

**NEW ISSUE  
BOOK-ENTRY ONLY**

**Ratings: See "RATINGS" herein.**

*In the opinion of Kutak Rock LLP, Bond Counsel to the Commission, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Subordinate Series 2011A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Subordinate Series 2011A Bonds is not includible in taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includible in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes. For a more complete description, see "TAX MATTERS" herein.*

**\$52,015,000**

**MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION  
Subordinate Airport Revenue Refunding Bonds  
Series 2011A  
(Non-AMT)**

**Dated:** Date of Delivery

**Due:** January 1, as shown on the inside cover

The Metropolitan Airports Commission (the "Commission") is issuing its Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A (the "Subordinate Series 2011A Bonds") to advance refund and defease the Refunded Bonds and pay the costs of issuance of the Subordinate Series 2011A Bonds, as described herein. See "PLAN OF REFUNDING AND APPLICATION OF THE SUBORDINATE SERIES 2011A BOND PROCEEDS" herein.

The Subordinate Series 2011A Bonds are limited obligations of the Commission payable solely from and secured by (a) a pledge of Subordinate Revenues which include certain income and revenue received by the Commission from the operation of the Airport System less all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, less all amounts necessary to pay debt service and reserve and replenishment requirements on and relating to the Senior Parity Bonds, and (b) other amounts payable under the Subordinate Indenture. The Subordinate Series 2011A Bonds will be issued with a pledge of and lien on Subordinate Revenues on parity with the Commission's Prior Subordinate Bonds (including the Refunded Bonds) which, as of September 1, 2011, were outstanding in the aggregate principal amount of \$746,465,000.

**THE SUBORDINATE SERIES 2011A BONDS ARE NOT GENERAL OBLIGATIONS, BUT ARE LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE FROM A LIEN ON SUBORDINATE REVENUES, AS DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMISSION, THE CITY OF MINNEAPOLIS, THE CITY OF ST. PAUL, THE STATE OF MINNESOTA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY OF THE STATE, OTHER THAN THE COMMISSION, TO THE EXTENT OF THE SUBORDINATE REVENUES IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SUBORDINATE SERIES 2011A BONDS. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SUBORDINATE SERIES 2011A BONDS.**

The Subordinate Series 2011A Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Subordinate Series 2011A Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Interest on the Subordinate Series 2011A Bonds will be payable on January 1 and July 1, commencing on January 1, 2012. So long as the Subordinate Series 2011A Bonds are held by DTC, the principal of and interest on the Subordinate Series 2011A Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the Subordinate Series 2011A Bonds, as more fully described herein.

**The Subordinate Series 2011A Bonds are subject to optional redemption prior to maturity, as more fully described herein.**

**The purchase and ownership of the Subordinate Series 2011A Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Subordinate Series 2011A Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS" herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.**

*The Subordinate Series 2011A Bonds are offered, when, as and if issued by the Commission, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Commission, and to certain other conditions. Certain matters will be passed upon for the Commission by Thomas W. Anderson, Esq., General Counsel to the Commission, and certain legal matters will be passed upon for the Commission by Kutak Rock LLP, as Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Hogan Lovells US LLP. Jefferies & Company, Inc. has served as Financial Advisor to the Commission. It is expected that the Subordinate Series 2011A Bonds in book-entry form will be available for delivery through the facilities of DTC on or about November 2, 2011.*

**Barclays Capital**

**Citigroup**

**J.P. Morgan**

**Piper Jaffray & Co.**

**RBC Capital Markets**

**Wells Fargo Securities**

**Date of Official Statement:** October 4, 2011.

## MATURITY SCHEDULE

**\$52,015,000**  
**Minneapolis-St. Paul Metropolitan Airports Commission**  
**Subordinate Airport Revenue Refunding Bonds**  
**Series 2011A**  
**(Non-AMT)**

<b>Maturity Date (January 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>1</sup></b>
2016	\$4,145,000	5.00%	1.68%	603827UG9
2017	4,350,000	5.00	2.02	603827UH7
2018	4,570,000	5.00	2.39	603827UJ3
2019	4,800,000	5.00	2.75	603827UK0
2020	5,035,000	5.00	3.01	603827UL8
2021	5,290,000	5.00	3.16	603827UM6
2022	5,555,000	5.00	3.35 <sup>C</sup>	603827UN4
2023	5,825,000	5.00	3.52 <sup>C</sup>	603827UP9
2024	6,115,000	3.50	3.70	603827UQ7
2025	6,330,000	5.00	3.83 <sup>C</sup>	603827UR5

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<sup>C</sup> Priced to the par call date of January 1, 2021.

