown, is based in Memphis and operates its global "Super Hub" from Memphis International. Northwest Airlines (Northwest) has operated a passenger connecting hub at Memphis International since 1986, when it acquired Republic Airlines. In April 2008, Delta Air Lines (Delta) and Northwest announced an agreement to merge into a single airline to be called Delta. In October 2008, the merger was completed, forming the world's largest passenger airline. As a result of the merger, Northwest became a wholly-owned subsidiary of Delta but continues to operate as Northwest under a separate U.S. Department of Transportation operating certificate. In February 2009, Delta began consolidating gates and ticket counters at airports where both airlines operate. The consolidation is scheduled to be complete by February 2010. For the purpose of this report, we use the terms Delta or Northwest, when referring to activity of the airlines prior to their merger, and Delta/Northwest (DL/NW) when referring to the combined airline following their merger.

MEMPHIS INTERNATIONAL FACILITIES

Memphis International is located in Shelby County, 7 miles southeast of downtown Memphis and 3.5 miles north of the Tennessee-Mississippi state line. Memphis International occupies 4,640 acres of land. Access to MEM is provided predominately via Interstate 240 (I-240), Plough Boulevard, and Tchulahoma Road. I-240 is the southern half of the Memphis beltway connecting Interstate 40 and Interstate 55.

Airfield

Memphis International has four runways—Runway 18C-36C, the "World Runway" (11,120 feet long); Runway 18L-36R (9,000 feet long); Runway 18R-36L (9,320 feet long); and Runway 9-27 (8,946 feet long)—all of which are equipped with precision instrument landing systems and are suitable for use by large aircraft. Runways 18C-36C, 18L-36R, and 18R-36L are parallel to one another and are located in the southern portion of the airfield. Runway 9-27 is perpendicular to and located north of the other runways. None of the four runways intersect. The World Runway, opened in September 2000, accommodates nonstop transoceanic operations by fully-loaded large aircraft. Airfield facilities meet the design requirements for the Boeing 747 and Boeing 777 aircraft.

Passenger Terminal Complex

The passenger terminal complex, located between Runways 18C-36C and 18R-36L, consists of a terminal building and three separate concourses. The central portion of the terminal was constructed in 1967. In 1974, terminal and concourse A and C were added to both sides of the central portion, expanding the terminal gross area to 1.3 million square feet.

The terminal apron is currently configured to provide 88 aircraft parking positions that provide direct access to the terminal via 79 gates available for the active loading and unloading of passengers, baggage, and belly cargo. Of the 88 aircraft parking positions, 76 are equipped with passenger loading bridges while the remaining 12 are accessed via 3 ground-level gates.

DL/NW and its regional affiliates use 70 of the 79 gates on a preferential use basis, in Concourses A, B, and C. DL/NW also operates a ramp control tower above the rotunda in Concourse B to oversee the movement of aircraft to and from its gates.

The terminal incorporates a Federal Inspection Services (FIS) facility for clearing arriving international passengers. Four gates at the southwest end of Concourse B have secure corridors which connect arriving international passengers from the loading bridges to Memphis International's FIS screening facility.

On-airport parking is provided through a three-level garage located in front of the passenger terminal, an adjacent surface parking lot, and a remote surface lot. The parking facilities are discussed in more detail in the attachment to this report.

Rental Car Facilities

Rental car storage, customer processing and ready-return facilities are located on the far north side of Memphis International. Customers are transported by bus to and from the terminal via company-operated shuttles. After the new garage is completed, rental car services will be provided in levels 1 and 2 of the garage.

FedEx SuperHub

FedEx Corporation and its principal operating subsidiary, FedEx Express, the world's largest express transportation company, are headquartered in Memphis. FedEx operates its principal express package distribution center, dubbed the "SuperHub," at Memphis International, making MEM the busiest air cargo airport in the world in terms of total cargo tonnage enplaned and deplaned. The FedEx SuperHub sorting facility, aircraft parking aprons and ancillary support facilities are primarily located in the north airfield and are sized to accommodate aircraft as large as the Boeing 777. The SuperHub occupies approximately 945 acres and includes 3,450,000 square feet of sorting and handling facilities which are capable of processing up to 465,000 packages per hour.

Other Air Cargo Facilities

UPS operates the Oakhaven Distribution Center, a 300,000 square-foot sorting hub occupying 84 acres on the east side of the airfield. The hub, which was opened in

1999, is capable of sorting up to 250,000 packages a day that are brought in by both aircraft and trucks. An adjacent aircraft parking apron provides approximately 9 acres for the loading, unloading, and parking of aircraft as large as the Boeing 747 or the Boeing 777.

The Authority began construction on a new 70-acre multi-user air cargo complex in 2006. Phase I was completed in early 2008 and provides users with 15 acres of aircraft parking apron sized to simultaneously accommodate 6 aircraft as large as the Airbus A380 and 36,000 square feet of specialty office and warehouse space. Ultimately, development of the site will provide 250,000 square feet of warehouse space and 30 acres of aircraft parking apron. Expansion of the apron and warehouse buildings will be phased to meet tenant demand.

Airline Support

Airline support facilities, as the name implies, are used in support of passenger and cargo airline operations. These facilities include aircraft maintenance facilities, airline catering, ground service equipment (GSE) storage and maintenance, fuel storage and dispensing systems, deicing fluid containment, and ground run-up enclosures.

Memphis International's primary fuel farm, which provides storage for fuel used by air carrier aircraft, is owned by DL/NW on land leased from the Authority. The fuel farm is only used for short-term fuel storage and is supplied directly from a local refinery. In the event of a pipeline shutdown, the tanks can be supplied from standard tanker trunks. A hydrant system, which transports jet fuel directly from the fuel farm to individual hydrant locations on the passenger terminal ramp adjacent to aircraft parking positions, serves a majority of Memphis International's passenger terminal parking positions. The hydrant system is owned and maintained by DL/NW and operated by Swissport USA, Inc.

In addition to the fuel farm supporting air carrier operations, there are other aviation fuel facilities located at Signature Flight Support, Wilson Air Center, TnANG, and the FedEx SuperHub.

Memphis International Support and Other Facilities

Also located at Memphis International are fixed base operator facilities for general aviation, a unit of the Tennessee Air National Guard, a Federal Aviation Administration (FAA) air traffic control tower (ATCT), and various aviation support facilities. An industrial park on Memphis International property accommodates various aviation and non-aviation facilities.

The FAA is constructing and funding a new ATCT that is being constructed on the north side of the passenger terminal complex and is scheduled to be operational in late 2010 or early 2011. The cost of the new tower is approximately $67 million.

When completed, the new tower will be 336 feet high which is 150 feet higher than the current ATCT and will be the third highest in the southeastern United States, behind those at the airports in Atlanta and Orlando. With the additional height, FAA personnel in the new tower will be able to oversee the entire Memphis International including future facilities envisioned in the 20-year master plan. The new ATCT will also accommodate the Memphis Terminal Radar Approach Control (TRACON) facility and FAA administrative functions.

MEMPHIS INTERNATIONAL SERVICE REGION

Memphis International's primary service region is the Memphis Metropolitan Statistical Area (MSA) shown on Figure 1. The U.S. Department of Commerce, Bureau of the Census estimated the 2008 population of the MSA to be 1.3 million. The MSA's population is highly concentrated in Shelby County where Memphis International and the City of Memphis are located. Shelby County, Tennessee accounts for approximately 70.5% of the MSA's population. The majority of the MSA's residents live within a one-hour drive from MEM.

Memphis International also draws passengers from a secondary service region, which is generally defined by the location of and the airline service provided at the nearest air carrier airports. For this report, the secondary service region includes the counties adjacent to the MSA. When combined with the population of the counties in this secondary service region, the MSA represents approximately 85% of the total population of the combined MSA and secondary service region.

The air carrier airports nearest to MEM identified on Figure 1, but located outside Memphis International's primary airport service region, include: Little Rock National Airport, Jackson-Evers International Airport, Nashville International Airport, and Birmingham International Airport.

The closest of these airports is Little Rock National Airport (LIT) which is approximately 135 road miles from downtown Memphis while the others are more than 200 miles away (see Table 1). LIT provides significantly less scheduled air service than Memphis International, although it is served by low-cost carrier (LCC) Southwest Airlines. For example, in August 2009, an average of 265 daily departures at Memphis International served 91 destinations nonstop compared with an average of 57 daily departures at LIT which served 17 destinations nonstop.

When compared to Memphis International, the other regional airports presented on Table 1 have a much higher share of low-cost carrier (LCC) service. Because of this larger LCC presence, the other regional airports have significantly lower fares, on average. However, because of the long driving distances from Memphis, none of the other regional airports are considered a significant competitive threat to Memphis International.

Figure 1
MEMPHIS INTERNATIONAL SERVICE REGION
Memphis International Airport

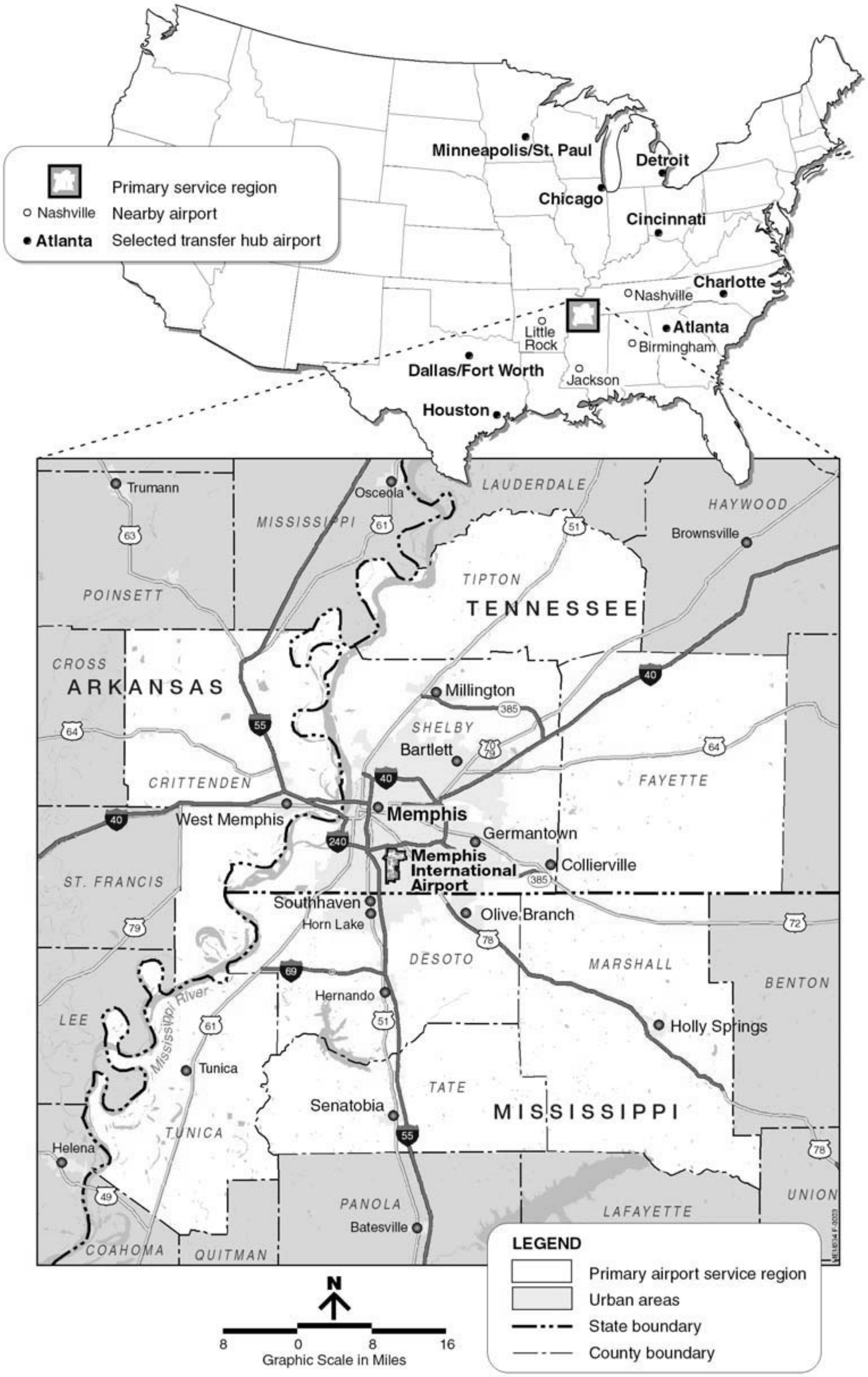


Table 1
AVERAGE ONE-WAY DOMESTIC FARE, AVERAGE DOMESTIC FARE, YIELD, AND TOTAL SCHEDULED DEPARTING SEATS
Memphis International Airport and Competing Regional Airports
(calendar year 2008)

Airport	Distance from Memphis *(a)*	Average Fare *(b)*	Average Fare Yield *(c)*	Average trip distance	Total scheduled seats	Percent of scheduled seats on LCCs *(d)*
Memphis International	12	$198.20	21.9	904	7,426,182	3.7%
Little Rock National	135	161.67	17.4	930	1,634,344	40.5
Jackson-Evers Int'l	219	174.55	18.3	952	1,025,617	40.8
Nashville International	219	145.16	15.9	911	6,917,575	58.7
Birmingham Int'l	237	156.68	17.4	900	2,563,294	50.3

(a) Estimated driving distance from downtown Memphis to each airport provided by Google-Map data online service.
(b) Average one-way fares shown are net of all taxes, fees, and PFCs and exclude ancillary fees charged by the airlines.
(c) Cents per passenger-mile.
(d) LCCs=low-cost carriers, including AirTran, Frontier, Southwest, and JetBlue.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; *Official Airline Guide*.

ECONOMIC AND DEMOGRAPHIC BASIS FOR AVIATION DEMAND

The population and economic strength of the MSA are important determinants for projecting future passenger demand at Memphis International. This section presents a discussion of the key economic and demographic elements which provide the basis for air service demand at MEM and a summary of the outlook for Memphis International service region.

Population Trends

The size of the population within the MSA is a key factor in projecting future aviation demand. As shown in Table 2, the MSA had a population of approximately 1.3 million residents in 2008.

Table 2
POPULATION BY COUNTY
Memphis MSA
(2008)

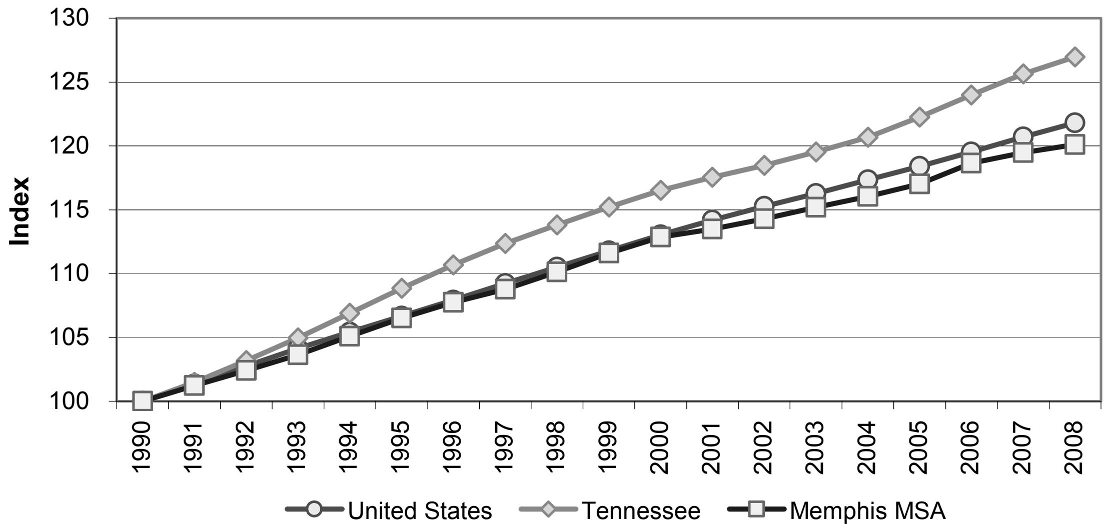
County	Population	Percent of total
Shelby	906,825	70.5%
DeSoto	154,748	12.0
Tipton	58,706	4.6
Crittenden	52,554	4.1
Fayette	38,173	3.0
Marshall	37,102	2.9
Tate	27,176	2.1
Tunica	10,448	0.8
MSA Total	1,285,732	100.0%

Note: Fayette, Shelby, and Tipton counties are in Tennessee; DeSoto, Marshall, Tate, and Tunica counties are in Mississippi; and Crittenden County is in Arkansas.

Source: U.S. Department of Commerce, Bureau of the Census website, accessed September 17, 2009.

Over the historical period of 1990 through 2008, population in the MSA increased at an average annual rate similar to the national rate, but below that for Tennessee (see Figure 2). From 1990 through 2000, population in the MSA and in the United States increased at an average annual rate of 1.2% compared to 1.5% for Tennessee. In the more recent historical period of 2000 through 2008, the average annual rate of population growth has slowed for all three areas: 0.8% for the MSA, 0.9% for the United States and 1.1% for Tennessee.

Figure 2
COMPARATIVE INDEX OF POPULATION TRENDS
(1990 = 100)



Compound annual growth rate	1990-2000	2000-2008
United States	1.2%	0.9%
Tennessee	1.5	1.1
Memphis MSA	1.2	0.8

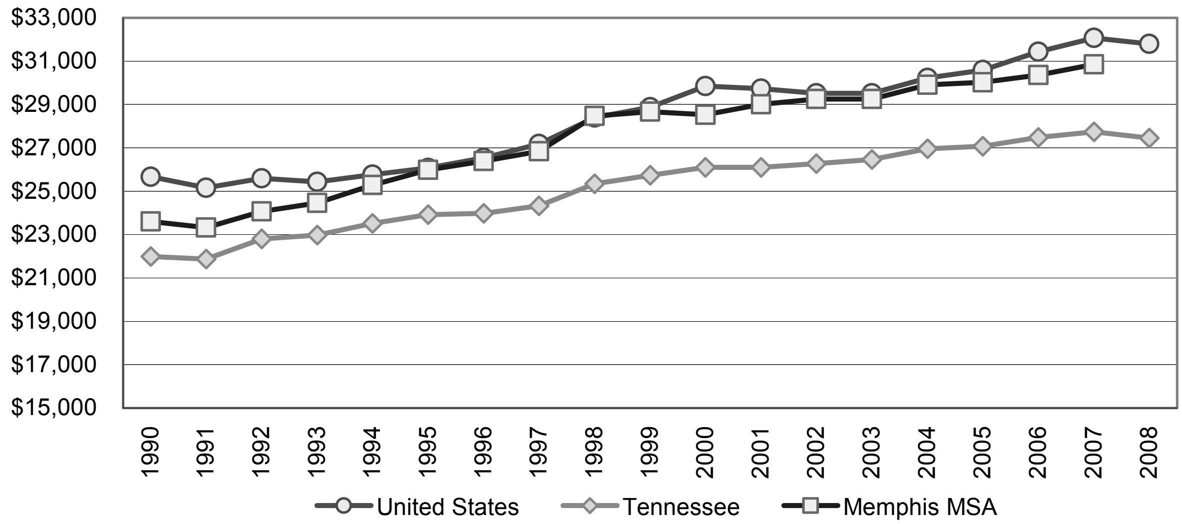
Source: U.S. Department of Commerce, Bureau of the Census website, accessed September 17, 2009.

Income Trends

In 2007, the latest year for which comparable data is available, the MSA had a per capita personal income (PCPI) of $30,851, higher than Tennessee ($27,735) but lower than the nation ($32,070), according to the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) (see Figure 3). However, over the period 1990 through 2007, PCPI in the MSA averaged a higher average annual rate of growth: 1.6 percent compared to 1.4% for Tennessee and 1.3% for the United States.

In 2001, the United States experienced a national economic recession and, between 2000 and 2003, recorded growth in real gross domestic product at a lower-than-average rate. It is noteworthy that, while PCPI declined nationwide at an average annual rate of 0.4% over this period, it continued to grow in the MSA, increasing at an average annual rate of 0.9%. According to the BEA, the MSA ranked 107th out of the 363 U.S. metropolitan statistical areas in terms of PCPI in 2008.

Figure 3
PER CAPITA PERSONAL INCOME
(2000 dollars)



Compound annual growth rate	1990-2000	2000-2003	2003-2008 *(a)*
United States	1.5%	(0.4%)	1.5%
Tennessee	1.7	0.5	0.7
Memphis MSA	1.9	0.9	1.3

(a) The percentage shown for the Memphis MSA is for 2003-2007, the most recent data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis website, accessed September 17, 2009.

Economic Profile

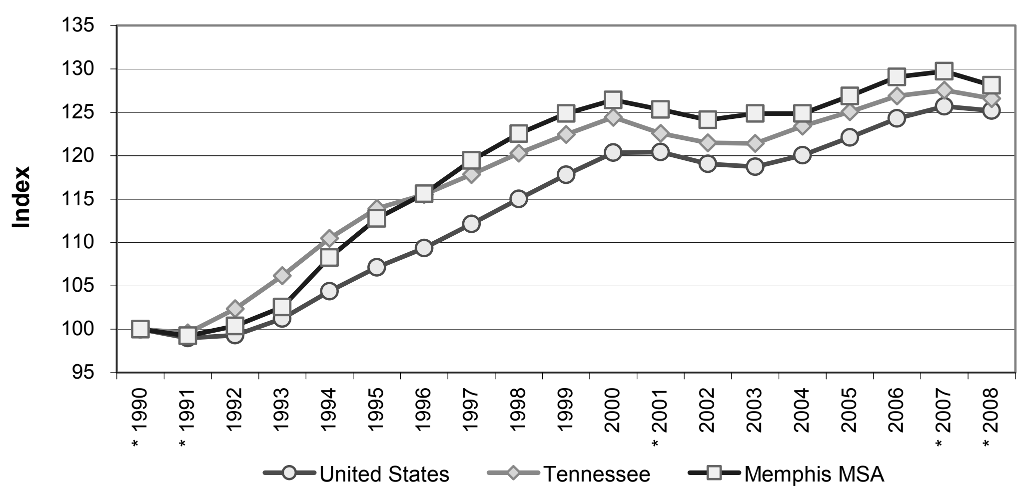
Since the early 1980s, Memphis has been a major transportation and distribution center for the United States. The transportation, distribution, and communications facilities provided in the Memphis MSA are key reasons that Memphis has been successful in attracting new industry and business activity. Other advantages of the MSA cited by the University of Memphis, Bureau of Business and Economic Research; the Memphis Area Chamber of Commerce; and other economic analysts include a productive labor force, ample developable land, a relatively low cost of living, relatively low tax rates, and the availability of electrical power from the Tennessee Valley Authority at rates lower than in most other major metropolitan areas. Analysts of the Memphis economy also expect that as the national and global economies expand, Memphis will continue to attract domestic and international business activity and, with it, increased passenger and cargo activity at Memphis International.

Employment Trends

Presented in Figure 4 are the trends in nonagricultural employment based on the number of employed residents in the MSA, Tennessee and the United States. In general, growth in nonagricultural employment for the MSA followed a trend similar to that for Tennessee and the nation. From 1990 to 2000, employment in the MSA increased at a relatively high average annual rate (2.4%) compared to 2.2% for Tennessee and 1.9% for the nation.

As mentioned above, the U.S. economic recession in 2001 was followed by a period of declining employment through 2003. In line with this national economic trend, employment declined in the MSA at an average annual rate of 0.4% from 2000 through 2003—a slightly better performance than the average rates of decline in Tennessee (-0.8%) and nationwide (-0.5%). Beginning in 2004, employment began to increase again, but at a more moderate pace than that recorded from 1990 through 2000. From 2003 through 2007, employment increased at an average annual rate of 1.0% in the MSA, 1.2% in Tennessee and 1.4% nationwide. With the beginning of another economic recession in late 2007, employment declined in 2008 by 1.3% in the MSA, 0.8% in Tennessee and 0.4% nationwide.

Figure 4
COMPARATIVE INDEX OF TOTAL NON-AGRICULTURAL EMPLOYMENT
(1990 = 100)



Compound annual growth rate	1990-2000	2000-2003	2003-2008
United States	1.9%	(0.5%)	1.1%
Tennessee	2.2	(0.8)	0.8
Memphis MSA	2.4	(0.4)	0.5

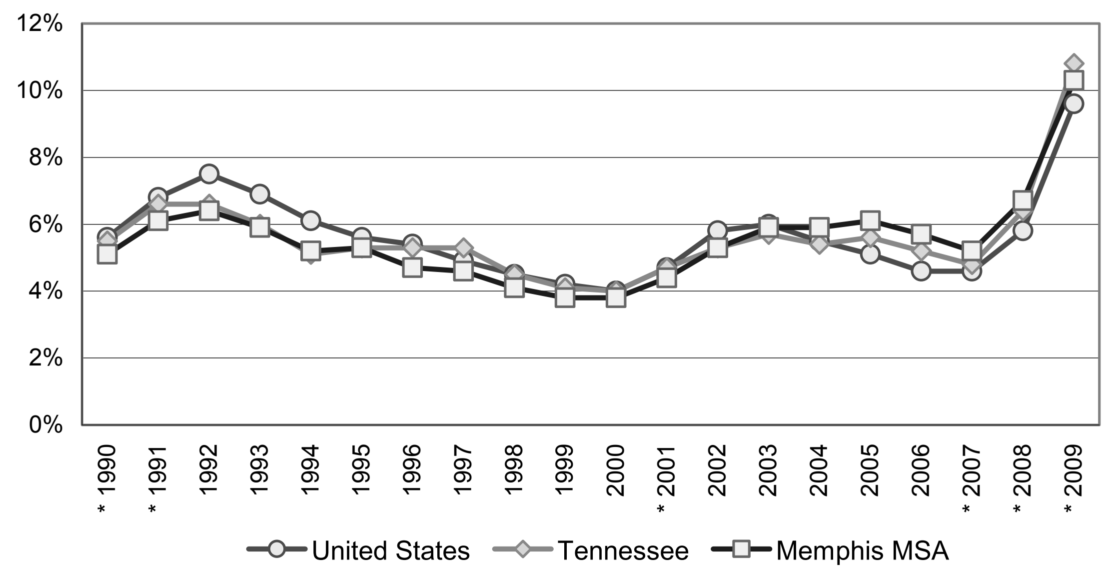
*Indicates national recession during all or part of year, according to the National Bureau of Economic Research.

Source: U.S. Department of Labor, Bureau of Labor Statistics website.

Unemployment

Unemployment rates serve as one indicator of an area's current economic health, which in turn, affects near-term air service demand. From 1990 through 2008, the unemployment rate in the MSA followed a trend similar to that for Tennessee and the United States (see Figure 5). Partial-year data for 2009 shows a significant increase in the unemployment rate for all three regions, with the MSA recording an unemployment rate of 10.3% compared to 10.6% for Tennessee and 9.6% for the United States.

Figure 5
CIVILIAN UNEMPLOYMENT RATE
(1990 - 2009)



Notes: Data shown for 2009 for the U.S. and Tennessee are for the month of August 2009 only.

Data shown for 2009 for the Memphis MSA are for July 2009 only.

*Indicates national recession during all or part of year, according to the National Bureau of Economic Research.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed September 17, 2009.

Shares of Nonagricultural Employment by Sector

Table 3 presents data on the percentage distribution of nonagricultural employment by industry sector in 2000, 2004 and 2008. Employment in the MSA is supported by a well-diversified group of industries.

Table 3
SHARE OF NONAGRICULTURAL EMPLOYMENT, BY SECTOR

	Memphis MSA			Tennessee	United States
	1999	2004	2008	2008	2008
Trade, transportation, and utilities	28.5%	27.5%	27.1%	21.7%	19.2%
Government	13.5	14.5	14.1	15.3	16.4
Professional and business services	11.6	11.9	12.9	11.6	13.0
Education and health services	10.1	11.6	12.6	12.9	13.8
Leisure and hospitality	10.2	10.9	11.2	9.9	9.8
Manufacturing	10.7	8.6	8.0	13.0	9.8
Financial activities	5.2	5.4	5.2	5.2	5.9
Natural resources, mining, and construction	4.5	4.2	4.0	4.8	5.8
Other services	4.1	4.0	3.9	3.7	4.0
Information	1.5	1.4	1.2	1.8	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed September 18, 2009.

Trade, Transportation and Utilities. The MSA's largest employment sector is trade, transportation and utilities which accounted for 27.1% of total employment in 2008. Employment in this sector is derived from the many businesses involved in the transportation of goods via air, rail, highway and waterways. Memphis International, which is located within the MSA is the location of a major connecting hub for DL/NW, in addition to being the headquarters location for FedEx and the world's busiest cargo airport. The MSA is also a hub for surface transportation, being uniquely situated on Interstate Highway 40, which between Little Rock, Arkansas and Memphis is the nation's 3rd busiest trucking corridor, and Interstate Highway 55, the nation's primary north/south highway to and from the Midwest. Memphis is located within 600 miles, or an overnight drive, of more U.S. metro areas than any other city in the nation. The MSA is also the third largest rail center in the United States and home to six fully operational rail yards. Memphis is the 2nd largest port on the Mississippi River and the 4th largest inland port in the United States This significant transportation infrastructure explains why the MSA has a higher share of employment in this sector as compared to Tennessee and the nation.

Government. Major government employers in the Memphis MSA include the federal government, Shelby County, and the State of Tennessee, which together employ over 26,000 people in the Memphis MSA. The Memphis and Shelby County school systems collectively employ over 20,400 people. In addition, the City of Memphis employs about 6,900 people, and the U.S. Navy, which operates the Bureau of Naval Personnel and other facilities at Millington in Shelby County (collectively, Mid-South Naval Support) and employs about 6,400 people (see Table 4).

Services. The services sector, which includes professional and business services and education and health services, accounts for 25.5% of total employment in the MSA.

The MSA is a leading medical center with 13 hospitals and 34 nursing homes. According to the Memphis Area Chamber of Commerce, the total health care contribution to the MSA economy each year is over $5 billion, including over 13,000 people employed in biomedical research, pharmaceuticals, and education.

Leisure and Hospitality. The leisure and hospitality sector is of increasing importance to the MSA economy, accounting for approximately 11.2% of total employment in 2008 up from 10.2% in 1999, as shown in Table 3.

Major Employers. Table 4 lists the largest employers in the Memphis MSA as of 2008. The list of top employers reflects the importance of FedEx, as well as the education, government, and health care industries with respect to employment in the region. The list also demonstrates the diversity of the various employer entities located in the MSA.

Table 4
TOP EMPLOYERS IN THE MEMPHIS MSA
(2008; ranked by number of employees)

Company	Employment *(a)*	Type of business
Federal Express Corp.	32,000	Transportation
Memphis City Schools	15,240	Primary and secondary education
United States Government	14,500	Federal government
Methodist Healthcare	8,937	Integrated health care delivery system
City of Memphis	6,909	City government
Baptist Memorial Health Care Corp.	6,791	General medical hospitals and health service
Shelby County Government	6,513	County government
Naval Support Activity Mid-South	6,372	Military installation
Wal-Mart Stores, Inc.	6,000	Discount general merchandise
Harrah's Entertainment	5,780	Casino entertainment, management and development
Shelby County Schools	5,200	Primary and secondary education
Tennessee State Government	5,000	State government
University of Tennessee Health Science Center	3,822	Health science university
DeSoto County School District	3,600	Primary and secondary education
Regions Bank (Morgan Keegan)	3,524	Financial services
The Kroger Co.	3,500	Retail groceries
St. Jude Children's Research Hospital	3,207	Medical research hospital
First Horizon National Corp.	3,027	Financial service, insurance and investments
Technicolor Video Services, Inc.	2,800	Retail provider of video tapes, DVDs, software
Memphis Light, Gas & Water	2,700	Utility services
The University of Memphis	2,605	Post-secondary graduate and legal education
The ServiceMaster Co.	2,585	Landscaping, disaster restoration, cleaning services
Walgreen Co.	2,500	Retail drugs and sundries
International Paper Co.	2,300	Paper, packaging and forest products
Regional Medical Center at Memphis	2,248	General medical center

(a) Full-time equivalent employees.
Source: Memphis BizJournal.

TOURISM

According to the Memphis Convention and Visitors Bureau, the Memphis region attracts over 10 million visitors annually and generated over $3.0 billion in visitor expenditures in 2008. From Table 5, it is seen that visitor expenditures increased at an average annual rate of 4.2% from 1997 to 2007 (latest data available).

Memphis has over 50 tourism attractions including Graceland, the Beale Street Historic District, and the Memphis Zoo. To accommodate visitor traffic, the number of hotel rooms in the Memphis MSA increased from approximately 18,600 in 2000 to over 20,600 in 2008.

Since 1993, Tunica, Mississippi, located about 35 miles south of Memphis International, has become a center for gambling casinos and resorts along the Mississippi River. Nine casinos are in operation and associated hotels provide over 6,000 rooms. The casinos complement other area attractions and have increased the number of visitors to the MSA.

Table 5
TOURISM ECONOMIC IMPACT
Memphis and Shelby County

Year	Visitor expenditures (millions)	Employment	Employment payroll (millions)
1995	$1,785.11	38,730	$ 952.25
1996	1,898.43	46,330	1,194.39
1997	2,022.64	47,840	1,263.60
1998	2,116.26	50,420	1,481.24
1999	2,202.20	51,310	1,564.36
2000	2,310.70	51,310	1,627.47
2001 *(a)*	2,244.51	45,190	1,570.80
2002	2,327.80	50,350	1,732.82
2003	2,370.26	50,650	1,772.25
2004	2,455.99	49,330	1,770.02
2005	2,639.58	49,600	1,830.99
2006	2,854.13	50,410	1,873.65
2007	3,064.70	51,900	2,015.80
	Average annual percent change		
1997-2002	2.9%	1.0%	6.5%
2002-2007	5.7%	0.6%	3.1%
1997-2007	4.2%	0.8%	4.8%

(a) Employment and employment payroll were estimated for 2001.
Source: Memphis & Shelby County Tourism Economic Impact Study, March 2009.

ECONOMIC OUTLOOK

Origin and destination passengers at Memphis International depend on economic activity in the United States and the MSA. The following sections describe the outlook for the national, state and MSA economies.

U.S. Economy

Provided below is an overview of recent U.S. economic trends, a discussion of key economic indicators, and projections of future economic activity. Historically, trends in national economic conditions have aligned closely with trends in air traffic. A key factor used in the development of the air traffic forecasts in this report was the projected growth in U.S. gross domestic product (GDP) as provided by the Congressional Budget Office (CBO).The CBO's projections of GDP are provided below along with a general summary of other key economic indicators.

While the short-term economic outlook is negative, the U.S. economy exhibits a generally favorable medium-term outlook through 2015. The current recession in the U.S. economy was foreshadowed when financial markets began to show signs of stress during the summer of 2007. During the first half of 2008, sub-prime mortgage-related problems with some large investment and commercial banks triggered a financial system crisis in the United States. In October 2008, Congress passed the Emergency Economic Stabilization Act of 2008, which provided for a government bailout of troubled banks.

During the second half of 2008, key indicators of U.S. economic performance changed significantly. U.S. gross domestic product (GDP), in 2005 dollars, decreased at a seasonally adjusted annual rate of 2.7% during the third quarter of 2008, followed by a 5.4% decrease in the fourth quarter of 2008.[*] National unemployment rates increased from 5.8% in July 2008 to 7.2% in December 2008, reflecting the loss of 2.3 million U.S. jobs during the second half of 2008. Crude oil prices fell from a peak of $147 per barrel in July 2008 to $40 per barrel in December 2008, contributing to declines in consumer prices.

Overall U.S. economic activity during the first quarter of 2009 continued to contract. U.S. GDP decreased at a seasonally adjusted annual rate of 6.4% during the first quarter of 2009, accompanied by an increase in the national unemployment rate to 8.5% in March 2009. During the first quarter of 2009, an additional 2.1 million U.S. jobs were lost.

During the second quarter of 2009, U.S. GDP decreased at a seasonally adjusted rate of 1.0%, a smaller decline than projected by national economists in the public and private sectors. The losses in employment, however, were larger than expected during the second quarter of 2009, with an additional 1.3 million U.S. jobs lost. As a result, the U.S. unemployment rate increased to 9.4% in June 2009. U.S. home prices showed signs of improvement in the second quarter of 2009, according to Standard and Poor's /Case-Shiller Home Price Index. The U.S. National Home Price Index—which covers all nine U.S. census divisions— decreased 14.9% in the second quarter

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∗ In July 2009, the U.S. Department of Commerce, Bureau of Economic Analysis released a comprehensive revision of the national income and product accounts (NIPA) from which the GDP estimates are derived. The revision incorporates new data, changes in methodology and definitions, and reports GDP in 2005 dollars (compared with previous estimates in 2000 dollars).

of 2009 compared with the second quarter of 2008. While still a substantial decrease, it is an improvement over the record year-over-year decline of 19.1% reported in the first quarter of 2009.

The spillover effects from the U.S. recession have weakened the economies of other countries. In April 2009, the International Monetary Fund (IMF) declared a global economic recession, the fourth since World War II. The IMF forecasts a 2.5% decrease in real per capita world GDP in 2009.

The Congressional Budget Office (CBO) prepared updated economic projections in August 2009 (replacing its March 2009 projections) to reflect larger than anticipated increases in the unemployment rate, a smaller decrease in real GDP in 2009 than previously expected, and a weaker recovery in 2010 and 2011 than previously projected. In its August 2009 projections, the CBO anticipated that a recovery will begin to take hold in mid-2010. In addition to reflecting short-term economic conditions, the CBO's August 2009 projections also incorporate the mid-range estimates of the American Recovery and Reinvestment Act's (ARRA) impact on GDP and employment. The CBO's August 2009 projections were based on the assumption that the Federal Reserve and the Treasury, along with the Federal Deposit Insurance Corporation, will continue to address the problems in financial markets.

The CBO projections for March and August 2009 are presented in Table 6. The CBO 2009 projections anticipate that four factors will contribute to a modest turnaround by 2010:

- Fiscal stimulus provided under ARRA.
- Improved conditions in financial markets, attributable in part to monetary policy and other actions by the Federal Reserve, the Treasury Department, and the Federal Deposit Insurance Corporation (FDIC).
- Smaller decreases in residential and business investment.
- A slowing in the rate at which inventories are being drawn down.

The CBO does not predict cyclical movements in the U.S. economy beyond 2010. Therefore, the CBO projections through 2015 reflect its long-term expectations for economic growth. As shown in Table 6, the CBO's long-term projections (from 2008 through 2015) reflect:

- Real GDP averaging 2.5% per year from 2008 through 2015.
- Inflation averaging 1.9% annually from 2008 through 2015, well below the historical average of 3.5%.

Table 6 also presents a comparison of the CBO forecasts with the projections presented in the Blue Chip Consensus and the Federal Reserve Board (FRB), Federal Open Market Committee (FOMC) published July 15, 2009. The Blue Chip Consensus is the average of about 50 forecasts by private-sector economists. The FOMC economic projections reflect the input of its participants based on their assumptions regarding factors likely to affect economic outcomes and appropriate monetary policy, expressed as a range of potential outcomes.

Table 6
U.S. ECONOMIC PROJECTIONS
2009-2015

	Average annual percent increase (decrease)			
	Historical	Projected		
	1980-2008	2008-2009	2009-2010	2008-2015
Real GDP				
CBO (August 2009)	3.0%	(2.5%)	1.7%	2.5%
CBO (March 2009)		(3.0)	2.9	2.6
Blue Chip Consensus		(2.6)	2.3	2.6
FOMC		(1.6) – (0.06)	0.8 – 4.0	2.4 – 2.8
CPI-U				
CBO (August 2009)	3.5%	(0.5%)	1.7%	1.9%
CBO (March 2009)		(0.7)	1.4	1.7
Blue Chip Consensus		(0.5)	1.9	2.5
Unemployment rate (percent)				
CBO (August 2009)	6.1%	9.3%	10.2%	4.8% (a)
CBO (March 2009)		8.8	9.0	4.9 (a)
Blue Chip Consensus		9.3	9.9	5.5 (b)
FOMC		9.7 – 10.5	8.5 – 10.6	4.5 – 6.0
3-month Treasury Bill rate (percent)				
CBO (August 2009)	5.6%	0.2%	0.6%	4.7% (a)
CBO (March 2009)		0.3	0.9	4.7 (a)
Blue Chip Consensus		0.2	0.7	4.2 (b)
10-year Treasury Note rate				
CBO (August 2009)	7.4%	3.3%	4.1%	5.5% (a)
CBO (March 2009)		2.9	3.4	5.5 (a)
Blue Chip Consensus		3.4	4.1	5.4 (b)

GDP = Gross Domestic Product.
CBO = Congressional Budget Office.
FOMC = Federal Reserve Board, Federal Open Market Committee.
CPI-U = Consumer price index for all urban consumers.

Note: The Blue Chip Consensus is the average of about 50 forecasts by private-sector economists.

(a) Level in 2015.
(b) Represents the annual average from 2016 through 2020.

Sources: Congressional Budget Office, The Budget and Economic Outlook, an Update, August 2009 (including data for the Blue Chip Consensus forecasts). Federal Reserve Board, Federal Open Market Committee, Summary of Economic Projections, June 23-24, 2009, published July 15, 2009.

Tennessee Economy

According to a January 2009 report entitled An Economic Report to the Governor of the State of Tennessee, which provides an economic outlook for the state for 2009 through 2020 (see Table 7), Tennessee's economy is expected to follow a trend similar to that for nation as a whole. It is projected that the downturn in employment and personal income that began in 2008 will continue into 2009 before a turnaround begins in the second half of 2010.

- **Population**— Population in the State of Tennessee, which is the 16th most populous state in the U.S., is expected to grow steadily but at a slower rate than that recorded from 1990 to 2007. From 2008 through 2018, the state's population is expected to increase at an annual rate of approximately 1.0% compared to the 1.4% rate experienced from 1990 to 2007.
- **Nonagricultural employment**—Total nonfarm jobs are expected to fall at least 2.2% in 2009 and decline an additional 0.3% in 2010. The largest employment losses are projected to occur in the state's manufacturing sector with expected job losses of 6.0% in 2009 and 3.8% in 2010. The annualized unemployment rate is expected to reach 8.9% in 2009 and peak at 9.6% in 2010 before declining. Growth in nominal personal income is expected to slow to 0.7% in 2009 but increase by 2.8% in 2010.

  Over the long-term (2008-2018) economic conditions are expected to improve and return to near historical average growth. Employment in Tennessee is expected to increase at an annual rate of 0.7% from 2008-2018, although unemployment rates are expected to remain relatively high and decrease slowly over time. The state's unemployment rate is expected to decline to 8.8% in 2011 from 9.6% in 2010 and then gradually fall to 6.3% by 2015 and 5.4% by 2018.
- **Per capita personal income**—PCPI on the state level will also be affected by the poor economic conditions. PCPI is expected to remain nearly unchanged in 2010 from 2009 levels. In 2011, PCPI is expected to increase by 0.8% and then begin to gradually increase each year to an annual rate of 1.5% by 2015. Over the long-term from 2008 through 2018, PCPI for the state is projected to increase at an annual rate of 1.2%

Memphis MSA Economy

Economic and demographic projections for the MSA were prepared for the Memphis Chamber of Commerce by Decision Data Resources, in a report dated July 1, 2009, for the period 2008 through 2013. The results of those projections are discussed below (see Table 7).

- **Population**—Population in the MSA is projected to increase at an annual rate of 0.8% from 2008 through 2009. This growth is approximately equal to the annual rate recorded from 2000 to 2008. By 2013, the population of the MSA is expected to grow to approximately 1,339,000 from 1,286,000 in 2008.

- **Nonagricultural employment**—The MSA's nonagricultural employment is expected to continue to grow at an annual rate of approximately 1.0% from 2008 through 2013 which is less than its long-term growth rate of 1.4% recorded from 1990 through 2008. Employment is expected to decrease by approximately 1.0% from 2009 to in 2010 before it returns to a long-term growth trend.
- **Per capita personal income**—PCPI for the MSA is expected to increase at an annual rate of 1.7% from 2008 through 2013. This is similar to the historical rate of 1.6% recorded from 1990 through 2007.

Table 7

COMPARISON OF SOCIOECONOMIC PROJECTIONS

	Average annual percent increase (decrease)		
	1990-2007	2007-2010	2010-2018
U.S.			
Population	1.1%	0.8%	0.8% (a)
Employment	1.4	(0.9)	1.3
Per capita personal income	1.5	0.1	2.1
State of Tennessee			
Population	1.4%	0.4%	1.0% (a)
Employment	1.4	(1.0)	1.2
Per capita personal income	1.5	0.5	1.2

	Historical 1990-2008	Projected 2008-2013
Memphis MSA		
Population	1.0%	0.7%
Employment	1.4	1.0
Per capita personal income	1.6	1.7

(a) Represent the average annual growth from 2010 through 2020.
Sources: Memphis Chamber of Commerce
U.S. Department of Commerce, Bureau of the Census website.
U.S. Department of Commerce, Bureau of Economic Analysis website.
U.S. Department of Labor, Bureau of Labor Statistics website.
Center for Business and Economic Research, University of Tennessee.

Factors expected to contribute to continued economic growth in the MSA and associated increases in airline travel once the recession ends include (1) diversity in the economic base, which lessens its vulnerability to weaknesses in particular industry sectors, (2) continued growth in the leisure and hospitality industry, (3) generally lower labor and living costs compared to those in many of the largest cities in the nation and (4) continued reinvestment to support the development of tourism, conventions, and other businesses.

Risks to the Economic Outlook

While the projections presented in this section represent a range of the most likely economic scenarios, there are some risks to the economic outlook. In the near term, the principal risk is that the federal government's policy response to the current financial crisis and recession in the United States may not be effective in providing the foundation for a sustained recovery. Inflation risks still persist because of the sizable amount of liquidity that the Federal Reserve Bank has injected into the banking system, which could eventually trigger upward pressures on prices. A prolonged global slowdown could result in lower average annual growth rates in the economies of the United States, Tennessee, and the MSA through 2015. In the longer term, the principal risks to U.S. economic performance are the country's sizable external and fiscal deficits. The continuing deficits in the U.S. balance of payments could result in greater volatility in the currency markets, which would then translate into higher interest rates and, therefore, slower economic growth. These risks could be compounded if the fiscal deficit does not shrink within the next five years, thereby leading to much larger financing requirements and subsequent increases in interest rates, which could lead to slower investment and, consequently, slower productivity growth.

MEMPHIS INTERNATIONAL ROLE

Memphis International is the primary commercial service airport for the City of Memphis and the MSA. In 2008, Memphis International was the 36th busiest passenger airport in the United States according to Airports Council International–North America (ACI-NA) statistics, and it is a connecting hub in the global route system of DL/NW. Memphis International is also the location of the largest hub in the FedEx worldwide network and, in 2008, was the world's busiest cargo airport for the 17th consecutive year, according to ACI-NA statistics.

Northwest Airlines and Delta Air Lines Merger

Since 1986, Memphis International has served as a connecting hub airport in the Northwest Airlines network.* On October 29, 2008, Northwest Airlines and its wholly-owned regional airline subsidiaries, Compass Airlines, Inc. and Mesaba Aviation, Inc., completed a merger with Delta Air Lines (Delta). As a result of the merger, Northwest became a wholly-owned subsidiary of Delta but continues to operate as Northwest under a separate U.S. Department of Transportation operating certificate. The merged airline will operate under the Delta name with a single reservation system, frequent flyer program, unified aircraft livery, airport branding and signage, et cetera.

Prior to Northwest's merger with Delta and continuing to date, Memphis International has served as a connecting hub in the route network of Northwest. In 1986, Northwest purchased Republic Airlines, which had operated a regional

* Source: Information in this section is taken from Delta Air Lines, Inc. Form 10-K filed March 2, 2009.

connecting hub operation at MEM. Each year since 1987, Northwest accounted for at least 75% of total enplaned passengers at MEM. In FY 2009, Northwest and Delta accounted for 80.5% and 5.9%, respectively, of the enplaned passenger total.

The merger of Delta and Northwest has resulted in the creation of the world's largest airline measured in terms of total airline revenue and available seat miles. The combined airline now operates a fleet of nearly 800 aircraft with a global network of connecting hub airports. Delta operated connecting hubs in Atlanta, Cincinnati, New York-JFK, and Salt Lake City while Northwest operated hubs at Detroit, Memphis, Minneapolis/St. Paul, Amsterdam, and Tokyo-Narita. The combination of Delta's market strength in the south, mountain west, and northeast United States, Europe, and Latin America with Northwest's strength in the Midwest and northwest United States and Asia results in one of the most diversified global airline networks.

Northwest and Delta are both members of the SkyTeam global alliance which was formed to provide member airlines with the opportunity for mutual codesharing arrangements, increased connecting flight opportunities, reciprocal frequent flyer and airport lounge programs, coordinated cargo operations, and overall enhanced customer service. SkyTeam member airlines include Aeroflot, Aeromexico, Air France, Alitalia, China Airlines, China Southern, CSA Czech Airlines, KLM Royal Dutch Airlines (KLM), and Korean Air. Continental Airlines was a member of the SkyTeam alliance but ended its membership effective October 24, 2009.

In addition to its SkyTeam membership, Northwest is part of a major transatlantic joint venture operation with Air France-KLM through KLM's hub in Amsterdam. Air France and KLM are subsidiaries of the same holding company. Northwest also operates an extensive Pacific route network with a connecting hub at Tokyo's Narita International Airport. Northwest also has international codesharing arrangements with Air France, Korean Air, and Malev Hungarian Airlines.

Delta has international codesharing arrangements with Aeromexico, Air France, Alitalia, China Southern, Continental, CSA Czech Airlines, KLM Royal Dutch Airlines, Korean Air, and Royal Air Morac. In May 2008, Delta, Northwest, Air France, Alitalia, CSA Czech Airlines, and KLM received limited anti-trust immunity from the United States Department of Transportation that enables them to offer a more integrated route network and develop commons sales, marketing and discount programs for customers.

Delta, as of September 2009, had agreements with 10 contract carriers including three wholly-owned subsidiaries (Comair Airlines, Compass Airlines, and Mesaba Aviation) and 7 other separately owned and managed airlines to operate flights under the Delta Connection brand. Delta Connection carriers operate regional aircraft on short and medium haul routes in support of Delta mainline flights. Pinnacle Airlines (Pinnacle), as described in more detail below, is the Delta Connection carrier operating from Memphis.

Memphis International's Role in the DL/NW Network

Memphis International is one of seven airports used as hubbing locations by DL/NW within its U.S. route network. The U.S. hub airports include the Delta hub airports of Atlanta, Cincinnati, New York –JFK, and Salt Lake City and the Northwest airport hubs of Detroit, Memphis and Minneapolis/St. Paul. Memphis International's role in the DL/NW route network is largely as a domestic hub, although it does have daily scheduled service to Amsterdam and other international destinations. MEM accounts for approximately 6.3% of the hub airports' total domestic scheduled seats, 1.4% of their total international seats, and 5.7% of total scheduled seats (see Table 8). The largest of the DL/NW U.S. airport hubs is in Atlanta, and it accounts for 41.2% of total domestic seats, 43.0% of total international seats and 41.4% of total seats. Minneapolis/St. Paul and Detroit are the next largest hubs with 15.4% and 15.3% of total scheduled seats respectively. In total, approximately 89.1% of the DL/NW U.S. hubs' scheduled seats are to domestic markets and 10.9% are to international markets.

Table 8

DL/NW SERVICE AT ITS DOMESTIC HUB AIRPORTS

Average Daily Scheduled Departing Seats

(September 2009)

	Domestic	Hub Airline International	Total	DL/ NW share of Airport Total
Northwest Hub Airports				
Memphis	14,538	402	14,940	84.4%
Detroit	35,910	4,034	39,944	79.1%
Minneapolis/St. Paul	37,064	2,988	40,052	76.5%
Delta Hub Airports				
Atlanta	95,698	12,224	107,921	75.0%
Cincinnati	13,307	530	13,837	86.3%
Salt Lake City	23,063	563	23,626	71.1%
New York - JFK	12,653	7,658	20,312	25.6%
Total DL/NW Domestic Hubs	232,232	28,399	260,632	66.3%

	Percent of Total for Domestic Hubs Domestic	International	Total
Northwest Hub Airports			
Memphis	6.3%	1.4%	5.7%
Detroit	15.5%	14.2%	15.3%
Minneapolis/St. Paul	16.0%	10.5%	15.4%
Delta Hub Airports			
Atlanta	41.2%	43.0%	41.4%
Cincinnati	5.7%	1.9%	5.3%
Salt Lake City	9.9%	2.0%	9.1%
New York - JFK	5.4%	27.0%	7.8%
Total DL/NW Domestic Hubs	100.0%	100.0%	100.0%

(a) Includes service from all U.S. airports served by Delta and/or Northwest.

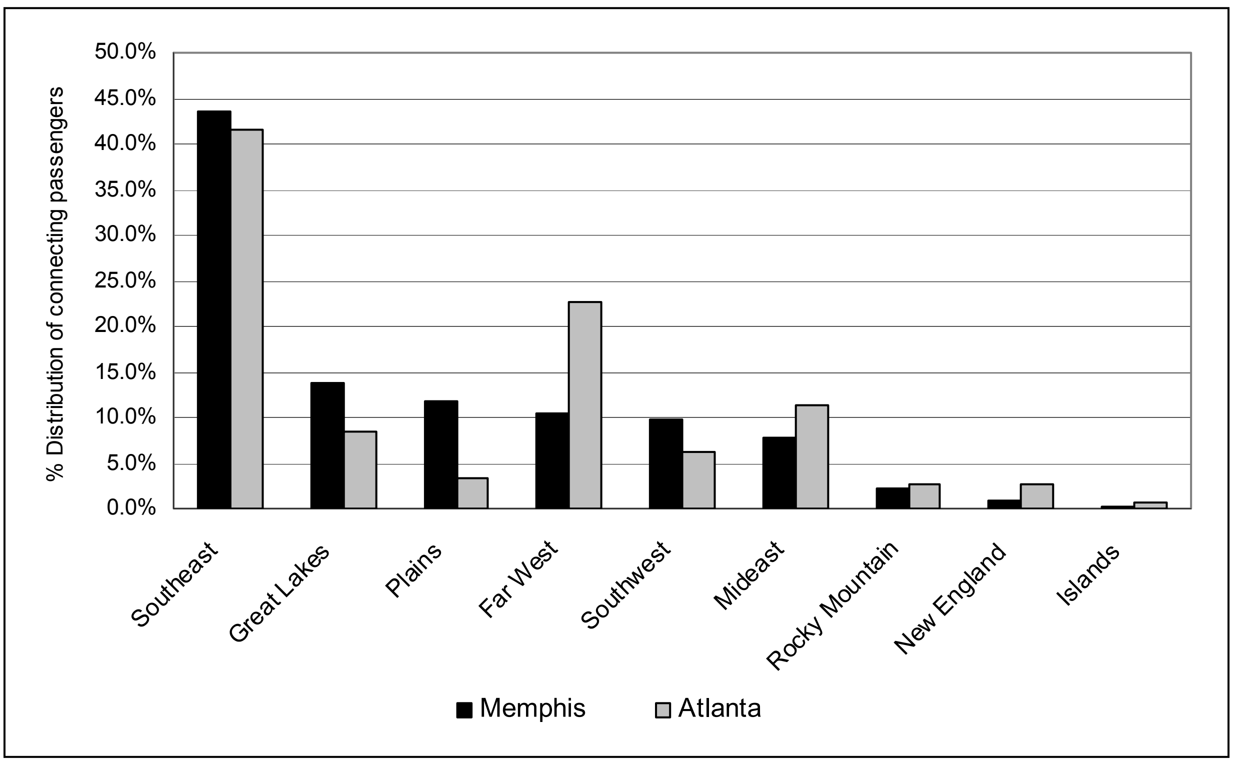
Source: Official Airline Guide

DL/NW management has indicated that Memphis International will remain an important airport in the DL/NW network. DL/NW plans to utilize the strengths of MEM to play a complementary role to its largest and primary hub in Atlanta. Presented in Figure 6 is the origination point, by region of the United States, for passengers that connect at Memphis International and at Atlanta. This graphic is based on CY 2007 data to represent traffic flows prior to the DL/NW merger. Both MEM and Atlanta derive the largest share of their connecting passengers from the southeast region. MEM derives a much larger share of its connecting passengers from the Great Lakes, Plains, and Southwest regions than Atlanta. Memphis International's history as the third hub in the Northwest system, which includes major hubs at Detroit (DTW) and Minneapolis/St. Paul (MSP), explains its strength in this central area of the United States.

DL/NW has described to the Authority its plans to shift more of its connecting passengers at Atlanta, who originate or terminate their trips west of Memphis, to connecting flights at Memphis instead. Likewise, it will shift more its connecting passengers at Memphis International, who originate or terminate their trips east of Atlanta, to connecting flights at Atlanta. DL/NW is reported to be planning this realignment of routes and connecting passengers in order to improve the economics of the network by better utilizing the geographic strengths of both MEM and Atlanta.

There are indications that this transition is currently underway. Since the merger in October 2008, DL/NW has added new or additional service from MEM to markets west of Memphis International such as Dallas, Texas; Las Vegas, Nevada; Phoenix, Arizona; Salt Lake City, Utah; and San Diego, California. Likewise, DL/NW has reduced or eliminated service from Memphis International to markets east of MEM such as Chattanooga, Tennessee; Tupelo, Mississippi; Greensboro, North Carolina; Toronto, Canada; and Savannah, Georgia.

Figure 6
ORIGINATING REGION FOR PASSENGERS CONNECTING AT MEMPHIS AND ATLANTA
(CY2007)



Memphis International's Role in the FedEx Network

The Memphis SuperHub is the primary sorting facility for FedEx and serves as the center of its global hub-and-spoke system. FedEx has been located in Memphis since 1973. The SuperHub is a state-of-the-art facility which operates 24 hours a day 365 days per year. The facility includes over 150 miles of conveyor belts which move an average of 1.5 million packages a day during five daily sort operations that involve approximately 1,160 FedEx flights per week at MEM. FedEx facilities at Memphis International include aircraft hangars, aircraft ramp areas, vehicle parking areas, flight training and fuel facilities, administrative offices and warehouse space. FedEx leases these facilities from the Authority. The lease obligates FedEx to maintain and insure the leased property and to pay all related taxes, assessments and other charges.

A second national hub facility, which FedEx has significantly expanded recently, is located in Indianapolis. In addition to its national hubs at MEM and Indianapolis, FedEx operates regional hubs in Newark, Oakland, and Fort Worth, and a Greensboro, North Carolina facility which opened in June 2009. In addition, FedEx has major metropolitan sorting facilities in Los Angeles and Chicago.

FedEx also has additional international sorting-and-handling facilities located at Anchorage, Alaska; Paris, France; and Guangzhou, China. FedEx also has a substantial presence in Tokyo, Japan, London, England; Toronto, Canada; Hong Kong; Taipei, Taiwan; Dubai, United Arab Emirates; Frankfurt, Germany.*

The FedEx facility at Memphis International has more than twice the sorting capacity per hour as its second largest national sorting facility located in Indianapolis (see Table 9). The MEM facility includes approximately 3.5 million square feet of package handling facilities. In comparison, the Indianapolis facility includes 2.5 million square feet of handling facilities. Following Indianapolis, the next largest facility is the regional sort facility in Fort Worth which includes 0.9 million square feet of handling facilities. The other regional sorting centers in Newark and Oakland, and the metropolitan sorting facilities in Chicago and Los Angeles, are significantly smaller than the Memphis International facility.

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* Federal Express Corporation Form 10-K for the fiscal year ended May 31, 2009.

Table 9

FEDEX SORTING AND HANDLING FACILITIES

(as at May 31, 2009)

Category Location	No. of Acres	Facility (square feet)	Sorting capacity (per hour) *(a)*
National			
Memphis, Tennessee	518	3,450,000	465,000
Indianapolis, Indiana	335	2,509,000	210,000
Regional			
Fort Worth, Texas	168	948,000	76,000
Newark, New Jersey	70	595,000	154,000
Oakland, California	75	320,000	65,000
Greensboro, North Carolina	N/A	N/A	N/A
Metropolitan			
Chicago, Illinois	51	419,000	52,000
Los Angeles, California	34	305,000	57,000
International			
Anchorage, Alaska *(b)*	64	332,000	24,000
Paris, France *(c)*	87	861,000	54,000
Guangzhou, China *(d)*	155	882,000	24,000

(a) Includes documents and packages.
(b) Handles international express packages and freight shipments to and from Asia, Europe, and North America.
(c) Handles intra-Europe express packages and freight shipments, as well as international express packages and freight shipments to and from Asia.
(d) Handles intra-Asia express packages and freight shipments, as well as international express packages and freight shipments to and from Asia.

Source: Federal Express Corporation 10-K report.

The cargo industry in general has suffered through a difficult period during the recent economic recession. According to the United States Bureau of Transportation Statistics (BTS), system revenue freight ton miles for all United States cargo carriers was down 18.3% from FY 2008 through FY 2009. Although FedEx does not report a comparable statistic, its average daily freight-pounds was down 19.3% over the same period (as presented on Table 10). During the recent economic downturn, FedEx has continued to produce a profit although net income declined significantly from FY 2007 to FY 2009 (see Table 10).

At Memphis International, cargo tonnage was down only 4.8% from FY 2008 to FY 2009. According to the Authority, FedEx rerouted cargo traffic from its other sorting facilities to MEM to maintain the utilization of the SuperHub and therefore MEM recorded a less severe drop in cargo traffic than that reported on a national basis.

The existing FedEx SuperHub facility is well positioned for continued long-term growth at Memphis International. FedEx aims to increase utilization of the SuperHub through greater use of technology and larger aircraft, and it is planning for further facility expansion. A recently completed capital improvement project at Memphis International, one that included the relocation of the Tennessee Air National Guard base, has provided additional acreage at MEM for FedEx facility expansion when necessary. The Authority also has developed conceptual plans to provide FedEx with additional room for facility expansion.

Table 10
RESULTS OF OPERATIONS
FEDERAL EXPRESS CORPORATION
(dollar amounts in millions)

				FY2007 to FY2009	1st Quarter (June-August)		
	FY2007	FY2008	FY2009	% change	FY2009	FY2010	% change
Total revenues *(a)*	$22,527	$24,246	$22,167	-1.6%	$6,360	$4,882	-23.2%
Operating income *(a)*	$1,913	$1,857	$765	-60.0%	$334	$100	-70.1%
Net income *(a)*	$1,251	$1,125	$431	-65.5%	$197	$50	-74.6%
Operating margin	8.5%	7.7%	3.5%	-59.4%	5.3%	2.0%	-61.0%
Profit margin	5.6%	4.6%	1.9%	-65.0%	3.1%	1.0%	-66.9%
Avg. daily package volume *(b)*	3,399	3,536	3,376	-0.7%	3,362	3,336	-0.8%
Avg. daily freight pounds *(b)*	13,278	12,685	10,721	-19.3%	11,474	10,023	-12.6%

Note: FedEx fiscal year is the 12-month period ending May 31.
(a) Financial results are presented in millions of dollars.
(b) Package volume and freight pounds are presented in thousands.
Source: Federal Express Corporation 10-K, 10-Q reports.

Airlines Serving Memphis International

As of September 2009, Memphis International had scheduled commercial passenger service by most of the U.S. major carriers* and/or their regional affiliates (see Table 11). Mainline service (service provided on jet aircraft with 100 seats or above) was provided by AirTran, American, and DL/NW. Regional service (service provided on aircraft with fewer than 100 seats) was provided by the regional affiliates of American, Continental, DL/NW, United, and US Airways. The largest regional airline at Memphis International (measured in terms of MEM passenger market share) is Pinnacle Airlines (Pinnacle). Pinnacle is an operating subsidiary of Pinnacle Airlines Corp. based in Memphis. Pinnacle operates an all-regional jet fleet of 126 Canadair Regional Jet (CRJ)-200 aircraft and 16 CRJ-900 aircraft providing regional

*U.S. major carriers include AirTran Airways, American Airlines, Delta Air Lines, Continental Airlines, Frontier Airlines, jetBlue Airways, Northwest Airlines, Southwest Airlines, United Airlines and US Airways.

airline capacity (under a capacity purchase agreement) to DL/NW and it subsidiaries in Atlanta, Detroit, Memphis, Minneapolis, and other cities.

Table 11

AIRLINES OPERATING SCHEDULED PASSENGER SERVICE

Memphis International Airport

(September 2009)

Mainline	Regional
Air Tran Airways	American Eagle *(a)*
American Airlines	Atlantic Southeast Airlines *(b)*
Delta Air Lines	Chautauqua Airlines *(b)*
Northwest Airlines	Comair *(b)*
	Compass Airlines *(b)*
	ExpressJet Airlines *(d)*
	Freedom Airlines *(b)*
	Mesa Airlines *(c), (e)*
	Mesaba Aviation *(b)*
	Pinnacle Airlines *(b)*
	PSA Airlines *(c)*
	Republic Airlines *(c)*
	Shuttle America *(b)*
	Skywest Airlines*(b), (e)*
	Trans States Airlines *(a)*

(a) Affiliated with American Airlines.
(b) Affiliated with Delta Air Lines/Northwest Airlines.
(c) Affiliated with US Airways.
(d) Affiliated with Continental Airlines.
(e) Affiliated with United Airlines.
Source: Official Airline Guide, Inc.

HISTORICAL AIR TRAFFIC

Total enplaned passenger traffic at Memphis International has produced moderate growth at an annual rate of approximately 1.2% over the period FY 1990 through FY 2008 (see Table 12). Over the same period, total passenger traffic in the United States increased at a faster annual rate of 2.5% and with generally less year-to-year variability. The higher year-to-year variability at Memphis International can be attributed to its role as a connecting hub airport where its traffic patterns can be largely influenced by the activity of the hubbing airline. In addition, given the disparity in passenger counts between Memphis International and the nation, MEM will be affected to a larger degree by relatively small changes in airline scheduling activity such as the addition of a few new daily flights. From 2008 to 2009, both Memphis International and the United States recorded significant decreases of 7.4% and 7.9%, respectively.

Table 12
TOTAL ENPLANED PASSENGERS
Memphis International Airport vs. the United States
(for Fiscal Years ended June 30)

FY	Memphis International Total	Annual Percent change	U.S. Total	Annual Percent change
1990	4,223,069		405,576,705	
1991	4,041,573	-4.3%	447,889,960	10.4%
1992	3,830,645	-5.2	451,706,936	0.9
1993	4,005,373	4.6	474,991,925	5.2
1994	3,850,961	-3.9	501,324,690	5.5
1995	4,176,492	8.5	536,169,713	7.0
1996	4,562,486	9.2	563,552,466	5.1
1997	4,846,218	6.2	587,453,783	4.2
1998	4,959,567	2.3	609,197,777	3.7
1999	4,884,673	-1.5	624,931,818	2.6
2000	5,262,373	7.7	658,001,964	5.3
2001	6,180,914	17.5	670,296,015	1.9
2002	5,071,927	-17.9	591,400,895	-11.8
2003	5,499,731	8.4	631,240,365	6.7
2004	5,193,060	-5.6	677,801,800	7.4
2005	5,403,445	4.1	725,547,167	7.0
2006	5,349,107	-1.0	736,244,267	1.5
2007	5,263,516	-1.6	746,350,085	1.4
2008	5,369,885	2.0	758,891,154	1.7
2009	4,971,728	-7.4	698,611,972	-7.9
	Compound annual growth rate			
1990-2000	2.2%		5.0%	
2000-2009	-0.6		0.7	
1990-2009	0.9		2.9	

Sources: Memphis-Shelby County Airport Authority and US DOT T100 data.

The fall-off in traffic from FY 2008 to FY 2009 for Memphis International and the United States were the result of a national economic recession, exacerbated by a record-setting spike in oil prices and turmoil in the U.S. housing and credit markets. U.S. airlines responded to the fall-off in passenger demand by reducing capacity (total scheduled seats) and eliminating marginal routes. The airlines, which were struggling under the financial pressure caused by the combination of a jump in fuel prices and falling passenger demand, attempted to increase revenue by adding new fees and surcharges and, initially, by raising fares. According to BTS, average domestic airfares for U.S. airlines increased every quarter, on a calendar year basis, from the first quarter of 2007 through the third quarter of 2008. Since the fourth quarter of 2008, however, average air fares have been falling as a response to decreasing demand. Although it can be difficult to correlate the increase in air travel costs to falling passenger levels, it is generally understood that higher travel costs have a negative impact on air travel demand. The combination of the national economic conditions and the airlines' response to these events resulted in the largest decrease in passenger traffic since the period following the events of September 11, 2001 and the 2001 economic recession.

Passenger traffic has increased year-over-year at Memphis International in 11 of the last 20 years. During the 1990s, Memphis International experienced significant growth as the nation experienced mostly favorable economic conditions and Northwest expanded its operation to fulfill the increase in passenger demand and to enhance connections over Memphis International. In the period 2000 through 2009, enplaned passenger traffic at MEM demonstrated a significant amount of variability. Enplaned passenger traffic grew rapidly in FY 2000 and FY 2001, partly as a result of the nationwide increase in demand during this period, but also from an increase in connecting activity produced by Northwest. Beginning in January 2000 and continuing through September 2001, Northwest increased its schedule of connecting banks, or groups of coordinated scheduled flights designed to enhance connecting passengers, to four daily connecting banks from three. This activity increased the number of scheduled seats at Memphis International by approximately 25% and resulted in an increase in enplaned passengers. Following the events of September 11th, and the decrease in worldwide traffic that ensued, Northwest eliminated the fourth daily connecting bank and the combination of these events resulted in a significant decrease in total enplanements in FY 2002.

As the nation was recovering from a national economic recession that occurred in 2001 and the negative effects that the events of September 11, 2001 had on air travel, Northwest reinstated its fourth connecting bank at Memphis International in approximately June 2002. These factors helped lift total enplaned traffic upward in FY 2003, but much of the gain was lost when Northwest again discontinued its fourth schedule bank in January 2004. Northwest determined that a fourth connecting bank at Memphis International was not viable, but it did increase its total scheduled seats throughout its three-bank schedule in FY 2005. Total enplaned passengers at MEM fell slightly in FY 2006 and FY 2007 before increasing again in FY 2008, following the introduction of additional scheduled service by US Airways and new scheduled service by Frontier Airlines (Frontier). The Frontier service which began in May 2007 ended in June 2008 (i.e., the end of FY 2008). Starting near the mid-point of FY 2009, air passenger traffic began to decline at Memphis International and nationally as a result of a national economic recession and ongoing difficulties in the U.S. credit and housing markets. The combination of these factors resulted in 7.4% decline in total enplaned passengers for FY 2009, generally in line with the national traffic decline of 7.9%.

Domestic and International Enplaned Passengers

The majority of the passenger trips at Memphis International are from and to U.S. destinations. Over the 10-year period 2000 through 2009, domestic enplanements accounted for an average of 97% of total enplaned passengers. International passengers increased from 2.6% of total enplaned passengers in 2000 to 3.6% in FY 2009. Northwest has provided virtually all of the international service with the exception of the occasional international charter operator. As of September 2009, Northwest provided all of the scheduled nonstop international service from Memphis International with service to Amsterdam, Netherlands; Cancun, Mexico; and Montego Bay, Jamaica.

Mainline and Regional Passengers

Since the introduction of the regional jet in the early 1990s and the expansion of connecting activity by the major airlines, there has been a significant increase in the volume of passengers transported by regional airlines. This trend has also occurred at Memphis International, as demonstrated by Figure 7. In this report, regional passengers are defined as those carried by regional airlines which typically operate regional jet and turboprop aircraft with fewer than 100 seats. These regional airlines tend to operate as a feeder system for the mainline carriers which generally operate aircraft with greater than 100 seats.

Regional airlines generally transport passengers from small domestic markets to Memphis International where they transfer to another aircraft en-route to their final destination. Regional airlines also serve large domestic markets during off-peak hours or when less capacity is required on a particular route. With the current extensive use of regional jet aircraft, it is not uncommon for a passenger to connect at MEM from one regional airline flight to another regional airline flight.

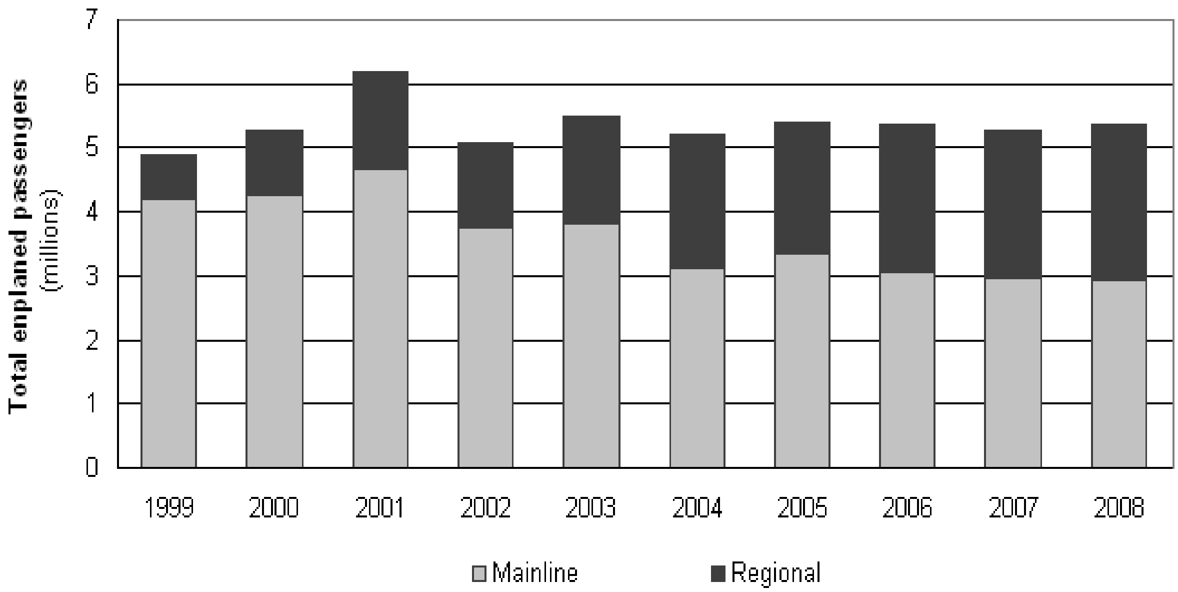
Regional passenger activity at Memphis International has increased from approximately 700,000 enplaned passengers (14.3% of total, in FY 1999) to 2.8 million (56.3% of total in FY 2009). From FY 1999 to FY 2009, regional passenger volume increased at an average annual rate of 14.9% compared to a decline in mainline passengers at average annual rate of -6.3%. Given that total enplaned passengers increased at an average annual rate of only 0.2% from FY 1999 to FY 2009, the growth in regional passenger traffic is almost entirely the result of the shift from mainline aircraft to regional aircraft, as discussed above.

Figure 7

TOTAL ENPLANED PASSENGERS, BY CARRIER TYPE

Memphis International Airport

(for Fiscal Years ended June 30)



		Enplaned Passengers			
FY	Mainline	% Total	Regional	% Total	Total
1999	4,184,408	85.7%	700,265	14.3%	4,884,673
2000	4,258,328	80.9%	1,004,045	19.1%	5,262,373
2001	4,675,447	75.6%	1,505,467	24.4%	6,180,914
2002	3,755,662	74.0%	1,316,265	26.0%	5,071,927
2003	3,815,263	69.4%	1,684,468	30.6%	5,499,731
2004	3,119,657	60.1%	2,073,403	39.9%	5,193,060
2005	3,347,112	61.9%	2,056,333	38.1%	5,403,445
2006	3,049,967	57.0%	2,299,140	43.0%	5,349,107
2007	2,976,941	56.6%	2,286,575	43.4%	5,263,516
2008	2,946,062	54.9%	2,423,823	45.1%	5,369,885
2009	2,171,282	43.7%	2,800,446	56.3%	4,971,728
		Compound annual growth rates			
1999-2004	-5.7%		24.2%		1.2%
2004-2009	7.0%		6.2%		-0.9%
1999-2009	-6.3%		14.9%		0.2%

Source: Memphis-Shelby County Airport Authority.

Airline Market Share

The distribution of airline market share has changed by only minor percentages over the period FY 1999 through FY 2009 (see Table 13). Northwest (including its regional affiliates) accounted for 75.6% of total enplaned passengers in FY 1999. Its share reached a peak of 80.6 % in FY 2007 and essentially matched it (80.5%) again in FY 2009. Northwest's total market share is comprised of passengers carried on its mainline operations and its regional affiliates which operate under the brand name of Northwest Airlink to feed traffic to Northwest. Northwest Airlink is comprised of Northwest's wholly-owned subsidiaries Mesaba Aviation (Mesaba) and Compass Airlines (Compass), and Pinnacle Airlines (Pinnacle), an independently owned airline which provides regional jet service exclusively to DL/NW. These affiliate carriers operate fleets of regional jet and turboprop aircraft at Memphis International.

The market share of Northwest Airlink at MEM has increased significantly over time as Northwest has relied more heavily on the regional jet and turboprop service provided by these carriers. Northwest Airlink's market share has increased from approximately 11.9% in FY 1999 to 45.0% in FY 2009. The smaller Northwest Airlink aircraft allow Northwest to serve markets that would be uneconomical for larger mainline aircraft and to supplemental mainline service at times when less capacity is required on particular routes. This increase in service by Northwest Airlink is similar to increases in service by other airlines' regional affiliates as other Major domestic hubbing carriers developed operating strategies similar to those of Northwest, as discussed under "Mainline and Regional Passengers."

The second largest market share since FY 1999 was consistently represented by Delta which includes passengers carried by both Delta mainline and its regional affiliates. Delta's market share has declined over time from 11.1% in FY 1999 to 7.3% in FY 2005 and to 5.9% in FY 2009. When combined the total market share of Delta and Northwest was 86.4% in FY 2009.

Each of the other major carriers such as American, Continental, United, and US Airways typically represented a market share of between 2% and 4% from FY 1999 through FY 2009. Among the low-cost carriers, AirTran has gradually increased its market share from 1.6% in FY 1999 to 3.2% in FY 2009. And Frontier Airlines provided short-lived service at Memphis International from May 2007 through June 2008, and achieved a 1.1% market share in FY 2008. The remaining market share represented by the "all other airlines" category generally includes miscellaneous charter or unscheduled airline activity.

Table 13

AIRLINE MARKET SHARES OF TOTAL ENPLANED PASSENGERS

Memphis International Airport

(for Fiscal Years ended June 30)

Airline	1999 Enplaned passengers	1999 Share of total	2005 Enplaned passengers	2005 Share of total	2006 Enplaned passengers	2006 Share of total	2007 Enplaned passengers	2007 Share of total	2008 Enplaned passengers	2008 Share of total	2009 Enplaned passengers	2009 Share of total
Northwest total	3,691,568	75.6%	4,334,590	80.2%	4,281,909	80.0%	4,244,061	80.6%	4,293,148	79.9%	4,002,761	80.5%
Northwest Mainline	*3,112,459*	*63.7*	*2,800,141*	*51.8*	*2,545,100*	*47.6*	*2,561,041*	*48.6*	*2,467,336*	*45.9*	*1,767,932*	*35.5*
Northwest Airlink	*579,109*	*11.9*	*1,534,449*	*28.4*	*1,736,809*	*32.4*	*1,683,020*	*32.0*	*1,825,812*	*34.0*	*2,234,829*	*45.0*
Delta total	544,059	11.1	393,886	7.3	325,378	6.1	264,988	5.0	263,189	4.9	291,477	5.9
Delta Mainline	*504,903*	*10.3*	*290,782*	*5.4*	*236,424*	*4.4*	*117,219*	*2.2*	*114,941*	*2.1*	*156,574*	*3.2*
Delta Connection	*39,156*	*0.8*	*103,104*	*1.9*	*88,954*	*1.7*	*147,769*	*2.8*	*148,248*	*2.8*	*134,903*	*2.7*
American *(a)*	126,277	2.6	161,319	3.0	196,585	3.7	193,971	3.7	196,349	3.7	165,578	3.3
US Airways Express	-	-	116,757	2.2	135,979	2.5	160,884	3.1	182,051	3.4	185,549	3.7
AirTran	78,393	1.6	141,971	2.6	152,708	2.9	164,148	3.1	171,915	3.2	141,882	2.9
Continental Express	43,352	0.9	90,320	1.7	96,419	1.8	102,943	2.0	100,285	1.9	93,126	1.9
United Express	8,445	0.2	107,055	2.0	126,241	2.4	106,929	2.0	90,968	1.7	89,635	1.8
Frontier	-	-	-	-	-	-	-	-	58,598	1.1	-	-
All other airlines	392,579	8.0	57,547	1.1	33,888	0.6	25,592	0.5	13,382	0.2	1,720	0.0
Total	**4,884,673**	**100.0%**	**5,403,445**	**100.0%**	**5,349,107**	**100.0%**	**5,263,516**	**100.0%**	**5,369,885**	**100.0%**	**4,971,728**	**100.0%**
Northwest and Delta (b)	*4,235,627*	*86.7%*	*4,728,476*	*87.5%*	*4,607,287*	*86.1%*	*4,509,049*	*85.6%*	*4,556,337*	*84.8%*	*4,294,238*	*86.4%*

Note: Columns may not add to totals shown because of rounding.

(a) Includes service by both the mainline carrier and regional affiliates.

(b) Includes activity by Northwest mainline, Northwest Airlink, Delta mainline and Delta Connection.

Source: Memphis-Shelby County Airport Authority.

Airline Service

The changes in average daily scheduled flight departures (departures) and average daily scheduled seats (seats) provide additional insight into the air service trends at Memphis International (see Table 14). In FY 1999, 44.8% of departures and 21.2% of seats were on regional airlines. By FY 2009, this had changed to 75.1% of departures and 55.1% of seats on regional airlines. This trend is similar to that displayed by airline market shares that indicated a growing percentage of passengers flying on Northwest Airlink and the other regional airlines.

From FY 1999 through FY 2009, the number of total scheduled departures increased by 3.1% while total scheduled seats decreased by 11.3%. Over this same period, total enplaned passengers increased by 1.8%. Total enplaned passengers increased while total seats declined because of a significant increase in the load factor, or average percentage of seats filled by enplaned passengers. The average load factor at Memphis International increased from approximately 72% in FY 2004 to 77% in FY 2009 (see Figure 8).

From FY 2008 to FY 2009, the number of regional airline flight departures increased by 9.5% and regional seats increased by 16.1% while mainline departures decreased by 27.1% and seats declined by 24.7%. During the same period, total departures and seats decreased at Memphis International by 2.7% and 6.6% respectively. The decline in total seats is similar to the national trend whereby total U.S. seats declined by -7.6%, although total U.S. departures declined by a much greater amount (8.8%). Because MEM functions as a connecting hub, Northwest adjusted its allocation of mainline and regional capacity (seats) while maintaining a relatively high number of departures to support its system-wide connecting operation.

The decline from FY 2008 to FY 2009 in total departures and total seats at Memphis International and for the United States is the result of the weak national economic environment and reflects the response from the airlines to the declining demand for air travel.

Table 14

AVERAGE DAILY SCHEDULED DEPARTING FLIGHTS AND SEATS

Memphis International Airport

Average daily departures				Percent of Total		
Mainline	FY1999	FY2008	FY 2009	FY1999	FY2008	FY2009
Northwest	108	76	53	41.4%	27.5%	19.6%
Delta	16	3	5	6.1%	1.2%	1.7%
AirTran	4	6	5	1.5%	2.1%	1.8%
All other	16	7	5	6.2%	2.5%	1.7%
Total	144	92	67	55.2%	33.2%	24.9%
Annual % change *(a)*		-8.6%	-27.1%			
Regional affiliates						
Northwest Airlink	92	143	165	35.2%	51.8%	61.6%
Delta Connection	-	9	9	0.0%	3.4%	3.3%
All other	25	32	28	9.6%	11.6%	10.3%
Total	117	184	202	44.8%	66.8%	75.1%
Annual % change *(a)*		9.5%	9.5%			
Total	261	276	269	100.0%	100.0%	100.0%
Annual % change *(a)*		1.1%	-2.7%			

Average daily departing seats				Percent of Total		
Mainline	FY1999	FY2008	FY2009	FY1999	FY2008	FY2009
Northwest	13,058	9,609	6,932	59.1%	45.8%	35.4%
Delta	2,172	468	654	9.8%	2.2%	3.3%
AirTran	-	680	565	0.0%	3.2%	2.9%
All other	2,176	936	655	9.9%	4.5%	3.3%
Total	17,406	11,693	8,806	78.8%	55.7%	44.9%
Annual % change *(a)*		-7.6%	-24.7%			
Regional affiliates						
Northwest Airlink	3,516	6,827	8,507	15.9%	32.5%	43.4%
Delta Connection	-	552	567	0.0%	2.6%	2.9%
All other	1,157	1,911	1,712	5.2%	9.1%	8.7%
Total	4,673	9,290	10,786	21.2%	44.3%	55.1%
Annual % change *(a)*		14.7%	16.1%			
Total	22,079	20,983	19,592	100.0%	100.0%	100.0%
Annual % change *(a)*		-1.0%	-6.6%			

Average seats per departure			
Mainline	121	128	132
Regional airlines	40	50	53
Total	85	76	73
Annual % change *(a)*		-2.1%	-4.1%

(a) Represents the compound annual growth rate from 2003 to 2008 and the percentage change from 2008 to 2009.

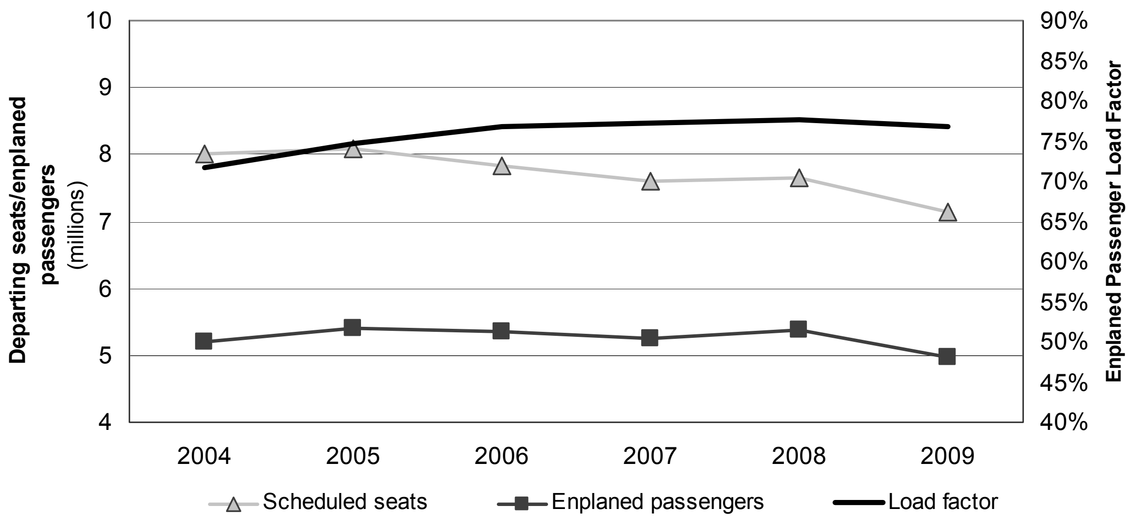
Source: Official Airline Guides, Inc.