<sup>1</sup> Copyright 2011, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Commission and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Subordinate Series 2011A Bonds. Neither the Commission nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

## **METROPOLITAN AIRPORTS COMMISSION**

Daniel Boivin  
Chair

Carl Crimmins	Michael Madigan
James Deal	John McClung
Greg Foster	Tammy Mencil
Timothy Geisler	Donald Monaco
Pat Harris	Lisa Peilen
Rick King	Paul Rehkamp
Mike Landy	Dr. John Williams

### **MANAGEMENT OF THE COMMISSION**

Executive Director	Jeffrey W. Hamiel
Deputy Executive Director, Finance and Administrative Services	Stephen L. Busch
Deputy Executive Director, Planning and Environment	Dennis Probst
Deputy Executive Director, Human Resources	Jan Nielsen
Deputy Executive Director, Operations	Timothy Anderson
General Counsel	Thomas W. Anderson
Director of Finance	Robert C. Schauer

### **BOND COUNSEL AND DISCLOSURE COUNSEL**

Kutak Rock LLP

### **FINANCIAL ADVISOR**

Jefferies & Company, Inc.

### **SUBORDINATE TRUSTEE AND ESCROW AGENT**

Wells Fargo Bank,  
National Association

### **INDEPENDENT AUDITORS**

BKD, LLP

### **VERIFICATION AGENT**

Causey Demgen & Moore Inc.

No dealer, broker, salesperson or other person has been authorized by the Commission to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Subordinate Series 2011A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Subordinate Series 2011A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See “INTRODUCTION—Forward-Looking Statements” herein.

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

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 Commission since the date hereof. This Official Statement is submitted in connection with the sale of the Subordinate Series 2011A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SUBORDINATE SERIES 2011A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SUBORDINATE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SUBORDINATE SERIES 2011A BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SUBORDINATE SERIES 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SUBORDINATE SERIES 2011A BONDS TO CERTAIN DEALERS AND OTHERS AT YIELDS HIGHER OR PRICES LOWER THAN THE PUBLIC OFFERING YIELDS AND/OR PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING YIELDS AND/OR PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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## OFFICIAL STATEMENT

**\$52,015,000**  
**MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION**  
**Subordinate Airport Revenue Refunding Bonds**  
**Series 2011A**  
**(Non-AMT)**

### INTRODUCTION

#### General

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the appendices, is to provide certain information concerning the sale and delivery by the Metropolitan Airports Commission (the "Commission" or "MAC") of its \$52,015,000 Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A (the "Subordinate Series 2011A Bonds").

The Subordinate Series 2011A Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended (the "Master Subordinate Indenture"), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), as trustee (the "Subordinate Trustee"), and the Ninth Supplemental Subordinate Trust Indenture, to be dated as of November 1, 2011 (the "Ninth Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture, and all supplements thereto, the "Subordinate Indenture"), by and between the Commission and the Subordinate Trustee. The Subordinate Series 2011A Bonds have been authorized by Resolution No. 2162 adopted by the Commission on September 19, 2011 (the "Resolution"). The Subordinate Series 2011A Bonds are being issued under and in accordance with Minnesota Statutes, Sections 473.601, et seq. (the "Act"). **Capitalized terms used but not otherwise defined herein are defined in Appendix B hereto.**

#### The Commission

The Commission was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national and local) in and through the State of Minnesota (the "State"), promote the efficient, safe and economic handling of air commerce, assure the inclusion of the State in national and international programs of air transportation, and to those ends develop the full potentialities of the Metropolitan Area (as defined below) as an aviation center. The Commission exercises its jurisdiction over any place within 35 miles of the city hall of the City of Minneapolis or the city hall of the City of St. Paul, and over the Minneapolis-St. Paul Metropolitan Area (the "Metropolitan Area"), which includes the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington. See "THE COMMISSION."