Figure 8

TOTAL SCHEDULED DEPARTING SEATS AND ENPLANED PASSENGERS

Memphis International Airport

(for Fiscal Years ended June 30)



Load factor was estimated by Jacobs Consultancy using the ratio of revenue passenger miles to available seat miles.

Sources: Scheduled seats provided by the Official Airline Guide, Inc. and total enplanements by Memphis-Shelby County Airport Authority.

Origin-Destination and Connecting Passenger Trends

The shares of passenger traffic counted as origin-destination (O&D) and/or connecting traffic are important indicators in the analysis of a hub or connecting airport (see Table 15). O&D traffic includes those passengers whose first or final point on their travel itineraries is Memphis International and includes residents of and visitors to the MSA. Connecting passengers are those that arrive at MEM solely for the purpose of transferring to another aircraft en-route to their final destination.

The volume of connecting activity at a particular airport is highly dependent on scheduling decisions of the hubbing airline. These decisions are typically based on a number of factors including the geographical location of the airport since a centrally located airport provides more opportunities for cost-effective connections. Other factors include the size of the O&D base or number of O&D passengers available to supplement the connecting traffic, strength of local or regional airline competition, availability and quality of airport facilities, level of airport fees and charges paid by airlines, and local weather patterns, among others.

The analysis of total O&D passenger trends (sum of domestic and international) in this report focuses on the period FY 1991 through FY 2009. (FY 1991 serves as the base year since it is the earliest FY period for which O&D data is readily available.)

From FY 1991 through FY 2009, O&D passengers increased at the annual rate of 1.2%. In FY 2009, O&D passengers at Memphis International decreased by approximately 13.4% as a result of the national economic recession, a spike in oil prices which occurred at the beginning of FY 2009, and the ensuing 6.6% reduction in scheduled seats at MEM for FY 2009. In FY 2009, O&D passengers represented approximately 37% of total passengers and since FY 2005 it has ranged between 36% in FY 2005 to a high of 38% in FY 2008. A more detailed discussion of O&D trends at Memphis International is provided below under the section Top Origin-Destination Markets.

Table 15
ORIGIN-DESTINATION AND CONNECTING PASSENGERS
Memphis International Airport
(for Fiscal Years ended June 30)

Fiscal Year	O&D	Annual % change	Connecting	Annual % change	Total	Annual % change	O&D % of Total
1991	1,485		2,557		4,042		37%
1992	1,433	-3.5%	2,397	-6.2%	3,831	-5.2%	37%
1993	1,484	3.6%	2,521	5.2%	4,005	4.6%	37%
1994	1,539	3.7%	2,312	-8.3%	3,851	-3.9%	40%
1995	1,688	9.7%	2,488	7.6%	4,176	8.5%	40%
1996	1,800	6.6%	2,763	11.0%	4,562	9.2%	39%
1997	1,798	-0.1%	3,048	10.3%	4,846	6.2%	37%
1998	1,915	6.5%	3,045	-0.1%	4,960	2.3%	39%
1999	1,925	0.5%	2,960	-2.8%	4,885	-1.5%	39%
2000	2,014	4.7%	3,248	9.7%	5,262	7.7%	38%
2001	2,033	0.9%	4,148	27.7%	6,181	17.5%	33%
2002	1,741	-14.4%	3,331	-19.7%	5,072	-17.9%	34%
2003	1,820	4.6%	3,680	10.4%	5,500	8.4%	33%
2004	1,884	3.5%	3,309	-10.1%	5,193	-5.6%	36%
2005	1,969	4.5%	3,435	3.8%	5,403	4.1%	36%
2006	1,998	1.5%	3,351	-2.4%	5,349	-1.0%	37%
2007	2,015	0.8%	3,249	-3.1%	5,264	-1.6%	38%
2008	2,116	5.0%	3,254	0.2%	5,370	2.0%	39%
2009	1,834	-13.4%	3,138	-3.6%	4,972	-7.4%	37%
		Compound annual growth rates					
1991-2000	3.4%		2.7%		3.0%		
2000-2009	-1.0%		-0.4%		-0.6%		
1991-2009	1.2%		1.1%		1.2%		

O&D data is provided by the U.S. DOT Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1. O&D data for FY 2003 through FY 2008 were adjusted by Jacobs Consultancy to account for an overstatement of O&D traffic by the publisher. Connecting passengers are estimated by Jacobs Consultancy.

Sources: Total enplaned passengers are provided by Memphis-Shelby County Airport Authority.

Although connecting traffic increased at an average annual rate of 1.1% during the years FY 1991 through FY 2009, it declined 3.6% from FY 2008 to FY 2009. Historically, trends in connecting passengers have exhibited a greater degree of variability than trends in O&D passengers. This variability in connecting activity can be attributed to scheduling decisions made by Northwest at Memphis International. A hubbing airline can adjust the percentage of seats available to O&D passengers in order to fend off competition at a hub airport or take advantage of a market opportunity. By simply making fewer seats available for connecting passengers on flights to and from a hub airport, the hubbing airline can provide additional capacity for O&D passengers without adding flights or changing the types of aircraft operated. Because connecting passengers tend to be indifferent as to which airport they connect through, a portion of them can be directed over one or more other connecting hubs. The reverse can also happen. This practice partially explains the variability in annual connecting activity at Memphis International.

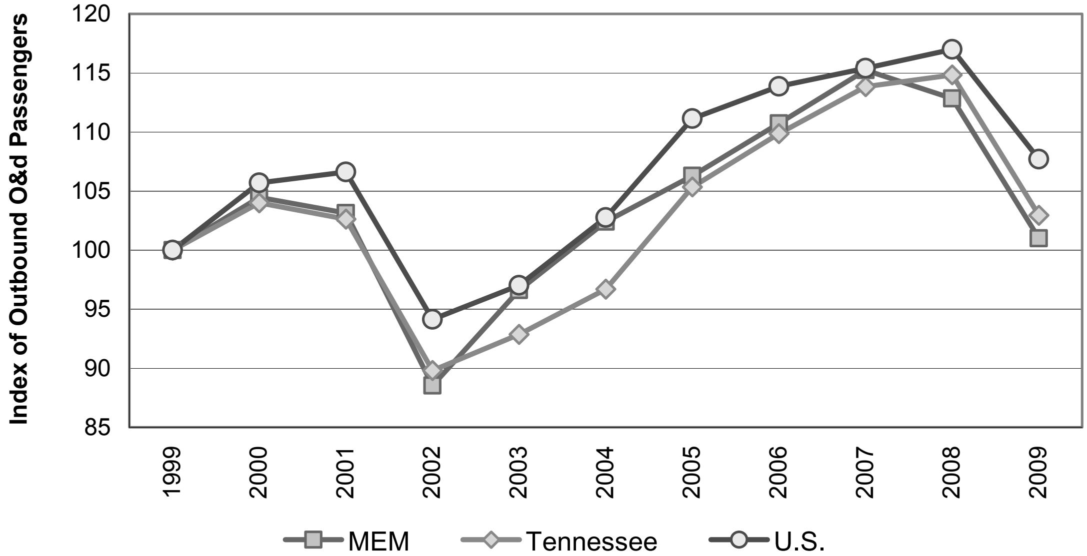
Trends in Domestic O&D Passengers

Presented in Figure 9 is a comparison of the growth in domestic O&D passenger traffic for Memphis International, the State of Tennessee, and the United States for the 12-month period ending March 31 for the years 1999 through 2009. (This 12-month period was selected because it represented the latest O&D data available in 2009.) The number of domestic O&D passengers followed a very similar trend for MEM, all Tennessee airports, and the United States from 1999 through 2009.

The large decline in domestic O&D that occurred in 2002 was a result of the effects of September 11, 2001 on air travel and the national economic recession that occurred in 2001. From 2001 to 2002, domestic O&D passengers declined by approximately 14% for Memphis International, 12% for Tennessee and 12% nationwide. Following the trough in 2002, domestic O&D traffic increased steadily through 2008. By 2005, domestic O&D traffic for Memphis International and the United States had surpassed their previous highs, reached in 2001, and domestic O&D traffic in the State of Tennessee surpassed its 2001 previous high by 2006.

In 2009, all three regions experienced significant declines in domestic O&D passengers as a result of the weak economic and industry environment. From 2008 to 2009, the number of domestic O&D passengers declined by 13.4% at Memphis International, 10.4% for Tennessee, and 8.0% nationwide. These declines are similar in magnitude to those that occurred from 2001 to 2002.

Figure 9
INDEX OF OUTBOUND DOMESTIC O&D PASSENGERS
Memphis International Airport, All Tennessee Airports, All U.S. Airports
(for Fiscal Years ended June 30; index: 1999=100)



Note: Data for 2009 is for the 12 months ended March 31, 2009, the most recent data available.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey* , reconciled to Schedules T100 and 298C T1.

Top Origin-Destination Markets

Presented in Table 16 are Memphis International's top 20 domestic O&D passenger markets for the April to June quarter of FY 2008 to FY 2009. These represent the most popular destinations from MEM regardless of whether the passenger flies nonstop or connects at a secondary airport en-route to his final destination. All of these destinations had scheduled nonstop service from Memphis International provided by at least one airline during the analysis period. For this analysis, we assume that scheduled service provided by both Northwest and DL/NW counts as only one airline. The service pattern that exists at MEM is similar to that of other hub airports where the hubbing airline, in this case Northwest, provides scheduled nonstop service to all of the top destinations. The other carriers typically provide nonstop service to their primary hub or focus cities. For example, American provides scheduled nonstop service to its hubs in Dallas/Ft. Worth and Chicago O'Hare, Continental provides service to its hubs at Newark and Houston Intercontinental, and AirTran provides service to its focus city in Atlanta.

Atlanta has consistently ranked as the most popular destination from Memphis International over the last 10 years accounting for 7.6% of total domestic O&D passengers in FY 2009. As the largest city in the southeastern region of the nation, Atlanta is a major business and leisure destination from MEM. Atlanta is also the location of the primary connecting hub for both Delta and AirTran.

Other top destinations in FY 2009 include the New York metro area with 6.9% of total domestic O&D passengers, the Washington D.C./Baltimore metro area 5.7%, and Orlando 5.4%.

A number of markets saw significant declines in O&D traffic at Memphis International from FY 2008 to FY 2009. The number of O&D passengers traveling between MEM and Denver and Las Vegas declined by 34.4% and 18.0%, respectively. The majority of these declines can be explained by the cessation of service in these markets in FY 2008 by Frontier. In April 2008, Frontier Airlines Holdings, Inc. filed for voluntary bankruptcy under Chapter 11 of the United States Code.[*] As part of its restructuring efforts, Frontier adjusted frequencies on many routes in order to compete more effectively. For example, at the peak of its service in FY 2008, Frontier supplied approximately 35% of the scheduled seats from Memphis International to Denver. After Frontier canceled its service, scheduled seats from MEM to Denver decreased by approximately 58% as LCC competition was eliminated. A similar experience occurred after Frontier canceled its service on the MEM-Las Vegas route.

∗ Frontier Airlines Holdings, Inc. Form 10-K for the fiscal year ended March 31, 2009.

Table 16
TOP 20 DOMESTIC O&D CITY MARKETS
Memphis International Airport
(for Fiscal Years ended June 30; 4th fiscal quarter; ranked on 2009)

Rank	City market	Nonstop mileage	Airlines offering nonstop service *(a)*	Outbound domestic O&D passengers 2008	2009	Average annual increase (decrease)	2009 as % of total
1	Atlanta	330	DL,FL	33,510	32,780	(2.2%)	7.6%
2	New York *(b)*	954	CO,DL,NW	33,570	30,000	(10.6)	6.9
3	Wash. DC/Baltimore *(c)*	772	NW	27,700	24,710	(10.8)	5.7
4	Orlando	682	NW	26,850	23,270	(13.3)	5.4
5	Los Angeles *(d)*	1,614	NW	21,800	19,770	(9.3)	4.6
6	Chicago *(e)*	490	AA,NW,UA	20,760	17,920	(13.7)	4.1
7	Dallas/Fort Worth *(f)*	422	AA,NW	12,730	11,930	(6.3)	2.7
8	Miami/Fort Lauderdale *(g)*	856	AA,NW	14,000	11,160	(20.3)	2.6
9	San Francisco *(h)*	1,802	NW	11,740	10,610	(9.6)	2.4
10	Houston *(i)*	470	CO,NW	8,550	10,160	18.8	2.3
11	Charlotte	510	NW,US	11,060	9,630	(12.9)	2.2
12	Boston	1,136	NW	10,180	9,390	(7.8)	2.2
13	Minneapolis/St. Paul	700	NW	10,230	8,960	(12.4)	2.1
14	Tampa	657	NW	10,040	8,950	(10.9)	2.1
15	Las Vegas	1,413	NW	10,890	8,930	(18.0)	2.1
16	Detroit	609	NW	10,810	8,740	(19.1)	2.0
17	Philadelphia	872	NW	11,620	8,420	(27.5)	1.9
18	Denver	870	NW,UA	10,970	7,240	(34.0)	1.7
19	Raleigh/Durham	639	NW	6,810	6,120	(10.1)	1.4
20	Phoenix	1,263	NW,US	6,490	5,910	(8.9)	1.4
	Total---top 20 markets			310,310	274,600	(11.5%)	63.3%
	All other markets			180,960	159,370	(11.9)	36.7
	Total---all markets			491,270	433,970	(11.7%)	100.0%

(a) As of the first week of October, 2009. Airline legend: AA=American, CO=Continental, DL/NW=Delta/Northwest, FL=AirTran, UA=United, US=US Airways.
(b) City market includes Kennedy, Newark, and LaGuardia airports.
(c) City market includes Dulles, Reagan, and Baltimore airports.
(d) City market includes Los Angeles, Burbank, Long Beach, Ontario, and Orange County airports.
(e) City market includes O'Hare and Midway airports.
(f) City market includes Dallas/Fort Worth Airport and Love Field.
(g) City market includes Miami and Fort Lauderdale airports.
(h) City market includes San Francisco, San Jose, and Oakland airports.
(i) City market includes Bush and Hobby airports.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; Official Airline Guide, Inc.

Aircraft Operations

Aircraft operations (the sum of aircraft take-offs and landings) by type of aircraft at Memphis International are presented on Table 17. Mainline operations represent flights using passenger aircraft with 100 or more seats. Regional operations represent flights using passenger aircraft with fewer than 100 seats.

All-cargo operations represent flights by airlines that are involved solely in the transportation of air cargo, such as FedEx and UPS. In FY 2009, 95.0% of all-cargo operations at Memphis International were performed by FedEx. From FY 2001 to FY 2002, all-cargo operations increased by approximately 25.6%. This was primarily the result of an agreement between FedEx and the U.S. Postal Service (USPS) for FedEx to transport the USPS express delivery products. After 2002, the number of all-cargo operations remained generally static until they decreased by 8.3% from FY 2007 to FY 2009 in the face of the poor economy and lower demand for air cargo service. Based on information from FedEx, the Authority believes that FedEx has shifted sorting activity from its regional facilities back to MEM in order to make better use of the SuperHub capacity during the current recessionary period.

The other operations categories are general aviation (GA) and military flight activity. GA includes all operations by aircraft other than passenger airlines, all-cargo airlines, and the military. The majority of GA activity is comprised of personal or recreational flights by owners of small propeller-driven aircraft and business/corporate flights using larger turboprop or jet aircraft. The level of GA activity has declined at Memphis International as a result of economic conditions and the relocation of based aircraft by some aircraft owners to other regional airports.

Military activity at Memphis International primarily includes the operations of the 164th Airlift Wing of the Tennessee Air National Guard which has a major air base at MEM.

Table 17
TOTAL AIRCRAFT OPERATIONS
Memphis International Airport
(for Fiscal Years ended June 30)

Fiscal Year	Mainline	Regional	All-cargo	General Aviation	Military	Total
1999	99,786	75,162	103,046	79,573	5,588	363,155
2000	103,704	88,962	104,456	76,237	4,651	378,010
2001	114,156	118,916	103,170	59,897	4,488	400,627
2002	96,144	101,778	129,586	59,011	3,617	390,136
2003	94,738	119,824	133,030	55,111	1,712	404,415
2004	77,942	132,236	131,766	49,994	1,752	393,690
2005	81,854	124,394	134,486	50,523	1,454	392,711
2006	70,622	132,662	136,244	48,185	1,692	389,405
2007	68,730	129,254	135,882	42,999	1,622	378,487
2008	66,978	132,242	131,006	40,583	1,541	372,350
2009	48,580	146,026	124,564	27,897	1,413	348,480
		Compound annual growth rates				
1999-2008	-4.3%	6.5%	2.7%	-7.2%	-13.3%	0.3%
1999-2009	-6.9%	6.9%	1.9%	-10.0%	-12.8%	-0.4%
2008-2009	-27.5%	10.4%	-4.9%	-31.3%	-8.3%	-6.4%

Source: Memphis-Shelby County Airport Authority.

Aircraft Landed Weight

Landed weight is the sum of the FAA-certified maximum landed weight for each commercial aircraft landing at Memphis International. Commercial aircraft operations include all passenger and all-cargo operations in commercial service. GA and military operations are not included in landed weight totals at MEM.

Total landed weight at Memphis International has increased by an average annual rate of 3.3% from FY 1999 through FY 2009 (see Table 18). All-cargo airlines account for the majority of Memphis International's landed weight and their share of the total has increased over the past 10 years, from 61.4% of total in FY 1999 to 73.9% of total in FY 2009. FedEx accounted for between 93% and 98% of total all-cargo landed weight over this same period. The passenger airlines accounted for the remaining share of total landed weight: 26.1% of total in FY 2009, down from 38.6% in FY 1999. For passenger aircraft of all sizes, the landed weight per seat is roughly the same. Consequently, as the number of scheduled seats at MEM has declined over the period FY 2005 to FY 2009, passenger aircraft landed weight declined.

Table 18
HISTORICAL AIRLINE AIRCRAFT LANDED WEIGHT
Memphis International Airport
(for Fiscal Years ended June 30; in millions of pounds)

	All-cargo airlines				Passenger airlines				
Fiscal Year	FedEx	All other *(a)*	Total all-cargo airlines	Percent of Total	Major and national	Regional	Total passenger airlines	Percent of Total	Total
1999	10,774	732	11,506	61.4%	6,158	1,089	7,247	38.6%	18,753
2000	11,222	801	12,023	60.2	6,462	1,484	7,946	39.8	19,969
2001	11,344	770	12,114	56.6	7,006	2,272	9,277	43.4	21,392
2002	15,784	647	16,431	67.7	5,847	2,000	7,847	32.3	24,277
2003	16,722	631	17,352	68.1	5,613	2,527	8,139	31.9	25,492
2004	16,896	547	17,443	69.7	4,712	2,886	7,597	30.3	25,041
2005	17,398	536	17,934	70.1	4,903	2,757	7,661	29.9	25,595
2006	18,098	511	18,610	71.7	4,346	3,004	7,350	28.3	25,960
2007	18,899	454	19,353	72.9	4,262	2,950	7,212	27.1	26,565
2008	19,111	424	19,536	72.9	4,180	3,077	7,257	27.1	26,793
2009	18,739	384	19,124	73.9	3,134	3,626	6,760	26.1	25,883
				Compound annual growth rates					
1999-2009	5.7%	-6.2%	5.2%		-6.5%	12.8%	-0.7%	52.4%	3.3%

Source: Memphis-Shelby County Airport Authority.

Over 90% of total landed weight at Memphis International in recent years has been accounted for by two operators: FedEx and Northwest. As presented in Table 19, FedEx accounted for 72.4% of Memphis International's total in FY 2009, up from 57.5% in FY 1999, as the size and scope of its operation at MEM increased. Northwest's mainline and Airlink operations accounted for a combined 20.0% of the total in FY 2009. For the first time, Northwest Airlink's share of total landed weight at Memphis International surpassed that for Northwest's mainline operation, at 10.2% and 9.7% respectively. Since FY 1999, Northwest Airlink's share of total MEM landed weight has steadily increased from 4.0% while the Northwest mainline share has decreased from 24.7%.

Table 19
AIRLINE MARKET SHARES OF AIRCRAFT LANDED WEIGHT
Memphis International Airport

	FY 1999		FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	
	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total	Landed weight	Share of total
Federal Express	10,774	57.5%	17,398	68.0%	18,098	69.7%	18,899	71.1%	19,111	71.3%	18,739	72.4%
Northwest total	5,397	28.8	6,185	24.2	5,890	22.7	5,800	21.8	5,672	21.2	5,169	20.0
Northwest	*4,638*	*24.7*	*4,173*	*16.3*	*3,646*	*14.0*	*3,667*	*13.8*	*3,472*	*13.0*	*2,521*	*9.8*
Northwest Airlink	*759*	*4.1*	*2,012*	*7.9*	*2,244*	*8.7*	*2,132*	*8.0*	*2,200*	*8.2*	*2,649*	*10.2*
Delta total	797	4.3	525	2.0	459	1.8	368	1.4	350	1.3	333	1.3
Delta	*744*	*4.0*	*387*	*1.5*	*344*	*1.3*	*169*	*0.6*	*157*	*0.6*	*222*	*0.9*
Delta Connection	*53*	*0.3*	*138*	*0.5*	*115*	*0.5*	*199*	*0.8*	*193*	*0.7*	*111*	*0.4*
AirTran	138	0.7	182	0.7	183	0.7	210	0.8	216	0.8	181	0.7
US Airways Express	-	-	75	0.3	111	0.4	111	0.4	205	0.8	204	0.8
American	171	0.9	104	0.4	142	0.5	193	0.7	202	0.8	202	0.8
UPS	-	-	141	0.6	153	0.6	153	0.6	191	0.7	209	0.8
Continental Express	78	0.4	134	0.5	122	0.5	137	0.5	135	0.5	129	0.5
Frontier	-	-	-	-	-	-	21	0.1	131	0.5	-	-
United Express	13	0.1	146	0.6	178	0.7	142	0.5	128	0.5	124	0.5
American Eagle	27	0.1	126	0.5	142	0.5	118	0.4	109	0.4	95	0.4
Air Transport Intl.	138	0.7	84	0.3	78	0.3	77	0.3	77	0.3	60	0.2
Compass	-	-	-	-	-	-	-	-	67	0.2	310	1.2
DHL	-	-	14	0.1	40	0.2	41	0.2	43	0.2	24	0.1
Kalitta Air	246	1.3	40	0.2	55	0.2	102	0.4	36	0.1	23	0.1
Mountain Air Cargo	57	0.3	48	0.2	30	0.1	27	0.1	33	0.1	32	0.1
ABX	49	0.3	82	0.3	35	0.1	27	0.1	26	0.1	29	0.1
Continental	-	-	26	0.1	9	0.0	2	0.0	1	0.0	0.4	0.0
Other	868	4.6	285	1.1	236	0.9	139	0.5	61	0.2	19	0.1
Total	18,753	100.0%	25,595	100.0%	25,960	100.0%	26,565	100.0%	26,793	100.0%	25,883	100.0%
Northwest & Delta *(a)*	6,194	33.0%	6,710	26.2%	6,349	24.5%	6,168	23.2%	6,022	22.5%	5,502	21.3%

Note: Columns may not add to totals shown because of rounding.
(a) Includes activity by Northwest mainline, Northwest Airlink, Delta mainline and Delta Connection
Source: Memphis-Shelby County Airport Authority.

Air Cargo

Total cargo tonnage enplaned and deplaned at Memphis International increased from approximately 2.6 million tons in FY 1999 to over 3.9 million tons in FY 2009, which equates to an average annual growth of 4.3% (see Table 20). From FY 1999 to FY 2008, total cargo tonnage increased at an even larger annual rate of 5.3%, but from FY 2008 to FY 2009 total cargo tonnage declined by approximately 4.8% as a result of weak national and global economic conditions.

Domestic freight represented between 93.0% and 96.0% of total cargo tonnage at Memphis International over the past ten years. International freight typically represented 4.0% to 6.0% of the total, while mail generally accounted for less than 1.0% of total cargo tonnage. From FY 1999 to FY 2009, domestic freight increased at an average annual rate of 4.6%, compared to 1.4% for international freight and an average decline of 21.1% per year for mail.

Mail tonnage has declined for a number of reasons, including an increased use of electronic media such as email and internet-based communications which has reduced some of the traditional first-class mail volume. Most of the reported decrease in mail at Memphis International occurred from FY 2001 to FY 2002 following the start of an agreement between FedEx and USPS for FedEx to transport the USPS express overnight and 2nd day delivery products. These express delivery shipments were recorded in Memphis International's mail tonnage category prior to FY 2002 but, once FedEx began transporting these shipments, they were counted as freight tonnage.

Domestic freight tonnage increased from approximately 2.5 million tons in FY 2001 to 3.3 million tons in FY 2002, an increase of 32.8%. The majority of this large one-time increase resulted from the USPS agreement with FedEx. Domestic tonnage continued to increase after FY 2002 at an annual rate of approximately 2.2%. FedEx routes a large portion of its national USPS volume through its SuperHub facility at MEM for nationwide distribution on FedEx aircraft.

Table 20
TOTAL AIR CARGO TONNAGE
Memphis International Airport
(tons)

Fiscal Year	Freight (a) Domestic	International	Mail	Total	Annual percent change
1999	2,438,174	151,475	35,494	2,625,143	
2000	2,515,697	161,269	38,763	2,715,729	3.5%
2001	2,460,385	172,364	41,595	2,674,345	(1.5)
2002	3,266,580	135,875	22,092	3,424,547	28.1
2003	3,529,880	183,480	14,201	3,727,562	8.8
2004	3,647,812	193,599	7,198	3,848,609	3.2
2005	3,735,020	175,910	5,651	3,916,581	1.8
2006	3,822,909	180,232	6,280	4,009,420	2.4
2007	3,999,863	169,439	15,706	4,185,008	4.4
2008	4,005,778	173,684	3,322	4,182,784	(0.1)
2009	3,805,836	173,684	3,322	3,982,843	(4.8)
		Compound annual growth rate			
1999-2009	4.6%	1.4%	-21.1%	4.3%	
1999-2008	5.7%	1.5%	-23.1%	5.3%	
2008-2009	-5.0%	0.0%	0.0%	-4.8%	

(a) Includes mail on FedEx, which is transported under an agreement with the United States Postal Service.
Source: Memphis-Shelby County Airport Authority.

Cargo Tonnage Market Share

Table 21 lists the leading cargo carriers at Memphis International from FY 1999 to FY 2009, along with their market shares of total MEM tonnage. FedEx continues to account for almost 99% of the total. The legacy passenger airlines have experienced a significant reduction in cargo tonnage at Memphis International since 1999, partly due to the increased use of regional jets. The smaller regional jets have considerably less belly cargo capacity than mainline aircraft.

The other all-cargo and integrated carriers, primarily UPS, experienced steady growth from FY 1999 to FY 2007, due to the expansion of distribution and light manufacturing in the region, until the slowdown associated with the current economic recession in FY 2008 and FY 2009.

Table 21

AIRLINE MARKET SHARES OF TOTAL AIR CARGO TONNAGE

Memphis International Airport

(for Fiscal Years ended June 30)

	1999		2005		2006		2007		2008		2009	
Airline *(a)*	Cargo tonnage	Share of total	Cargo tonnage	Share of total	Cargo tonnage	Share of total	Cargo tonnage	Share of total	Cargo tonnage	Share of total	Cargo tonnage	Share of total
Fed Ex	2,492,657	95.0%	3,826,435	97.7%	3,919,672	97.8%	4,094,431	97.8%	4,109,288	98.2%	3,926,509	98.6%
UPS	21,123	0.8%	27,698	0.7%	30,519	0.8%	30,301	0.7%	27,522	0.7%	25,740	0.6%
Air Transport Int'l	21,472	0.8%	13,314	0.3%	12,577	0.3%	12,332	0.3%	7,734	0.2%	7,734	0.2%
Mountain Air	8,903	0.3%	8,391	0.2%	7,338	0.2%	6,705	0.2%	7,667	0.2%	7,157	0.2%
Northwest	27,830	1.1%	8,558	0.2%	7,132	0.2%	7,679	0.2%	5,096	0.1%	5,096	0.1%
Kalitta Air	-	0.0%	5,123	0.1%	6,193	0.2%	15,299	0.4%	4,300	0.1%	3,062	0.1%
DHL	-	0.0%	1,466	0.0%	5,493	0.1%	5,249	0.1%	5,034	0.1%	607	0.0%
ABX	7,094	0.3%	10,039	0.3%	4,441	0.1%	5,267	0.1%	5,020	0.1%	2,373	0.1%
Delta	6,897	0.3%	590	0.0%	4,797	0.1%	3,543	0.1%	2,846	0.1%	1,392	0.0%
Baron Aviation	4,519	0.2%	3,095	0.1%	2,873	0.1%	1,207	0.0%	518	0.0%	607	0.0%
American	1,304	0.0%	380	0.0%	191	0.0%	176	0.0%	12	0.0%	26	0.0%
All other airlines	33,344	1.3%	11,492	0.3%	8,195	0.2%	2,820	0.1%	7,748	0.2%	2,539	0.1%
Total	2,625,143	100.0%	3,916,581	100.0%	4,009,420	100.0%	4,185,008	100.0%	4,182,784	100.0%	3,982,843	100.0%
Northwest & Delta *(b)*	34,727	1.3%	9,148	0.2%	11,929	0.3%	11,222	0.3%	7,942	0.2%	6,488	0.2%

Note: Includes enplaned freight and mail.

(a) Includes regional code-sharing affiliates, if any.

(b) Includes activity by Northwest mainline, Northwest Airlink, Delta mainline and Delta Connection.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the economy and demographics of Memphis International's service region, discussed in the earlier section "Memphis International's Service Region," key factors that will affect airline traffic at Memphis International include:

- Economic and political conditions.
- Financial health of the airline industry.
- Airline service and routes.
- Airline competition and airfares.
- Airline consolidation and alliances.
- Availability and price of aviation fuel.
- Aviation safety and security concerns.
- Capacity of the national air traffic control system.
- Capacity of Memphis International.

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger numbers during those years. The recession that began in late 2007, combined with reduced discretionary income and increased airfares, has contributed to reduced airline travel demand in 2008 and 2009 and will continue to do so in the near term.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities are important influences on passenger traffic at major U.S. airports. Sustained future increases both in domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Financial Health of the Airline Industry

The number of passengers using Memphis International will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to continue providing service.

The 1990-1991 recession, coupled with increased operating costs and security concerns during the Gulf War, generated then-record financial losses in the airline industry. Those losses put particular pressures on financially weak or highly indebted airlines, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations.

Between 1995 and 2000, the airline industry was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 terrorist attacks, increased fuel and other operating costs, and price competition, the industry again experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion.

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. US Airways twice filed for bankruptcy protection, in August 2002 and September 2004, before emerging in September 2005 following its merger with America West Airlines. In 2004, US Airways drastically reduced service at its Pittsburgh hub. In December 2002, United Airlines filed for bankruptcy protection (emerged in February 2006). In 2003, American Airlines avoided filing for bankruptcy protection only after obtaining labor cost concessions from its employees and drastically reducing service at its St. Louis hub. In September 2005, Northwest filed for bankruptcy protection (emerged in May 2007). In 2005, Delta eliminated its Dallas/Fort Worth hub and downsized its Cincinnati hub. Among smaller airlines, between 2003 and 2005, Hawaiian Airlines, ATA Airlines, Aloha Airlines, and Independence Air filed for bankruptcy protection. (Of these airlines, only Hawaiian was still operating as of July 2009.)

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging their fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other non-fuel expenses, increasing airfares, and imposing other fees and charges. By the end of 2008, the U.S. passenger airlines had collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10% compared with the end of 2007 and most airlines have announced additional capacity reductions for 2009. Such industry wide capacity reductions may be required to allow the airlines to achieve equilibrium between seat supply and passenger demand at airfares adequate to achieve profitability. The combination of reduced seat capacity, increased airfares, and weak economic conditions is expected to lead to reduced passenger numbers at most airports in the near term.

Continuing losses by the U.S. airlines could deplete limited cash reserves and force any of them to seek bankruptcy protection or liquidate. In March and April 2008, Aloha, ATA, and Skybus airlines declared bankruptcy and ceased operations. In April 2008, Frontier Airlines filed for Chapter 11 bankruptcy protection, but continues to operate. The liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns throughout the U.S. aviation system.

Airline Service and Routes

Memphis International serves both as a gateway to the MSA, and as a connecting hub. The number of origin and destination passengers depends on the intrinsic attractiveness of the MSA region as a business and leisure destination and the propensity of its residents to travel. The number of connecting passengers, on the other hand, depends on the airline service provided at Memphis International and at other airports.

Most mainline airlines have developed hub-and-spoke systems that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips, for which the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; airline debt burden; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at Memphis International, will depend on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines was reduced from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, industry-wide yields increased to an average of 14.7 cents. The ability of airlines to continue to increase and rationalize fares while controlling seat capacity is seen as key to the industry regaining and sustaining profitability.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In

August 2001, merger plans for United and US Airways were proposed, but rejected by the U.S. Department of Transportation because of concerns about reduced airline competition. In September 2005, US Airways and America West merged. In November 2006, the new US Airways proposed a merger with Delta while the latter was in bankruptcy, but Delta's management and creditors rejected the hostile merger proposal. In December 2006, AirTran initiated a hostile takeover offer for Midwest Airlines, but withdrew its offer in August 2007 when it was outbid by a consortium of private investors and Northwest. As previously discussed, in October 2008, Delta and Northwest received all approvals to allow their merger. In June 2009, Republic Airways Holdings announced the purchase of Frontier and Midwest airlines. Various other merger combinations of American, Continental, United, and US Airways have been rumored, but in an environment of high fuel prices and weak demand, none is expected to be pursued in the near term. In the longer term, further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances, joint ventures, and other marketing arrangements provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues on certain routes.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest item of airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Increased prices have been the single most important contributor to recent airline industry losses. In the second half of 2008, fuel prices fell sharply as demand declined worldwide, although prices again increased in early 2009. Partly as a result of high fuel prices, airlines and aircraft manufacturers have begun to explore the use of alternative fuels for aircraft. Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to remain high relative to historical levels and to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

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 part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), and more intensive screening of passengers and baggage. In summer 2006, the discovery of a plot to attack transatlantic flights with liquid explosives led to further changes in security screening procedures. The TSA faces an August 2010 congressional mandate to screen 100% of air cargo.

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

Public health concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. Beginning in April 2009, concerns about the spread of swine flu caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After 2001, and again in 2008 and 2009, air traffic delays decreased as a result of reduced numbers of aircraft operations, but, as air travel demand increases in the future, flight delays and restrictions will recur.

Capacity of Memphis International

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at MEM will depend on the provision of increased capacity at Memphis International itself.

AIRLINE TRAFFIC FORECASTS

General Assumptions Underlying Forecasts

Forecasts of airline traffic at Memphis International were developed taking into account analyses of Memphis International's economic base trends in historical airline traffic, and key factors likely to affect future airline traffic — all as discussed in earlier sections. The forecast rate of increase in the number of originating passengers in relation to projections of population and employment is generally consistent with the historical relationships documented earlier in the section.

It was assumed that airline service at Memphis International will not be constrained by the availability of aviation fuel, limitations in the capacity of the air traffic control system or MEM, charges for the use of aviation facilities, or government policies or actions.

Enplaned Passenger Forecast

For the near-term (i.e., FY 2010) passenger forecast, it was assumed that:

- Slow recovery from the economic recession, weak growth in the U.S. and MSA economies, and reduced disposable income will depress the demand for airline travel through FY 2010.
- Aviation fuel prices will stabilize at levels that are historically high but lower than the record prices reached in mid-2008.
- Total scheduled seats at Memphis International will decline 6.4% from FY 2009 to FY 2010, based on advance airline schedules filed by the airlines with *Official Airline Guide* as of October 2009.

Beginning in FY 2011 and through the remainder of the forecast period in FY 2015, it was assumed that:

- Memphis International will continue to be a connecting hub in the combined DL/NW network.

- FedEx will continue to operate its SuperHub facility at Memphis International and it will remain the primary global hub in the FedEx network.
- According to the U.S. Congressional Budget Office, the U.S. economy, as measured by real Gross Domestic Product (GDP) will experience sustained growth averaging approximately 3.8% per year (from 2011 through 2015), increasing by 3.3% in 2011, 4.7% in 2012, 4.7% in 2013, 3.3% in 2014 and 2.7% in 2015. The growth in enplaned passengers will follow a pattern of growth trend similar to that projected for GDP with accelerated rates of increase in FY 2012 and FY 2103.
- The economy of Memphis International's service region will grow at a similar rate to that of the United States as a whole.
- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
- There will be no major disruption of airline service or airline travel behavior as a result of international hostilities or terrorist acts or threats.
- DL/NW will continue to maintain a dominant market share at Memphis International over the forecast period. The other network carriers serving MEM will maintain a market share similar to or below the level recorded in FY 2009.
- AirTran will continue as Memphis International's only LCC and achieve modest growth in market share over the forecast period. Another established LCC is not expected to begin significant levels of air service at MEM during the forecast period.

The number of enplaned passengers is forecast to decline by 7.0% from FY 2009 to FY 2010 and then begin to increase from FY 2011 through FY 2015 (see Table 22). Total enplaned passengers are forecast to increase from 4.972 million in FY 2009 to 5.300 million in FY 2015 which equates to an overall increase of 6.6% at an average annual rate of 1.1%.

Originating and connecting passenger numbers are forecast to increase at similar rates, so that the share of originating passengers is forecast to be approximately 37% in FY 2015, about the same as in FY 2009.

Table 22
FORECAST ENPLANED PASSENGERS
Memphis International Airport
(for Fiscal Years ended June 30)

	Historical			Forecast						Annual % change
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2009-2015
Forecast										
Enplaned passengers										
Originating	2,015	2,116	1,834	1,705	1,748	1,809	1,872	1,916	1,955	1.1%
Annual % change	0.8%	5.0%	-13.4%	-7.0%	2.5%	3.5%	3.5%	2.3%	2.0%	
Connecting	3,249	3,254	3,138	2,919	2,991	3,096	3,205	3,280	3,345	1.1%
Annual % change	-3.1%	0.2%	-3.6%	-7.0%	2.5%	3.5%	3.5%	2.3%	2.0%	
Total	5,264	5,370	4,972	4,624	4,739	4,905	5,077	5,196	5,300	1.1%
Annual % change	-1.6%	2.0%	-7.4%	-7.0%	2.5%	3.5%	3.5%	2.3%	2.0%	

Historical connecting passengers were estimated by Jacobs Consultancy. The forecast was provided by Jacobs Consultancy, October 2009.

Sources: Total enplaned passenger figures for Fiscal Years 2007-2009 were provided by Memphis-Shelby County Airport Authority. Historical originating passengers were provided by U.S. DOT Air Passenger Origin-Destination Survey and adjusted by Jacobs Consultancy to account for overstatement of FY 2007 and FY 2008 originating passengers by the publisher.

Cargo Tonnage Forecast

As economies and markets recover over the coming months and years, air cargo demand is also expected to recover, particularly in the emerging economies of developing countries which are expected to have higher rates of economic growth than in the United States.

Although economic activity is the primary factor affecting world air cargo demand, there are other important factors, some of which are influenced by airline actions. Air cargo development is influenced by such airline actions as the acquisition of new aircraft, increased capacity in certain regions or on specific routes, and expansion of air cargo provider products and services. One example of this is the impact on cargo tonnage produced by the express and small-package market. Factors beyond the control of airlines and the cargo industry as a whole (freight forwarders, warehouse operators, local trucking companies) include changing inventory management techniques, globalization of trade, market liberalization, national (or airport) development programs, and continuing introduction of new products which are conducive to shipment by air (e.g., lightweight but high-value electronics, computer equipment).

Forecasts were derived based on a review of FedEx operations, a review of data gathered on the other airlines operating at Memphis International, and an assessment of key market data affecting the MSA.

- **FedEx**. FedEx is expected to see an increase in overall traffic as the economy stabilizes. The company will continue to experience a reduction in the growth rate for overnight express traffic as some shippers are increasingly conscious of transportation costs and are moving to more cost-effective, but slower modes of transportation.
- **Other Carriers**. Other integrated carriers (UPS and other all-cargo airlines) are expected to continue to expand operations with the growth of the local MSA economy. The heavy-freight and international markets, dominated by the freight forwarding and third-party logistics providers, will develop as a result of additional light manufacturing and distribution in the MSA.

While FedEx represents 98.6% of the total cargo activity at Memphis International, there are other air cargo carriers with both an existing presence and future market development opportunities. Growth and development of Memphis International's "Cargo Central" facility, which serves all-cargo carriers other than FedEx and UPS, is anticipated to generate future MEM cargo growth. This is reflected in the forecasts through an understanding of key market drivers, demand patterns, emerging market potential, and key cargo operators.

Cargo tonnage is expected to decline by approximately 2.0% from FY 2009 to FY 2010 and then begin to increase from FY 2011 through FY 2015. Cargo tonnage is expected to increase from approximately 4.0 million tons in FY 2009 to approximately 4.5 million tons in FY 2015, which equates to an overall increase of 12.2% at an average annual rate of 1.9% (see Table 23).

Table 23
FORECAST AIR CARGO TONNAGE
Memphis International Airport
(for Fiscal Years ended June 30)

	Historical				Forecast						Overall Increase
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2009-2015
Forecast											
FedEx	3,929,231	4,101,308	4,090,285	3,903,186	3,825,122	3,901,624	4,029,940	4,154,646	4,248,625	4,345,061	1.8%
Annual % change		4.4%	-0.3%	-4.6%	-2.0%	2.0%	3.3%	3.1%	2.3%	2.3%	
All others	80,188	83,700	83,475	79,657	77,064	79,625	90,653	100,806	111,401	122,366	7.4%
Annual % change		4.4%	-0.3%	-4.6%	-3.3%	3.3%	13.9%	11.2%	10.5%	9.8%	
Total	4,009,420	4,185,008	4,173,760	3,982,843	3,902,186	3,981,249	4,120,593	4,255,452	4,360,026	4,467,426	1.9%
Annual % change		4.4%	-0.3%	-4.6%	-2.0%	2.0%	3.5%	3.3%	2.5%	2.5%	

Sources: Historical : Memphis-Shelby County Airport Authority; Forecast: Jacobs Consultancy, October 2009.

Landed Weight Forecast

Aircraft landed weight is forecast to decline by approximately 3.4% from FY 2009 to FY 2010 and then begin to increase from FY 2011 through FY 2015.

Aircraft landed weight is forecast to increase from approximately 25.9 million thousand-pound units in FY 2009 to approximately 28.0 million thousand-pound units in FY 2015, which equates to an overall increase of 8.4% at an average annual rate of 1.4% (see Table 24).

Table 24

FORECAST LANDED WEIGHT

Memphis International Airport

(for Fiscal Years ended June 30)

	Historical			Forecast						Annual % change increase
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2009-2015
Forecast										
Landed Weight (000s Lbs.)										
Passenger	7,212,065	7,257,261	6,759,689	6,275,000	6,419,000	6,631,000	6,851,000	6,998,000	7,124,000	0.9%
Annual % change	-1.9%	0.6%	-6.9%	-7.2%	2.3%	3.3%	3.3%	2.1%	1.8%	
All-Cargo	19,353,265	19,535,576	9,123,630	18,932,000	19,216,000	19,696,000	20,129,000	20,532,000	20,943,000	1.5%
Annual % change	4.0%	0.9%	-2.1%	-1.0%	1.5%	2.5%	2.2%	2.0%	2.0%	
Total	26,565,330	26,792,837	25,883,319	25,207,000	25,635,000	26,327,000	26,980,000	27,530,000	28,067,000	1.4%
Annual % change	2.3%	0.9%	-3.4%	-2.6%	1.7%	2.7%	2.5%	2.0%	2.0%	

Sources: Historical : Memphis-Shelby County Airport Authority, U.S. DOT Air Passenger Origin-Destination Survey. Forecast: Jacobs Consultancy, October 2009.

FINANCIAL ANALYSIS

FRAMEWORK FOR AUTHORITY'S FINANCIAL OPERATIONS

The Authority was created in 1969 pursuant to the Metropolitan Airport Authority Act (the 1969 Enabling Act). Under the provisions of the 1969 Enabling Act (and subsequent resolutions of the City of Memphis and Shelby County), the Authority constitutes a body politic and corporate with the powers to operate and improve the Airport; establish and charge fees and rentals for the use of the Airport; enter into agreements with airlines for the payment of landing fees, rentals, and other charges; and issue bonds payable solely from the revenues, income, and charges of the Airport.

In 1970, the Authority entered into a transfer agreement with the City of Memphis by which all airport properties, functions, and outstanding obligations were transferred to the Authority.

The Authority operates as a financially self-sufficient enterprise. Separate accounts are maintained for each of the three airports (collectively, the Airport per the Bond Resolution). The financial statements are prepared on the accrual basis of accounting.

Bond Resolution

The financial operations of the Authority are governed in large part by the Bond Resolution authorizing the issuance of Bonds.

The Bond Resolution sets out the Rate Covenant, as described in the letter at the beginning of the report. The Bond Resolution also prescribes the application of Revenues to the funds and accounts established under the Bond Resolution as described in the later section "Application of Revenues," and specifies the conditions that must be met for the issuance of Additional Bonds (the Additional Bonds Test).

The Additional Bonds Test requires, among other things, that:

- Revenues estimated by an Airport Consultant to be derived in each Fiscal Year from the date the proposed Additional Bonds are delivered and paid for to the estimated date that a substantial portion of the project(s) is placed in continuous service or commercial operation, are sufficient (i) to pay during each such Fiscal Year the principal, interest and premium, if any on the Airport Revenue Bonds when due; (ii) to reimburse the City and the County or other municipality for principal, interest and premium, if any, on the bonds issued by them for the Airport; (iii) to pay all Costs of Operation and Maintenance; and (iv) to pay all claims, charges or obligations payable from the Revenues.

- An Airport Consultant estimates that the Net Revenues to be derived in each of the two Fiscal Years following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation shall be equal to not less than 125% of the Debt Service Requirement for such Fiscal Year on all Airport Revenue Bonds outstanding including such Additional Bonds.
- An Airport Consultant estimates that the Net Revenues to be derived in the third Fiscal Year following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation is equal to not less than 125% of the greater of (i) the Debt Service Requirement for such Fiscal Year on all Airport Revenue Bonds outstanding including Additional Bonds, and (ii) the maximum Debt Service Requirement for any Fiscal Year thereafter on all Airport Revenue Bonds outstanding, including such Additional Bonds.

The Authority may, but is not obligated, to use PFC revenues, CFC revenues, and other funds that do not constitute Revenues to provide for the payment of debt service on Bonds. In determining compliance with the Rate Covenant and the test for issuing Additional Bonds, the Debt Service Requirement and the required principal and interest payment on Bonds are reduced by the amount of such funds used by the Authority to provide for the payment of debt service on Bonds. The Authority plans to use a certain amount of CFC revenues to provide for the payment of debt service on the 2010A Bonds. (See Exhibit C.)

Airline Agreement

The Airline Agreement establishes procedures for the annual review and adjustment of Signatory Airline terminal building rentals, aircraft landing fees, apron fees and cargo building rental rates. Such rentals and fees are adjusted under a residual formula, which ensures that the Rate Covenant of the Bond Resolution is met and Net Revenues will be not less than 125% of the Debt Service Requirement. (The Airline Agreement provides that coverage, which is 25% of the Debt Service Requirement, may be included in the calculation of such rentals and fees only to the extent necessary to insure Rate Covenant compliance.) See the later section "Airline Revenues."

Section 10.10 of the Airline Agreement provides that, if the Authority, at the end of a fiscal year, determines that additional Revenues are needed to meet the Rate Covenant under the Bond Resolution, it may add such amount in the rates and charges calculation for the ensuing fiscal year, and record such amount as Revenues in the fiscal year when such amount is needed. This clause in the Airline Agreement ensures the compliance with the Rate Covenant.

The Airline Agreement expired on June 30, 2007 and was extended through a two-year bridge agreement and a one-year bridge agreement to June 30, 2010. For the purpose of this report, it was assumed the current ratemaking methodology will remain in effect through the forecast period.

Reconciliation of Historical Financial Results

Table 25 presents a reconciliation of the Authority's financial results (1) as set forth in the Authority's annual financial statements and audited by certified public accountants (presented in conformity with generally accepted accounting principles) and (2) as summarized and analyzed in this report (presented in accordance with the requirements of the Bond Resolution).

Table 25

RECONCILIATION OF HISTORICAL FINANCIAL RESULTS

Memphis-Shelby County Airport Authority

For the Fiscal Years ended June 30

(in thousands)

	FY 2008	FY 2009
FINANCIAL STATEMENT CALCULATION)		
Operating revenues	$ 111,547	$ 107,952
Operating expenses	(51,909)	(50,182)
Depreciation and amortization	(49,230)	(52,908)
Operating income	$ 10,408	$ 4,862
Non-operating income (expense)		
Total interest expense	(32,074)	(31,313)
Total interest and investment income	11,977	8,251
Customer facility charges	5,938	4,758
Operating grants	867	1,127
Gain (loss) on sale of capital assets	69	(7,165)
Other	-	1,902
Loss before Capital Contribution	$ (2,815)	$ (17,578)
Capital Contribution	27,547	44,444
Changes in Net Assets	$ 24,732	$ 26,866
NET REVENUES (per Bond Resolution)		
Revenues	$ 128,919	$ 124,244
Costs of Operation and Maintenance	(54,434)	(52,752)
Net Revenues	$ 74,485	$ 71,492
RECONCILIATION		
Changes in Net Asset	$ 24,732	$ 26,866
Add back:		
Depreciation and amortization	49,230	52,908
Interest expenses	32,074	31,313
Surplus carry-forward	6,107	4,849
Coverage account balance	9,780	11,000
Deduct:		
Restricted interest income	(6,834)	(5,061)
Customer facility charges	(5,938)	(4,758)
Gain (loss) on sale of capital assets	(69)	7,165
Capital Contribution	(27,547)	(44,444)
Special Facilities Revenue Bond debt service	(4,525)	(5,775)
Capital Outlay	(2,525)	(2,570)
Net Revenues (per Bond Resolution)	$ 74,485	$ 71,492

Source: Memphis-Shelby County Airport Authority financial records.

CAPITAL IMPROVEMENT PROGRAM

The projects in the Capital Improvement Program, their estimated costs, and sources of funding are summarized in Exhibit A. Descriptions of the projects are provided in the following sections. Many of the projects are currently in design or construction.

Elements of the Capital Improvement Program to be financed, in part, by the 2010A Bonds, referred to collectively as the 2010 Project, include the Consolidated Parking Facility (of which certain rental car facilities are an integral part) and various terminal improvements including an expansion of the Terminal B Checkpoint. Remaining elements of the Capital Improvement Program primarily include additional improvements to airfield and the apron facilities. As of the date of this report, the Capital Improvement Program represents all the major capital projects that the Authority currently intends to undertake during the forecast period.

The actual timing of construction of projects in the Capital Improvement Program will depend on the achievement of forecast demand or other justification of need, the receipt of required environmental or other regulatory approvals, the availability of grant or other funding sources, and, to the extent required under the Airline Agreement or any successor agreements, consultation or agreement with the airlines regarding scope, cost, funding, and recovery of costs through airline rents, fees, and charges.

The 2010 Project

The 2010 Project consists of two major components: (1) the Consolidated Parking Facility and (2) Terminal Improvements. All elements of the 2010 Project have been approved by a majority-in-interest of the Signatory Airlines as applicable.

Consolidated Parking Facility. This project consists generally of the construction of a new 7-level space parking garage with approximately 5,700 spaces and support facilities including a parking office within the new garage and two toll plazas; rental car (RAC) facilities inside the new garage and a quick turn around (QTA) surface lot; and renovations and rehabilitation of the existing garage. Levels 1 and 2 of the new garage will be for the RAC facilities including approximately 1,200 ready/return spaces, and levels 3 through 7 will provide approximately 4,500 spaces for public economy parking. The Authority estimates the Consolidated Parking Facility will be placed in service March 1, 2012.

As part of the Consolidated Parking Facility, certain public access improvements will be constructed including a moving walkway from the new garage through the center of the existing garage at basement level to the terminal; reconfiguration of ramps and equipment in the existing garage to make room for the moving walkway; and improvements to existing pedestrian tunnels from the existing garage into the terminal.

Terminal Improvements. The Terminal Improvements include the expansion and reconfiguration of the existing Terminal B Checkpoint to accommodate enhanced security scanning equipment to be provided by TSA as well as various other improvements to extend the useful life of the terminal complex. The Terminal B Checkpoint element will provide the additional space needed for the new equipment as well as the expansion of the A-B Connector, relocation of existing retail and food service vendors, reconfiguration of existing Authority office space, and new passenger access to the baggage claim level.

Other Projects in the Capital Improvement Program

Passenger Terminal Apron Reconstruction. The present terminal apron areas date from 1964 and 1974. They require continuous maintenance to keep them in a safe, serviceable condition. The entire apron replacement program will be accomplished over a period of many years and will require the temporary relocation of operational gates to make reconstruction areas available. To enhance its flexibility in reconstructing the apron, the Authority is considering, as one of its possible options, extending Concourse C to the north, which would provide additional gate frontage with passenger holdrooms and amenities on the second level and airline operations space on the ground level. The extension to Concourse C is not part of the Capital Improvement Program and was not considered in the financial forecasts in this report.

Glycol Environmental Control Facility. To satisfy a new storm water discharge permit expected to be issued by TDEC, the Authority needs to manage the collection and disposal of wintertime glycol use to limits imposed in the permit. The construction program will be implemented in phases starting in FY 2012.

Reconstruct Runway 9-27 and Associated Taxiways. Runway 9-27 was the oldest runway on the airfield, dating back to the 1940s when Memphis International was a military base. A series of projects over the years have extended its length and service life. This project, along with taxiways Alpha East and Victor East described below, will fully reconstruct the runway and associated taxiways. Runway 9-27 was reopened November 30, 2009 after a 9-month construction period.

Reconstruct Taxiway Alpha East. As part of the overall program to reconstruct Runway 9-27, this project will reconstruct the eastern portion of Taxiway Alpha between Taxiways Yankee and Alpha1. The construction will be closely coordinated with the reconstruction of Taxiway Victor East to allow efficient operations during the closures of these critical parallel taxiways.

Reconstruct Taxiway Victor East. As part of the overall program to reconstruct Runway 9-27, this project will reconstruct the eastern portion of Taxiway Victor between Taxiways Sierra and Victor2.

Taxiway Fillet Modifications for B777. FedEx plans to begin operating a B777-200 fleet from Memphis International beginning late 2009. To accommodate this aircraft type, a number of intersections along anticipated taxi routes will require widening to meet edge-margin criteria in compliance with design group VI standards. Construction will be sequenced with other airfield projects to minimize overall capacity impacts.

Replace Airfield Lighting Control System. The FAA is constructing a new air traffic control tower (ATCT) at the Airport that is scheduled for commissioning in FY 2011. In connection with the ATCT project, the Authority, which is responsible for airfield lighting, must replace all airfield lighting control equipment.

Other Projects. The Capital Improvement Program includes various other projects including signage for Memphis International, relocation of east gate in the perimeter fence, terminal escalator replacement, improvements to the Hurricane Creek channel within the boundaries of Memphis International to provide flood protection and make the surrounding area suitable for development, and a second taxiway crossing of Hurricane Creek.

Future Projects

No future projects are required to achieve the traffic forecasts in this report. However, other projects, such as the northerly extension of Concourse C described above, may be undertaken in the future but have not yet been defined to allow their incorporation in the Capital Improvement Program. Such projects will likely be projects identified in the recommended development plan set out in the Master Plan Update that is scheduled to be completed in early 2010.

Projects were included in the recommended development plan based on facility requirements that would enable the Authority to fulfill its role as the primary sort hub for FedEx and as an important passenger connecting hub in the Delta/Northwest route network. In the first phase, these projects include, among others, various airfield improvements including seismic retrofits of airfield structures over Winchester Road; extension of Concourse C to accommodate additional gates; seismic retrofits, interior renovations, and building system upgrades, to the main terminal building and concourses; and certain land acquisitions. The Authority may decide to undertake such additional capital projects within the forecast period.

The actual timing of construction of such additional capital projects will depend on various factors described above in connection with the Capital Improvement Program including justification of need, environmental approvals, regulatory approvals, MII approvals, and available funding. Because all anticipated state and federal AIP grants are committed to funding the Capital Improvement Program, bond financing will likely be required.

Airline Approvals

All elements of the 2010 Project have been approved by a majority-in-interest* of the Signatory Airlines (MII) as applicable. In June 2009, the Authority received MII approval for the Consolidated Parking Facility, including the RAC facilities and the public access improvements. In October 2009, the Authority received MII approval for the expansion and reconfiguration of the Terminal B Checkpoint.

In additional to the Capital Improvement Program, the Authority also developed a multi-year Capital Outlay Plan through FY 2016 for which it received MII approval in September 2009 for capital outlays representing approximately $40 million. Under the Airline Agreement, a capital outlay is an expenditure for a capital asset costing more than $1,000 that, subject to MII approval, can be included as an expense in the rate base for calculating airline rates and charges in a Fiscal Year. As used in this report, the term means "capital outlay" as used in the Airline Agreement as well as other capital expenditures for assets costing $1,000 or less that are not subject to MII approval and are included as an expense in the airline rate base. Capital outlays are regarded as Costs of Operation and Maintenance under the Bond Resolution.

Interim Funding

The Authority has secured a $45 million bank line of credit, which is available to fund expenditures on the reconstruction of Runway 9-27, Taxiway Alpha East, and Taxiway Victor East. The Authority plans to repay the principal portion of any draws on this line with AIP grant funds and to close this line once the reconstruction projects are complete.

FUNDING PLAN

Exhibit A presents the estimated costs and permanent funding sources of the Capital Improvement Program including the 2010 Project (exclusive of financing costs). Exhibit B shows the sources and uses of funds for the 2010 Project including the financing costs associated with the 2010A Bonds.

AIP Grants

The Authority is eligible to receive FAA grants-in-aid under the Airport Improvement Program (AIP) for up to 75% of the costs of airfield and other approved projects. Some of these grants are received as "entitlement" grants, the annual amount of which is

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*A majority-in-interest is defined in the Airline Agreement as (1) for airfield and cargo projects, at least 51% of the Signatory Airlines that together account for at least 51% of landed weight; (2) for terminal building and apron projects, at least 51% of the Signatory Airlines that account for at least 51% of terminal building and apron rentals and fees; and (3) for any purpose, at least 70% of the Signatory Airlines. The calculation period for determining shares of landed weight and rentals and fees is the most recent 6 months for which data are available. Airlines affiliated with the Signatory Airlines are not considered in the calculations.

calculated as a function of the number of enplaned passengers and landed weight of all-cargo aircraft at Memphis International. Other, "discretionary" grants are awarded on the basis of the FAA's determination of the priorities for projects at Memphis International and at other airports.

The Authority has received a letter of intent (LOI) from the FAA documenting the FAA's intention to obligate funds from future budget authority to issue AIP grants totaling $75.4 million for the reconstruction of Runway 18R-36L, the reconstruction of Taxiway M, and associated taxiway projects. Of the LOI amount, $26.0 million was used to pay for the reconstruction of Taxiway M and other taxiway projects. The remaining $49.4 million amount of the LOI was used for the reconstruction of Runway 18R-36L. The LOI amount is scheduled to be received through FY 2010.

The AIP grant funding shown on Exhibit A reflects a combination of (1) grants previously received from the FAA, (2) expected grants under approved applications, and (3) expected grants under future applications that have not yet been approved or not yet been submitted. The FAA has approved the Authority's grant application in the amount of $9.9 million to fund the public access improvements in the new Consolidated Parking Facility. Through FY 2017, the Authority expects to receive an additional $165.1 million passenger and cargo entitlement grants and $35.5 million in discretionary grants for the Capital Improvement Program.

Since expiration of the Century of Aviation Reauthorization Act (Vision 100) on September 30, 2007, the FAA has continued to operate under a series of resolutions that extended the agency's authorization including provisions for AIP funding. In December 2009, both the House and Senate passed another short-term extension to provide funding through March 31, 2010 and submitted it to the President for signature. For purposes of the financial forecasts in this report, it was assumed that Congress will pass an FAA reauthorization bill or extend the current authorization bill such that no lapse in AIP funding authority and no change in entitlement formula or discretionary allocations and priorities will occur during the forecast period.

State Grants

The Authority also receives grants from the Tennessee Department of Transportation (TDOT). TDOT funds its grant program primarily from a tax on the sale of aviation fuel, and FedEx is the largest single source of aviation fuel tax payments to TDOT. TDOT grants to the Authority vary by year, but are expected to average $9.0 million per year.

The Authority has entered into a grant agreement with TDOT to fund $50.0 million of the cost of the Consolidated Parking Facility, over a multi-year period. As of August 31, 2009, the Authority had received grant funding allocations of $34.0 million from TDOT. The Authority can draw on these allocations at any time to reimburse itself for the eligible cost of expenditures for the Consolidated Parking

Facility under the grant. The Authority expects to receive the remaining allocations in two installments effective July 1, 2010 and July 1, 2011.

The Authority further expects to receive an additional $52.1 million in TDOT grants for other projects in the Capital Improvement Program.

CFC Revenues

The Authority first instituted the collection of a customer facility charge (CFC) on August 1, 2001, but rescinded the charge effective November 1, 2001 after the events of September 11. Effective April 1, 2007, the Authority re-instituted collection of a CFC at a rate of $4.00 per transaction day per vehicle to be collected from the customers of all rental car companies operating at or serving Memphis International with the proceeds to be utilized to fund the construction of facilities for rental car companies.

CFC revenues are not Revenues under the Bond Resolution. The Authority has created a CFC Revenue Fund and two subaccounts, a CFC Debt Service Account and a CFC Project Account. The Authority deposits the CFC revenues it collects into the CFC Revenue Fund. After the issuance of the 2010A Bonds, the Authority plans to deposit a portion of the CFC revenues into the CFC Debt Service Account to pay a portion of debt service on the 2010A Bonds. Remaining collections are deposited in the CFC Project Account, which had a balance of $11.963 million as of June 30, 2009. Moneys in the CFC Project Account will fund approximately $22.9 million of the cost of the 2010 Project on a pay-as-you-go basis and thereafter fund reserves and other accounts.

The Authority is negotiating with rental car companies over the terms governing use and occupancy of the RAC facilities included in the 2010 Project. Such terms include potential provisions for facility rents, contingent rents in the event CFCs are insufficient for their intended purposes, and reimbursement of operating expenses incurred by the Authority. These rents and reimbursements will be treated as Revenues when earned.

Authority Funds

Under the Airline Agreement, up to $1.0 million annually may be included in the requirement to be met from Signatory Airline rentals and fees for deposit to the Authority's Discretionary Account. The Authority has not committed money's from the Discretionary Account to fund the CIP. However, the Authority intends to fund a portion of the costs of the CIP from moneys accumulated in its Capital Funds accounts, derived primarily from grant reimbursements and interest earnings on the available balances therein.

Airport Revenue Bonds

The Authority plans to finance the project costs of the Capital Improvement Program that are not funded with AIP grants, state grants, CFC revenues, or Authority funds with the proceeds of Airport Revenue Bonds including unspent proceeds from certain prior Bonds.

The proceeds of the 2010A Bonds are to be used to (1) fund a deposit to the Construction Fund to pay a portion of the cost of the 2010 Project, (2) fund deposits to a Construction Interest Account in the Construction Fund to pay interest during construction, (3) fund a deposit Debt Service Reserve Account to meet the Debt Service Reserve Requirement for the 2010A Bonds, and (4) pay the costs of issuance.

Other than the 2010A Bonds, the Authority does not currently plan to issue Additional Bonds during the forecast period to finance the costs of the Capital Improvement Program or other future projects. The Capital Improvement Program is estimated to cost $281.5 million, excluding the costs of the 2010 Project. The Authority believes that it can fund these costs with AIP grants, state grants, and moneys accumulated in its Capital Funds accounts. In the event these funding sources are not adequate or timely or the Authority decides to undertake other future projects not included in the Capital Improvement Program, then the Authority may chose to issue Additional Bonds subject to the Additional Bonds Test of the Bond Resolution.

The Authority may refund Outstanding Bonds during the forecast period. Estimates of the effects of potential refundings, including changes in the Debt Service Requirement and the Debt Service Reserve Requirement during the forecast period, have not been reflected in the financial forecasts in this report.

DEBT SERVICE REQUIREMENT

As of June 30, 2009, the outstanding principal amount of Bonds was $478.3 million In addition, the outstanding principal amount of subordinate General Obligation Bonds of the City was $5.7 million. The Authority, as discussed above, has a $45.0 million line of credit with a local bank.

Exhibit C shows historical and forecast annual Debt Service Requirement on the Authority's Outstanding Bonds; the breakdown by cost center; and the debt service of the subordinate General Obligation Bonds. The forecast annual Debt Service Requirement of the 2010A Bonds is provided by Fullerton & Friar, Inc., the financial advisors to the Authority. Based on assumptions provided by the Authority, Fullerton & Friar, Inc. determined the amount of forecast CFC revenue to be used for debt service on the 2010A Bonds.

The forecast Debt Service Requirement on the 2010A Bonds were estimated by Fullerton & Friar, Inc., the Authority's financial advisor, assuming a true interest cost of 5.57% and capitalized interest on the Consolidated Parking Facility through April 1, 2012.

In addition to the debt service shown in Exhibit C, the Authority had, as of June 30, 2009, outstanding Special Facilities Revenue Bonds in the principal amount of $45.0 million. The Special Facilities Revenue Bonds were issued in 1993 (and refunded in 2003) to fund construction of an aircraft maintenance hangar, corporate hangar and apron area for FedEx Corporation. The bonds are payable solely by rentals from the facilities, which rentals are not Revenues under the Bond Resolution. Thus, the Special Facilities Revenue Bonds are not considered further in this report.

COSTS OF OPERATION AND MAINTENANCE

Exhibit D presents historical and forecast Costs of Operation and Maintenance. Costs for FY 2007 through FY 2009 were obtained from the Authority's financial statements and other records.

The Costs of Operation and Maintenance were forecast based on the actual operating results for FY 2007 to FY 2009; assumed increases in the unit costs of labor, services, utilities, and supplies as a result of inflation; and other assumptions about Airport operations and capital outlays. It was assumed that, during the forecast period:

- The unit costs of most salaries, wages, fringe benefits, materials, services, utilities, and supplies will increase an average of 4.0% per year to reflect inflation in the Memphis area.
- Operating and maintenance expenses will increase as additional facilities are constructed in accordance with the planned Capital Improvement Program.
- As previously discussed, the Authority received MII approval for its multi-year Capital Outlay Plan. Because debt service allocable to the terminal building is scheduled to significantly decline in FY 2012, the Authority plans to adjust the annual amount of capital outlay in the airline rate base, in combination with other variables, to manage airline rates and airline payments (costs) per enplaned passenger (CPE) in general and to manage terminal rental rates to FY 2011 levels in particular.

After the Consolidated Parking Facility is placed in service, there may be an opportunity for the Authority to relocate employee parking from lots on Democrat Road to an East Lot to be developed near the terminal building complex. This move would enable the Authority to significantly reduce shuttle bus costs for employee parking lots, which were budgeted at $1.8 million in FY 2010. These potential savings were not reflected in the forecasts.

Given the uncertain operating parameters currently associated with the glycol control facility, no incremental costs have been identified for its Costs of Operation and Maintenance.

REVENUES

Exhibit E presents historical and forecast Revenues. Revenues for FY 2007 through FY 2009 were obtained from the Authority's financial statements and other records. Revenues for FY 2010 were estimates based on the 2009 actual results and the 2010 adopted budget.

The principal sources of Revenues for FY 2009 were as shown in Table 26.

Table 26
REVENUES
Memphis-Shelby County Airport Authority
For the Fiscal Years ended June 30
(in thousands)

	FY 2009	Percent of total
Passenger airlines		
Terminal building rentals	$ 20,716	16.7%
Landing fees	9,497	7.6%
	$ 30,214	24.3%
Cargo airlines		
Cargo building rentals	$ 5,584	4.5%
Landing fees	27,318	22.0%
Land and facility rentals	1,363	1.1%
	$ 34,265	27.6%
Other		
Other airfield and aviation revenues	$ 6,366	5.1%
Ground transportation and concession revenues	28,716	23.1%
Other terminal rentals and fees	661	0.5%
Other commercial areas	1,955	1.6%
Interest income and non-operating revenues	22,068	17.8%
	59,765	48.1%
Revenues	$124,244	100.0%

Source: Memphis-Shelby County Airport Authority financial records.

Individual components of Revenues shown in Exhibit E were forecast on the basis of FY 2010 estimates, allowances for price inflation at up to 2.5% per year, and the provisions of the various leases and agreements between the Authority and the Signatory Airlines and other Authority tenants and users. Revenues from sources related to passenger traffic, such as concession revenues, were forecast to increase as a function of the forecast levels of aviation activity described in the earlier section

"Airline Traffic Analysis." The assumptions underlying the increases in individual components of Revenues are described in the following sections.

Airline Revenues

Airline rentals and fees were forecast using the rate-adjustment provisions of the Airline Agreement under which airline rentals and fees are to be adjusted each year, effective July 1, using budgeted expenses and revenues. Signatory Airline rentals and fees are calculated according to a "residual cost" formula to ensure that the Authority generates sufficient Revenues to meet the coverage test in the Rate Covenant. By agreement with the Signatory Airlines, the Authority prepares its annual budget to achieve 125% debt service coverage on Bonds. Under the residual cost formula, revenues from all sources other than Signatory Airline rentals and fees are credited against the requirements to determine the amount of Signatory Airline rentals and fees to be paid. After applying Revenues to funds and accounts as set out in the Bond Resolution, the remaining amount, after paying interest and principal on any outstanding notes and depositing $1.0 million to the Discretionary Account, are retained in the Coverage Account and transferred to the Revenue Fund in the next subsequent fiscal year. The transfer is treated as Revenues and serves as a credit in the calculation of airline rentals and fees.

Airline revenues discussed in the following sections were forecast on the assumption that the Signatory Airlines collectively will pay all rentals and fees required under the terms of the Airline Agreement or a similar agreement throughout the forecast period.

For the purposes of this analysis, the same allocation formulas used by the Authority to calculate terminal building rentals, landing fees, and apron fees for FY 2010 were used to allocate revenues, operating expenses, and outstanding debt service requirements for the forecast years. Estimated debt service requirements for the 2010A Bonds were allocated to the Terminal Building cost center consistent with the net Bond proceeds by project shown in Exhibit A.

Terminal Building Rentals. Exhibit E-1 shows the calculation of Signatory Airline terminal building space rentals. The net requirement to be met is calculated by adding all requirements allocable to the terminal building (Costs of Operation and Maintenance, bond debt service, any coverage requirements, and estimated contributions to the Discretionary Account) and subtracting all revenues allocable to the terminal building. The average terminal building rental rate is then calculated by dividing the annual net rental requirement by the effective square footage of space actually rented by the Signatory Airlines. Terminal rental rates are weighted for various types of space in the terminal.

The debt service on Outstanding Bonds allocable to the terminal building is scheduled to significantly decline after FY 2011. To manage future terminal rental rates to FY 2011 levels, the Authority plans to increase expenditures for capital outlays identified in the MII-approved Capital Outlay Plan.

To ensure access by airlines having a need for terminal facilities, gates and related space are leased on a preferential basis so that space not being used may be reassigned. Certain airline operations space is leased on an exclusive basis. Signatory Airlines pay for space and facilities used in common or jointly with others, such as inbound baggage and baggage claim areas, according to per-use formulas at rates equivalent to those that apply to preferentially or exclusively leased premises. Airlines not signatory to the Airline Agreement pay terminal building rentals at 125% of the Signatory Airline rates.

Supplemental Rents. Under the terms of supplementary lease agreements, Delta/Northwest is committed to paying additional terminal building rentals (Supplemental Rents) to meet the debt service on certain Bonds issued by the Authority to finance expansions to the terminal building and other facilities (primarily tenant improvements) leased by Delta/Northwest. If Delta/Northwest fails to pay the additional amounts due under its supplementary lease agreements, the Authority is able, under the Airline Agreement, to adjust rates, rentals, fees, and other charges to insure that Revenues are sufficient to meet the Rate Covenant.

Landing Fees. Exhibit E-2 shows the calculation of Signatory Airline aircraft landing fees. Costs allocable to the airfield (and all other areas of Memphis International except for the terminal building, terminal apron, and cargo buildings) are credited with the revenues allocable to the airfield to determine the net landing fee requirement to be met. The landing fee rate is then calculated by dividing the annual landing fee requirement by forecast annual Signatory Airline landed weight. In determining the net amount to be met through landing fees, adjustments are made for estimated contributions to the Discretionary Account as provided for in the Airline Agreement. Airlines that are not signatory to the Airline Agreement pay landing fees at 125% of the Signatory Airline rate. Regional, foreign flag, and other airlines affiliated with Signatory Airlines pay landing fees at the signatory rate.

Other Airline Rates and Charges. Under the Airline Agreement, the Signatory Airlines pay fees for the preferential use of passenger terminal apron aircraft parking positions calculated according to a residual cost formula analogous to those used to calculate terminal building rentals and landing fees. Cargo building rental rates are calculated under the same residual methodology.

Airline Payments per Enplaned Passenger. Exhibit E-3 summarizes the payments made by the signatory passenger airlines in terminal building rentals, landing fees, and terminal apron fees (airline costs per enplaned passenger or CPE). In FY 2009, such payments totaled $23.5 million, or $4.73 per enplaned passenger. Such payments are forecast to increase to $26.6 million by FY 2012 and to remain virtually flat through the forecast period. Forecast increases in enplaned passengers result in a downward trend in CPE to $5.08 in FY 2015.

In addition, Delta/Northwest paid $1.7 million for the use of FIS, as the sole user in FY 2009, and $5.1 million in Supplemental Rents, as discussed above. These rents and fees are forecast to remain virtually flat through the forecast period.

FedEx Land and Facility Rentals

In addition to paying landing fees (at the signatory cargo airline rate), FedEx pays rentals under its lease of approximately 945 acres at Memphis International. Effective January 1, 2007, FedEx executed a new lease with the Authority with an initial term of 30 years, ending December 31, 2036. The lease also contains terms providing for two extension periods of 10 years each. Also, under the terms of various lease agreements, FedEx pays ground rentals and facility rentals to cover the debt service on those Bonds issued to finance FedEx facilities.

Other Cargo Land and Facility Rentals

The Authority receives ground and building rentals for air cargo facilities adjacent to the passenger terminal that are leased by various passenger and all-cargo airlines and freight forwarders. UPS pays ground and facility rentals for its package distribution center at the east side of Memphis International. Tenants of Cargo Central also pay rentals and fees for use and occupancy of these facilities.

Other Airfield and Aviation Revenues

The Authority receives ground and building rentals from various sites, hangars, and facilities leased to Signature Flight Support and Wilson Flight Center, the two fixed base operators, and other tenants; fuel flowage fees; rentals and fees from the Authority's two reliever airports; and various other aviation-related revenues. Gate Gourmet Catering Services, which leases a 5-acre, 55,000 square-foot facility south of the passenger terminal complex, holds a nonexclusive concession privilege to provide in-flight catering services and pays facility rentals in lieu of concession fees calculated as a percentage of gross sales.

Ground Transportation and Concession Revenues

Ground transportation and concession revenues at Memphis International are derived from (1) public automobile parking, (2) tenant employee automobile parking, (3) rental cars, (4) food and beverage, (5) retail merchandise, and (6) concessions and services. Ground transportation and concession revenues for FY 2009 were as shown in Table 27.

Table 27
GROUND TRANSPORTATION AND CONCESSION REVENUES
Memphis-Shelby County Airport Authority
For the Fiscal Years ended June 30
(in thousands)

	FY 2009 revenues	Average revenues per originating passenger
Public automobile parking	$ 11,177	$ 6.09
Tenant employee automobile parking	2,106	1.15
Rental cars	6,987	3.81
Other ground transportation	700	0.38
Food and beverage	3,540	1.93
Retail merchandise	2,623	1.43
Other concessions	1,510	0.82
	$ 28,643	$ 15.62

Source: Memphis-Shelby County Airport Authority financial records.

Public Automobile Parking. Public automobile parking at Memphis International is accommodated in a parking garage, an adjacent surface lot, and a remote parking lot. In FY 2009, public parking revenues account for 10.9% of operating revenues.

Table 28 lists the parking facilities owned by the Authority, the number of spaces in each facility currently, estimated during the construction period of the new Consolidated Parking Facility, and planned after construction of the new Consolidated Parking Facility.

Table 28

AIRPORT PUBLIC PARKING FACILITIES

Memphis-Shelby County Airport Authority

For the Fiscal Years ended June 30

(in thousands)

	Number of spaces		
	Current as of Nov 2008	Construction: May 2010 to Feb 2012	Planned Mar 2012
Parking garage:			
Short-term	900	900	900
Long-term	1,850	1,500	1,562
Economy	-	-	4,500
Valet	-	-	288
	2,750	2,400	7,274
Surface lots:			
Center lot (long term) *(a)*	970	-	-
West lot (economy) *(b)*	700	700	-
East lot (economy) *(b)*	-	800	-
	1,670	1,500	-
Total Spaces	4,420	3,900	7,274

(a) To be displaced by construction of the new parking garage.
(b) To be converted to employee parking.
Source: Memphis-Shelby County Airport Authority management records.

The Authority plans, as discussed above, to construct a Consolidated Parking Facility with 4,500 spaces for long-term public parking (and 1,200 spaces for rental car use). Construction of the Consolidated Parking Facility is estimated to begin in March 2010. Construction of the Consolidated Parking Facility is expected to permanently displace the 970 public parking spaces in the Center Lot; construction of the public access improvements are expected to permanently displace a modest number of spaces in the existing parking garage; and renovation of the existing parking garage is expected to temporarily displace parking spaces from time to time during renovation (estimated at 350). To supplement public parking capacity during construction, the Authority is constructing a new East Lot (scheduled to be operational by June 2010) and could potentially convert 200 employee spaces in the West Lot to public parking. The new Consolidated Parking Facility is estimated to become operational in March 2012, at which time the East and West Lots are anticipated to be converted from public to employee lots assuming that the Authority does not undertake the northerly extension of Concourse C, which was discussed above.

The Authority operates its parking facilities through a parking management agreement. Under this agreement, the Authority retains all rights to implement changes to parking rates from time to time as it deems appropriate. In FY 2009, the Authority introduced an "economy rate" parking product with a daily rate of $8 to compete more effectively with off-Airport parking operators. Daily rates for short-term and long-term parking remained at $21 and $11, respectively.

Off-Airport parking options exist near the west side of Memphis International along Airways Boulevard. As of October 1, 2009, there were three off-Airport parking operators that collectively provided 2,270 spaces. Off-Airport parking operators pay the Authority 10% of the gross revenues derived from their Airport operations. These revenues are included with Other Ground Transportation and Concessions discussed below.

Parking revenues are forecast to increase in proportion to forecast increases in originating passengers and adjustment of parking rates except during construction when some demand is forecast to be diverted from long-term to lower-rate economy parking. For the purpose of this report, it was assumed that effective July 1, 2012 the daily maximum parking rate for short-term and long-term parking spaces will be increased by $1.00, the daily rate for valet parking would be established at $28, and the daily rate for economy spaces would not be changed.

Employee Automobile Parking. Employees of the Authority park in a portion of the West Lot (200 spaces) and in a remote lot along Democrat Road north of Memphis International (3,150 spaces), both of which are served by shuttle buses. To the extent feasible, the Authority plans to consolidate employee parking in the area of the terminal building complex in order to minimize shuttle costs. Revenues from tenant employee parking are determined by the Authority based on projected costs of service. For the purpose of this report, it was assumed that the tenant employee parking revenues would increase at the rate of increase in expenses for the shuttle bus operation. Potential reduction of shuttle bus operating expenses and an ensuing lower level of cost recovery are not contemplated in this report.

Rental Cars. Rental car ready-return and service facilities are located at sites remote from the terminal and served by shuttle buses. Five such sites are located on Memphis International property and are leased by Alamo/National, Avis, Budget, Hertz, and Dollar/Thrifty. These companies pay ground rentals (included in Exhibit E with other ground transportation revenues). Enterprise/Vanguard, which provides rental car services on-Airport, operates from facilities located off-Airport. The rental car agencies have direct-line telephones in the terminals and do not staff counters.

The Authority implements a 10% privilege fee to conduct rental car operations on-Airport and off-Airport. After the 2010 Project is completed in FY 2012, the Authority intends to relocate all rental car operations to the floors 1 and 2 of the new

Consolidated Parking Facility. For the purpose of this report, it was assumed that there will be no net increase in rental car ground rent or facility rentals.

Rental car fees payable under the rental car agreements are forecast to increase in accordance with the forecast increases in O&D passengers and with inflation (assuming a 2.5% growth in sales per O&D passengers).

Concession Capital Recovery Fee. The Authority completed a $25 million renovation and expansion of its terminal concession program in December 2005. The program featured a new Rotunda at the "Y" in Concourse B and emphasized the musical and cultural heritage of Memphis through design, food, and retail selections. In 2006, the Authority received the ACI Richard A. Griesbach Award of Excellence as the Best Concession program in North America. The Terminal B improvements were recognized as "best overall" among all airports. The Authority also received a first place award for its food and beverage program and a second place award for its retail merchandise program among medium-hub airports. Amortization of the investment is recouped from in-terminal concessionaires through a per square foot fee shown as the "Concession capital recovery fee" in Exhibit E.

Food and Beverage. Approximately 29 food and beverage outlets are operated in the passenger terminal complex by three prime concessionaires: Delaware North Companies Travel Hospitality Services operates 12 outlets covering 15,900 square feet; Anton Airfood Inc. operates 16 outlets covering 22,600 square feet; and Creative Host Services, Inc. operates one outlet covering 5,500 square feet. Many food and beverage outlets are operated under subcontracts. In FY 2009, gross revenues for food and beverage concessions totaled $27.5 million, equivalent to $5.53 per enplaned passenger.

The concession agreements require concessionaires to make minimum investments in outlets at mid-term of the agreements. Most food and beverage outlets were upgraded in 2004 and 2005. The food and beverage concession agreements are scheduled to expire in 2016.

Under the concession agreements, concessionaires pay a concession fee computed as a percentage of gross revenues, ranging from 11% on food to 20% on alcoholic beverages, against a minimum annual guarantee. The minimum annual guarantees are adjusted annually for inflation. In FY 2009, the Authority received $3.5 million in food and beverage revenues, equivalent to 13% of gross revenues. In FY 2009, all concessionaires paid percentage rentals in excess of their minimum annual guarantees.

Food and beverage revenues were forecast to increase as a function of the number of enplaned passengers and price inflation. No allowances were made for additional concession facilities that might be constructed during the forecast period. It was assumed that future concession agreements would contain substantially similar terms for investment, percentage rents, and minimum annual guarantees.

Retail Merchandise. Approximately 20 news, gifts, and other retail merchandise concession outlets are operated in the passenger terminal complex by two prime concessionaires: The Paradies Shops operates 9 outlets covering 11,100 square feet; and Hudson Group operates 11 outlets covering 12,900 square feet. Many retail merchandise outlets are operated under subcontracts. In FY 2009, gross revenues for retail merchandise concessions totaled $10.9 million, equivalent to $2.19 per enplaned passenger. The retail merchandise concession agreements are scheduled to expire in 2014.

Under the concession agreements, concessionaires pay a concession fee computed as a percentage of gross revenues, at rates ranging from 11% to 17%, against a minimum annual guarantee. The minimum annual guarantees are adjusted annually for inflation. In FY 2009, the Authority received $2.6 million in retail merchandise revenues, equivalent to 24% of gross revenues. In FY 2009, all concessionaires paid percentage rentals in excess of their minimum annual guarantees.

Retail merchandise revenues were forecast to increase as a function of the number of enplaned passengers and price inflation. No allowances were made for additional concession facilities that might be constructed during the forecast period. It was assumed that future concession agreements would contain substantially similar terms for percentage rents and minimum annual guarantees.

Other Ground Transportation and Concessions. The Authority derives revenues from advertising; the terminal building hotel; taxicab, limousine, and other ground transportation services; and other concessions under the terms of various agreements. The Authority also derives revenues from the privilege fee charged off-Airport parking operators.

Other Terminal Rentals and Fees

Rentals and fees derived from various other tenants in the terminal building include charges for a shared-tenant telephone system.

Other Commercial Area Revenues

The Authority leases sites, buildings, and other facilities on Memphis International property to various non-aviation tenants. Included are a former Internal Revenue Service office complex, now leased by FedEx, and a Radisson hotel. Site and building rentals from the industrial park and other non-aviation areas are governed by the terms of various leases, most of which extend beyond the forecast period. Under its lease for the office complex, FedEx pays all routine operating and maintenance costs in addition to annual building rentals, which rentals are subject to adjustment in FY 2103.

Interest Income and Nonoperating Revenues

Non-operating revenues consist mainly of interest income derived from the investment of available balances in the Authority's Revenue Fund and the Debt Service Reserve Accounts for outstanding Bonds. This interest income was forecast assuming an average investment rate of approximately 3.0% on Debt Service Reserve Account balances and 1.0% on Revenue Fund balances. Non-operating revenues also consist of federal operating grants including security reimbursements, grants for canine units, and other non-capital federal contributions.