#### Minneapolis-St. Paul International Airport and the Airport System

The Commission owns and operates seven airports in the Metropolitan Area, including Minneapolis-St. Paul International Airport (the "Airport" or "MSP"), which serves as the primary Air Carrier (as defined herein) facility, and six reliever airports which serve general aviation, including St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County/Blaine Airport, Lake Elmo Airport and Airlake Airport (collectively, the "Reliever Airports"). For purposes of this Official Statement, "Air Carrier" will mean all major or national commercial airlines, regional or commuter airlines and cargo carriers.

The Airport maintains four air-transport type runways, including two northwest-southeast runways, one north-south runway and one northeast-southwest cross-wind runway. Passenger terminal facilities at the Airport are located in two separate buildings: Terminal 1-Lindbergh Terminal Building (the "Lindbergh Terminal") and Terminal 2-Hubert H. Humphrey Terminal (the "Humphrey Terminal"). According to Airports Council International ("ACI") statistics, in calendar year 2010, the Airport was ranked as the 15<sup>th</sup> busiest airport in the

country as measured by total number of enplaned and deplaned passengers. The Airport is classified by the Federal Aviation Administration (the “FAA”) as a large hub airport (an airport that enplanes 1.0% or more of the total number of passenger boardings at all commercial service airports in the United States). See “THE COMMISSION—The Airport System,” and “MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT.”

### **Delta Air Lines**

The Airport serves as a primary hub in the route system of Delta Air Lines, Inc. (“Delta”). In 2008, Delta acquired Northwest Airlines Corporation, including Northwest Airlines, Inc. (“Northwest”) and its affiliated Air Carriers, Mesaba Airlines (“Mesaba”), Pinnacle Airlines (“Pinnacle”) and Compass Airlines (“Compass”). As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. On January 31, 2010, Delta assumed all of the obligations of Northwest under the leases and agreements between Northwest and the Commission. On July 1, 2010, Delta sold Mesaba and Compass to two separate buyers. According to Delta, under the terms of the sale agreements, Mesaba and Compass will continue to operate Delta Connection flights under long-term, extendable agreements ranging from 7-12 years depending on aircraft type. Delta (including Mesaba, Pinnacle, Compass and Comair) accounted for approximately 78.7% of all passengers enplaned at the Airport in 2010.

See “THE AIRPORT AGREEMENTS—Airline Lease Agreements,” “AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta” and “CERTAIN INVESTMENT CONSIDERATIONS—Dominance of Delta at the Airport.”

### **Purpose of the Subordinate Series 2011A Bonds**

Proceeds from the sale of the Subordinate Series 2011A Bonds, along with certain other available moneys, will be used to advance refund and defease the Refunded Bonds (as defined herein) and pay the costs of issuance of the Subordinate Series 2011A Bonds, all as further described herein. See “PLAN OF REFUNDING AND APPLICATION OF THE SUBORDINATE SERIES 2011A BOND PROCEEDS” and “DESCRIPTION OF THE SUBORDINATE SERIES 2011A BONDS.”

### **Security for the Subordinate Series 2011A Bonds**

The Subordinate Series 2011A Bonds will be secured by a pledge of and lien on Subordinate Revenues (as defined herein) on parity with the outstanding Prior Subordinate Bonds (as defined below) and any additional obligations issued or incurred on parity with the Subordinate Series 2011A Bonds under the terms and provisions of the Master Subordinate Indenture (the “Additional Subordinate Obligations”). For purposes of this Official Statement, “Subordinate Obligations” means the Subordinate Series 2011A Bonds, the Prior Subordinate Bonds and any Additional Subordinate Obligations. Payment of the debt service on the Subordinate Obligations is subordinate to the payment of Maintenance and Operation Expenses of the Airport System and debt service and reserve and replenishment requirements on and relating to the Senior Parity Bonds (as defined herein). Subordinate Revenues are available for the equal and proportionate benefit of all Subordinate Obligations, except for the timing of payment of such Subordinate Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Flow of Funds, “—Pledge of Subordinate Revenues” and “—Use of PFCs to Pay Debt Service” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Subordinate Obligations.”

**The Subordinate Series 2011A Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by (a) a pledge of Subordinate Revenues which will include certain income and revenue received by the Commission from the operation of the Airport System less all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System less all amounts required to pay debt service and reserve and replenishment requirements on and relating to the Senior Parity Bonds, and (b) other amounts payable under the Subordinate Indenture. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State, other than the Commission, to the extent of the Subordinate Revenues, is pledged to the payment of the principal of and interest on the Subordinate Series 2011A Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2011A Bonds.**

## **Outstanding Subordinate Obligations**

Pursuant to the Master Subordinate Indenture and various Supplemental Subordinate Indentures, the Commission has previously issued and as of September 1, 2011 there was outstanding \$746,465,000 aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2003A (the “Subordinate Series 2003A Bonds”), Subordinate Airport Revenue Bonds, Series 2005A (the “Subordinate Series 2005A Bonds”), Subordinate Airport Revenue Bonds, Series 2005B (the “Subordinate Series 2005B Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2005C (the “Subordinate Series 2005C Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2007B (the “Subordinate Series 2007B Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2010C (the “Subordinate Series 2010C Bonds”), and Subordinate Airport Revenue Refunding Bonds, Series 2010D (the “Subordinate Series 2010D Bonds,” and collectively with the Subordinate Series 2003A Bonds, the Subordinate Series 2005A Bonds, the Subordinate Series 2005B Bonds, the Subordinate Series 2005C Bonds, the Subordinate Series 2007B Bonds and the Subordinate Series 2010C Bonds, the “Prior Subordinate Bonds”). The Subordinate Series 2011A Bonds, the Prior Subordinate Bonds and any Additional Subordinate Obligations are secured on a parity basis by the Subordinate Revenues. See “PLAN OF REFUNDING AND APPLICATION OF THE SUBORDINATE SERIES 2011A BOND PROCEEDS,” for a description of the Commission’s plans to refund and defease all or a portion of the outstanding Subordinate Series 2003A Bonds with a portion of the proceeds of the Subordinate Series 2011A Bonds. See also “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.”

See also “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Subordinate Obligations” for information on the Commission’s plans to enter into a credit agreement with Wells Fargo Bank, National Association in early November 2011, that will provide the Commission with a short-term borrowing program in an estimated aggregate principal amount up to \$75 million. At this time, the Commission expects that its obligations under the credit agreement will be secured by a pledge of Subordinate Revenues on parity with the Subordinate Series 2011A Bonds.

## **Senior Parity Bonds**

Pursuant to the Master Trust Indenture, dated as of June 1, 1998, as amended and supplemented (the “Senior Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as trustee (the “Senior Trustee”), the Commission has previously issued and as of September 1, 2011 there was outstanding \$766,915,000 aggregate principal amount of its Senior Airport Revenue Refunding Bonds, Series 2007A (the “Senior Series 2007A Bonds”), Senior Airport Revenue Refunding Bonds, Series 2008A (the “Senior Series 2008A Bonds”), Senior Airport Revenue Refunding Bonds, Series 2009A (the “Senior Series 2009A Bonds”), Senior Airport Revenue Refunding Bonds, Series 2009B (the “Senior Series 2009B Bonds”), Senior Airport Revenue Bonds, Series 2010A (the “Senior Series 2010A Bonds”), and Senior Airport Revenue Bonds, Series 2010B (the “Senior Series 2010B Bonds,” and collectively with the Senior Series 2007A Bonds, the Senior Series 2008A Bonds, the Senior Series 2009A Bonds, the Senior Series 2009B Bonds and the Senior Series 2010A Bonds, the “Senior Bonds”). The Senior Bonds are secured by a pledge and lien on Net Revenues (which includes certain income and revenue received by the Commission from the operation of the Airport System less all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System) senior to the Subordinate Obligations (including the Subordinate Series 2011A Bonds).