CFC REVENUES AND USES

Exhibit F presents the forecast of CFC revenues and their application to (1) pay debt service on the 2010A Bonds, (2) fund projects costs of the 2010 Project on a pay-as-you-go basis, (3) pay rentals to the Authority starting March 1, 2012, (4) fund deposits to various reserves for maintenance and rent, and (5) fund deposits to the Capital Project Reserve Fund for future RAC facilities or other expenditures permitted by the CFC resolution.

CFC revenues are derived from the customer facility charge imposed by resolution of the Authority and paid by rental car customers. The CFC is charged on the basis of transaction days, which were forecast based on their historical relationship to originating passengers. It was assumed that the current CFC level of $4.00 would remain in effect during the forecast period. CFC revenues were forecast to decline from $4.8 million in FY 2009 to $4.4 million in FY 2010, reflecting the forecast decline in originating passengers, and to steadily increase thereafter.

The Authority plans to use approximately $1.5 million per year in CFC revenues to provide for the payment of a portion of the debt service on the 2010A Bonds. A key assumption in this report is that the Authority will (1) use its CFC revenues as planned, first to provide for payment of a portion of the debt service on the 2010A Bonds, second to fund pay-as-you-go costs of the 2010 Project, and finally for other uses contemplated in the resolution authorizing the imposition of a CFC and (2) increase CFC revenues through adjustments in the level of the CFC if necessary to insure the first and second uses are satisfied or, alternatively, increase Revenues through adjustments in rates, rentals, fees, and other charges.

The Authority is negotiating with rental car companies over the terms governing use and occupancy of the RAC facilities included in the 2010 Project. Such terms include potential provisions for facility rents, contingent rents in the event CFCs are insufficient for their intended purposes, and reimbursement of operating expenses incurred by the Authority. These rents and reimbursements would be treated as Revenues.

APPLICATION OF REVENUES

Exhibit G presents the forecast application of Revenues, as described below and shown on Figure 9. As described above, Revenues do not include CFC revenues. Also, the Authority does not impose a PFC, and it has no plans to impose a PFC; however, if it did impose a PFC, such PFC revenues would not constitute Revenues unless they were pledged by the Authority under the terms of the Bond Resolution.

Revenues include the application of the prior year's balance in the Coverage Account. In FY 2010, Revenues also include the surplus carry forward from the prior year. After FY 2010, however, there is no surplus because the forecast assumes no variance between budget and actual figures on which annual Revenues are based.

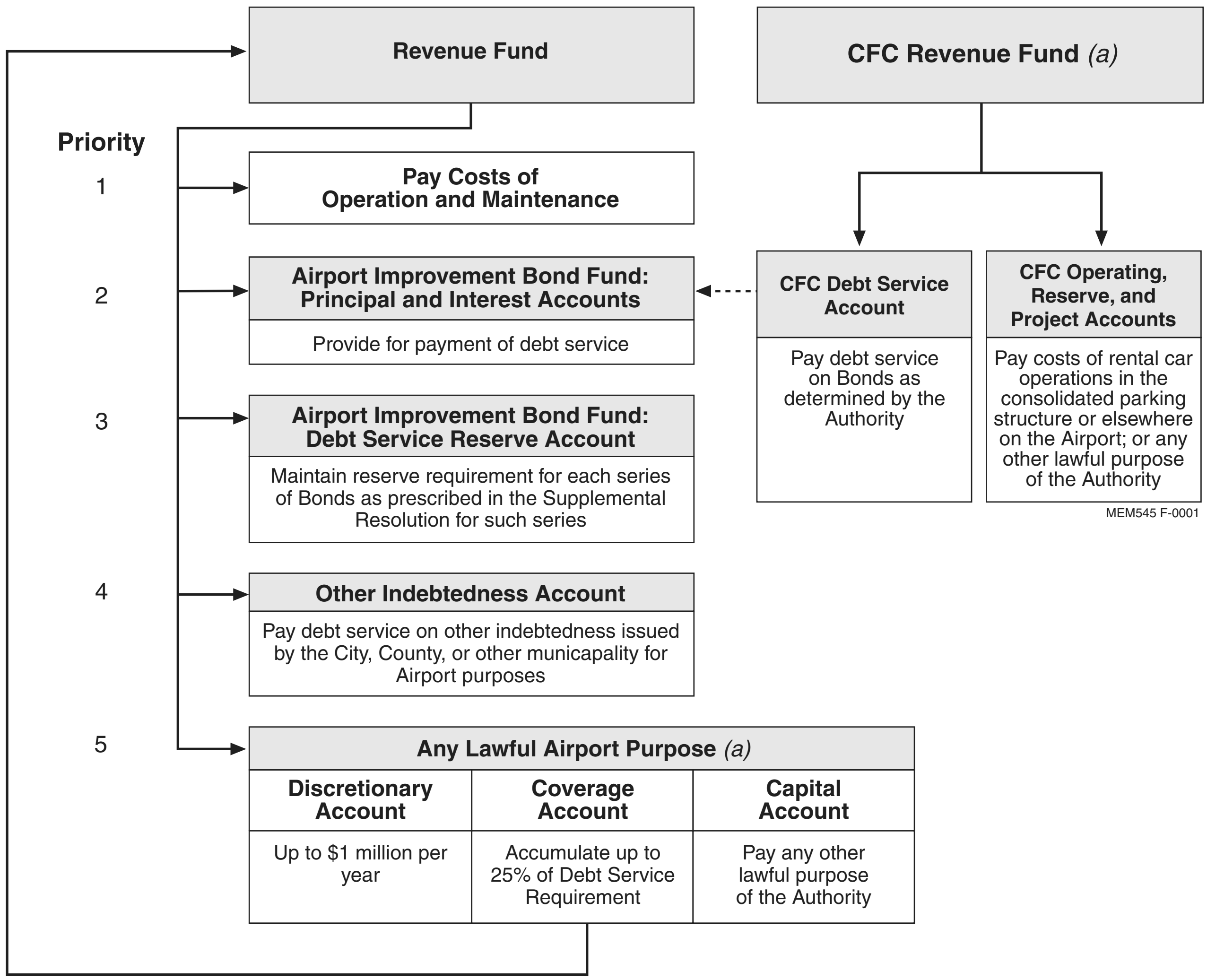
The application of Revenues to various funds and accounts is governed by the Bond Resolution, which requires that all Revenues be deposited in the Revenue Fund and applied in the following order of priority:

1. **Costs of Operation and Maintenance**. Payment of all current expenses incurred in operating and maintaining the Airport.
2. **Debt Service Requirement of Airport Revenue Bonds**. Amounts deposited in the Interest Account, Serial Principal Account, and Sinking Fund Account as necessary to pay debt service when due on all outstanding Bonds.
3. **Airport Revenue Bonds Debt Service Reserve Account**. Amounts necessary to maintain a balance at least equal to the Debt Service Reserve Account Requirement established for each series of Bonds outstanding. (No such payments from Revenues are forecast to be required.)
4. **General Obligation Bonds Debt Service**. Payments to the City of Memphis to meet debt service on the City's outstanding General Obligation Bonds issued for the Airport.

Under the Bond Resolution, any remaining amounts may be used by the Authority for any lawful purpose. Under the terms of the Airline Agreement, funds remaining after the requirements of the Bond Resolution have been met (and after debt service has been paid on any other subordinate debt such as notes for equipment or lines of credit) are to be applied as follows:

5. **Discretionary Account**. Up to $1.0 million per year may be retained for capital improvements or other Airport purposes at the sole discretion of the Authority. Based on the recent budget, the Authority plans not to retain any amount in Discretionary Account in FY 2010.
6. **Coverage Account**. As noted above, the Airline Agreement provides that coverage (up to 25% of Debt Service Requirement) may be included in the calculation of Signatory Airline rentals and fees to the extent necessary to meet the Rate Covenant. This amount necessary to demonstrate compliance is deposited into the Coverage Account and transferred to the Revenue Fund in the following year, serving as rolling coverage.

APPLICATION OF REVENUES
Memphis-Shelby County Airport Authority



(a) The account structure for the CFC Revenue Fund and for "any lawful airport purpose" are established by the Authority as necessary for accounting purposes or to comply with the Airline Agreement.

Figure 10

STRUCTURE OF FUNDS AND ACCOUNTS AND APPLICATION OF REVENUES UNDER THE BOND RESOLUTION

Memphis-Shelby County Airport Authority

JACOBS CONSULTANCY

DEBT SERVICE COVERAGE

Exhibit H presents forecast compliance with the Rate Covenant and shows the calculation of debt service coverage on the sum of the outstanding Bonds, the proposed 2010A Bonds, and the General Obligation bonds.

The Rate Covenant (Section 5.2) of the Bond Resolution includes a flows test and coverage test, which are both presented in Exhibit H. The flows test requires that Revenues be sufficient to meet the annual financial obligations of the Authority. The coverage test requires that Net Revenues be at least equal to 125% of the Debt Service Requirement on all outstanding Bonds, including the proposed 2010A Bonds. Exhibit H presents forecasts compliance with both tests in each year of the forecast period.

In addition, debt service coverage on all outstanding bonds, including the outstanding Bonds, the proposed 2010A Bonds, and the General Obligation bonds issued for the Airport, is forecast to be 120% or more in each year of the forecast period.

EXHIBIT A

PROJECT COSTS AND SOURCES OF FUNDING

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands)

	Project	AIP Grants		State	CFC	Capital	2010	
	Costs	Entitlement	Discretionary	Grants	PAYGO	Funds	Bonds	Total
Capital Improvement Program								
2010 Project								
Consolidated parking facility	$ 121,277	$ 7,531	$ -	$ 50,000	$ 22,854	$ 37,631	$ 3,261	$ 121,277
Terminal Improvements	21,000	-	-	-	-	-	21,000	21,000
Subtotal	$ 142,277	$ 7,531	$ -	$ 50,000	$ 22,854	$ 37,631	$ 24,261	$ 142,277
Other CIP Projects								
Passenger terminal apron reconstruction	100,000	75,000	-	25,000	-	-	-	100,000
Glycol environmental control facility	66,500	29,375	10,000	27,125	-	-	-	66,500
Runway 9-27 reconstruction	63,124	47,343	-	-	-	15,781	-	63,124
Taxiway Victor reconstruction	25,704	1,546	17,733	-	-	6,426	-	25,704
Taxiway Alpha reconstruction	10,357	-	7,767	-	-	2,589	-	10,357
Hurricane Creek improvements N. of RW Road	5,800	4,350	-	-	-	1,450	-	5,800
2nd Hurricane Creek TW crossing	4,000	3,000	-	-	-	1,000	-	4,000
777 taxiway fillet modifications	2,807	2,106	-	-	-	701	-	2,807
Airport signage - PH II (external contract)	1,800	1,350	-	-	-	450	-	1,800
Terminal escalator replacement	800	600	-	-	-	200	-	800
East gate relocation	300	225	-	-	-	75	-	300
ALCS replacement (new tower)	267	200	-	-	-	67	-	267
Subtotal	$ 281,458	$ 165,095	$ 35,500	$ 52,125	$ -	$ 28,739	$ -	$ 281,458
Total	$ 423,736	$ 172,626	$ 35,500	$ 102,125	$ 22,854	$ 66,370	$ 24,261	$ 423,736

Source: Memphis-Shelby County Airport Authority records.

EXHIBIT B

SOURCES AND USES OF FUNDS

2010 Project
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
(dollars in thousands)

	2010 Bonds	Other Sources	Total
Sources of Funds			
Par amount of 2010 Bonds	$ 29,365	$ -	$ 29,365
Original issue premium	438	-	438
Interest earnings	167	-	167
AIP grants	-	7,531	7,531
State grants	-	50,000	50,000
Capital Funds	-	37,631	37,631
CFC PAYGO	-	22,854	22,854
Total sources	$ 29,971	$ 118,016	$ 147,987
Uses of Funds			
Project costs			
Consolidated parking facility	$ 3,261	$ 118,016	$ 121,277
Terminal Improvements	21,000	-	21,000
Total project costs	$ 24,261	$ 118,016	$ 142,277
Debt Service Reserve Account	2,083	-	2,083
Capitalized interest	3,033	-	3,033
Cost of issuance	593	-	593
Total uses	$ 29,971	$ 118,016	$ 147,987

Sources: Fullerton & Friar, Inc.

EXHIBIT C

DEBT SERVICE REQUIREMENT

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands)

		2008	Actual 2009	Forecast 2010	2011	2012	2013	2014	2015
Airport Revenue Bonds (deposit basis)									
1993B Issue		$ 2,381	$ 1,488	$ -	$ -	$ -	$ -	$ -	$ -
1997A Issue		5,640	5,619	4,871	2,268	-	-	-	-
1999A Issue		5,201	-	-	-	-	-	-	-
1999B Issue		5,201	-	-	-	-	-	-	-
1999D Issue		14,409	14,409	14,409	14,409	14,793	15,924	16,822	17,165
1999E Issue		793	777	783	788	528	-	-	-
2001 A & B Issue		14,783	15,677	15,142	13,298	10,082	10,084	10,082	10,082
2002 Issue		1,061	2,572	4,125	5,360	2,488	459	172	-
2003 Issue		2,371	2,364	2,358	2,351	2,344	2,338	2,332	2,323
2008A Issue		3,481	12,330	11,812	13,229	15,611	15,594	15,165	15,107
Subtotal		$ 55,322	$ 55,236	$ 53,501	$ 51,703	$ 45,845	$ 44,398	$ 44,573	$ 44,677
Proposed 2010 Bonds		-	-	-	-	5,940	6,148	1,567	1,618
Less: Amount paid from CFC revenues		-	-	-	-	(580)	(1,160)	(1,516)	(1,516)
Debt Service Requirement	[A]	$ 55,322	$ 55,236	$ 53,501	$ 51,703	$ 51,205	$ 49,385	$ 44,623	$ 44,779
Cost center allocation									
Terminal Building		$ 19,971	$ 20,923	$ 20,306	$ 19,208	$ 19,158	$ 17,035	$ 12,137	$ 12,139
Cargo Building		1,041	1,124	403	399	391	390	383	382
Airfield		30,829	33,189	32,792	32,096	31,656	31,960	32,104	32,258
Terminal Apron		-	-	-	-	-	-	-	-
Total		$ 51,841	$ 55,236	$ 53,501	$ 51,703	$ 51,205	$ 49,385	$ 44,623	$ 44,779
Airport Revenue Bonds Debt Service (payment basis)									
Outstanding Bonds /1		$ 55,322	$ 55,236	$ 53,500	$ 52,542	$ 48,830	$ 44,169	$ 44,688	$ 44,578
Proposed 2010 Bonds		-	-	-	-	5,940	6,148	1,567	1,618
Less: Amount paid from CFC revenues		-	-	-	-	(580)	(1,160)	(1,516)	(1,516)
Total		$ 55,322	$ 55,236	$ 53,500	$ 52,542	$ 54,190	$ 49,157	$ 44,738	$ 44,680
General Obligation Bonds Debt Service									
1995B Issue		$ 163	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1998 Issue		2,152	2,124	2,074	2,072	2,072	-	-	-
Total	[B]	$ 2,315	$ 2,124	$ 2,074	$ 2,072	$ 2,072	$ -	$ -	$ -
Total Debt Service	[A + B]	$ 57,637	$ 57,360	$ 55,575	$ 53,775	$ 53,278	$ 49,385	$ 44,623	$ 44,779

Sources: Memphis-Shelby County Airport Authority; Fullerton & Friar, Inc.

Notes: 1. The Debt Service Requirement was used in FY 2007 through FY 2009 as a proxy for payment basis debt service.

2. Deposit basis reflects the aggregate of monthly deposits in a fiscal year that are required to meet the future principal and interest payment requirement.

3. Payment basis reflects the amount of principal and interest payments made in a fiscal year when it becomes due.

EXHIBIT D

COSTS OF OPERATION AND MAINTENANCE
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
(for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Actual		Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015
Costs of Operation and Maintenance								
Personnel	$ 21,268	$ 21,196	$ 22,044	$ 22,926	$ 23,843	$ 24,796	$ 25,788	$ 26,820
Airfield	7,575	7,047	7,329	7,622	7,927	8,244	8,574	8,917
Terminal building	8,663	8,816	9,169	9,535	9,917	10,313	10,726	11,155
Ground transportation	4,322	4,257	4,427	4,604	4,789	4,980	5,179	5,386
General administration	6,181	5,210	5,418	5,635	5,861	6,095	6,339	6,592
Police	1,845	1,727	1,796	1,868	1,943	2,020	2,101	2,185
Field shop	1,188	980	1,019	1,060	1,102	1,146	1,192	1,240
Other aviation areas	143	204	212	221	229	239	248	258
Non-aviation areas	724	745	775	806	838	872	906	943
Subtotal	51,909	50,182	52,189	54,277	56,448	58,706	61,054	63,496
Capital outlay	2,525	2,570	1,575	1,638	1,704	5,074	10,421	9,670
Base expenses	$ 54,434	$ 52,752	$ 53,764	$ 55,915	$ 58,151	$ 63,780	$ 71,475	$ 73,167
Incremental expenses	-	-	-	200	333	736	766	796
Total	$ 54,434	$ 52,752	$ 53,764	$ 56,115	$ 58,484	$ 64,517	$ 72,241	$ 73,963
Annual percent change								
for expenses w/o capital outlay		-3.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Cost center allocation								
Terminal Building			$ 33,682	$ 35,038	$ 36,563	$ 41,714	$ 48,527	$ 49,300
Cargo Building			1,632	1,704	1,773	1,848	1,922	1,999
Airfield			18,010	18,894	19,650	20,436	21,254	22,104
Terminal Apron			440	479	498	518	539	561
Total			$ 53,764	$ 56,115	$ 58,484	$ 64,517	$ 72,241	$ 73,963

Sources: Historical - Memphis Shelby County Airport Authority; Forecast - Jacobs Consultancy.

EXHIBIT E

REVENUES

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Actual	Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015
Terminal Building								
Airline space rentals	$ 13,832	$ 13,450	$ 13,388	$ 16,011	$ 16,454	$ 16,506	$ 16,535	$ 16,555
Apron fees	501	436	440	479	498	518	539	561
Supplemental rents - DL/NW	5,006	5,132	5,007	5,007	5,007	5,007	5,007	5,007
FIS fees	1,636	1,698	1,700	1,700	1,700	1,700	1,700	1,700
	$ 20,975	$ 20,716	$ 20,535	$ 23,197	$ 23,660	$ 23,731	$ 23,782	$ 23,822
Food and beverage concessions	3,769	3,540	3,381	3,550	3,763	3,989	4,182	4,370
Other terminal concessions	2,823	2,623	2,505	2,630	2,787	2,955	3,098	3,238
Concession capital recovery fee	1,550	1,510	1,535	1,535	1,535	1,535	1,535	1,535
Other fees and charges	812	733	1,528	1,566	1,605	1,645	1,687	1,729
	$ 8,954	$ 8,407	$ 8,949	$ 9,281	$ 9,691	$ 10,124	$ 10,502	$ 10,872
Subtotal	$ 29,929	$ 29,123	$ 29,483	$ 32,478	$ 33,351	$ 33,856	$ 34,284	$ 34,694
Ground Transportation								
Public parking	$ 12,857	$ 11,177	$ 10,470	$ 10,190	$ 10,491	$ 12,796	$ 13,046	$ 13,268
Tenant employee parking	2,000	2,106	1,901	1,977	2,056	2,138	2,224	2,313
Rental car agencies	8,113	6,987	6,758	7,061	7,571	8,371	8,731	9,074
Others	770	700	630	646	668	625	640	652
Subtotal	$ 23,740	$ 20,970	$ 19,759	$ 19,874	$ 20,787	$ 23,931	$ 24,641	$ 25,306
Airfield								
Passenger airline landing fees	$ 10,654	$ 9,628	$ 8,686	$ 9,364	$ 9,615	$ 9,647	$ 9,370	$ 9,787
Cargo airline landing fees	28,722	27,187	26,203	28,028	28,554	28,340	27,487	28,767
FedEx land rentals	4,956	5,584	6,197	6,259	6,322	6,385	6,449	6,513
FBO rentals and fees	1,466	1,363	1,382	1,396	1,410	1,424	1,439	1,453
Subtotal	$ 45,798	$ 43,763	$ 42,469	$ 45,047	$ 45,900	$ 45,796	$ 44,744	$ 46,519

EXHIBIT E (Page 2 of 2)

REVENUES

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Actual	Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015
Other Aviation Areas								
Ground rentals	$ 891	$ 1,432	$ 1,278	$ 1,291	$ 1,304	$ 1,317	$ 1,330	$ 1,343
Airline cargo, building, and fuel farm rentals	2,008	2,560	1,348	1,398	1,463	1,542	1,578	1,656
Other cargo rentals	505	373	605	611	617	623	629	636
Other building and facility rentals	843	799	877	886	895	904	913	922
Subtotal	$ 4,248	$ 5,165	$ 4,108	$ 4,186	$ 4,279	$ 4,386	$ 4,450	$ 4,557
Other Commercial Areas	$ 2,003	$ 1,955	$ 1,922	$ 1,925	$ 1,929	$ 2,066	$ 2,069	$ 2,072
General Aviation airports	$ 1,304	$ 1,201	$ 1,521	$ 1,536	$ 1,551	$ 1,567	$ 1,582	$ 1,598
Total operating revenues /1	$ 107,022	$ 102,176	$ 99,261	$ 105,046	$ 107,796	$ 111,601	$ 111,769	$ 114,747
Interest Income and Nonoperating Revenue								
Operating grants	867	3,029	2,642	2,748	2,858	2,972	3,091	3,214
Interest earnings	5,143	3,190	1,888	1,913	1,983	1,946	1,814	1,819
Surplus carryforward /2	6,107	4,849	5,849	-	-	-	-	-
Transfer from Coverage Account	9,780	11,000	11,000	11,038	9,854	9,729	11,346	10,156
Subtotal	$ 21,897	$ 22,068	$ 21,379	$ 15,698	$ 14,694	$ 14,647	$ 16,251	$ 15,189
Total revenues	$ 128,919	$ 124,244	$ 120,641	$ 120,744	$ 122,491	$ 126,248	$ 128,021	$ 129,937

Sources: Historical - Memphis Shelby County Airport Authority; Forecast - Jacobs Consultancy.

Notes: 1. Excluding FedEx debt service payments to the Authority for 1993 Special Facility Bonds.

2. Assuming no surplus carryforward beyond FY 2010.

EXHIBIT E-1

AIRLINE TERMINAL BUILDING RENTALS

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Forecast 2010	2011	2012	2013	2014	2015
Terminal building requirements						
Debt Service:						
Outstanding Bonds	$ 20,306	$ 19,208	$ 13,798	$ 12,048	$ 12,086	$ 12,037
Proposed 2010 Bonds	-	-	5,360	4,988	51	102
General obligation bonds	-	-	-	-	-	-
Debt service coverage required	4,289	3,661	3,640	3,914	2,762	2,764
Costs of Operation and Maintenance	33,682	35,038	36,563	41,714	48,527	49,300
Discretionary Account deposit	-	500	500	500	500	500
Total terminal building requirements	$ 58,278	$ 58,406	$ 59,861	$ 63,163	$ 63,926	$ 64,702
Less:						
Ground Transportation	(19,759)	(19,874)	(20,787)	(23,931)	(24,641)	(25,306)
Terminal building rentals (excluding airlines)	(15,656)	(15,988)	(16,398)	(16,831)	(17,209)	(17,579)
Other non-airline revenues	(2,376)	(2,433)	(2,535)	(2,539)	(2,455)	(2,509)
Transfer from Coverage Account	(4,175)	(4,101)	(3,687)	(3,356)	(3,086)	(2,753)
Surplus Account deposit /1	(2,925)	-	-	-	-	-
Net terminal area requirements	$ 13,388	$ 16,011	$ 16,454	$ 16,506	$ 16,535	$ 16,555
Space (square footage) (000)						
Non-weighted square footage	424	424	424	424	424	424
Weighted square footage	430	430	430	430	430	430
Average rates						
Non-weighted square footage	$ 31.55	$ 37.73	$ 38.78	$ 38.90	$ 38.97	$ 39.02
Weighted square footage	31.15	37.25	38.28	38.40	38.47	38.51

Source: Jacobs Consultancy.

Note: 1. Forecast terminal rate increase in FY 2011 is partially due to the assumption of no surplus carryforward from FY 2010 operation. Total surplus carryforward amount ranged between $4.8 million and $6.1 million in FY 2008 - 2010, as shown on Exhibit E.

EXHIBIT E-2

AIRLINE LANDING FEES

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Forecast 2010	2011	2012	2013	2014	2015
Airfield requirements						
Debt Service						
Outstanding Bonds	$ 32,792	$ 32,096	$ 31,656	$ 31,960	$ 32,104	$ 32,258
Proposed 2010 Bonds	-	-	-	-	-	-
General obligation bonds	2,074	2,072	2,072	-	-	-
Debt service coverage required	6,927	6,117	6,015	7,343	7,306	7,344
Costs of Operation and Maintenance	18,010	18,894	19,650	20,436	21,254	22,104
Discretionary Account deposit	-	500	500	500	500	500
Total airfield requirements	$ 59,803	$ 59,679	$ 59,894	$ 60,239	$ 61,164	$ 62,206
Less:						
FedEx and FBO land rentals	(7,580)	(7,655)	(7,732)	(7,809)	(7,887)	(7,966)
Other non-airline revenues	(7,667)	(7,780)	(7,902)	(8,147)	(8,257)	(8,371)
Transfer from Coverage Account	(6,742)	(6,852)	(6,092)	(6,296)	(8,163)	(7,316)
Surplus Account deposit /1	(2,925)	-	-	-	-	-
Net airfield requirements	$ 34,890	$ 37,392	$ 38,169	$ 37,987	$ 36,856	$ 38,553
Aircraft landed weight units (lbs) (000)	25,268	25,697	26,391	27,045	27,597	28,135
Signatory landing fee rate per 1,000 lbs	$ 1.3808	$ 1.4551	$ 1.4463	$ 1.4046	$ 1.3355	$ 1.3703
Non-Signatory landing fee rate per 1,000 lbs	1.7260	1.8189	1.8079	1.7557	1.6694	1.7129
Non-Scheduled landing fee rate per 1,000 lbs	2.0712	2.1826	2.1694	2.1069	2.0033	2.0554

Source: Jacobs Consultancy.

Note: 1. Forecast landing fee rate increase in FY 2011 is partially due to the assumption of no surplus carryforward from FY 2010 operation. Total surplus carryforward amount ranged between $4.8 million and $6.1 million in FY 2008 - 2010, as shown on Exhibit E.

EXHIBIT E-3

AIRLINE COST PER ENPLANED PASSENGER
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Actual	Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015
Passenger airline payments								
Airline space rentals	$ 13,832	$ 13,450	$ 13,388	$ 16,011	$ 16,454	$ 16,506	$ 16,535	$ 16,555
Apron Fees	501	436	440	479	498	518	539	561
Passenger airline landing fees	10,654	9,628	8,686	9,364	9,615	9,647	9,370	9,787
	$ 24,986	$ 23,514	$ 22,514	$ 25,854	$ 26,567	$ 26,671	$ 26,444	$ 26,902
Enplaned passengers	5,370	4,972	4,624	4,739	4,905	5,077	5,196	5,300
Airline cost per enplaned passenger	$ 4.65	$ 4.73	$ 4.87	$ 5.46	$ 5.42	$ 5.25	$ 5.09	$ 5.08
Other passenger airline payments								
FIS fee	$ 1,636	$ 1,698	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
Supplemental rents - DL/NW	5,006	5,132	5,007	5,007	5,007	5,007	5,007	5,007
	$ 6,643	$ 6,830	$ 6,707	$ 6,707	$ 6,707	$ 6,707	$ 6,707	$ 6,707
Enplaned passengers	5,370	4,972	4,624	4,739	4,905	5,077	5,196	5,300
Other airline cost per enplaned passenger	$ 1.24	$ 1.37	$ 1.45	$ 1.42	$ 1.37	$ 1.32	$ 1.29	$ 1.27
All-in airline cost per enplaned passenger	$ 5.89	$ 6.10	$ 6.32	$ 6.87	$ 6.78	$ 6.57	$ 6.38	$ 6.34

Sources: Historical - Memphis Shelby County Airport Authority; Forecast - Jacobs Consultancy.

EXHIBIT F

CFC REVENUES AND USES

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

(for the 12 months ending June 30; dollars in thousands except ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Actual	Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015
CFC Collections								
O&D passengers (000)	2,116	1,834	1,705	1,748	1,809	1,872	1,916	1,955
Transaction days per originating passenger	0.68	0.65	0.65	0.65	0.65	0.65	0.65	0.65
Rental car transaction days (000)	1,435	1,189	1,106	1,134	1,173	1,214	1,243	1,268
CFC per transaction day	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00
CFC collections	$ 5,740	$ 4,758	$ 4,423	$ 4,535	$ 4,693	$ 4,857	$ 4,971	$ 5,072
CFC Revenue Fund								
Beginning balance	$ 1,325	$ 7,107	$ 11,963	$ 9,547	$ 1,879	$ 647	$ 3,553	$ 6,245
CFC collections	5,740	4,758	4,423	4,535	4,693	4,857	4,971	5,072
Investment earnings	42	99	110	60	15	25	53	80
Debt service on proposed 2010 Bonds	-	-	-	-	(580)	(1,160)	(1,516)	(1,516)
Pay-as-you-go costs of 2010 Project	-	-	(6,342)	(11,656)	(4,857)	-	-	-
RAC Rent	-	-	-	-	(104)	(415)	(415)	(415)
Maintenance reserves	-	-	(400)	(400)	(400)	(400)	(400)	(400)
Rent Reserve	-	-	(208)	(208)	-	-	-	-
Capital Project Reserve Fund	$ 7,107	$ 11,963	$ 9,547	$ 1,879	$ 647	$ 3,553	$ 6,245	$ 9,066

Sources: U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Scheules T100 and 298C T1; Memphis-Shelby County Airport Authority; Jacobs Consultancy; Fullerton & Friar, Inc.

EXHIBIT G

APPLICATION OF REVENUES

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
(for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Forecast 2010	2011	2012	2013	2014	2015
Revenues						
Terminal Building	$ 29,483	$ 32,478	$ 33,351	$ 33,856	$ 34,284	$ 34,694
Ground Transportation	19,759	19,874	20,787	23,931	24,641	25,306
Airfield	42,469	45,047	45,900	45,796	44,744	46,519
Other operating revenues	7,550	7,647	7,759	8,018	8,101	8,227
Nonoperating revenues	4,530	4,660	4,841	4,918	4,905	5,034
Surplus carryforward /1	5,849	-	-	-	-	-
Transfer from Coverage Account	11,000	11,038	9,854	9,729	11,346	10,156
Total	$ 120,641	$ 120,744	$ 122,491	$ 126,248	$ 128,021	$ 129,937
Application of Revenues						
Costs of Operation and Maintenance	53,764	56,115	58,484	64,517	72,241	73,963
Bond Fund						
Debt Service Requirement	53,501	51,703	51,205	49,385	44,623	44,779
Debt Service Reserve Account	-	-	-	-	-	-
Debt service on General Obligation bonds	2,074	2,072	2,072	-	-	-
Notes payable	263	-	-	-	-	-
Discretionary Account	-	1,000	1,000	1,000	1,000	1,000
Deposit to Coverage Account	11,038	9,854	9,729	11,346	10,156	10,195
Total	$ 120,641	$ 120,744	$ 122,491	$ 126,248	$ 128,021	$ 129,937

Source: Jacobs Consultancy.
Note: 1. Assuming no surplus carryforward beyond FY 2010.

EXHIBIT H

RATE COVENANT COMPLIANCE
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
(for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Forecast 2010	2011	2012	2013	2014	2015
Rate Covenant Compliance - Flows test						
Total Revenues	$ 120,641	$ 120,744	$ 122,491	$ 126,248	$ 128,021	$ 129,937
Costs of Operation and Maintenance	(53,764)	(56,115)	(58,484)	(64,517)	(72,241)	(73,963)
Airport Revenue Bond debt service - Payment basis	(53,500)	(52,542)	(54,190)	(49,157)	(44,738)	(44,680)
Debt Service Reserve Account	-	-	-	-	-	-
Debt Service on General Obligation bonds	(2,074)	(2,072)	(2,072)	-	-	-
Notes payable	(263)	-	-	-	-	-
Discretionary Account	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Must Be No Less Than Zero	$ 11,039	$ 9,015	$ 6,743	$ 11,575	$ 10,041	$ 10,294
Rate Covenant Compliance - Coverage test						
Revenues	$ 120,641	$ 120,744	$ 122,491	$ 126,248	$ 128,021	$ 129,937
Costs of Operation and Maintenance	(53,764)	(56,115)	(58,484)	(64,517)	(72,241)	(73,963)
Net Revenues	$ 66,876	$ 64,629	$ 64,006	$ 61,732	$ 55,779	$ 55,974
Debt Service Requirement	53,501	51,703	51,205	49,385	44,623	44,779
Debt service coverage (must at least equal 125%)	125%	125%	125%	125%	125%	125%
Additional Information						
Debt Service Requirement	$ 53,501	$ 51,703	$ 51,205	$ 49,385	$ 44,623	$ 44,779
Debt service on GO bonds	2,074	2,072	2,072	-	-	-
Total debt service	$ 55,575	$ 53,775	$ 53,278	$ 49,385	$ 44,623	$ 44,779
Coverage on total debt service	120%	120%	120%	125%	125%	125%

Source: Jacobs Consultancy.

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APPENDIX B – FORM OF OPINION OF BOND COUNSEL

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[FORM OF BOND OPINION]

February 4, 2010

Board of Commissioners
Memphis-Shelby County Airport Authority
2491 Winchester Road, Suite 113
Memphis, Tennessee 38116-3856

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT REVENUE BONDS, SERIES 2010A
$30,290,000

Ladies and Gentlemen:

At your request we have examined into the validity of Thirty-Million Two Hundred-Ninety Thousand dollars ($30,290,000) principal amount of Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds") of the Memphis-Shelby County Airport Authority (the "Authority"), a public and governmental body politic and corporate and metropolitan airport authority of the State of Tennessee. The Series 2010A Bonds are issuable in fully registered form, in the denomination of $5,000 each or any integral multiple thereof, and are numbered from 2010AR-1 upward. The Series 2010A Bonds shall be dated as of their date of delivery, shall mature on July 1 in each of the years and in the principal amounts set forth below, with the Series 2010A Bonds maturing in a particular year bearing interest payable July 1, 2010, and semiannually thereafter on January 1 and July 1 of each year at the rate per annum set forth opposite such year, to wit:

Year of Maturity	Principal Amount	Interest Rate
2030	$ 7,370,000	5.00%
2035	11,490,000	5.00
2039	11,430,000	5.00

The Series 2010A Bonds are subject to redemption prior to their stated maturities upon the terms and conditions and at the prices set forth therein.

The Series 2010A Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and statutes of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, the Local Government Public Obligations Act of 1986, as amended, and Resolution No. 88-3227 duly adopted by the Board of Commissioners of the Authority under said Constitution and statutes on January 29, 1988, as amended (hereinafter called the "Basic Resolution"), and Resolution No. 09-4488 duly adopted by the Board of Commissioners of the Authority under said Constitution and statutes and the Basic Resolution on November 19, 2009 and a certificate of determination related to the Series 2010A Bonds (hereinafter called the "Supplemental 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 2010A Bonds, including the Basic Resolution and the Supplemental Resolution. We have also examined a specimen Series 2010A Bond.

Terms not otherwise defined herein shall have the meanings given them in the Basic Resolution and Supplemental Resolution.

In our opinion:

1. The Series 2010A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Tennessee, including the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and constitute valid special obligations of the Authority payable on a parity with all Bonds heretofore and hereafter issued under the Basic Resolution, solely from and equally and ratably secured by a pledge of and lien upon the Revenues (as defined in the Basic Resolution) of the Authority; subject, however, to the prior payment therefrom of the Costs of Operation and Maintenance of the Authority's Airport System (the "Airport").

2. The Basic Resolution and the Supplemental Resolution have been duly adopted by the Board of Commissioners of the Authority; the provisions of the Basic Resolution and the Supplemental Resolution are valid in accordance with their terms; and the holders of the Series 2010A Bonds are entitled to the security and benefits of the Basic Resolution and the Supplemental Resolution.

3. The Authority has the power, and is obligated by the Basic Resolution, to impose and prescribe such schedule of rates, rentals, fees and charges for the use of services of and the facilities and commodities furnished by the Airport (including Memphis International Airport), to revise the same from time to time whenever necessary and to collect the income, receipts and other moneys derived therefrom, so as to produce Revenues which, together with other available funds, will be at least sufficient (a) to pay the principal of and interest and premium, if any, on any Bonds (including the Series 2010A Bonds) as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (b) to pay the City of Memphis and the County of Shelby or other municipality as and when the same become due all amounts required to be paid to any of them by reason of the payment by them of the principal of and interest and premium on bonds, notes or other evidences of indebtedness issued by them to finance all or any portion of the Airport; (c) to pay as and when the same become due all Costs of Operation and Maintenance of the Airport; (d) to pay as and when the same become due any and all other claims, charges or obligations payable from the Revenues; and (e) to carry out all provisions and covenants of the Basic Resolution and the Supplemental Resolution.

4. It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Series 2010A 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 2010A Bond for any period during which the Series 2010A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Series 2010A Bonds or a "related person," and interest on the Series 2010A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. Exclusion of the interest on the Series 2010A Bonds from gross income for Federal income tax purposes is dependent upon continuing compliance by the Authority with certain requirements of the Code throughout the terms of the Series 2010A Bonds. Under the Code, failure to comply with such requirements may cause the interest on the Series 2010A Bonds to be included in gross income retroactively to their date of issuance. The Authority has covenanted to comply with such requirements of the Code.

5. For any Series 2010A Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2010A Bonds.

It is also our opinion that under the existing laws of the State of Tennessee, the Series 2010A Bonds and the income therefrom are exempt from taxation by the State of Tennessee or any county and municipal 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.

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2010A Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action 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 2010A Bonds.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2010A Bonds and express herein no opinion relating thereto.

It is to be understood that the rights of the holders of the Series 2010A Bonds under the Basic Resolution and the Supplemental Resolution and under said Series 2010A Bonds and the enforceability of such rights may be subject to the valid exercise of judicial discretion, the sovereign police powers of the State of Tennessee, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Very truly yours,

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APPENDIX C – FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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Memphis-Shelby County Airport Authority

Basic Financial Statements for the Years Ended June 30, 2009 and 2008, Required Supplementary Information and Independent Auditors' Report

Memphis - Shelby County Airport Authority

TABLE OF CONTENTS

DIXON HUGHES PLLC
Certified Public Accountants and Advisors

Independent Auditors' Report

The Board of Commissioners and Management
Memphis-Shelby County Airport Authority

We have audited the accompanying statements of net assets of the Memphis-Shelby County Airport Authority (the "Authority"), a component unit of the City of Memphis, 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 year 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 Authority as of June 30, 2009 and 2008, and the changes in its net assets 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, as listed in the table of contents, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Dixon Hughes PLLC

December 10, 2009

999 South Shady Grove Road, Suite 400
Memphis, TN 38120
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www.dixon-hughes.com

JUNE 30, 2009

The following discussion and analysis of Memphis-Shelby County Airport Authority's (the "Authority") financial performance provides an introduction and overview of the Authority's financial activities for the fiscal years ended June 30, 2009 and 2008. Please read this discussion in conjunction with the Authority's basic financial statements and the notes to the basic financial statements immediately following this discussion.

All dollar amounts, except per unit data, are expressed in thousands.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority owns and operates Memphis International Airport and two general aviation reliever airports, Charles W. Baker and General DeWitt Spain. The Authority is presented as an enterprise fund with separate accounts for each of the three airports. The accounts of the Authority are reported using the flow of economic resources measurement focus. The financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. All capital assets, except land, are capitalized and depreciated over their useful lives. See Note 1 of the notes to the basic financial statements for a summary of the Authority's significant accounting policies.

The *Statements of Net Assets* presents all of the Authority's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position. However, the consideration of other non-financial factors such as changes within the airline industry may be necessary in the assessment of overall financial position and health of the Authority.

The *Statements of Revenues, Expenses and Changes in Net Assets* present all revenues and expenses of the Authority, regardless of when cash is received or paid, and the ensuing change in net assets.

The *Statements of Cash Flows* report how cash and cash equivalents were provided and used by the Authority's operating, capital financing and investing activities. These statements are prepared on a cash basis and present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year and the cash and cash equivalents balance at year-end.

In addition to the basic financial statements, this report includes a section for Statistical Information. This section presents certain unaudited information related to the Authority's historical financial and non-financial operating results, bonded debt activity, capital asset activity and other demographic information.

FINANCIAL HIGHLIGHTS

- Operating revenues ($107,952) for fiscal year 2009 decreased by approximately 3.2 percent under fiscal year 2008 operating revenues.

- Operating expenses, before depreciation and amortization of $50,182 for fiscal year 2009 decreased by 3.3 percent compared to fiscal year 2008 operating expenses.

- The Authority's total net assets at June 30, 2009 were $583,285. This is an increase of $26,866 (4.8 percent) over total net assets at June 30, 2008.

- Capital assets, net of accumulated depreciation increased by $3,572 mainly due to fiscal year 2009 net capital additions of approximately $52,300 offset by current year change in accumulated depreciation of $48,700.

- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2009 decreased by $27,328 (5.2 percent) compared to June 30, 2008 due to scheduled debt service payments (principal and interest) made during fiscal year 2009.

FINANCIAL ANALYSIS

At June 30, 2009 the Authority's financial position continued to be strong with total assets of $1,215,731, total liabilities of $632,446 and total net assets of $583,285. A comparative combined condensed summary of the Authority's net assets at June 30, 2009, 2008 and 2007 is as follows:

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUMMARY OF NET ASSETS

		JUNE 30,	
	2009	2008	2007
Assets:			
Current assets	$ 172,659	$ 196,374	$ 187,169
Net capital assets	925,364	921,792	899,204
Other non-current assets	117,708	111,258	114,968
Total assets	1,215,731	1,229,424	1,201,341
Liabilities:			
Current liabilities	59,057	75,643	73,012
Long-term liabilities	573,389	597,362	596,642
Total liabilities	632,446	673,005	669,654
Net assets:			
Invested in capital assets, net of debt	438,852	407,677	383,985
Restricted	123,059	128,607	126,566
Unrestricted	21,374	20,135	21,136
Total net assets	$ 583,285	$ 556,419	$ 531,687

Current assets at June 30, 2009 decreased by $23,715 (12.1 percent) under current assets at June 30, 2008. This decrease was primarily due to increased capital contributions receivable and prepaid expenses of approximately $7,000 and $1,200, respectively, offset by reductions in cash and investments, accounts receivable and accrued interest receivable of approximately $29,800, $1,100 and $1,000, respectively. The increase in capital contributions resulted from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency. The increase in prepaid expenses was mainly due to higher prepaid insurance of approximately $1,400 for the Authority's owner controlled insurance programs (OCIP) and a deposit of $300 related to a future airport conference offset by a reduction of $500 for property and liability prepaid insurance due to payments scheduled quarterly instead of annually. The decrease in cash and investments was mainly due to the collection of approximately $4,700, $2,100 and $7,000 of Customer Facility Charges (CFC), accounts and interest receivable and capital contributions receivable, respectively, offset by capital asset expenditures during the year.

Capital assets, net of depreciation increased by $3,572 in fiscal year 2009 over 2008 due principally to ongoing capital activities of the Authority's capital improvement program.