Additionally, pursuant to Section 473.667 of the Act and various resolutions of the Commission, the Commission has previously issued and as of September 1, 2011 there was outstanding \$214,385,000 aggregate principal of its Taxable General Obligation Revenue Refunding Bonds, Series 15 (the “Series 15 General Obligation Revenue Bonds”) and \$12,205,000 aggregate principal of its General Obligation Revenue Refunding Bonds, Series 16 (the “Series 16 General Obligation Revenue Bonds,” and together with the Series 15 General Obligation Revenue Bonds, the “General Obligation Revenue Bonds”). The Commission also is authorized to issue up to \$55,051,875 of additional General Obligation Revenue Bonds without additional statutory authorization and without having to meet the requirements of the additional bonds test set forth in the Senior Indenture. The General Obligation Revenue Bonds are general obligations of the Commission secured by a pledge and lien on Net Revenues on parity with the Senior Bonds, except as to timing of payments, and senior to the pledge and lien granted the Subordinate

Obligations (including the Subordinate Series 2011A Bonds). If Net Revenues are insufficient to pay principal and interest currently due on the General Obligation Revenue Bonds, the Commission would be required to levy taxes, solely for the payment of principal and interest currently due on the General Obligation Revenue Bonds, on all taxable property within the Metropolitan Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—General Obligation Revenue Bonds.”

In connection with the Series 15 General Obligation Revenue Bonds, Delta (as successor to Northwest) entered into various lease agreements with the Commission, including, among others, lease agreements for a flight training center in Egan, Minnesota, consisting of land, buildings and flight simulators and related equipment. In June 2011, Delta announced that it will be consolidating its pilot and flight attendant training centers, its flight simulator facilities and its TechOps Engineering and technical support teams currently located at the Airport to Hartsfield-Jackson Atlanta International Airport (“Atlanta International Airport”). In connection with these consolidations, Delta currently intends to prepay all lease payments due under the lease agreements Delta (as successor to Northwest) entered into with the Commission with respect to the Series 15 General Obligation Revenue Bonds. The Commission expects Delta will prepay the lease agreements in the first half of 2012. Once Delta prepays the lease agreements, the Commission will use the prepayment moneys, along with certain other available moneys, to redeem all of the then outstanding Series 15 General Obligation Revenue Bonds. See “THE AIRPORT AGREEMENTS—Additional Leases with Delta—Series 15 Lease Agreements.”

The Senior Bonds, the General Obligation Revenue Bonds and such other obligations issued or incurred by the Commission that are payable from Net Revenues on parity with the Senior Bonds and the General Obligation Revenue Bonds, are collectively referred to in this Official Statement as the “Senior Parity Bonds.”

### **Airport Agreements**

Most of the Air Carriers operating at the Airport have entered into an Airline Operating Agreement and Terminal Building Lease – Minneapolis-St. Paul International Airport, as amended, with the Commission (collectively, the “Airline Lease Agreements”). In addition to covering the lease of certain portions of the passenger terminal complex, including the apron, the Airline Lease Agreements cover the use of and charging mechanisms for the airfield facilities. The rates and charges under the Airline Lease Agreements are calculated based on a compensatory rate-setting methodology for the terminal building and a cost-center residual rate-setting methodology for the airfield. As of September 1, 2011, 30 Air Carriers operating at the Airport, including Delta and its affiliated Air Carriers, had entered into Airline Lease Agreements with the Commission. For purposes of this Official Statement, except as otherwise provided herein, those Air Carriers that have signed an Airline Lease Agreement are referred to herein as “Signatory Airlines.” See “THE AIRPORT AGREEMENTS—Airline Lease Agreements” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS.”

The Commission has also entered into certain other agreements with various parties regarding the lease of space and the sale of goods and services in connection with certain activities at the Airport, including, but not limited to, concessions, parking and rental cars. See “THE AIRPORT AGREEMENTS.”

### **Forward-Looking Statements**

This Official Statement, including the appendices hereto, contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See “CERTAIN INVESTMENT CONSIDERATIONS—Forward-Looking Statements.”

## Continuing Disclosure

The Commission will covenant for the benefit of the Owners and Beneficial Owners (as defined herein) of the Subordinate Series 2011A Bonds to provide, or cause to be provided, annually certain financial information and operating data concerning the Commission and certain other obligated persons, including Delta, and to provide, or cause to be provided, notices of certain enumerated events, to assist the Underwriters (as defined herein) in complying with Rule 15c2-12(b)(5)(i) of the Securities and Exchange Commission (the “SEC”). See “CONTINUING DISCLOSURE” and “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

## Additional Information

Brief descriptions of the Subordinate Series 2011A Bonds, the Subordinate Indenture, the Senior Indenture, the Airline Lease Agreements and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Information contained herein has been obtained from officers, employees and records of the Commission and from other sources believed to be reliable. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of the Commission since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Commission or the Underwriters and the purchasers or Owners of any of the Subordinate Series 2011A Bonds.

## PLAN OF REFUNDING AND APPLICATION OF THE SUBORDINATE SERIES 2011A BOND PROCEEDS

### Plan of Refunding

A portion of the proceeds of the Subordinate Series 2011A Bonds, together with certain available moneys of the Commission, will be used to refund and defease a portion of the outstanding Subordinate Series 2003A Bonds (the “Refunded Bonds”), as described in more detail in the following table.

#### Refunded Bonds

<u>Maturity Date (January 1)</u>	<u>Principal Amount Refunded</u>	<u>Redemption Date<sup>1</sup></u>	<u>CUSIP Number<sup>2</sup></u>
2016	\$ 4,310,000	January 1, 2013	603827GT7
2017	4,535,000	January 1, 2013	603827GU4
2018	4,775,000	January 1, 2013	603827GV2
2019	5,015,000	January 1, 2013	603827GW0
2020	5,265,000	January 1, 2013	603827GX8
2021	5,530,000	January 1, 2013	603827GY6
2022	5,805,000	January 1, 2013	603827GZ3
2023	6,090,000	January 1, 2013	603827HA7
2028	<u>13,110,000</u>	January 1, 2013	603827HB5
	<u>\$54,435,000</u>		

<sup>1</sup> The Refunded Bonds will be redeemed on January 1, 2013 at a redemption price of 100% of the principal thereof, plus accrued interest.

<sup>2</sup> CUSIP numbers are provided only for the convenience of the reader. Neither the Commission nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Subordinate Series 2011A Bonds, together with certain available moneys of the Commission, will be deposited in an escrow fund for the Refunded Bonds (the “Escrow Fund”) to be established under the terms of an escrow agreement between the Commission and Wells Fargo Bank, National

Association, as Subordinate Trustee and escrow agent. Certain amounts deposited into the Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury and all remaining amounts deposited into the Escrow Fund will be held uninvested in cash. Amounts on deposit in the Escrow Fund will be used (i) on January 1, 2012 and July 1, 2012 to pay the interest due on the Refunded Bonds and (ii) on January 1, 2013 (the “Refunded Bonds Redemption Date”) to pay the redemption price of the Refunded Bonds of 100% of the principal amount thereof and the interest due on the Refunded Bonds on the Refunded Bonds Redemption Date.

Upon delivery of the Subordinate Series 2011A Bonds, Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the maturing principal of and interest on the investments in the Escrow Fund and the other moneys in the Escrow Fund to pay the interest on the Refunded Bonds on January 1, 2012 and July 1, 2012 and the redemption price of and interest on the Refunded Bonds on the Refunded Bonds Redemption Date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

### Sources and Uses of Funds

Proceeds from the sale of the Subordinate Series 2011A Bonds, along with certain other available moneys, will be used to advance refund and defease the Refunded Bonds and to pay the costs of issuance of the Subordinate Series 2011A Bonds. The following table sets forth the sources and uses of funds in connection with the issuance of the Subordinate Series 2011A Bonds.