Non-current assets, other than capital assets, decreased by $18,063 principally due to a decrease in investments of $20,904 and decreased bond issue costs, net of $908, offset by increased special facilities rent receivable of $3,749. The reduction in investments was mainly due to the use of restricted investments for capital asset expenditures during the fiscal year 2009 offset by increased collections of capital contributions during fiscal year 2009 over fiscal year 2008. Bond issue costs decreased due to the annual amortization and recognition of related expenses. The increase in special facilities rent receivable was due to the rent accrual of $3,749 at June 30, 2009.

Current liabilities decreased from $75,643 in 2008 to $59,057 in 2009. The decrease of $16,586 (21.9 percent) is primarily due to decreases of $11,432 and $6,230 for construction accounts payable amounts held for others paid from restricted assets, respectively, offset by an increase of $1,089 in accounts payable paid from unrestricted assets. The decrease in construction accounts payable and amounts due to others is due to the construction on the new TnANG base was nearly complete by fiscal year end 2009.

Long-term liabilities at June 30, 2009 were $573,389 a decrease of $23,973 under fiscal year 2008 ($597,362). The decrease is mainly due to the payment of scheduled principal payments of approximately $28,000 during fiscal year 2009 offset by increased deferred lease revenue of $3,454. The increase in deferred lease revenue represent amounts received from FedEx Corporation to be used for future rental related to the existing TnANG facility (see Notes 5 and 14 of the Notes to the Basic Financial Statements).

The largest portion of the Authority's net assets (75.2% of total net assets for 2009) represents the investment in capital assets (e.g., land, buildings, machinery, and equipment), less related outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its passengers, visitors and tenants of the airport; accordingly, these assets are not available for future spending.

Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves are not used to liquidate these liabilities.

The Authority's restricted net assets (21.1% of total net assets for 2009) represent resources that are subject to restrictions from contributors, bond resolutions and State and Federal regulations on how they may be used. The remaining balance, unrestricted net assets of $21,374 in 2009 compared to $20,135 for 2008, may be used for any lawful purpose of the Authority.

The primary sources of Authority operating revenues are from landing fees, terminal area use charges, rents and concession revenues. These revenues fund the Authority's operating expenses and debt service requirements. A comparative condensed summary of the Authority's Revenues, Expenses and changes in Net Assets for the years ended June 30, 2009, 2008 and 2007 is as follows:

SUMMARY OF CHANGES IN NET ASSETS

	2009	2008	2007
Operating revenues	$ 107,952	$ 111,547	$ 112,634
Operating expenses	(50,182)	(51,909)	(51,486)
Operating income before depreciation and amortization	57,770	59,638	61,148
Depreciation and amortization	(52,908)	(49,230)	(50,464)
Operating income	4,862	10,408	10,684
Non-operating income	16,038	18,851	12,632
Non-operating expense	(38,478)	(32,074)	(33,255)
Loss before capital contributions	(17,578)	(2,815)	(9,939)
Capital contributions	44,444	27,547	49,532
Increase in net assets	$ 26,866	$ 24,732	$ 39,593

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY REVENUES

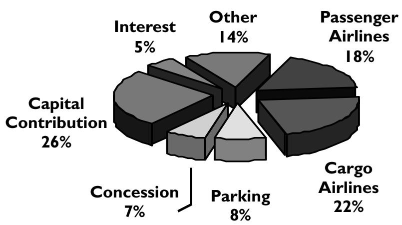
The following table presents revenue by major source for the years ended June 30, 2009, 2008 and 2007 and the pie charts show the percentage of revenues by source for the years ended June 30, 2009 and 2008. Due to the strong presence of cargo operations at Memphis International Airport (FedEx super-hub and the world's largest in total tonnage), airline revenues have been separated to reflect passenger and cargo categories.

REVENUES BY MAJOR SOURCE

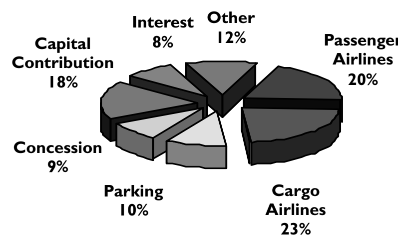
	2009	2008	2007
Operating Revenues			
Passenger Airlines			
Passenger landing fee	$ 9,628	$ 10,654	$ 10,849
Airline terminal rentals	18,566	18,859	18,095
Airline fee payments-international charges	1,698	1,636	1,566
Other rentals	446	527	571
Total Passenger Airlines	30,338	31,676	31,081
Cargo Airlines			
Cargo landing fees	27,188	28,723	29,219
Ground rents	6,738	5,569	5,439
Other rentals	3,721	2,642	2,837
Total Cargo Airlines	37,647	36,934	37,495
Non-Airline Rentals			
Concessions-terminal	5,905	7,155	6,019
Concessions-rental car	6,199	7,330	7,741
Public parking	11,177	12,857	12,397
Employee parking	2,106	2,000	1,732
Other rentals	7,295	7,472	10,052
Total Non-Airline Rentals	32,682	36,814	37,941
Other Revenue			
Restricted rental income	1,510	1,598	1,592
Special facilities lease income	5,775	4,525	4,525
Total other revenues	7,285	6,123	6,117
Total Operating Revenues	107,952	111,547	112,634
Non-operating Revenues			
Interest and investment income	8,251	11,977	11,138
Customer facility charges	4,758	5,938	1,323
Other	3,029	936	171
Total Non-Operating Revenues	16,038	18,851	12,632
Capital Contributions	44,444	27,547	49,532
Total Revenues	$ 168,434	$ 157,945	$ 174,798

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY REVENUES (CONTINUED)

2009



2008



Operating revenues of $107,952 for fiscal year 2009 decreased by $3,595 (3.2 percent) under 2008 revenues of $111,547. This decrease in operating revenues is primarily due to decreased landing fees ($2,561), terminal rentals ($1,024), parking garage revenues ($1,680), terminal concessions ($1,250) and rental car revenues ($1,131), offset by increased cargo and other rentals ($2,703) and special facilities lease income ($1,250). Such activity was due to the residual Airport Use Agreement that requires airline revenues to be recognized to the extent necessary to pay the Authority's operating and maintenance expenses and net debt service requirements, reduced by non-airline revenues.

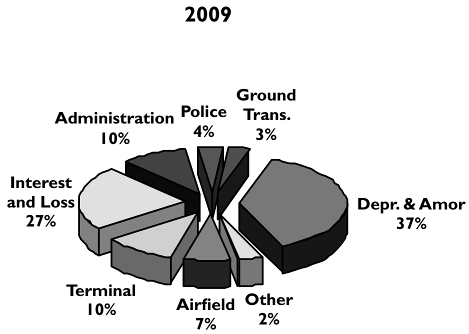
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY EXPENSES

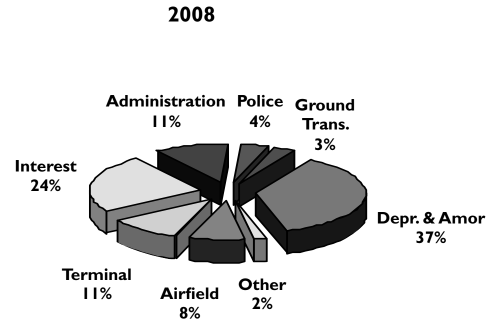
The following table presents expenses by cost center for the years ended June 30, 2009, 2008 and 2007 and the pie charts show the percentage of expenses by cost center for the years ended June 30, 2009, 2008 and 2007.

EXPENSES BY COST CENTER

	2009	2008	2007
Operating Expenses			
Terminal area	$ 14,059	$ 14,122	$ 12,533
Airfield area	9,977	10,421	10,396
Ground transportation area	4,257	4,322	4,492
Administration area	13,697	14,668	13,852
Police and operations area	5,625	5,690	4,373
Other areas	2,567	2,686	5,840
Total operating expense	50,182	51,909	51,486
Non-operating Expense			
Interest expense	31,313	32,074	33,255
Loss on disposal of fixed assets	7,165		
Total expenses before depreciation and amortization	88,660	83,983	84,741
Depreciation and Amortization	52,908	49,230	50,464
Total Expense	$ 141,568	$ 133,213	$ 135,205

EXPENSES





In 2009, the Authority's operating expenses of $50,182 decreased under 2008 operating expenses of $51,909 by $1,727 (3.3 percent). The decrease was mainly due to decreased airfield costs, administration costs and field shop costs of $444, $971 and $201, respectively. These decreases were primarily due to cost cutting measures implemented by management during the fiscal year. Materials and supplies and professional and contractual services were the primary targets of the expenditure cuts.

Depreciation and amortization expenses increased from $49,230 in 2008 to $52,908 for fiscal year 2009. This increase of $3,678 is mainly due to greater depreciation expense related to the increase of depreciable Authority assets year over year.

Non-operating revenues for 2009 are comprised of interest income ($8,251), customer facility charges (CFC) ($4,758) and other revenues ($3,029). Total non-operating revenues decreased by $2,813 in 2009 under 2008 non-operating revenues. This decrease was mainly due to lower investment earnings of approximately $3,700 as a result of lower cash and investment balances on hand and lower investment yields, reduced CFC collections of $1,180 in 2009 versus 2008 due to lower activity levels offset by a one time legal settlement received of $1,902.

Non-operating expenses are comprised of interest expenses on outstanding debt and loss on disposal of fixed assets. Fiscal year 2009 interest expense of $31,313 decreased $761 under fiscal year 2008 interest expense of $32,074. This decrease in interest expense was due to scheduled payments of principal on outstanding bonds and notes; as a result, interest expense is reduced year over year. The loss on disposal of fixed assets of $7,165 was primarily due to the reconstruction of runway 9/27 that started in April 2009; as a result, the net book value was written off and recognized as a current loss on disposal of fixed assets.

Capital contributions, comprised primarily of Federal capital grants, increased from $27,547 in 2008 to $44,444 in 2009, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY CAPITAL ASSETS

The Authority's capital assets at June 30 2009, 2008 and 2007 are summarized as follows:

NET CAPITAL ASSETS

	2009	2008	2007
Avigation easements	$ 42,324	$ 42,324	$ 42,324
Land and improvements	162,150	161,693	161,171
Buildings	341,007	338,206	326,182
Runways, taxiways, and airfield lighting	634,269	625,201	615,642
Facilities leases to others	103,893	27,077	27,077
Roads, bridges, and fences	59,566	58,423	35,361
Equipment and utility systems	87,193	80,069	76,762
Construction in process	42,568	87,695	65,534
Total capital assets	1,472,970	1,420,688	1,350,053
Less accumulated depreciation and amortization	547,606	498,896	450,849
Net capital assets	$ 925,364	$ 921,792	$ 899,204

At the end of 2009 and 2008 the Authority had $925,364 and $921,792, respectively, invested in net capital assets. During 2009 the authority had additions of $59,948 related to capital activities. This included $457 for land acquisition and $59,491 for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects.

During 2009, completed projects totaling $104,618 were transferred from construction in progress to applicable buildings and other facilities capital asset accounts. These major completed projects were related to runways, taxiways, aprons and airfield lighting ($19,093), buildings and facilities constructed for tenants ($79,638), roads bridges and fences ($1,143) and equipment and utility systems ($11,288).

The Authority's capital activities are funded through revenue bonds, Federal and State grants and airport revenues. Additional information on the Authority's capital assets is presented in Note 4 of the Notes to the Basic Financial Statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY DEBT ACTIVITY

The Authority's outstanding bonds and notes payable at June 30, 2009, 2008 and 2007 are summarized as follows:

BONDS AND NOTES PAYABLE	2009	2008	2007
Bonds:			
Airport Revenue	$ 478,345	$ 504,585	$ 526,765
City of Memphis General Obligation	5,725	7,435	10,855
Special Facilities Revenue	45,000	45,000	45,000
Unamortized bond premiums	3,637	4,483	2,814
Unamortized deferred loss	(7,527)	(9,645)	(2,121)
Notes payable	318	570	790
Current portion of bonds and notes	(28,918)	(28,520)	(29,215)
Total long-term bonds and notes payable, net	$ 496,580	$ 523,908	$ 554,888

DEBT ACTIVITY (CONTINUED)

The Authority's 2009 total long-term bonds and note payable, net of $496,580 decreased $27,328 (5.2%) compared to 2008 total of $523,908. The reduction in the total long-term bonds and notes payable, net outstanding was mainly due to scheduled debt service payments made during the fiscal year 2009.

In March 2008, the Authority sold $90,375 of Airport Refunding Revenue Bonds Series 2008A at a $2,230 premium. The bonds have fixed interest rates ranging from 3.75 percent to 5.00 percent and maturity dates from March 1, 2009 through March 1, 2016. Certain net proceeds and net debt service funds were used to refund all outstanding Series 1999 A and B revenue bonds.

Notes Payable were issued to finance the purchase of replacement shuttle buses for transporting passengers to and from the public parking lots and employees to and from the employee parking lot on Democrat Road to the terminal complex. The notes are renewable on an annual basis and bear interest at a rate of Prime minus 1.75%. Debt service payments will come from revenues generated by the respective parking operations. The Authority has a line of credit of $10,000, the amount available for draw down is reduced by the $318 outstanding at June 30, 2009.

The Authority has obtained a $45,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for the reconstruction of runway 9/27 and improvements to taxiways alpha and victor. At June 30, 2009, the Authority had not drawn on this line of credit. Future draw downs, if any, will be repaid with Federal grant reimbursements received by the Authority.

More detailed information related to long-term debt can be found in Note 6 of the Notes to the Basic Financial Statements.

DEBT SERVICE COVERAGE

Airport revenue bond resolution covenants require that revenues available to pay debt service, as defined in the bond resolution, are equal to a minimum of 125% of the debt service on airport revenue bonds and 100% of the combined debt service on the airport revenue bonds and the City of Memphis general obligation bonds. Coverage ratios for the years 2009, 2008 and 2007 are as follows:

COVERAGE RATIO

	FY 2009	FY 2008	FY 2007
Airport Revenue Bonds	129%	135%	137%
Airport Revenue and General Obligation Bonds	124%	129%	128%

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

During fiscal year 2009, 10,040,952 passengers traveled through the Airport, a decrease of 7.9 percent under the 10,906,304 passengers in fiscal year 2008. Additionally, aircraft landed weight, decreased from 26,792,837 per thousand pound units in 2008 to 25,883,320 per thousand pound units in 2009. These decreases were realized with a slight decrease in 2009 aircraft operations of 319,170 compared to 2008 aircraft operations of 330,226.

Air Cargo activity remained strong in spite of significant challenges within the national and world economies. Memphis remained the world's largest cargo airport with approximately 4.1 and 4.2 million U.S. tons of total cargo in 2009 and 2008, respectively.. Cargo activity at the Airport is dominated by FedEx Express, which has its corporate headquarters and operates its worldwide super-hub from Memphis.

The Authority's Airport Use and Lease Agreement, in effect with five airlines known collectively as the signatory airlines, establishes the rates and charges methodology for the signatory airlines and their affiliates each year. The existing agreement was extended and will remain in effect until a new agreement is negotiated. Landing fees and rates for non-signatory and non-scheduled airlines are assessed at 125% and 150%, respectively, of the signatory rates.

RATES AND CHARGES

SIGNATORY AIRLINE RATES AND CHARGES	FISCAL YEAR 2010	FISCAL YEAR 2009	FISCAL YEAR 2008	FISCAL YEAR 2007
Terminal Average Square Foot Rate	$ 33.54	$ 32.97	$ 32.97	$ 31.20
Cargo Building Square Foot Rate	26.12	26.12	23.18	21.23
Aircraft Loading Position Rate–per lineal foot	52.29	47.03	52.49	52.08
Signatory Landing Fee–per 1,000 lbs. unit	$ 1.41	$ 1.42	$ 1.47	$ 1.50

Cost per enplaned passenger is a measure used by the airline industry to reflect the relative costs a passenger airline pays to operate at an airport based upon the number of enplaned passengers for that airport. That measure, however, is not exact for comparison, as not all airports calculate the number in the same way and cautions should be taken when comparing individual or groups of airports.

COST PER ENPLANED PASSENGER

	2009	2008	2007
Average Cost Per Enplaned Passenger(1)	$ 4.73	$ 4.66	$ 4.68
Average Cost Per Enplaned Passenger plus special facility debt	$ 5.76	$ 5.59	$ 5.61
Average Cost Per Enplaned Passenger plus special facility debt and FIS fees	$ 6.10	$ 5.90	$ 5.91

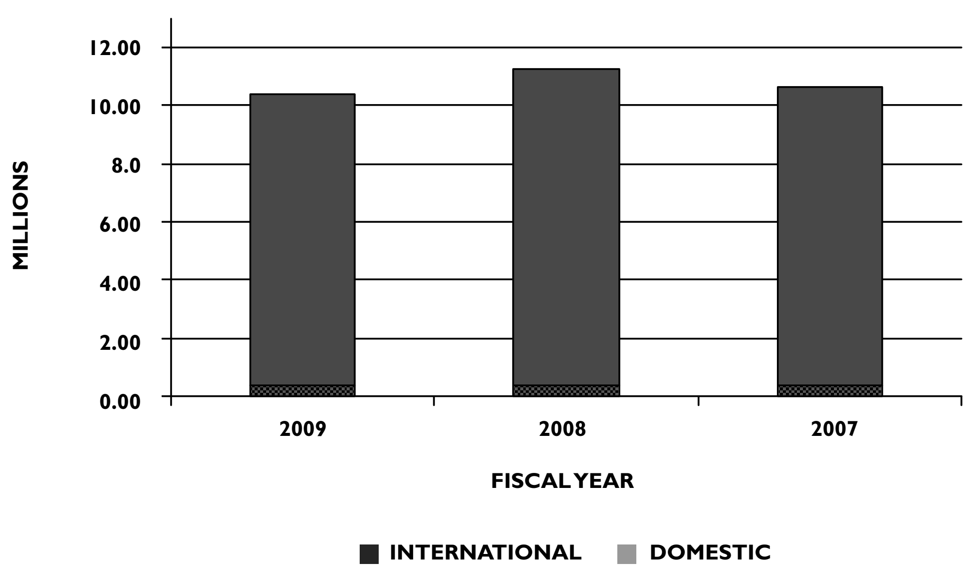
(1)Since Northwest Airlines and some charters are subject to Federal Inspection Station (FIS) fees related to international travel, the cost per enplaned passenger analysis is expanded to show detail including and excluding FIS fees.

AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

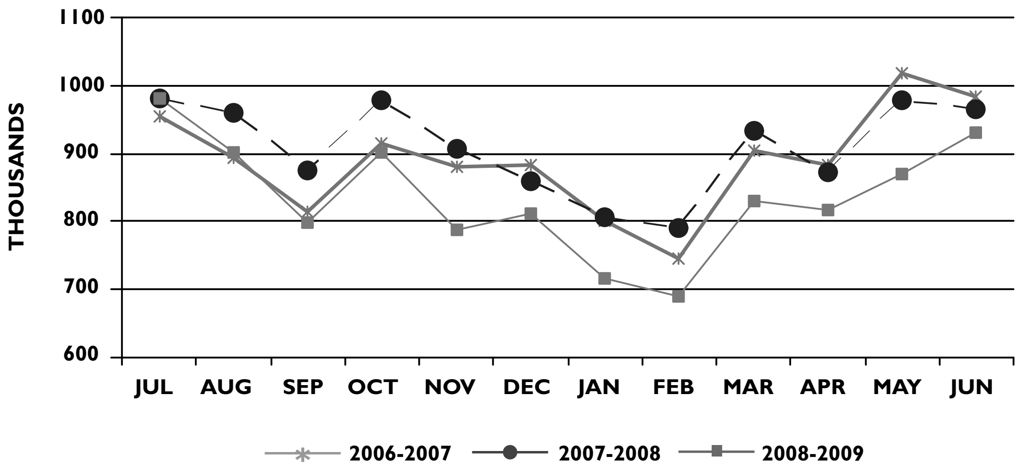
Selected statistical information about total passengers, total cargo, aircraft landed weight, and air carrier movements for the past three years is presented in the table and graphs below.

FISCAL YEAR	TOTAL PASSENGERS	TOTAL CARGO HANDLED (U.S. TONS)	AIRCRAFT LANDED WEIGHT (1000 POUND UNITS)	AIR CARRIER MOVEMENTS
2009	10,040,952	3,982,852	25,883,319	319,170
2008	10,906,304	4,182,784	26,792,837	330,226
2007	10,674,667	4,185,008	26,565,330	334,804

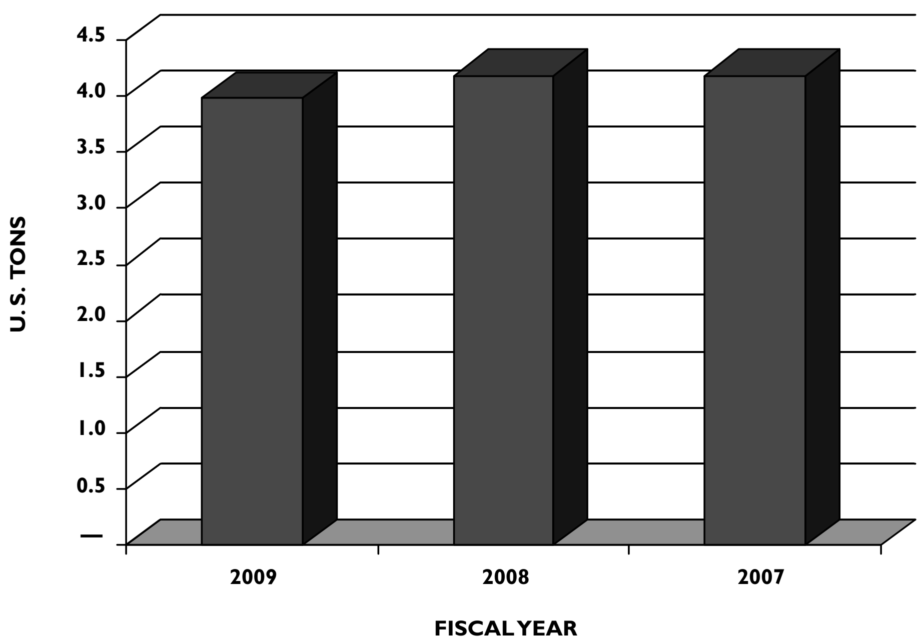
TOTAL PASSENGERS

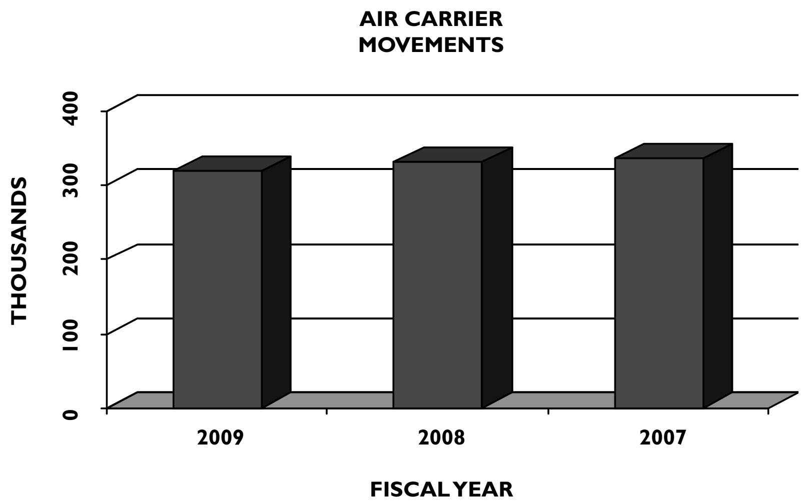


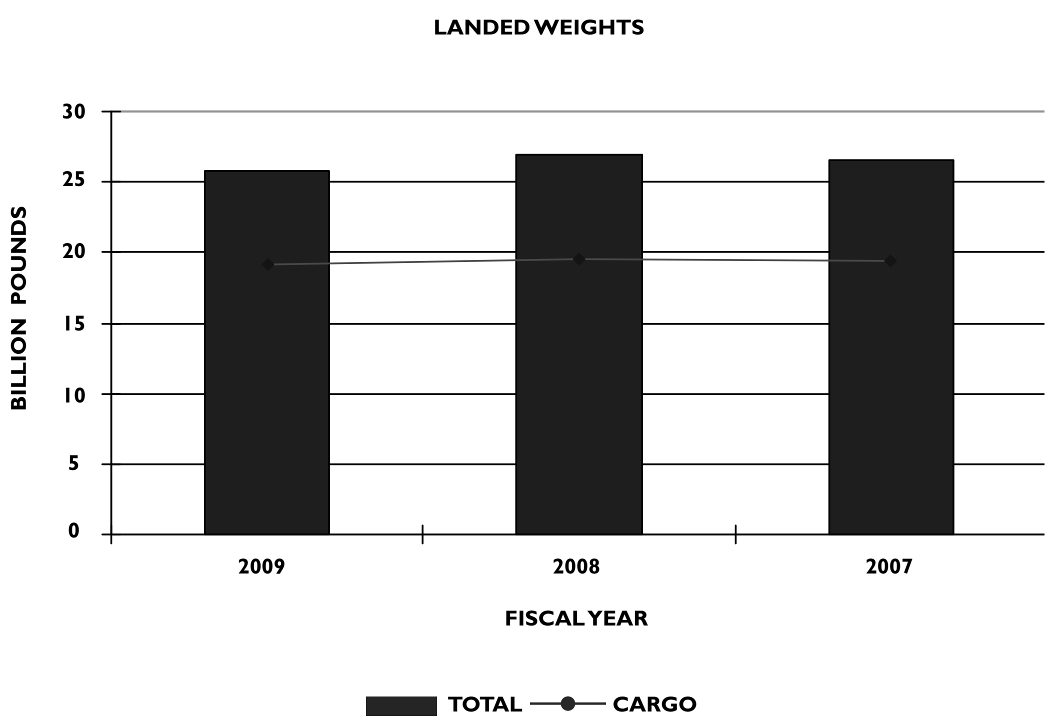
MONTHLY PASSENGERS



CARGO HANDLED




AIR CARRIER
MOVEMENTS
THOUSANDS
0
100
200
300
400
2009
2008
2007
FISCAL YEAR


LANDED WEIGHTS
BILLION POUNDS
0
5
10
15
20
25
30
2009
2008
2007
FISCAL YEAR
TOTAL
CARGO

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
FUTURE OUTLOOK

In October 2008 the Justice Department approved the merger between Delta Air Lines and Northwest Airlines with the new airline called Delta. The combining of the two airlines will take 12 to 18 months with a combined operating certificate expected by late 2009 or early 2010. The "new" Delta is the world's largest airline with approximately 75,000 employees, 770 mainline jets and 375 world wide destinations. The impact on Memphis is positive with new nonstop fiscal year 2009 service scheduled for Salt Lake City and New York City–JFK. Additionally, Delta plans to replace selected regional jet flights with mainline equipment.

The Airport continues to work with its existing passenger airline partners and other carriers not currently serving Memphis to identify new markets and air service enhancements.

Cargo operations continue to remain strong and all information indicates that FedEx will continue its history of stability within the industry and at the Airport. Additionally, the recent completion of the new Tennessee Air National Guard ("TnANG") base on the southeast of the airport has allowed TnANG to relocate from their prior 103 acre site that lies within the FedEx hub operation area. The Airport has negotiated a new long-term lease with FedEx that includes this103 acres as it provides additional future growth potential for FedEx.

There are distinct operational and financial advantages of having both a passenger and cargo hub. From an operational standpoint, the Airport boasts four runways with advanced technology to allow continued flight operations in severe weather conditions. Financially, many of the costs of operating the Memphis airport system are decentralized and are not borne individually by either hub carrier. No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, Memphis-Shelby County Airport Authority, 2491 Winchester Road, Suite 113, Memphis, Tennessee 38116-3856.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008 *($ IN THOUSANDS)*

	2009	2008
ASSETS		
CURRENT ASSETS		
UNRESTRICTED ASSETS		
Cash and cash equivalents	$ 5,120	$ 2,972
Investments	18,591	14,830
Accounts receivable	7,571	6,961
Accrued interest receivable	60	504
Materials and supplies inventory	1,641	1,676
Prepaid expenses	2,183	942
Grants receivable	52	4
Total current unrestricted assets	35,218	27,889
RESTRICTED ASSETS		
Cash	9,035	29,312
Investments	109,158	124,659
Account receivable		1,739
Accrued interest receivable	1,645	2,205
Capital contributions receivable	17,603	10,570
Total current restricted assets	137,441	168,485
TOTAL CURRENT ASSETS	172,659	196,374
NON-CURRENT ASSETS		
UNRESTRICTED ASSETS		
Investments	2,131	7,620
RESTRICTED ASSETS		
Investments	74,700	65,602
Special facilities rent receivable	34,762	31,013
Total non-current restricted assets	109,462	96,615
CAPITAL ASSETS		
Land and improvements	162,150	161,693
Avigation easements	42,324	42,324
Depreciable capital assets (less accumulated depreciation of $547,606 and $498,896)	678,322	630,080
Construction in progress	42,568	87,695
Total capital assets, net	925,364	921,792
BOND ISSUE COSTS (less accumulated amortization of $7,087 and $6,179)	6,115	7,023
TOTAL NON-CURRENT ASSETS	1,043,072	1,033,050
TOTAL ASSETS	$1,215,731	$1,229,424

See notes to basic financial statements.

	2009	2008
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	$ 4,896	$ 3,807
Accrued expenses	1,647	1,707
Current portion – compensated absences	131	316
Total payable from unrestricted assets	6,674	5,830
Payable from restricted assets:		
Construction contracts payable	10,341	21,773
Funds held for others	3,129	9,359
Accrued interest payable	9,995	10,161
Current maturities of long-term debt	28,918	28,520
Total payable from restricted assets	52,383	69,813
TOTAL CURRENT LIABILITIES	59,057	75,643
NON-CURRENT LIABILITIES		
Deferred lease revenue	76,175	72,721
Compensated absences	634	733
Bonds and notes payable	496,580	523,908
TOTAL NON-CURRENT LIABILITIES	573,389	597,362
TOTAL LIABILITIES	$ 632,446	$ 673,005
NET ASSETS		
Invested in capital assets, net of related debt	$ 438,852	$ 407,677
Restricted for:		
Capital acquisition	123,059	128,607
Unrestricted	21,374	20,135
TOTAL NET ASSETS	$ 583,285	$ 556,419

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008 *($ IN THOUSANDS)*

	2009	2008
OPERATING REVENUES		
Airfield	$ 44,712	$ 46,875
Terminal building	29,123	29,929
Ground transportation	20,970	23,740
Other aviation areas	5,409	4,473
Non-aviation areas	7,738	6,530
Total operating revenues	107,952	111,547
OPERATING EXPENSES		
Airfield	9,977	10,421
Terminal building	14,059	14,122
Ground transportation	4,257	4,322
General administration	13,697	14,668
Police	5,625	5,690
Field shop	1,618	1,819
Other aviation areas	204	143
Non-aviation areas	745	724
Total operating expenses before depreciation and amortization	50,182	51,909
DEPRECIATION AND AMORTIZATION	52,908	49,230
OPERATING INCOME	4,862	10,408
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment income	8,251	11,977
Interest expense	(31,313)	(32,074)
Customer facility charges	4,758	5,938
Operating grants	1,127	867
(Loss) Gain on disposal of capital assets	(7,165)	69
Other	1,902	
Total non-operating revenues (expenses)	(22,440)	(13,223)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(17,578)	(2,815)
CAPITAL CONTRIBUTIONS	44,444	27,547
CHANGE IN NET ASSETS	26,866	24,732
TOTAL NET ASSETS, BEGINNING OF YEAR	556,419	531,687
TOTAL NET ASSETS, END OF YEAR	$ 583,285	$ 556,419

See notes to basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008 *($ IN THOUSANDS)*

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 102,953	$ 108,388
Cash paid to suppliers for goods and services	(27,636)	(28,427)
Cash paid to employees for services	(23,007)	(21,499)
Net cash provided by operating activities	52,310	58,462
CASH FLOWS FROM NON-CAPITAL FINANCING		
Operating grants received	1,079	883
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of capital assets		182
Acquisition and construction of capital assets	(74,169)	(72,890)
Reimbursements from other governments and entities	(397)	38,341
Reserve cash used in bond refunding		(4,432)
Principal paid on long-term debt, notes payable and capital leases	(28,202)	(28,672)
Interest paid on long-term debt	(30,207)	(30,998)
Capital contributions received	37,411	23,997
Customer facility charges	4,758	5,938
Settlements	1,902	
Net cash used in capital and related financing activities	(88,904)	(68,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(156,584)	(159,372)
Proceeds from sales and maturities of investment securities	165,313	157,880
Interest and dividends on investments	8,657	8,526
Net cash provided by investing activities	17,386	7,034
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,129)	(2,155)
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	32,284	34,439
END OF YEAR	$ 14,155	$ 32,284
CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF		
Unrestricted cash and cash equivalents	5,120	2,972
Restricted cash	9,035	29,312
	$ 14,155	$ 32,284

See notes to basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2009 AND 2008 *($ IN THOUSANDS)*

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 4,862	$ 10,408
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	52,908	49,230
Disposal of property and equipment		
Provision for uncollectible accounts receivable	15	22
(Increase) decrease in assets:		
Receivables	(4,374)	(2,391)
Materials and supplies inventory	35	(7)
Prepaid expenses	(1,241)	1,163
Increase (decrease) in liabilities:		
Accounts payable	165	121
Accrued expenses	(60)	(84)
Net cash provided by operating activities	$ 52,310	$ 58,462

NON-CASH INVESTING ACTIVITIES
Investments increased by $1,181 and $1,402 in 2009 and 2008, respectively, due to the change in fair value.

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES
During fiscal year 2008, the net proceeds of $92,605 from revenue refunding bonds were sent directly to the escrow agent for defeasance of debt and thus did not result in a cash flow to the Authority.

See notes to basic financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization – The Memphis-Shelby County Airport Authority (the "Authority") is a body politic and corporate of the State of Tennessee, created in 1969 pursuant to the Metropolitan Airport Authority Act. The Authority is governed by a seven-member Board of Commissioners (the "Board"), who is appointed by the Mayor of the City of Memphis (the "City"), with two members nominated by the Mayor of Shelby County (the "County"). The Memphis City Council confirms all members. The Authority owns and operates the Memphis International Airport (the "Airport") and two general aviation reliever airports - Charles W. Baker Airport and General DeWitt Spain Airport.

B. Reporting Entity – The Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Reporting Entity,* defines the governmental financial reporting entity as the primary government, organizations for which the primary government is "financially accountable," and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

"Financial Accountability" is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based on the criteria below, the Authority is considered a component unit of the City:

i. Financial Accountability – The members of the Board are appointed as described above. A member of the Board may be removed from office by a two-thirds vote of the Memphis City Council, but only after notice of cause for the removal has been served and the member has been granted an opportunity for a public hearing on the matter.

ii. Specific Financial Burden – The City has issued its general obligation bonds to finance projects associated with the Authority. The Authority has entered into agreements with the City to pay debt service on these bonds; however, the City's full faith and credit are pledged against these bonds and in the event of the Authority's default on payment would be payable from taxes levied on all taxable property in the City subject to taxation by the City without limitations as to rate or amount. The Authority is not empowered to levy taxes.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting – The Authority is presented as an enterprise fund with separate accounts for each of the three airports. The accounts of the Authority are reported using the flow of economic resources measurement focus. The financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Board is that the costs of providing services on a continuing basis be recovered through user charges.

Operating revenues and expenses – Revenues from landing fees, terminal area use charges, cargo building space rentals, parking revenues and concession revenues are reported as operating revenues. Transactions related to financing and investing activities are reported as nonoperating revenues. Salaries and wages, repair and maintenance, professional and engineering services and other expenses that relate to airport operations are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Pursuant to GASB Statement No. 20, as amended, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected to not apply FASB Statements and Interpretations issued after November 30, 1989.

D. Budgets – In accordance with the Metropolitan Airport Authority Act, the City entered into an agreement dated May 26, 1970 with the Authority, which transferred all airport properties, functions, and outstanding obligations to the Authority. Provisions of the agreement require the Authority to prepare an annual operating budget, which must be filed with the City. A five-year capital improvement program, including modifications and reasons therefore is also required to be submitted each year. Even though the budgets are required to be filed with the City, the Board is responsible for approving the budget and any subsequent revisions.

The Airline Airport Affairs Committee, composed of signatory airlines, reviews the proposed annual budget, which is the basis for rates and charges under basic airport leases. This committee and other users may present objections and, if not adequately addressed, force a public hearing. Once adopted and issued, users have sixty days to respond after which time the budget becomes effective.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the airport lease and use agreements and in conformance with requirements contained in bond resolutions. Unexpended appropriations lapse at year-end.

E. Cash and Cash Equivalents – Cash and cash equivalents include amounts in demand deposits as well as investments with a maturity date within three months of the date acquired.

F. Investments – Investments are reported at fair value with the exception of nonnegotiable investment contracts, which are reported at cost. The investment portfolio is managed to maintain the preservation of the principal of those funds within the portfolio, while maintaining enough liquidity to meet immediate and/or future operating requirements, and to maximize the return on investments while remaining within the context of these parameters.

G. Materials and Supplies Inventory – Inventory is valued at the lower of cost, determined on an average cost method, or market.

H. Restricted Assets – The bond indentures and bond resolutions authorizing the issuance of bonds require segregation of cash and investments into restricted accounts. Additionally, certain assets are restricted by the Board or by regulatory agencies (Note 3).

I. Leases – The Authority is lessor under numerous lease agreements. The leases are classified as operating leases, except for certain special facility leases, which are accounted for as direct financing leases.

J. Capital Assets – Assets with a cost of five thousand dollars or more are capitalized. Capital assets are stated at cost when purchased or fair value when donated, less accumulated depreciation. During construction of assets, interest incurred on related construction debt, less interest earned from investments whose use is restricted to related capital improvements, is capitalized from the time of borrowing until completion of the project. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated lives by general classification are as follows:

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	YEARS
Runways, taxiways, aprons, and airfield lighting	15-30
Buildings	10-40
Facilities constructed for tenants	18
Roads, bridges, and fences	20
Equipment and utility systems	3-40

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* ("GASB No. 51"). GASB No. 51 provides that intangible assets should be classified as capital assets and establishes guidance specific to intangible assets related to their useful life and amortization. This statement is effective for the Authority in fiscal year 2010, but earlier application is encouraged.

Management adopted this statement in fiscal 2008 on a prospective basis as it relates to the amortization of avigation easements. Under GASB No. 51, avigation easements are no longer amortized.

K. **Bond Issue Costs** – Bonds issue costs include underwriting spreads, insurance, and various professional fees. The costs are deferred and amortized over the life of the respective bond issues using the interest method.

L. **Original Issue Discount/Premium** – Original issue discounts and premiums are netted against the bond payable account and amortized over the lives of respective bond issues using the interest method.

M. **Compensated Absences** – Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred.

N. **Capital Contributions** – Grants from federal, state and local governments and private enterprises are received for payment of costs related to various property acquisitions and construction projects and for debt retirement. Grants are recorded when all applicable eligibility requirements are met.

O. **Retirement Systems** – The Authority currently funds pension costs, which are composed of normal cost and amortization of unfunded prior service costs.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

R. Risk Management – The Authority purchases commercial insurance coverage for claims arising out of bodily injury or property damage as well as property insurance on airport properties, which includes earthquake and flood coverage. There were no significant reductions in insurance coverage in the current year. Additionally, there were no significant settlements, which exceeded insurance coverages for each of the past three years. The Authority is a member of both the City of Memphis health insurance program and the self-insured fund for health and medical benefits. The City's Health Insurance-Internal Service Fund charges premiums which are used to pay claims and fund the accrual for "incurred but not reported" claims and administrative costs of its health and medical benefits program.

S. Net Assets – The Authority recognizes the difference between its assets and liabilities as net assets. Net assets categories include the following:

i. Invested in capital assets, net of related debt – comprised of the Authority's capital assets less any related outstanding debt used to acquire those assets.

ii. Restricted for debt service – comprised of the Authority's assets, mainly cash and investments, restricted by bond resolution to be used in paying debt service obligations.

iii. Restricted for capital acquisition – comprised of the Authority's assets restricted by contributors, bond resolutions and State and Federal regulations to be used in purchasing or construction of capital items or improvements.

iv. Unrestricted – the remaining balance of net assets.

T. Conduit Debt – The conduit debt obligations are special limited obligations of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with FedEx Corporation and Pinnacle Airlines. The bonds do not constitute a debt or pledge of the faith and credit or net revenues of the Authority, the City of Memphis, the County, or the State. As such, the debt is considered "conduit debt" to the Authority, and the related assets and liabilities are not included in the accompanying statements of net assets. Conduit debt transactions are more fully described in Note 7.

2. DEPOSITS AND INVESTMENTS

A. Deposits – Cash deposits as of June 30, 2009 and 2008, were $14,139 and $32,267 respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts. Petty cash as of June 30, 2009 and 2008 was $16. The Authority had cash equivalents, representing money market accounts and U.S. Government agencies of $1 at June 30, 2008.

Custodial credit risk – In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is for the deposits to be collateralized through the State of Tennessee collateral pool or for collateral to be pledged on such deposits held by the custodian. State statute requires cash deposits in excess of Federal Deposit Insurance Corporation insurance to be collateralized at 105 percent.

B. Investments – Investments consist of the following at June 30, 2009 and 2008:

	2009	2008	WEIGHTED AVERAGE MATURITY (YEARS) AT JUNE 30, 2009
At fair value:			
U.S. Government agencies	$ 179,458	$ 187,573	.80
Deferred compensation – mutual funds	609	625	
At cost:			
Forward purchase agreement	24,513	24,513	15.68
	$ 204,580	$ 212,711	

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

The investments made during fiscal years 2009 and 2008, were limited to the classifications above. Investments in U.S. Government agencies included the Federal National Mortgage Association, Federal Home Loan Mortgage Company, Federal Home Loan Bank, and Federal Farm Credit Bank, during fiscal years 2009 and 2008. With the exception of the discount note investments, which were P-1 rated, all investment in U.S. Government agencies had a credit rating of Aaa by Moody's at June 30, 2009.

In 2000, the Authority entered into a forward purchase agreement to invest $24,513 of bond reserve funds. Under the agreement, the trustee holds the investments until they are required for bond maturities or until the agreement is terminated. The Authority is paid a fixed return of 6.558 percent. If the agreement is terminated prior to the bond's maturity, the Authority or the Trustee may be required to pay a termination amount. This termination amount would be determined by prevailing interest rates at the time of termination. The Authority records this nonnegotiable investment contract at cost. This investment represents more than 5 percent of the Authority's portfolio at June 30, 2009. The issuer of this investment contract had a credit rating of Aa2 by Moody's at June 30, 2009.

Interest rate risk – In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the maturity of individual investments to no more than 5 years from the date of purchase unless the security is matched to a specific obligation or debt of the Authority.

Credit risk - Bond resolutions generally authorize the Authority to invest in 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 money market funds. The Authority may also invest in municipal bonds and investment agreements as long as the issuer is rated in one of the two highest rating categories by at least two nationally recognized rating agencies.