<b>Sources</b>	
Par Amount of Subordinate Series 2011A Bonds	\$52,015,000.00
Net Original Issue Premium	5,886,370.30
Funds Released from Subordinate Series 2003A Debt	
Service Fund	914,620.83
Funds Released from Reserve Fund	<u>394,475.00</u>
Total Sources	<u>\$59,210,466.13</u>
<b>Uses</b>	
Deposit to Escrow Fund	\$58,485,476.11
Costs of Issuance <sup>1</sup>	<u>724,990.02</u>
Total Uses	<u>\$59,210,466.13</u>

<sup>1</sup> Includes Underwriters’ discount, legal fees, financial advisory fees, rating agency fees and other costs of issuance.

### DESCRIPTION OF THE SUBORDINATE SERIES 2011A BONDS

#### General

The Subordinate Series 2011A Bonds will bear interest at the rates and mature on the dates set forth on the inside front cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Subordinate Series 2011A Bonds will be dated their initial date of delivery, and will bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2012 (each an “Interest Payment Date”). Interest due and payable on the Subordinate Series 2011A Bonds on any Interest Payment Date will be paid to the person who is the registered owner as of the Record Date (DTC, so long as the book-entry system with DTC is in effect). Each Subordinate Series 2011A Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Subordinate Series 2011A Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Subordinate Series 2011A Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before December 15, 2011, in which event such Subordinate Series 2011A Bond will bear interest from its date of delivery. If interest on the Subordinate Series 2011A Bonds is in default, Subordinate Series 2011A Bonds issued in exchange for Subordinate Series

2011A Bonds surrendered for transfer or exchange will bear interest from the last Interest Payment Date to which interest has been paid in full on the Subordinate Series 2011A Bonds surrendered.

The Subordinate Series 2011A Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Subordinate Series 2011A Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Subordinate Series 2011A Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Subordinate Series 2011A Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Subordinate Series 2011A Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Subordinate Series 2011A Bonds.

So long as Cede & Co. is the registered owner of the Subordinate Series 2011A Bonds, the principal of and interest on the Subordinate Series 2011A Bonds will be payable by wire transfer by the Subordinate Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

### **Redemption Provisions**

***Optional Redemption.*** The Subordinate Series 2011A Bonds maturing on or before January 1, 2021 are not subject to optional redemption prior to maturity. The Subordinate Series 2011A Bonds maturing on or after January 1, 2022 are redeemable at the option of the Commission on or after January 1, 2021, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Subordinate Series 2011A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

***Notices of Redemption to Bondholders; Conditional Notice of Optional Redemption.*** The Subordinate Trustee will give notice of redemption, in the name of the Commission, to Bondholders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Subordinate Series 2011A Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each owner of a Subordinate Series 2011A Bond to be redeemed; each such notice will be sent to the owner’s registered address.

Each notice of redemption will specify the maturity date, interest rate and CUSIP number of each Subordinate Series 2011A Bond to be redeemed, if less than all Subordinate Series 2011A Bonds of a maturity date are called for redemption the numbers assigned to the Subordinate Series 2011A Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Subordinate Trustee’s name, that payment will be made upon presentation and surrender of the Subordinate Series 2011A Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Subordinate Series 2011A Bond will not affect the validity of the call for redemption of any Subordinate Series 2011A Bond in respect of which no failure occurs. Any notice sent as provided in the Subordinate Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Subordinate Series 2011A Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Subordinate Trustee sufficient for redemption, interest on the Subordinate Series 2011A Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Upon surrender of a Subordinate Series 2011A Bond to be redeemed, in part only, the Subordinate Trustee will authenticate for the holder a new Subordinate Series 2011A Bond or Subordinate Series 2011A Bonds of the same maturity date equal in principal amount to the unredeemed portion of the Subordinate Series 2011A Bond surrendered.

The Commission may provide that if at the time of mailing of notice of an optional redemption there has not been deposited with the Subordinate Trustee moneys sufficient to redeem all the Subordinate Series 2011A Bonds called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Subordinate Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Subordinate Series 2011A Bonds.