Concentration of credit risk – The Authority's investment policy provides for certain maximum limits in each eligible security type to reduce the risk of loss from an over concentration in a specific class of security. The policy also does not allow for an investment in any one issuer that is in excess of 5 percent of the Authority's total investments with the following exceptions:

2. DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT TYPE	MAXIMUM
U.S. Treasury Obligations	100%
Each Federal Agency	50%
Each Repurchase Agreement Counterparty	25%
Bank Deposits or Savings Accounts	80%
Investment Agreements	50%

Custodial Credit Risk – The Authority's investment policy provides that all securities purchased by the Authority or held as collateral on either deposits or investments shall be held in third-party safekeeping at a qualified financial institution.

C. Reconciliation of Deposits and Investments to the Balance Sheet – A reconciliation of cash and cash equivalent and investments as shown in the accompanying statements of net assets is as follows:

	2009	2008
Unrestricted current assets:		
Cash and cash equivalents	$ 5,120	$ 2,972
Short term investments	18,591	14,830
Unrestricted non-current assets:		
Investments	2,131	7,620
Restricted current assets:		
Cash	9,035	29,312
Short-term investments	109,158	124,659
Restricted non-current assets:		
Investments	74,700	65,602
Total	$218,735	$ 244,995
Total deposits and petty cash	$ 14,155	$32,283
Total cash equivalents		1
Total investments	204,580	212,711
Total	$218,735	$ 244,995

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30, 2009 and 2008:

					2009	2008
	Cash	Investments	Accrued Interest Receivable	Other Receivables	Total	Total
Restricted by Bond Indentures:						
Debt service:						
Special facilities bonds				$ 34,762	$ 34,762	$ 31,013
Airport revenue bonds		$ 19,640			19,640	19,210
General obligation bonds	$2,125	7,662	$ 42		9,829	9,723
Total	2,125	27,302	42	34,762	64,231	59,946
Bond reserves:						
Airport revenue bonds		52,398	777		53,175	53,444
Total		52,398	777		53,175	53,444
Construction and land acquisition and associated costs:						
Airport expansion	885	87,750	780	16,737	106,152	109,802
Contractor retainage	3,310				3,310	13,744
Total	4,195	87,750	780	16,737	109,462	123,546
Restricted by Regulatory Agency:						
Federal grants				866	866	984
State grant						4
Total				866	866	988
Restricted by Contributors:						
Airport improvements	26	2,056	2		2,084	2,257
International park	3	1,850	2		1,855	1,752
Customer facility charges	28	11,893	42		11,963	7,314
Deferred compensation		609			609	624
Tennessee Air National Guard Relocation	2,658				2,658	15,229
Total	2,715	16,408	46		19,169	27,176
Total Restricted Assets	$ 9,035	$183,858	$1,645	$ 52,365	$ 246,903	$ 265,100

3. RESTRICTED ASSETS (CONTINUED)

Revenues of the Authority are deposited to the revenue fund, which was created by the airport revenue bond resolution. Monies in the revenue fund are to be used and applied in the following order of priority:

First, there shall be applied each month the amount that the Authority determines to be required to pay costs of operation and maintenance;

Second, there shall be deposited each month into the Airport Improvement Bond Fund and the accounts therein the amounts by the resolution to be used for the purposes specified therein;

Third, so long as the Authority shall be required to make payments to the City or the County or other municipality for the payment by such city, county or other municipality of principal, interest and premiums on bonds, notes or other evidences of indebtedness issued by it for the Airport, there shall be set aside in the separate account of the Authority continued under the Basic Resolution that amount which, together with other monies credited to such account, if the same amount were set aside in such account in each month thereafter prior to the next date on which the Authority is required to make payments to the City or the County or other municipality, as the case may be, for the payment by the City, County or other municipality of principal of and interest and premium on the bonds, notes or other evidences of indebtedness issued by it for the Airport, the aggregate of the amounts so set aside in such separate account will on such next date be equal to the payment required to be made on such date by the Authority to the City or the County or such other municipality, as the case may be; and

Fourth, the Authority may use any monies remaining for any lawful purpose of the Authority.

The Authority covenants in bond resolutions that it will impose, prescribe, and collect rates, rentals, fees, and charges for the use of the airports and revise the same when necessary to assure that the Authority will be financially self-sufficient and that revenues so produced shall be sufficient to pay debt service when due; to pay all costs of operations and maintenance; to reimburse the City for its general obligation bonds; and to pay when due any other claims payable.

The construction and land acquisition accounts are to be used for construction projects and acquisition of land in connection with the Authority's noise compatibility and airport expansion programs. Withdrawals of money on credit in these accounts are made upon written requisition.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	BALANCE JULY 1, 2008	ADDITIONS & RECLASSIFICATIONS	LESS DELETIONS & RECLASSIFICATIONS	BALANCE JUNE 30, 2009
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	$ 161,693	$ 457		$162,150
Avigation easements	42,324			42,324
Construction in progress	87,695	59,491	$104,618	42,568
Total capital assets, not being depreciated	291,712	59,948	104,618	247,042
CAPITAL ASSETS BEING DEPRECIATED:				
Runways, taxiways, aprons and airfield lighting	625,201	19,093	10,025	634,269
Buildings	338,206	2,822	21	341,007
Facilities constructed for tenants	27,077	76,816		103,893
Roads, bridges and fences	58,423	1,143		59,566
Equipment and utility systems	80,069	11,288	4,164	87,193
Total capital assets being depreciated	1,128,976	111,162	14,210	1,225,928
ACCUMULATED DEPRECIATION:				
Runways, taxiways, aprons and airfield lighting	219,319	29,103	2,743	245,679
Buildings	181,143	13,781	21	194,903
Facilities constructed for tenants	27,091	1,176		28,267
Roads, bridges and fences	15,412	3,225		18,637
Equipment and utility systems	55,931	4,715	526	60,120
Total accumulated depreciation	498,896	52,000	3,290	547,606
Total capital assets being depreciated, net	630,080	59,162	10,920	678,322
CAPITAL ASSETS, NET	$ 921,792	$ 119,110	$115,538	$ 925,364

4. CAPITAL ASSETS (CONTINUED)

There was no interest capitalized in fiscal year 2009 or 2008.

Substantially all capital assets are held by the Authority for the purpose of rental or related use.

5. LEASE AND USE OF AIRPORT FACILITIES

The Authority leases terminal space, buildings, and airfield space on both a fixed-fee and contingent rental (percent of revenue) basis. Contingent rentals generally have fixed specified minimum rent provisions. Contingent rentals were $51,261 and $55,383 for fiscal years 2009 and 2008, respectively.

Substantially all of the leases provide for periodic re-computation (based on a defined formula) of the rental amounts. Rates and fees charged by the Authority for the use of its facilities are required by terms of the individual leases to be sufficient to cover operating expenses, debt service, and general obligation debt, but not depreciation and amortization.

Other fees are received from public parking and miscellaneous other sources. Non-aviation revenue consists primarily of hotel and other rentals. Site and building rentals from these tenants are governed by the terms of various leases.

The Authority has acquired equipment or constructed facilities for lease to others under agreements accounted for as operating leases. The cost of these leased properties was financed by the airport revenue bonds issued by the Authority (Note 6). The lease agreements provide for rentals equal to or exceeding principal and interest payments due on the related bonds and, in addition, call for certain ground rentals.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

5. LEASE AND USE OF AIRPORT FACILITIES (CONTINUED)

Minimum future rentals for leases are as follows:

YEAR	AMOUNT
2010	$37,507
2011	24,290
2012	23,337
2013	22,235
2014	66,988
2015-2019	88,446
2020-2024	82,221
2025-2029	65,745
2030-2034	65,059
2035-2039	32,437
2040-2044	7,682
2045-2049	7,682
2050-2054	7,682
2055-2059	7,682
Total	$ 538,993

6. LONG-TERM DEBT

Long-term debt information and activity for fiscal year 2009 was as follows:

	ORIGINAL ISSUE AMOUNT	INTEREST RATES	BALANCE JULY 1, 2008	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2009	AMOUNTS DUE WITHIN ONE YEAR
Airport Revenue Bonds:							
Series 1993B	$ 30,630	5.0-5.65%	$2,235		$2,235		
Series 1997A	43,805	5.25-6.25%	13,290		4,790	$8,500	$5,085
Series 1999D	238,400	4.5-6.125%	237,690			237,690	
Series 1999E	6,730	4.5-5.625%	2,745		625	2,120	665
Series 2001A	121,860	4.0-5.5%	87,115		9,030	78,085	8,880
Series 2001B	42,380	5.125%	42,380			42,380	
Series 2002	23,150	3.25-5.5%	13,620		395	13,225	2,850
Series 2003A	21,030	4.0-5.25%	15,135		1,620	13,515	1,685
Series 2008A	90,375	3.75-5.00%	90,375		7,545	82,830	7,630
Total	618,360		504,585		26,240	478,345	26,795
City of Memphis							
General Obligation Bonds:							
Series 1998	19,290	5.5-5.7%	7,435		1,710	5,725	1,805
Special Facilities							
Revenue Bonds:							
Series 2003	45,000	4.5%	45,000			45,000	
Notes Payable	1,430	Variable	570		252	318	318
Less unamortized deferred amount on refunded bonds			(9,645)		(2,118)	(7,527)	
Unamortized bond premiums			4,483		846	3,637	
Total bonds and notes payable	65,720		552,428		26,930	525,498	28,918
Other liabilities:							
Compensated absences			1,049		284	765	131
Total other liabilities			1,049		284	765	131
Total long-term debt	$ 684,080		$ 553,477		$ 27,214	$526,263	$29,049

The unamortized deferred amount on refunded bonds at June 30, 2009, represents $7,489 deferred on the Airport Revenue Bonds and $38 deferred on the City of Memphis General Obligation Bonds. Interest expense includes amortization of loss on bond refunding for 2009 and 2008 of $2,118 and $940, respectively, and amortization of $846 premium, net and $561 of premium, net, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Airport Revenue Bonds – The bonds were issued for airfield and terminal building improvements and expansion of Memphis International Airport parking capacity. The bond resolution contains a rate covenant which requires collection of rentals and charges for the use of the airports so that the Authority will be financially self-sufficient and the revenues produced will be sufficient to pay principal, interest, and premium, if any, when due. The Authority may issue additional airport revenue bonds, subject to historical and future revenue tests.

In March 2008, the Authority sold $90,375 of Airport Refunding Revenue Bonds, Series 2008A at a $2,230 premium. The bonds have fixed interest rates ranging from 3.75 percent to 5.00 percent. Maturity dates range from March 1, 2009 through March 1, 2016. Certain net proceeds of $73,966 together with $13,785 transferred from the debt service reserve account for the Airport Revenue Bonds, Series 1999A and B were deposited in escrow to defease all ($87,751) outstanding Series 1999A and B revenue bonds. In conjunction with the refunding, the Authority terminated their interest rate swap agreement related to the 1999A and 1999B variable rate bonds and paid a termination fee of $7,707. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $8,464 that will be charged over 8 years using the straight-line method. The refunding increased the Authority's total debt service payments by $2,859 and resulted in an economic loss (difference between the present value of the old debt and the new debt service payments) of $659 .

City of Memphis General Obligation Bonds – The 1998 bonds were issued to refund previous general obligation debt used for acquisition of land for expansion. The bonds are direct obligations of the City who has pledged its full faith and credit and taxing power to the punctual payment of principal and interest; however, the Authority has entered into agreements with the City to pay debt service as it is due.

Special Facilities Revenue Bonds – Special Facilities Revenue Bonds – Series 1993 were issued to fund construction of an aircraft maintenance hangar, corporate hangar and apron area for FedEx Corporation.

The Authority issued $45,000 in Special Facilities Bonds, Refunding Series 2003. These bonds were used to refund the Special Facilities Revenue Bonds, Series 1993. The bonds are due July 1, 2014 bearing interest at 4.5 percent payable semi-annually. Costs of issuance were paid by the lessee. No gain or loss resulted from this refunding and no effect on the Authority's cash flows resulted from the refunding as rents charged the lessee pay the debt service on the bonds. The bonds are payable solely by rentals from the facilities. Rents collected by the trustee are sufficient to pay debt service and certain administrative and trustee costs. See Note 3 regarding the Special Facilities Bonds receivable which is restricted for repayment of the principal portion of the debt.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Notes Payable – On June 30, 2004, the Authority entered into a note payable of $930 to finance the purchase of eight shuttle buses for transporting employees from the Democrat Road employee parking lot to the terminal complex. The note is renewable on an annual basis and bears interest at a rate of Prime minus 1.75 percent at June 30, 2009. Payments will be generated through rates charged for employee parking.

On June 16, 2005, the Authority entered into a second note payable with an original amount of $500 to finance the purchase of five shuttle buses for transporting parkers from the outlying public parking lots to the terminal building. The note is renewable on an annual basis and bears interest at a rate of Prime minus 1.75 percent at June 30, 2009. Payments will be generated through rates charged for public parking.

Line of Credit – The Authority has a line of credit of $10,000 with a bank. The amount available is reduced by the $318 outstanding on notes payable leaving $9,682 available at June 30, 2009.

The Authority has obtained a $45,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for the reconstruction of runway 9/27 and improvements to taxiways alpha and victor. At June 30, 2009, the Authority had not drawn on this line of credit. Future draw downs, if any, will be repaid with Federal grant reimbursements received by the Authority.

Maturities of Bond Debt and Interest Payable – Maturities, mandatory sinking fund redemptions, and interest payments of long-term debt are as follows:

YEAR	SPECIAL FACILITIES REVENUE BONDS	AIRPORT REVENUE BONDS	CITY OF MEMPHIS GENERAL OBLIGATION BONDS	INTEREST PAYMENTS
2010		$ 26,795	$ 1,805	$ 28,999
2011		27,290	1,905	27,444
2012		25,080	2,015	25,833
2013		21,565		24,629
2014	$ 45,000	23,150		22,550
2015-2019		132,395		87,946
2020-2024		172,175		45,432
2025-2026		49,895		3,355
Total	$ 45,000	$ 478,345	$ 5,725	$ 266,188

The special facilities and airport revenue bonds are subject to optional redemption at a premium over no greater than a five-year period prior to maturity. Bond resolutions provide that airport revenues are to be used to satisfy debt service requirements of the airport revenue, general operation and maintenance costs of the airport, and City of Memphis general obligation bonds, respectively. The special facilities and airport revenue bonds are not an obligation of any other governmental unit.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. CONDUIT DEBT

The conduit debt obligations are special limited obligations of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with FedEx Corporation and Pinnacle Airlines. The bonds do not constitute a debt or pledge of the faith and credit or net revenues of the Authority, the City or Memphis, the County, or the State. The Authority has facilitated the issuance of the following series of conduit debt:

	AMOUNT OUTSTANDING AS OF JUNE 30, 2009	2008
Special Facilities Revenue Bonds – Refunding Series 1997. Issued in the amount of $3,160 bearing interest at 6.125 percent, due in full on December 1, 2016. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft maintenance and repair facilities for Pinnacle Airlines, Inc. (formerly Express Airlines I, Inc.) and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	$ 2,010	$ 2,140
Special Facilities Revenue Bonds – Refunding Series 1997. Issued in the amount of $20,105 bearing interest at 5.35 percent, due in full on September 1, 2012. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft cargo handling and sorting facilities for FedEx Corporation and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	20,105	20,105
Special Facilities Revenue Bonds – Refunding Series 2001. Issued in the amount of $87,875 bearing interest at 5.00 percent, due in full on September 1, 2009. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft cargo handling and sorting facilities for FedEx Corporation and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	87,875	87,875
Special Facilities Revenue Bonds – Refunding Series 2002. Issued in the amount of $95,770 bearing interest at 5.05 percent, due in full on September 1, 2012. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft cargo handling and sorting facilities for FedEx Corporation and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	95,770	95,770
Total	$ 205,760	$ 205,890

These bonds are special limited obligations of the Authority, payable as described above. The bonds do not constitute a debt or obligation of the Authority and accordingly have not been reported in the accompanying financial statements.

8. CAPITAL CONTRIBUTIONS

The Authority has received capital contributions by means of Federal and State grants, as well as other funding sources as follows:

	2009	2008
Federal	$ 28,857	$ 24,556
State	15,566	2,741
Other	21	250
Total capital contributions	$ 44,444	$ 27,547

9. DEFINED BENEFIT RETIREMENT PLANS

General – The Authority participates in the City of Memphis Retirement System ("City Plan"). Although the Authority is a separate entity, plan benefits have not been allocated to employees of the Authority. Consequently, disclosures will follow guidelines for cost-sharing multiple employer public employee retirement systems. The Retirement System is established under Chapter 25, Code of Ordinances, City of Memphis, Tennessee, and is administered by a Board of Administration under the direction of the Mayor. The Retirement System is included in the City's basic financial statements as a pension trust fund. That report may be obtained by writing to the City of Memphis, Comptroller's Office, 125 N. Main Street, Memphis, TN 38103.

Plan Description – Substantially all full-time salaried employees are required to participate in one of two contributory defined benefit pension plans (the "Plans"). Plan A is for salaried employees hired before July 1, 1978, and Plan B is for salaried employees hired thereafter. Hourly employees are eligible for coverage under a supplemental retirement plan based on their wages under the Federal Insurance Contribution Act (Social Security). The Authority's payroll for employees covered by the plans was $18,569 and $18,586 for fiscal years 2009 and 2008, respectively. Total payroll was $18,761 and $18,793 for the same two periods.

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service. General employees under Plan A may retire after completion of twenty-five years of service or, if earlier, after age sixty and completion of ten years of service.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

9. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

Under Plan B, general employees may retire after meeting any of the following schedules:

1. After age sixty and the completion of ten years of service
2. After age sixty-five and the completion of five years of service
3. After twenty-five years of service

Funding Policy – Plan members are required to contribute 5 percent under Plan A and 8 percent under Plan B of their annual covered salary and the Authority is required to contribute at an actuarially determined rate, which was 5 percent at June 30, 2009. The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Administration. The Authority's contributions to the Plan for fiscal years 2009, 2008, and 2007 were $800, $794, and $750, respectively, equal to the required contributions for each year.

10. DEFINED CONTRIBUTION PLAN

On July 1, 1999, the Authority established the Memphis-Shelby County Airport Authority Supplemental Defined Contribution Plan that was designed to meet the requirements of Code Section 401(a). All participants in the Supplemental Defined Contribution Plan are also participants in the Memphis Retirement System. The purpose of the supplemental plan is to provide supplemental retirement benefits to participants in addition to the benefits provided by the City Plan. The Authority makes contributions on a discretionary basis. The amount of contributions expensed for fiscal years 2009 and 2008 was $826 and $825, respectively. Since the plan assets are held in trust for the benefit of the plan members, the related assets of the plan are not included in the accompanying statements of net assets. At June 30, 2009 and 2008, the fair value of the plan assets was $7,695 and $8,452, respectively.

11. 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.

11. DEFERRED COMPENSATION PLAN (CONTINUED)

The plan has been amended to meet the recently enacted requirements of Internal Revenue Code Section 457. The amended plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the amended plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not included in the accompanying statements of net assets. At June 30, 2009 and 2008, the fair value of the plan assets was $4,591 and $5,733 respectively.

12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Notes 9 and 10, the Authority provides post-retirement health care benefits to all employees who retire from the Authority under the provisions of the City of Memphis Retirement System. The Board in conjunction with the City has established benefit provisions and contribution obligations. Currently, 82 employees are eligible for post-retirement benefits. The plan provides 80 percent of the cost of certain health care and life insurance coverage to retirees. The Authority accounts for cost of these benefits as a cost-sharing employer under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* ("GASB No 45"), which was implemented in 2008. Expenses for post-retirement health care benefits are recognized when premiums are incurred. Premiums are determine on a contract basis with the City. Expenses for fiscal years 2009, 2008, and 2007, were $571, $421, and $401, respectively. There was no transition liability or asset as a result of implementing GASB No. 45, and the Authority has no liability at June 30, 2009 and 2008 for premiums due.

The Retirement System and related other post-employment benefits disclosures are included in the City's basic financial statements as a pension trust fund. That report may be obtained by writing to the City of Memphis, Comptroller's Office, 125 N. Main Street, Memphis, TN 38103.

13. RELATED PARTIES AND MAJOR CUSTOMERS

The City provided fire protection and other services to the Authority at a cost of $3,595 and $3,558 for fiscal years 2009 and 2008, respectively.

The Authority receives a large portion of its operating revenues from two airlines, FedEx Corporation and Delta Airlines. Rentals, landing fees, and other revenues from these two airlines were approximately 58 percent and 57 percent of operating revenues for the fiscal years 2009 and 2008, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. COMMITMENTS AND CONTINGENCIES

During fiscal year 2005, the Authority entered into a series of agreements to facilitate the exchange of land currently leased by the Tennessee Air National Guard ("TnANG") and to develop the southeast corner of the Airport for TnANG's relocation. The estimated $231,919 cost of the TnANG project is being funded by $154,919 from TnANG and $77,000 in future rentals from FedEx Corporation, which will occupy TnANG's existing lease area. As of June 30, 2009, a total of $229,725 has been expended on the TnANG project, and the Authority has open construction commitments of $1,031 related to this project. Funds provided by TnANG to construct their own facilities are not recorded in the Authority's financial statements. Of the $77,000 in future rentals, $76,815 and $72,721 has been received in advance and was recorded as deferred lease revenue at June 30, 2009 and 2008, respectively. FedEx occupied the facility in 2009 and revenues are being recognized on a straight-line basis over the 50 year lease. The Authority recognized $640 of lease revenue during fiscal year 2009 leaving a deferred lease revenue balance of $76,175 at June 30, 2009.

The Authority has other construction projects estimated at $104,335, of which $57,424 has been expended through June 30, 2009. Of the remaining $46,911 expected to be spent, the outstanding commitments were $29,773 at June 30, 2009, related primarily to air cargo buildings, reconstruction and extension of existing taxiways, parking garage improvements, and terminal access roads. The remaining commitments relate to projects to be funded from Airport Expansion funds included in restricted assets (Note 3) and federal grants.

On December 3, 2009 the Authority was served with a class action alleging violations of the Fair Credit Reporting Act (FCRA) and the Fair and Accurate Credit Transaction Act (FACTA) in the Authority's public parking operations. The complaint alleges statutory violations but no actual harm to any plaintiff or plaintiffs. As the suit has just been filed the threshold issue of whether class action certification is appropriate has yet to be considered by the court. The Authority is in the early stages of preparing its defense and will vigorously defend its interest in this lawsuit. It is premature to estimate at this point as to potential liability, if any.

Excluding the above case for which no opinion regarding potential liability is offered by the Authority, it is the opinion of management that no other matters will have a material adverse effect upon the financial position or results of operations of the Authority.

APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS

The Authority executed a two year extension to the Airport Use and Lease Agreements effective July 1, 2007 ("Airline Agreements") with the following airlines: AirTran Airways, American Airlines, Continental Express, Delta Air Lines, FedEx, Frontier, Northwest, Trans States Airlines, dba Trans World Express, United Airlines, and United Parcel Service. The Airline Agreements have been extended to June 30, 2010 through a two (2) year bridge agreement and a one (1) year bridge agreement and are virtually identical to the prior agreement. There is set forth below a brief summary of the provisions of the Airline Agreements. The summary does not purport to be comprehensive or definitive and is qualified by reference to all of the terms and provisions of each of the Airline Agreements. Defined terms used in this summary and elsewhere in this Official Statement shall have the same meaning as in the Airline Agreements.

Certain Definitions

"Authority-Controlled Facilities" shall mean existing space or future space to be developed by the Authority that the Authority may retain under its exclusive control and possession to accommodate

(i) The Signatory Airlines whose premises have been relocated by the Memphis International Airport as a result of reconstruction, renovation or maintenance;

(ii) Air Transportation Companies not requiring permanent facilities or requiring temporary accommodation pending allocation of permanent facilities; and

(iii) Other space requirements of Air Transportation Companies.

"Cargo Building Area" shall mean those areas on the Airport for cargo buildings, staff and customer parking and associated loading docks, aprons, driveways and access gates adjacent and pertinent to air cargo operations at the Airport.

"Landing Field Area" shall mean those areas on the Airport that provide for the landing, taking off, taxiing, parking (other than in the Terminal Aircraft Apron Area) or other operations of aircraft together with all other portions of the Airport, not otherwise included in the Terminal Complex Area, Terminal Aircraft Apron Area, Cargo Building Area or Industrial Park Area including the facilities, installations, and improvements thereon. The revenues and expenses from the operation of any reliever airports owned or operated by the Authority and the facilities thereof shall be deemed part of the Landing Field Area.

"Leased Premises" shall mean, collectively, all Exclusive Use Premises, Preferential Use Premises, Joint Use Premises, Common Use Premises and Terminal Aircraft Apron Positions leased to Airline for its use.

"Majority-In-Interest" or "MII" shall mean, during any Fiscal Year,

(i) for the Landing Field Area or the Cargo Building Area, at least fifty-one percent (51%) of the Signatory Airlines, in number, which in the aggregate have landed fifty-one percent (51%) of the total Maximum Certified Landed Weight of all such Signatory Airlines during the immediately preceding six (6) month period for which data is available (the "Calculation Period") as such weight is reflected by official Airport records,

(ii) for the Terminal Complex Area or the Terminal Aircraft Apron Area, at least fifty-one percent (51%) of the Signatory Airlines, in number, which, in the aggregate, paid fifty-one percent (51%) or more of the respective fees and charges in the Terminal Complex Area and the Terminal Aircraft Apron Area during the immediately preceding Calculation Period as reflected by official Airport records, or

(iii) for any purpose, at least seventy percent (70%), in number, of the Signatory Airlines.

Unless the Authority receives negative votes on the matter from a Majority-In-Interest in the appropriate percentage set forth in this paragraph, then the Authority may proceed on the matter as submitted. Failure of the Signatory Airline to submit a negative response within the thirty- (30) day period will be deemed to be consent to the matter as submitted.

"Maximum Certificated Landed Weight" shall mean with respect to any aircraft landing at the Airport the maximum landed weight approved by the Federal Aviation Administration for landing such aircraft at the Airport.

"Revenue Aircraft Arrival" shall mean any aircraft arrival at the Airport for which such airline has received or made a monetary fee or charge, including, without limitation, scheduled trips and charters, sightseeing and other trips for which revenue is received, but excluding, without limitation, ferry, test, courtesy, and inspection or other trips for which no additional fee or charge is received. Training flights shall be excluded except to the extent that the number of training flights operated by such airline during any calendar year exceeds 5% of the number of Revenue Aircraft Arrivals operated by The Signatory Airline during such calendar year.

"Terminal Aircraft Apron Area" shall mean those areas on the Airport for the parking, servicing, and ground handling of aircraft at the terminal building.

"Terminal Complex Area" shall mean the terminal buildings, access roads, public and employee automobile parking areas, rental car facilities, Airport motels, and hotels together with all concessions operated in or in conjunction with the terminal buildings, including without limitation, restaurants, bars, baggage lockers, newsstands, land transportation of passengers, observation or sightseeing, and related improvements, fixtures, installations and facilities thereon.

Reallocation of Space

The Authority establishes and shall maintain a policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. To achieve that goal, the Authority

(a) has planned or will plan for exclusive possession and control of Authority-Controlled Facilities;

(b) has established or will establish procedures for the consensual reallocation of space and accommodations among Air Transportation Companies, including airlines;

(c) has reserved and does hereby reserve to the Authority the right to require sharing and temporary use of Leased Premises;

(d) has established or will establish priorities to accommodate requests for facilities by Air Transportation Companies seeking to expand their present service at the Airport or Air Transportation Companies seeking entry into the Airport, and

(e) has established or will establish certain utilization requirements.

Rentals and Fees During the Term of the Airline Agreements

Terminal Complex Area

Exclusive Use and Preferential Use Premises

Each airline agrees to pay a monthly sum calculated to recover one-twelfth of the airline's pro rata share (as among all airlines) of the "Airline Net Terminal Building Expense". Airline Net Terminal Building Expense shall consist of the sum of terminal building personnel and non-personnel, O&M Expenses, Debt Service, any debt service coverage, and a discretionary fund contribution, less Terminal Complex non-airline revenues. One-half of any surplus or deficit from operations of the Airport for the preceding Fiscal Year will be carried forward in calculating the Airline Net Terminal Building Expense for the succeeding Fiscal Year. Each Airline shall pay monthly rents based upon the weighted rental rates per square foot applied to the number of square feet by type of space in its Leased Premises in the Terminal Complex Area.

Joint Use Premises

Each joint user agrees to pay a monthly sum calculated to recover its pro rata share of the total cost of the Joint Use Premises based on the respective number of enplaned passengers for each joint user of the Joint Use Premises or on another basis as mutually agreed upon by the Authority and the airlines using the Joint Use Premises from time to time.

Landing Fees

The Signatory Airlines agree to pay a landing fee for each calendar month based upon the Signatory Airline's Revenue Aircraft Arrivals at the Airport during such month. For each Revenue Aircraft Arrival at the Airport, the monthly charge shall be calculated by multiplying the Maximum Certificated Landed Weight of each aircraft making a Revenue Aircraft Arrival at the Airport by the landing fee. One-half of any surplus or deficit from operations of the Airport for the preceding Fiscal Year will be carried forward in calculating the new landing fee for the succeeding Fiscal Year, thereby adjusting any differences between the projected and the actual Maximum Certified Landed Weights, Revenues or expenses for the preceding Fiscal Year.

Terminal Aircraft Apron Positions

Each Signatory Airline shall pay to the Authority a fee for its preferential use of the Terminal Aircraft Apron Positions. The fee shall be one-twelfth of the amount computed on the basis of the number of lineal feet of Terminal Aircraft Apron Area rented at the Terminal Aircraft Apron fee per lineal foot.

Coverage

The Authority can include coverage expense in the rate base under the following circumstances:

A. If during the preparation of the annual budget for any fiscal year the Authority projects that it will fail to meet the coverage test prescribed in the Bond Resolution.

B. If during any Fiscal Year revenues are projected to be under budget or expenses are projected to be over budget in an amount such that the coverage test prescribed in the Bond Resolution will not be met.

C. If at the end of any Fiscal Year the Authority failed to meet the coverage test prescribed in the Bond Resolution, the Signatory Airlines operating at the Airport during the subsequent Fiscal Year shall be obligated to make up the deficiency through the rate base, with that portion of the rate base agreed to be income to the Authority in the Fiscal Year in which the coverage deficiency occurred.

D. In the event that a future bond issue occurring during the term of this Agreement requires that coverage expense be included in the rate base, the Authority intends to utilize rollover coverage so that the coverage expense initially collected through the rate base or financed through the bond issue will be available to meet the coverage test in subsequent years.

Adjustment of Rentals, Fees and Charges

All rentals, fees and charges in the Airline Agreements are subject to recalculation each Fiscal Year on the basis of updated cost, income and expense factors and adjusted space allocations as may be required and arranged for by mutual agreement between the Authority and the Signatory Airlines to ensure a break-even operation.

Budget Procedures

At least ninety (90) days prior to the beginning of each Fiscal Year, the Authority shall mail to the Signatory Airlines a proposed Annual Budget in reasonable detail for the ensuing Fiscal Year. Within forty-five (45) days after the mailing of the proposed Annual Budget, Authority shall hold an informal meeting at which the Signatory Airlines may present objections to the proposed Annual Budget. If, immediately after such informal meeting, the Majority-in-Interest of the Signatory Airlines consider that a public hearing is necessary and submit a written request for a public hearing, the Authority, within thirty (30) days before the ensuing Fiscal Year, will hold a public hearing.

The Authority will, before the beginning of each Fiscal Year, adopt an Annual Budget substantially in accordance with the preliminary or proposed Annual Budget referred to above, as the latter may have been revised after a public hearing, if any, and promptly following the beginning of each Fiscal Year furnish a copy of such Annual Budget to each Signatory Airline.

Limitation of Use of Industrial Park Area Revenues

The use of revenues from the Industrial Park Area shall be limited to

A. the payment of costs associated with the acquisition of certain land bounded on the north by Winchester, the east by New Swinnea Road, the south by Shelby Drive and the west by runway 18L-36R,

B. expenditures for "airport purposes", including reliever airports,

C. develop the Industrial Park Area, and

D. purchase and acquire land solely for the purpose of expanding the Airport for aviation uses.

Event of Default and Remedies

Any one of the following that occurs and continues beyond any applicable cure period shall constitute an event of default (Event of Default):

A. Failure by the Signatory Airline to pay any part of the rentals, fees and charges due under the Airline Agreement and the continued failure to pay said amounts in full within ten (10) days of the Signatory Airline's receipt of the Authority's written notice of payments past due.

B. Failure by the Signatory Airline to observe and perform any other covenant, condition or agreement on its part required to be observed or performed under the Airline Agreement, and which continues for a period of thirty (30) days after receipt of written notice, specifying such failure and requesting that it be remedied, given to the Signatory Airline by the Authority, unless the failure stated in the notice cannot be corrected within such period, and corrective action is instituted within such period and diligently pursued until the default is corrected; provided, however, the Signatory Airline's performance shall be conditioned by the Force Majeure provisions of the Airline Agreement.

C. Failure by the Signatory Airline to observe and perform any covenant, condition or agreement on its part required to be observed or performed by any other agreement between the Signatory Airline and the Authority and such failure continues beyond any applicable cure period permitted therein.

D. The Signatory Airline shall commence (by petition, application or otherwise) a voluntary case or other proceeding under the laws of any jurisdiction seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, self-trusteeship, receiver, custodian or other similar official of it or any substantial part of its property; or shall consent (by answer or failure to answer or otherwise) to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; or shall make an assignment for the benefit of creditors; or shall generally not pay its debts as they become due or not be able to pay its debts as they become due; or admit in writing its inability to pay its debts as they become due; or shall take any corporate action to authorize any of the foregoing.

E. An involuntary case or other proceeding shall be commenced under the laws of any jurisdiction against the Signatory Airline seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of ninety (90) days or a trustee, receiver, custodian or other official shall be appointed in such involuntary case.

F. The voluntary discontinuance except as a result of a Force Majeure event for a period of at least thirty (30) consecutive days by the Signatory Airline of its operations at the Airport unless otherwise approved by Authority, in advance, in writing.

Continuing Responsibilities of Signatory Airline

Notwithstanding the occurrence of any Event of Default, the Signatory Airline shall remain liable to the Authority for all rentals, fees and charges payable under the Airline Agreement and for all preceding breaches of any covenant of the Airline Agreement. Furthermore, unless the Authority elects to cancel the Airline Agreement, the Signatory Airline shall remain liable for and promptly pay all rental, fees and charges accruing under the Airline Agreement until the expiration of the Airline Agreement or until the Airline Agreement is canceled by the Signatory Airline pursuant to the cancellation provisions of the Airline Agreement.

Authority Remedies

Upon the occurrence of any Event of Default the following remedies shall be available to Authority:

A. The Authority may cancel the Airline Agreement, effective upon the dates specified in the notice of cancellation, provided that such date of cancellation is beyond the expiration of any applicable cure period. Upon such date, the Signatory Airline shall have no further rights under the Airline Agreement and the Authority shall have the right to take immediate possession of Leased Premises.

B. The Authority may re-enter the Leased Premises and may remove all the Signatory Airline persons and property from it upon the date of re-entry specified in the Authority's written notice of re-entry to the Signatory Airline. Upon any removal of the Signatory Airline property by the Authority under the Airline Agreement, the Signatory Airline property may be stored at a public warehouse or elsewhere at the Signatory Airline's sole cost and expense.

C. The Authority may relet the Leased Premises and any improvements thereon or any part thereof at such rentals, fees and charges and upon such other terms and conditions as the Authority, in its reasonable judgment, may deem advisable, with the right to make alterations, repairs or improvements on said Leased Premises. In reletting the Leased Premises, the Authority shall be obligated to make a good faith effort to obtain terms no less favorable to the Authority than those contained herein and otherwise seek to mitigate any damages it may suffer as a result of the Signatory Airline's default.

D. In the event that Authority relets the Leased Premises, rentals, fees and charges received by the Authority from such reletting shall be applied:

   (i) to the payment of any cost of such reletting; and

   (ii) to the payment of rentals, fees and charges due and unpaid under the Airline Agreement:

   If that portion of such rentals, fees and charges received from such reletting and applied to the payment of rentals, fees and charges under the Airline Agreement is less than the rentals, fees and charges payable during applicable periods by the Signatory Airline under the Airline Agreement, then the Signatory Airline shall pay such deficiency to the Authority. The Signatory Airline shall also pay to Authority, as soon as ascertained, any costs and expenses incurred by the Authority in such reletting not covered by the rentals, fees and charges received from such reletting.

E. No re-entry or reletting of Leased Premises by the Authority shall be construed as an election on the Authority's part to cancel the Airline Agreement unless a written notice of cancellation is given to the Signatory Airline.

F. The Signatory Airline shall pay to the Authority all other costs incurred by Authority in the exercise of any remedy, including, but not limited to, reasonable attorney's fees, disbursements, court cost and expert fees.

G. The Authority may exercise any other legal or equitable remedy, including, but limited to, the remedies hereinafter specified.

Remedies Under Federal Bankruptcy Laws

Notwithstanding the foregoing, upon the filing by or against the Signatory Airline of any proceeding under federal bankruptcy laws, if the Signatory Airline has defaulted in the performance of any provision of the Airline Agreement within the six (6) months preceding such filing, the Authority shall have the right to cancel the Airline Agreement, in addition to other remedies provided under provisions of the federal bankruptcy laws, rules and regulations as such may be amended, supplemented or replaced from time to time. Such cancellation shall be by written notice to the Signatory Airline within sixty (60) days from the date of the Signatory Airline's initial filing in bankruptcy court.

Cancellation by Signatory Airline

Event of Default

The events described below shall be deemed an Event of Default by the Authority under the Airline Agreement:

A. The Authority fails to keep, perform or observe any material term, covenant or condition herein contained to be kept, performed, or observed by the Authority and such failure continues for thirty (30) days after receipt of written notice from the Signatory Airline unless such default cannot be cured within such thirty (30) day period and the Authority has commenced to cure or remove such default and continues with diligence the curing thereof; provided, however, the Authority's performance shall be conditioned by the Force Majeure provisions of the Airline Agreement.

B. Airport is closed to flights in general or to the flights of the Signatory Airline for reasons other than those circumstances within the Signatory Airline's control, and Airport fails to be reopened to such flights within thirty (30) consecutive days from such closure.

C. The Airport is permanently closed as an air carrier airport by act of any federal, state or local government agency having competent jurisdiction; or the Signatory Airline is unable to use Airport for a period of at least thirty (30) consecutive days due to any law or any order, rule or regulation of any governmental authority having jurisdiction over the operations of the Airport or any court of competent jurisdiction issues an injunction preventing the Authority or the Signatory Airline from using Airport for airport purposes, for reasons other than those circumstances within the Signatory Airline's control, and such injunction remains in force for a period of at least thirty (30) consecutive days.

D. The United States Government or any authorized agency of the same (by executive order or otherwise) assumes the operation, control or use of the Airport in such a manner as to substantially restrict the Signatory Airline from conducting its operations, if such restriction be continued for a period of thirty (30) consecutive days or more.

The Signatory Airline's Remedy

So long as a Signatory Airline is not in default of the Airline Agreement, including but not limited to payments due to the Authority, the Signatory Airline may cancel the Airline Agreement upon the occurrence of an Event of Default. In such event, the Signatory Airline shall provide a thirty (30) day advance written notice of cancellation to the Authority. All rental fees and charges payable by the Signatory Airline shall cease as of the date of the default(s) and the Signatory Airline shall surrender the Leased Premises.

APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE BASIC RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE BASIC RESOLUTION

The following is a summary of certain provisions of the Basic Resolution as amended and supplemented. The summary does not purport to be comprehensive or definitive and is qualified by reference to all of the terms and provisions of the Basic Resolution as amended and supplemented to which reference is hereby made.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Basic Resolution and used herein:

"Additional Bonds" means any Bonds issued pursuant to the Basic Resolution subsequent to the issuance of the Bonds.

"Airport" means each and every airport or heliport or other aviation facilities and all related facilities and appurtenances owned or operated by the Authority at any time, including, without limitation, the existing airports, namely Memphis International Airport, General DeWitt Spain Airport, Charles W. Baker Airport or any other properties or facilities constructed or acquired from the proceeds of any bonds issued by the Authority or by the City or the County (for which the Authority will provide reimbursement from the Revenues) and all additions, expansions and improvements to any airport facility held or acquired. The term "Airport" shall not include properties sold, leased or disposed of pursuant to Section 5.16 of the Basic Resolution, or properties subject to a Special Facility Lease, except as provided in Section 10.1 of the Basic Resolution.

"Bond" or "Bonds" means any, some or all Bonds outstanding pursuant to the Basic Resolution including the Bonds, Additional Bonds and Refunding Bonds issued under the Basic Resolution, but excluding Special Facility Bonds as defined in the Basic Resolution.

"Construction Fund" means one of the separate funds of that name created and established pursuant to the Basic Resolution.

"Costs of Construction" means any, of the following pertaining to the construction of properties included or to be included in the Airport: (a) costs of acquiring any building or facility and the site thereof; (b) costs of any interests in land or other properties; (c) costs of acquiring rights, interest or franchises; (d) costs of labor, services, material, and architectural planning, or engineering services; (e) costs of supervision and inspection; (f) insurance and other related costs; (g) costs of financing and of issuing Bonds, including Trustee and Paying Agent's fees up to 12 months after the actual period of construction, and costs of any bond insurance premium; (h) costs of initial furnishings; (i) costs of publication, filing and recording; (j) taxes and assessments; (k) expenses incurred in enforcing any remedy against a contractor; (1) costs of accounting services, financial and airport consultants and attorneys; (m) costs of payment and discharge of any interim or temporary construction financing or loans, including reimbursement to the Authority of moneys advanced by other funds; (n) interest on Bonds issued to finance the construction of any project during the actual period of construction and for one year after completion; and (o) any other costs or expenses incident to the construction of any project.

"Costs of Operation and Maintenance" means the reasonable, necessary current expenses of the Authority paid or accrued in operating, maintaining and repairing the Airport, including, without limitation, (a) costs of collecting Revenues and making refunds; (b) engineering, financial management, audit reports, legal and administrative expenses; (c) salaries, wages and other compensation; (d) costs of routine repairs, replacements and renewals; (e) taxes, assessments and other governmental charges and payments in lieu thereof; (f) costs of utility services; (g) general administrative overhead of the Authority allocable to the Airport; (h) material and supplies used in the ordinary course of business; (i) contractual and professional services; (j) costs of fidelity bonds or blanket bonds; (k) costs of carrying out provisions of the Resolution, including Trustee and Paying Agent's fees and expenses, fees for remarketing bonds and Support Facilities, and insurance costs required thereby; and (1) all other routine costs and expenses. The term "Costs of Operation and Maintenance" shall not include any operation and maintenance costs and expenses relating to Special Facilities or expenses incurred by any lessee thereon or lands and properties leased for industrial, governmental or non-aviation purposes.

"Debt Service Requirement" means with respect to all the Bonds or a Series of the Bonds or any particular amount of such Bonds, as the case may be, the total as of any particular date of computation and for any particular period or year, of the amounts required to be credited during such period or year to the Airport Improvement Bond Fund (i) to provide for the payment of interest on such Bonds, except to the extent that such interest is to be paid from (a) amounts on deposit in the

Construction Interest Account in the Construction Fund, (b) amounts on deposit in the Interest Account, or (c) any other provisions made for the payment of interest, (ii) to provide for the payment at maturity of any such Bonds issued in serial form and (iii) to provide for the retirement of any such Bonds issued in term form. Such interest and principal installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of principal installments for the Bonds of such Series on the due date thereof. For purposes of this definition, the interest rate on Variable Rate Bonds or an Integrated Swap Agreement shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds or Integrated Swap Agreement at the time of calculation then Outstanding, the interest rate shall be calculated at the greater of the (i) then current interest rate per annum borne by such Series of Variable Rate Bonds or Integrated Swap Agreement, or (ii) the weighted average interest rate borne by such Series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation and (b) with respect to a Series of Variable Rate Bonds or an Integrated Swap Agreement then proposed to be issued or entered into, the interest rate per annum shall be the Revenue Bond Index; provided, however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds at the time of calculation then Outstanding for which an Integrated Swap Agreement is in effect, the interest rate shall be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Authority's actual variable rate on the Variable Rate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, which ever is highest, and (b) with respect to Variable Rate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. If the principal and interest coming due with respect to any Series of Bonds in any Fiscal Year exceeds by more than 10% the amount coming due on all Bonds of such Series Outstanding in any prior Fiscal year, principal and interest payments on such Series shall 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 Outstanding over the term of such Series to maturity. With respect to any payment under any Hedge Agreement, Support Agreement or other financial agreement which payments are payable from Revenues and secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds, "Debt Service Requirement" shall include the full amount of any such payments.

"Fiscal Year" means the fiscal year of the Authority as established from time to time being on the date hereof the period from July 1 in any year to and including the following June 30.

"Hedge Agreement" means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

"Integrated Swap Agreement" means any interest rate swap agreement entered into by the Authority with respect to a Series of Bonds or portion thereof having a notional amount equal to the principal amount of such Series of Bonds or such portion thereof and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

"Integrated Swap Agreement Payments" means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

"Investment Securities" means any of the following which are then legal investments under the laws of the State of Tennessee: (i) direct obligations of, or obligations, the payment of principal and interest of which are unconditionally guaranteed by the United States of America and any certificates or any other evidences of a direct ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (i) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in this clause (i) and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated; (ii) (a) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by the agencies or corporations of the United States as follows: direct obligations or fully guaranteed certificates of beneficial ownership of the United States

Export-Import Bank; certificates of beneficial ownership of the Farmers Home Administration; debt obligations of the Federal Financing Bank; debentures of the Federal Housing Administration; participation certificates of the General Services Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; Guaranteed Title XI financing of the United States Maritime Administration; United States Government guaranteed New Communities Debentures; and United States Government guaranteed public housing notes and bonds; and (b) senior debt obligations of the Federal Home Loan Bank System; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; senior debt obligations of the Student Loan Marketing Association; senior debt obligations of the Farm Credit Bank; senior debt obligations of the Resolution Funding Corporation; and senior debt obligations of the Tennessee Valley Authority; (iii) certificates of deposit, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), which is a member of the Federal Deposit Insurance Corporation and savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation, provided that the aggregate principal amount of all certificates of deposit issued by any such bank, trust company, national banking association or savings and loan association which are purchased with moneys held in any Fund under the Resolution shall not exceed at any time 5% of the total of the capital, surplus and undivided earnings of such bank, trust company; national banking association or savings and loan association unless such certificates of deposit are (1) fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (2) secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation by such securities as are described in clauses (i) and (ii), above, having a market value (exclusive of accrued interest paid in connection with the purchase of such securities) at least equal to 102% of the principal amount of such certificates of deposit (or portion thereof not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation) which shall be lodged with a depositary, as custodian, by such bank, trust company; national banking association or savings and loan association, and such bank, trust company, national banking association or savings and loan association shall furnish the Authority with an undertaking satisfactory to it that the aggregate market value of all such obligations securing such certificates of deposit will be valued at their market price daily and the requirements of this clause (iii) have been met and the Authority shall be entitled to rely on such an undertaking; (iv) any repurchase agreement meeting the requirements of a Supplemental Resolution with any bank or trust company organized under the laws of any state of the United States, or any national banking association (which may include the Trustee) with assets of at least $1,000,000,000 and rated A or above by Standard & Poor's Corporation or Moody's Investors Service or their successors, or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that the securities are one of the securities described in (i) and (ii) above, which securities shall at all times have a market value not less than the full amount of the repurchase agreement; and (v) investment agreements approved by MBIA and rated or the issuer of which is rated in one of the two highest rating categories by at least two nationally recognized rating agencies and if rated by Moody's Investors Service or Standard & Poor's Corporation, must be rated in one of the two highest rating categories by the respective agency rating such investment agreements.

"MBIA" means the Municipal Bond Investors Assurance Corporation (now MBIA Insurance Corporation) and its successors.

"Net Revenues" means (i) for any past period or year the aggregate of the Revenues actually paid or accrued into the Revenue Fund during such past period or year minus for such past period or year the aggregate of the Costs of Operation and Maintenance actually paid or accrued during such past period or year; and (ii) for any future period or year the aggregate of the Revenues that are estimated will be paid or accrued into the Revenue Fund during such future period or year, minus for such future period or year the aggregate of the Costs of Operation and Maintenance that are estimated will be paid or accrued during such future period; provided, however, that for purposes of the term "Net Revenues", Costs of Operation and Maintenance shall not include (a) any allowance for depreciation or any amounts for capital replacements or reserves therefor; (b) costs of extensions, enlargements, betterments and improvements or reserves therefor; (c) reserves for operation, maintenance, renewals or repairs occurring in the normal course of business; and (d) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor.

"PFC Revenues" means those revenues specifically excluded from the definition of Revenues.

"Refunded Municipal Obligations" means obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation and provision for the payment of the principal of and interest on which shall have been made by deposit with a Trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable, if any, shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

"Revenue Bond Index" means the 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 shall be the maximum rate permitted by the Supplemental Resolution authorizing the issuance of such Series of Bonds.

"Revenues" shall mean the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport, including (a) all rates, charges, rentals, fees and any other compensation, regardless of form, and investment income earned by the Authority, except as hereinafter provided to the contrary, and (b) PFC Revenues to the extent specifically included in Revenues as provided in a Supplemental Resolution.

Revenues shall not include:

(i) proceeds from Bonds issued by the Authority or proceeds from loans obtained by the Authority;

(ii) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance;

(iii) all income and revenue collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of Airport;

(iv) to the extent provided in Article X of the Basic Resolution, income derived from any Special Facility Lease (other than ground rents);

(v) payments under any revolving loan fund, grants-in-aid or similar payments received from any federal or state entities—which are restricted as to use;

(vi) the proceeds of any passenger facility or analogous charge or fee that may hereafter be levied (whether on the use of the Airport, on transportation, or otherwise) which are received and retained by the Authority, and any investment earnings thereon;

(vii) moneys or securities received by the Authority as gifts or grants;

(viii) investment income derived from moneys or securities on deposit in the Construction Fund and investment income derived from any moneys or securities which may be placed in escrow or trust to defease bonds of the Authority including the Bonds, or to meet the Authority's obligation under any consent decree;

(ix) any arbitrage earnings which are required to be paid to the United States Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder;

(x) the proceeds of any Support Facility;

(xi) income derived from leasing or sale of Airport lands for industrial, governmental and other purposes not related to air or space transportation; and

(xii) the earnings on and the income derived from the investment of the moneys on deposit to the Authority's Airport Improvement Fund, Special Reserve Fund and International Park Fund, heretofore created.

"Special Facility Lease" means the lease of existing or to be acquired Airport property and facilities pursuant to which the lessee agrees to pay to the Authority rentals sufficient to pay the principal and interest on all Special Facility Bonds issued to pay the cost of construction or acquisition of the Special Facility plus such further rentals necessary to maintain all reserves or pay necessary expenses required for such Special Facility Bonds and any ground rental charged for rental of the ground upon which a Special Facility is located (payable into the Revenue Fund).

"Support Facility" means any instrument such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price of 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 Bonds becoming due and payable during the term thereof.

"Trustee" means First Tennessee Bank National Association, Memphis, Tennessee or its successors or assigns and any successor Trustee under the Resolution.

"Variable Rate Bonds" means Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to their terms, calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For purposes of this definition, Variable Rate Bonds shall no longer be considered Variable Rate Bonds upon the establishment of, or the conversion of the rate of interest thereon to, a fixed interest rate for the remainder of the term thereof.

Pledge Under Resolution

Bonds may be issued under the Basic Resolution, in Series, from time to time, in any amount. The Bonds, including principal, interest and premium, if any, are payable *pari passu* from, and are equally and ratably secured by a pledge of and lien upon the Revenues of the Authority, subject, however, to the prior payment therefrom of the payment of the Costs of Operation and Maintenance of the Airport. The Bonds shall not in any manner or to any extent be (a) an indebtedness of the State of Tennessee, or of the City, the County or any municipality or political subdivision of the State of Tennessee, (b) a general obligation of the Authority nor a charge upon any other revenues or assets of the Authority not specifically pledged under the Basic Resolution, or (c) a personal obligation of any member, officer or employee of the Authority.

Additional Bonds

One or more series of Bonds may be issued by the Authority from time to time in order to accomplish any purpose of the Authority, the costs of which are to be financed by the issuance of Additional Bonds, but only upon compliance with the following conditions, among others:

1. Revenues, certified by the Treasurer of the Board for the twelve consecutive months immediately preceding the month in which the Additional Bonds proposed to be issued are delivered and paid for shall have at least equaled the amounts required to pay the principal, interest and premium, if any, on the Bonds when due; to reimburse the City and the County or other municipality for principal, interest and premium, if any, on the bonds, issued by them for the Airport; to pay all Costs of Operation and Maintenance; and to pay all claims, charges or obligations payable from Revenues for such twelve-month period. Revenues derived in any interval prior to such twelve-month period which are in excess of all charges paid or accrued, or required to be paid or accrued, during such interval and which excess Revenues are carried forward in the Revenue Fund into such twelve-month period and are available for use and application during such twelve-month period as are all other Revenues derived during such period may be deemed to be and treated as Revenues derived during such twelve-month period, and amounts received during such twelve-month period arising out of and attributable to the payment of interest and principal on temporary or short-term borrowings incurred to pay Costs of Operation and Maintenance shall not be considered to be Revenues.

2. Revenues estimated by an Airport Consultant to be derived in each Fiscal Year from the date the proposed Additional Bonds are delivered and paid for to the estimated date that a substantial portion of the project(s) is placed in continuous service or commercial operation, are sufficient to pay during such Fiscal Year the principal, interest and premium, if any, on the Bonds when due, to reimburse the City and the County or other municipality for principal, interest and premium, if any, on the bonds issued by them for the Airport, to pay all Costs of Operation and Maintenance and to pay all claims, charges or obligations payable from the Revenues.

3. An Airport Consultant estimates that the Net Revenues to be derived in each of the two Fiscal Years following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation shall be equal to not less than 125% of the Debt Service Requirement for such Fiscal Year on all Bonds Outstanding including such Additional Bonds.

4. An Airport Consultant estimates that the Net Revenues to be derived in the third Fiscal Year following the estimated date that a substantial portion of the project(s) being financed is placed in continuous service or commercial operation is equal to not less than 125% of the greater of (i) the Debt Service Requirement for such Fiscal Year on all Bonds Outstanding including Additional Bonds, and (ii) the maximum Debt Service Requirement for any Fiscal Year thereafter on all Outstanding Bonds, including such Additional Bonds.

Refunding Bonds

Bonds of any one or more Series may be refunded by one or more series of Additional Bonds, which Bonds to be refunded shall be specified in the Supplemental Resolution authorizing the issuance of the Additional Bonds, and the principal amount of such Additional Bonds may include amounts necessary to pay the principal of the Bonds to be refunded, interest thereon to the date of redemption thereof and any premium payable thereon upon such redemption and the costs of issuance of such series of Additional Bonds. The proceeds of Additional Bonds issued to refund other Bonds shall be held and applied in such manner, consistent with the provisions of the Basic Resolution as is provided in the Supplemental Resolution authorizing the issuance of such Additional Bonds, so that upon the delivery of such Additional Bonds the Bonds to be refunded thereby shall no longer be deemed Outstanding in accordance with the provisions of the Basic Resolution.

PFC Charges

The Authority may by supplemental resolution (i) grant as additional security a pledge of and lien on, and a security interest for the benefit of Bondholders in, all or a portion of the PFC Revenues to one or more series of Bonds (the "PFC Bonds") issued under the Resolution or (ii) provide that such series of PFC Bonds shall be secured solely by a pledge of and lien on such PFC Revenues. PFC Bonds may be secured by PFC Revenues or both PFC Revenues and other Revenues of the Authority. PFC Bonds secured solely by PFC Revenues shall be issued under a supplemental resolution (a "PFC Resolution") which shall set forth the terms and provisions of which shall apply to such Series of PFC Bonds at such time as such bonds are no longer secured by the Revenues. At such time as PFC Bonds are no longer secured by the Revenues, such PFC Bonds shall be deemed to be no longer Outstanding under the Basic Resolution and shall be outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on credit to the Segregated Account and proceeds of the PFC Bonds, whether on deposit in the Construction Fund or Airport Improvement Bond Fund, held under the Basic Resolution shall be transferred to and applied in the manner provided in the PFC Resolution.

In the event the Authority issues one or more series of PFC Bonds, the following provisions shall apply so long as such PFC Bonds are outstanding.

PFC Revenues shall be deposited in a separate account of the Revenue Fund (the "Segregated Account") and shall be used and applied in the following order of priority:

First, there shall be deposited in the interest account of the Airport Improvement Bond Fund such PFC Revenues necessary to pay interest on the PFC Bonds;

Second, there shall be deposited in the principal account of the Airport Improvement Bond Fund such PFC Revenues necessary to pay principal on the PFC Bonds; and

Third, there shall be deposited in the debt service reserve account in the Airport Improvement Bond Fund such PFC Revenues as necessary to maintain in such account the debt service reserve requirement established in the supplemental resolution providing for the issuances of such PFC Bonds.

Moneys remaining in the Segregated Account at the end of a Fiscal Year may be transferred to and deposited in a separate fund or account established under the PFC Resolution and may be applied to any lawful purpose.

To the extent there is any deficiency in any of the above accounts, PFC Revenues credited to the Segregated Account shall be applied to make up any such deficiency in any such account, and in the event PFC Revenues credited to the Segregated Account are insufficient to make up such deficiency, Revenues shall be credited to said account in an amount necessary, together with the PFC Revenues on deposit therein, to make up such deficiency. To the extent Revenues are credited to any account to make up any deficiency and PFC Revenues subsequently become available prior to the expenditure of such Revenues, such Revenues shall be immediately restored to the Revenue Fund.

PFC Revenues consisting of investment earnings shall be deposited in the Revenue Fund, credited to the Segregated Account, and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on proceeds of PFC Bonds (a) on deposit in the Construction Fund established for PFC Bonds shall be retained therein and applied to the same purposes as the proceeds of such PFC Bonds and after completion of any project financed with said PFC Bonds shall be deposited in the Revenue Fund for credit to the Segregated Account and (b) on deposit in accounts in the Airport Improvement Bond Fund shall be deposited in the Revenue Fund for credit to the Segregated Account. Any excess proceeds of the PFC Bonds whether in the Construction Fund or Airport Improvement Bond Fund, shall be deposited in the Revenue Fund for credit to the Segregated Account.

Hedge, Support and the Financial Agreements

Nothing in the Basic Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from entering into Hedge Agreements, Support Agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Revenues and secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds; provided such payments shall meet the requirements of Section 2.2 of the Basic Resolution; provided, further, that Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds, and provided further that the Authority may determine that payments in connection with any Hedge Agreement other than an Integrated Swap Agreement may, in lieu of being treated as a debt service on Bonds or interest on Bonds and without complying with the requirements of Section 2.2 of the Basic Resolution, be treated as payments payable from surplus moneys of the Authority in the Revenue Fund. In the event any such payments, other than payments constituting principal, of premium, if any, and interest on, Bonds, shall be secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds, a separate account shall be established in the Airport Improvement Bond Fund for the payment thereof and payments to such account shall be made ratably from Revenues at the time Revenues are disbursed to the other accounts in the Airport Improvement Bond Fund pursuant to Section 4.2 of the Basic Resolution. For the purposes of Sections 2.2 and 5.2 of the Basic Resolution and for any other provisions of the Basic Resolution as otherwise appropriate, any obligation to make payments which are payable from Revenues and secured by a lien on and pledge of Revenues on a Parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds as provided in Section 2.11 of the Basic Resolution shall be deemed and treated as a "Bond" under the Basic Resolution.

Rate Covenant

The Authority shall impose and prescribe, or cause to be imposed or prescribed, such schedule of rates, rentals, fees and charges for the use and services of, and the facilities and commodities furnished by, the Airport, and shall revise, or cause to be revised, the same from time to time whenever necessary, and collect, or cause to be collected, the income, receipts and other moneys derived therefrom, so that the Airport shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Revenues at least sufficient (i) to pay the principal of and interest and premium on any Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay the City of Memphis and the County of Shelby or other municipality as and when the same are due all amounts required to be paid to them by reason of the payment by them of the principal of and interest and premium on all bonds, notes or other evidences of indebtedness issued to finance all or any portion of the Airport (iii) to pay as and when the same becomes due all Costs of Operation and Maintenance; (iv) to pay when the same become due, any and all other claims, charges or obligations payable from Revenues; and (v) to carry out all provisions and covenants of the Basic Resolution. Without limiting the provisions of the next preceding sentence of this section, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Revenues in an amount at least equal to one hundred twenty-five percent (125%) of the Debt Service Requirement on all Bonds Outstanding.

In the event there are Outstanding any Variable Rate Bonds, in determining the rates, rentals, fees and charges the payment of the principal of and interest on the Variable Rate Bonds shall be calculated at the maximum rate borne by the Variable Rate Bonds for the twelve month period then ended at the time of calculation.

The Authority shall adopt such resolutions and prescribe and enforce such rules and regulations, or impose such contractual obligations, for the payment of such rates, rentals, fees and charges, including without limitation, the imposition of penalties for any defaults, to the end that the Authority shall at all times be in compliance with the provisions of the Resolution.

Construction Funds and Accounts Therein

In the event Bonds are issued to pay Costs of Construction of Airport projects, the Authority shall, in the Supplemental Resolution authorizing such Bonds, create a Construction Fund, with subaccounts, into which shall be deposited that amount to be applied to payment of such Costs of Construction.

Withdrawal of moneys on credit to the Construction Fund (other than moneys on credit to a Construction Interest Account) shall be made only in accordance with applicable law upon written requisition and by certificate signed by an authorized officer of the Authority, and for certain Costs of Construction, an additional certificate by the project supervisor supervising construction of the Project.

Moneys on credit to the Construction Fund shall be invested in Investment Securities. Interest and income from such investment shall be credited to the Construction Fund to be used and applied as are other moneys in such fund.

Whenever all Costs of Construction have been paid in full, or an amount has been set aside in the Construction Fund for that purpose, the balance of moneys credited to such Construction Fund shall be applied by the Authority for one or more of the following purposes: rebates to the United States to the extent required by the Internal Revenue Code of 1986, deposit to the Airport Improvement Bond Fund for purchase or redemption of Bonds, payment of the cost of additional exempt facilities (as such term is defined in said Code) or any other appropriate purpose.

Application of Revenues

Revenue Fund

The Revenue Fund created and established by the General Revenue Bond Resolution into which all Revenues are deposited, to be held and administered by the Authority is continued so long as any Bonds are Outstanding. Moneys in the Revenue Fund shall be used and applied in the following order of priority:

First, there shall be applied each month the amount which the Authority determines to be required to pay Costs of Operation and Maintenance;

Second, there shall be deposited each month into the Airport Improvement Bond Fund and the accounts therein the amounts required by the Resolution to be used for the purposes specified therein;

Third, so long as the Authority shall be required to make payments to the City or the County or other municipality for the payment by such city, county or other municipality of principal, interest and premiums on bonds, notes or other evidences of indebtedness issued by it for the Airport, there shall be set aside in the separate account of the Authority continued under the Basic Resolution that amount which, together with other moneys credited to such account, if the same amount were set aside in such account in each month thereafter prior to the next date on which the Authority is required to make payments to the City or the County or other municipality, as the case may be, for the payment by the City, County or other municipality of principal of and interest and premium on the bonds, notes or other evidences of indebtedness issued by it for the Airport, the aggregate of the amounts so set aside in such separate account will on such next date be equal to the payment required to be made on such date by the Authority to the City or the County or such other municipality, as the case may be; and

Fourth, any moneys remaining may be used by the Authority for any lawful purpose of the Authority.

Moneys in the Revenue Fund shall be invested and reinvested by the Authority. All earnings on and income from investments of moneys in the Revenue Fund shall be deposited in the Revenue Fund.

Airport Improvement Bond Fund

The Airport Improvement Bond Fund is created as a special fund to provide for the punctual payment of the principal, interest, and premium, if any; on any Bonds when due.

Interest Account. A separate account in the Airport Improvement Bond Fund is established for each Series of Bonds to provide for the payment of any installment of interest due on such Series of Bonds Outstanding, unless otherwise provided for by the Construction Interest Account. In each month, commencing with the last business day of the month which follows the month for which interest on such Series of Bonds, if any, is provided from moneys credited to the Construction Interest Account for such Series of Bonds, or, if no interest on such Series of Bonds is provided from moneys credited to a Construction Interest Account, commencing with the last business day of the month which follows the month in which the Series of Bonds is delivered and paid for, there shall be deposited in each Interest Account (a) with respect to each Series of Bonds other than Variable Rate Bonds which have interest payment dates occurring at intervals of one month or less, commencing with the last business day of the month which follows the month in which such Series of Bonds is delivered and paid for, and continuing on the last business day of each month thereafter so long as any of the Bonds of each such Series are Outstanding, an amount such that, if the same amount were so credited to each such Interest Account on the last business day of each succeeding month thereafter, the aggregate of such amounts on credit to each such Interest Account on the last business day of the month preceding an interest payment date would be equal to the amount required to pay, or to reimburse a draw on the Support Facility made to provide funds for the payment, of the installment of interest falling due on each Series of Bonds on the Interest Payment Date therefor, and (b) with respect to Variable Rate Bonds which have interest payment dates occurring at intervals of one month or less, on the last business day prior to each interest payment date to and including the last business day prior to a date on which the interest rate may be fixed, if any, the amount required to be credited to the Interest Account established for such Variable Rate Bonds together with other funds available therefor in the Interest Account, to pay; or to reimburse a draw on the Support Facility made to provide funds for the payment of the interest payable on the Outstanding Variable Rate Bonds on each interest payment date.

Serial Principal Account. A separate account in the Airport Improvement Bond Fund is established for the purpose of paying the principal of or to reimburse a financial institution for a draw on the Support Facility made to provide funds for the payment of such Bonds issued and maturing serially. Commencing with the last business day of the month which is twelve (12) months prior to the first principal payment date of any Bonds maturing serially and in each month thereafter so long as any Bonds so maturing are Outstanding, the Authority shall credit to the Serial Principal Account an amount such that, if the same amount were so credited to the Serial Principal Account on the last business day of each succeeding month thereafter, the aggregate of such amounts on credit to the Serial Principal Account on each such principal payment date would be equal to the principal amount of all such Bonds becoming due on such principal payment date.

Sinking Fund Account. A separate account in the Airport Improvement Bond Fund is established to provide for the retirement of any Bonds issued as term bonds. Commencing with the last business day of the month which is twelve (12) months prior to the first mandatory retirement of any term bonds and on the last business day of each month thereafter, so long as any term bonds are Outstanding, the Authority shall transfer to the Sinking Fund Account an amount such that, if the same amount were so credited to the Sinking Fund Account on the last business day of each succeeding month thereafter, the aggregate of the amounts on credit to the Sinking Fund Account on the last business day of the month next preceding a mandatory retirement date would be sufficient to retire such term bonds in the principal amounts and at the times specified in the Supplemental Resolution providing for the issuance thereof.

Unless and except as otherwise provided in a Supplemental Resolution, the Authority may apply moneys credited to the Sinking Fund Account to the purchase of Bonds of a particular Series issued in term form, in which case the principal amount required to be redeemed on the next ensuing installment date shall be reduced by the principal amount of the Bonds so purchased; provided that no Bonds shall be purchased during the interval between the date on which notice of redemption is given and the date of redemption set forth in such notice unless the Bonds purchased are called for redemption in the notice or are purchased from moneys other than those credited to this Account. No purchase of Bonds shall be made if the purchase would require the sale at a loss of securities credited to the Sinking Fund Account unless the difference between the actual purchase price paid and the then maximum purchase price permitted to be paid is greater than the loss upon sale of such securities. The purchase price shall not exceed the then applicable redemption price of such Bonds plus accrued interest.

Debt Service Reserve Account. A separate account in the Airport Improvement Bond Fund may be established for each Series of Bonds to provide moneys which constitute a reserve for the payment of the principal, interest and premium, if any, on such Series of Bonds. The Debt Service Reserve Account Requirement for each Series of Bonds shall be that amount provided for in the Supplemental Resolution providing for the issuance of such Series of Bonds. No Bonds other than Bonds of the Series for which such account has been created shall have any right to be paid from such account. In the event Revenues are insufficient to make all the deposits required to be made to the Airport Improvement Bond Fund, such Revenues shall be deposited therein without regard to the existence of the Debt Service Reserve Accounts for the respective Series of Bonds.

Moneys on credit to a Debt Service Reserve Account shall be used and applied whenever there are insufficient moneys with respect to the Series of Bonds for which the Account was created on credit to the Interest Account, Serial Principal Account and Sinking Fund Account. Investment of moneys credited to the Debt Service Reserve Accounts shall be in Investment Securities maturing within the earlier of eight years or the final maturity date of the Series of Bonds then Outstanding for which the Account was created.

Additional Covenants of the Authority

The Basic Resolution contains certain covenants made by the Authority with the holders of all Bonds issued pursuant to the Resolution including but not limited to the following:

To Pay Principal, Premium and Interest of Bonds. The Authority will pay solely from the Revenues and other moneys pledged under the Resolution the principal of and interest and premium, if any, on each and every Bond when due.

To Operate and Maintain Airport. The Authority covenants that it shall operate, maintain and manage the Airport as a revenue-producing enterprise and in a manner consistent with the protection of the holders of the Bonds.

Agreements with Creating and Participating Municipalities. The Authority covenants that it will comply with, and enforce its rights under, the agreements with its creating and participating municipalities (defined in the Metropolitan Airport Authority Act). The Authority shall not consent to any amendments to airport use agreements now existing, or such agreements having expired or otherwise having terminated, enter into new airport use agreements or consent to any amendments to its agreements with said creating and participating municipalities, which would impair or diminish the security and payment of the Bonds.

Books and Accounts; Audits. The Authority covenants that it will maintain and keep proper books of account showing the amount and application of Revenues available for the purposes of the Resolution and all financial transactions in connection therewith, and shall cause such accounts to be audited by an independent certified public accountant annually, the audit to be completed within 120 days after the close of each Fiscal Year. A copy of such annual audit report shall be made available for public inspection and sent to the Trustee and any holder of Bonds upon written request.

No Superior or Equal Lien Bonds; Junior Lien Obligations Permitted. Except for the Bonds issued in accordance with the Resolution, the Authority covenants that it will not create or issue any evidences of indebtedness or additional indebtedness which will rank prior to or on a parity with the Bonds, or be secured by a lien and charge on the Revenues superior or equal to the lien and charge of the Bonds and the interest thereon, or superior or equal to the lien and charge on the Revenues or the payments and credits to be made therefrom under the Basic Resolution to the Accounts in the Airport Improvement Bond Fund. Nothing in the Basic Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness junior and subordinate to the payments and credits from Revenues to be made under the Resolution, or secured by a lien junior and inferior to the lien and charge on the Revenues or any special account therein as set out in the Resolution.

Not to Encumber or Dispose of Airport Properties; Condemnation. The Authority covenants not to encumber any real or personal property constituting the Airport, or create any liens, pledges or charges upon the Revenues and money in the Revenue Fund other than those specified in the Resolution, and that it shall not sell, lease or dispose of all or substantially all of the Airport properties without simultaneously depositing, in accordance with the Basic Resolution, an amount of cash or Governmental Obligations (as defined below) sufficient so that no Bonds are any longer deemed Outstanding.

In the customary course of its business, the Authority may execute leases, licenses and agreements not inconsistent with the Resolution. The Authority may also enter into Special Facility Leases and may sell, lease or otherwise dispose of unserviceable, inadequate or obsolete properties or facilities Revenues from such sale, lease or disposition shall be applied to any lawful purpose of the Authority The amounts of any condemnation awards received by the Authority shall be held separate and apart in a special fund and applied to any lawful purpose.

Insurance. The Authority covenants that it will carry insurance with generally recognized responsible insurers at least to the extent similar insurance is usually carried by Airport operators operating properties similar to the Airport and that it shall seek the advice of an independent insurance consultant(s) to advise and assist the Authority with respect to the insurance program of the Airport.

Covenant Regarding Leases. The Authority covenants to obtain from each nongovernmental lessee of property financed with the proceeds of Bonds at the time the lease in question is executed an election by such nongovernmental lessee not to claim depreciation or an investment credit with respect to such property. Such election need not be obtained if the Authority shall obtain an Opinion of Counsel (who may be bond counsel to the Authority) that any failure to obtain such election will not cause the interest on the Bonds, which at the time of issuance thereof was not subject to federal income taxation, to be subject to federal income taxation.

Amending and Supplementing the Resolution

Without the consent of the holder of any Bond, the Authority may, from time to time, adopt a Supplemental Resolution providing for (i) the issuance of Bonds, Additional Bonds and Refunding Bonds; (ii) any changes, modifications, amendments or deletions to permit the Resolution to be qualified under the Trust Indenture Act of 1939; and (iii) any one or more of the following purposes if such modification will not adversely affect the right of any Bondholder: to change or correct the Resolution where advised by counsel that the changes are required to cure any ambiguity or mistake; to add additional covenants to further secure the payment of the Bonds; to surrender any right, power or privilege conferred upon the Authority by the Basic Resolution or any Supplemental Resolution; to confirm as further assurance any lien, pledge or charge created by the Basic Resolution or any Supplemental Resolution; to lawfully grant any additional rights to holders of the Bonds or to grant to the Trustee for the benefit of the Bondholders any additional rights, duties, power or authority; and to provide for the issuance of Bonds in book-entry or coupon form.

With the consent of MBIA and of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Authority may adopt a Supplemental Resolution amending or supplementing the Basic Resolution; provided that the consent of the holder of each Bond which would be affected is required to: (1) change the maturity date for the payment of principal or dates for payment of interest or terms of redemption or reduce the principal amount or rate of interest thereof or any premium payable on redemption; (2) reduce the percentage of Bonds the holders of which are required to consent to any amendment or supplement to the Basic Resolution; or (3) give to any Bond any preference over any other Bond. After the holders of the required percentage of Bonds have filed their consents to any amending or supplementing of the Basic Resolution, the Authority shall mail notice setting forth the substance of the proposed amendment of supplement, postage prepaid, to each registered owner of Bonds then Outstanding.

If payment of debt service on a Series of Bonds is insured or otherwise credit enhanced, the issuer of the policy or credit enhancement may, at the option of the Authority, be considered as the Bondholder of such Series for purposes of consenting to amendments as provided by the Resolution.

Meetings of Bondholders. The Basic Resolution provides that the holders of not less than 20% of the Bonds Outstanding may call a meeting at any time: to consent to, approve, request or direct any action as required in the Resolution (including consenting to amendments or supplements or waiving a default or Event of Default); to give notices to the Authority; and to take further action permitted or for any other purpose concerning payment, security or enforcement of the Bonds.

Events of Default

Each of the following shall constitute an Event of Default: (a) default in the payment of principal, interest or premium, if any, on any Bond when due); (b) default in the performance of any other covenant, condition, agreement or provision contained in the Bonds or the Resolution for 60 days after written notice is given to the Authority of such failure by the Trustee, or to the Authority and the Trustee by the holders of not less than 25% of the principal amount of the Bonds Outstanding or any committee therefor, or (c) certain proceedings in bankruptcy or reorganization.

If an Event of Default has occurred and is continuing, the Trustee may and upon the written request of the holders of not less than 25% in principal amount of the Bonds Outstanding shall, by written notice to the Authority ipso facto declare the principal and interest on all Bonds immediately due and payable; provided that the principal and interest on Bonds shall not be declared immediately due and payable without the consent of MBIA.

Upon the occurrence of an Event of Default, the Trustee shall become vested with all the properties, rights and obligations of the Trustee as set forth in the Basic Resolution and shall take possession of, or supervision over the funds and accounts created under the Basic Resolution, including any Construction Fund created under any Supplemental Resolution, and collect and apply all Revenues and moneys in the same manner as the Authority itself might do, and shall act in place of the Authority in the exercise of all the rights and duties of the Authority under the Basic 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, shall, exercise any or all of the following remedies to the extent that the same shall then be legally available:

(a) The Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds by a suit or suits in equity, in bankruptcy or at law either in mandamus or for the specific performance of any covenant or agreement contained in the 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 Resolution.

(b) The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Bonds, to obtain the appointment of a receiver for the Airport, which receiver may enter upon and take possession of the Airport and fix rates and charges and collect all Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do.

Except as otherwise specifically permitted by the Resolution, no Bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions of the Resolution or of any remedies under the Resolution unless the Trustee, after a request in writing by the holders of 25% in aggregate principal amount of the Outstanding Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for 60 days to take such action; provided, however that the right of any holder of any Bond to receive payment of principal or interest, or both, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder.

If an Event of Default shall have occurred and be continuing, and in the event the Trustee shall have failed or refused to comply with the written request of the holders of Bonds as described in the preceding paragraph, the holders of not less than 20% of the Bonds Outstanding may call a meeting and elect a Bondholders' Committee. The holders of a majority of Bonds outstanding, in person or by proxy, constitute a quorum, and can elect, by minority vote, one or more persons to act as Trustee for all Bondholders.

Special Facility Bonds; Special Facilities

The Authority may issue Special Facility Bonds for the purpose of constructing a Special Facility (hangar overhaul, maintenance or repair building, or other aviation or space or airport or air navigation facility, including hotels, garages and other facilities related to the Airport) on land constituting a part of the Airport or which may be acquired for such purpose. The Authority may lease the Special Facility under the following conditions:

(1) No Special Facility may be constructed and leased where the services to be provided there are already available to the Airport, or if a lease would result in an estimated reduction of Revenues below the minimum covenanted to be produced in the Resolution;

(2) The Special Facility Lease shall be entered into pursuant to which the lessee shall pay (i) in periodic installments, a fixed rental sufficient to pay principal and interest on all Special Facility Bonds to be issued to pay the cost of construction or acquisition of a Special Facility; (ii) such further rentals necessary to maintain reserves required for such Bonds; and (iii) unless a ground rental is provided for, additional rentals to cover the cost of administrative expenses to the Authority; and

(3) If the land on which the Special Facility is to be constructed constitutes a part of the Airport, the lessee shall make additional payments for ground rentals free and clear of all other charges under the Special Facility Lease. If the Special Facility is located on land included in the Airport, all rentals in excess of those required to pay the Special Facility Bonds and connected expenses shall be paid to the Authority for its own use and purposes. Payments made under these conditions constitute Revenues to be paid into the Revenue Fund.

Special Facility Bonds shall be payable solely from the rentals pursuant to the Special Facility Lease; shall not be a charge or claim against the Revenues; shall mature within both the useful life of the facility and the term of the Special

Facility Lease, and shall not be issued until the following conditions are met: (A) The Authority shall find and determine, and an Airport Consultant shall concur in a written opinion, the estimated useful life of the Special Facility, that the construction of a Special Facility and lease thereof do not violate the Resolution, that a lease has been entered into and that the rentals are sufficient to pay the principal and interest on any Special Facility Bonds, and additional charges, and that any additional rentals would be fair and reasonable; and (B) Counsel to the Authority and counsel to the lessee shall file an opinion with the Authority that the leases entered into are valid and binding.

Outstanding Bonds or an issue of Special Facility Bonds may be refunded by an issue of refunding Special Facility Bonds or by Additional Bonds under conditions provided for in the Resolution.

AGM Deemed Holders of Bonds

AGM shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to the Resolution.

Discharge of Liens and Pledges; Bonds No longer Outstanding

The obligations of the Authority under the Resolution, including all Supplemental Resolutions, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding (i) when such Bond is cancelled or purchased by the Authority from moneys in the Airport Improvement Bond Fund; or (ii) when the principal, interest and premium, if any on any Bond shall have been paid or moneys sufficient to make such payment, or Governmental Obligations, are irrevocably set aside with the Paying Agent to make such payment.

For purposes of discharging the obligations of the Authority with respect to the Bonds, Government Obligations shall mean (a) any of the Investment Securities defined in clauses (i), (ii) (iii) and (iv) of the definition of Investment Securities hereof, (b) Refunded Municipal Obligations, and (c) evidences of ownership of a proportionate interest in specified Refunded Municipal Obligations, which Refunded Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or possession thereof in the capacity as custodian. Such Governmental Obligations shall be either (i) non-callable, or (ii) not subject to redemption prior to the stated maturity date of Bonds being defeased, or (iii) have theretofore been irrevocably called such that the redemption date is the equivalent of the stated maturity of Bonds being defeased.

In the case of Bonds which, by their terms, may be redeemed or otherwise prepaid prior to their stated maturity dates, and which the Authority elects to redeem or prepay, no deposit of moneys or Governmental Obligations shall constitute such discharge and satisfaction until the Bonds have been irrevocably called or designated for redemption or prepayment, and until proper notice of redemption or prepayment is given in accordance with the Resolution, or irrevocable provision shall have been made for the giving of such notice; provided that nothing in the Resolution shall require or be deemed to require the Authority to elect to redeem or prepay any such Bond.

Moneys on deposit with the Paying Agent may be invested and reinvested in Governmental Obligations, and all income therefrom which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited shall be paid to the Authority.

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APPENDIX F – FORM OF CONTINUING DISCLOSURE UNDERTAKING

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FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") dated as of February 4, 2010 by the Memphis-Shelby County Airport Authority (the "Issuer") under a Basic Resolution and a Supplemental Resolution adopted by the members of the Issuer on January 29, 1988, as amended, and November 19, 2009 respectively (collectively referred to as the "Resolution"), is executed and delivered in connection with the issuance of the Issuer's $30,290,000 principal amount Airport Revenue Bonds, Series 2010A (the "Bonds"). Capitalized terms used in this Undertaking which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The Issuer agrees as follows:

ARTICLE I

The Undertaking

Section 1.1 Purpose. This Undertaking 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. (1) The Issuer shall provide Annual Financial Information with respect to each Fiscal Year of the Issuer, commencing with Fiscal year ending June 30, 2010, by no later than six (6) months after the end of the respective Fiscal Year, to the MSRB.

(2) 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 the MSRB.

Section 1.3 Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(1) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB..

Section 1.4 Material Event Notices. (1) If a Material Event occurs, the Issuer shall provide, in a timely manner, notice of such Material Event to the MSRB and the Trustee.

(2) Upon any legal defeasance of Bonds, the Issuer shall provide notice of such defeasance to the MSRB. Any such notice of a defeasance of Bonds shall state whether the 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 Undertaking 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 Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking 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 Undertaking. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.7 No Previous Non-Compliance. The Issuer represents that in the previous five years, it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

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 Information (but not notices of Material Events) by specific reference to documents (i) either (1) available to the public on the MSRB Internet Website or (2) filed with the SEC.

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 Transmission of Information and Notices. Unless otherwise required by law 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 2.4 Fiscal Year. (1) The Issuer's current Fiscal Year is July 1-June 31, and the Issuer shall promptly notify the MSRB and the Trustee 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. (1) This Undertaking shall be effective upon the issuance of the Bonds.

(2) The Issuer's obligations under this Undertaking shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(3) This Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Undertaking, or such provision, as the case may be, do not or no longer apply to the 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. (1) This Undertaking may be amended, by written amendment of the Issuer, without the consent of the holders of the Bonds (except to the extent required under clause (d)(ii) of this Section 3.2), if all of the following conditions are satisfied: (a) 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, (b) this Undertaking as so amended would have complied with the requirements of the Rule as of the date of this Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (c) the Issuer shall have delivered an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (b) above, (d) either (i) the Issuer shall have delivered 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 Bonds or (ii) the holders of the Bonds consent to the amendment to this Undertaking pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to Section 6.02 of the Master Resolution as in effect on the date of this Undertaking, and (e) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(2) This Undertaking may be amended, by written agreement of the parties, without the consent of the holders of the 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 Undertaking which is applicable to this Undertaking, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Undertaking 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.

(3) In addition to subsections (1) and (2) above, this Undertaking may be amended in writing by the Issuer, without the consent of the holders of the 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.

(4) To the extent any amendment to this Undertaking results in a change in the type of financial information or operating data provided pursuant to this Undertaking, 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.

(5) If an amendment is made pursuant to Section 3.2(1) 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. (1) The provisions of this Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Undertaking. The provisions of this Undertaking shall create no rights in any person or entity except as provided in this Section 3.3

(2) The obligations of the Issuer to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds when the Trustee is authorized to act in accordance with Section 11.01 of the Basic Resolution, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds when the Trustee is authorized to act in accordance with Section 11.01 of the Basic Resolution; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' rights to enforce the provisions of this Undertaking 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 Undertaking. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (1) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (2).

(3) Any failure by the Issuer to perform in accordance with this Undertaking 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.

(4) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking 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 Undertaking shall have the following respective meanings:

(a) "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: financial information or operating data of the types included in the Official Statement relating to the Bonds, dated January 21, 2010, under the headings “THE AIRPORT-OPERATING STATISTICS”, “AIRPORT FINANCIAL INFORMATION”, and “MANAGEMENT DISCUSSIONS OF RECENT TRENDS AND DEVELOPMENTS”, and (ii) the information regarding amendments to this Undertaking required pursuant to Sections 3.2(4) and (5) of this Undertaking. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (a) 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.

(b) "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(1) 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(1) hereof shall include a reference to the specific Federal or State law a regulation describing such accounting principles, or other description thereof.

(c) "Counsel" means Hawkins Delafield & Wood LLP, or other nationally recognized bond counsel or counsel expert in federal securities laws.

(d) "Event of Default" means an "event of default" as defined in Section 7.01 of the Master Resolution.

(e) "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.

(f) "Material Event" means any of the following events with respect to the 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 Bonds;

(vii) modifications to rights of Bondholders;

(viii) bond calls

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds; and

(xi) rating changes.

(g) "MSRB" shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the single centralized repository for the collection and availability of continuing disclosure documents for purposes of the Rule, or any successor thereto. The continuing disclosure must be provided to the MSRB to the following:

Municipal Securities Rulemaking Board
Electronic Municipal Market Access Center
http://emma.msrb.org

(h) "Official Statement" means "final official statement", as defined in paragraph (f)(3) of the Rule.

(i) "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 Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

(j) "SEC" means the United States Securities and Exchange Commission.

(k) "State" means the State of Tennessee.

(l) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1 Counterparts. This Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Issuer has caused this Undertaking to be executed by its duly authorized representative and has caused its corporate seal to be hereunto affixed and attested by an authorized representative, all as of the date first above written.

[SEAL]

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

By:____
Scott A. Brockman, Executive V.P.,
Chief Operating Officer/Authority Treasurer
Memphis-Shelby County Airport Authority

APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

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)

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