***Effect of Redemption.*** On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Subordinate Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, interest on such Subordinate Series 2011A Bonds will cease to accrue from and after such redemption date, such Subordinate Series 2011A Bonds will cease to be entitled to any lien, benefit or security under the Subordinate Indenture and the owners of such Subordinate Series 2011A Bonds will have no rights in respect thereof except to receive payment of the redemption price. Subordinate Series 2011A Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Subordinate Series 2011A Bonds to be redeemed, all as provided in the Ninth Supplemental Subordinate Indenture, will not be deemed to be Outstanding under the provisions of the Subordinate Indenture.

***Selection of Subordinate Series 2011A Bonds for Redemption; Subordinate Series 2011A Bonds Redeemed in Part.*** Redemption of the Subordinate Series 2011A Bonds will only be in Authorized Denominations. The Subordinate Series 2011A Bonds are subject to redemption in such order of maturity as the Commission may direct and by lot within such maturity selected in such manner as the Subordinate Trustee (or DTC, as long as DTC is the securities depository for the Subordinate Series 2011A Bonds), deems appropriate.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS**

### **Flow of Funds**

The application of revenues of the Commission is governed by relevant provisions of the Act, internal guidelines of the Commission and applicable provisions of the Senior Indenture and the Master Subordinate Indenture.

Pursuant to the internal guidelines of the Commission, all income and revenue from the operation of the Airport System, of whatever kind or nature, and all net income from leases or any other source of income or revenue, are deposited in a special fund established and administered by the Commission and designated as the "Operating Fund." These moneys are held separate and apart from all other moneys of the Commission.

Pursuant to the Act and the Senior Indenture, all moneys in the Operating Fund are set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

(a) *Maintenance and Operation Expenses of the Airport System.* A sufficient amount of Revenues will be set aside from time to time in the Operating Fund to be used to pay the current Maintenance and Operation Expenses of the Airport System.

(b) *Commission Debt Service Fund for General Obligation Revenue Bonds (current principal and interest portion) and Senior Debt Service Funds.* A sufficient amount of Revenues will be transferred by the Commission, without priority and on an equal basis, except as to timing of payment, (i) on or before October 10 of each Fiscal Year to the Commission Debt Service Fund to satisfy the Commission's obligation to have on deposit in such fund an amount equal to the principal and interest required to be paid in the following Fiscal Year on the outstanding General Obligation Revenue Bonds; and (ii) to the Senior Trustee in the amounts, at the times and in the manner provided for in the Senior Indenture, to provide for the payment of principal and interest to become due on the Outstanding Senior Bonds.

(c) *Commission Debt Service Fund for General Obligation Revenue Bonds (reserve portion) and Senior Debt Service Reserve Funds.* A sufficient amount of Revenues will be transferred by the Commission, without priority and on an equal basis, except as to timing of payment, (i) on or before October 10 of each Fiscal Year to the Commission Debt Service Fund to satisfy the Commission's obligation to have on deposit in such fund a reserve sufficient to pay the debt service on its General Obligation Revenue Bonds required to be paid in the second following Fiscal Year; and (ii) to the Senior Trustee for deposit into the respective debt service reserve funds established pursuant to the Senior Indenture, if any, such amounts as required to be used to pay or replenish such debt service reserve funds or reimburse a credit provider of a debt service reserve fund surety.

(d) *Reimbursement of Commission Debt Service Fund Deficiencies (Repay Property Taxes Used for General Obligation Revenue Bonds Debt Service).* If a Commission Debt Service Fund deficiency tax with respect to the General Obligation Revenue Bonds has been certified in accordance with the Act, a sufficient amount of Revenues will be set aside in the Operating Fund to make payments of principal and interest to the treasurer of each county which extended a deficiency tax on its tax rolls to make up the deficiency in the Commission Debt Service Fund.

(e) *Subordinate Obligation Debt Service.* To the Subordinate Trustee such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including Subordinate Obligations, issued pursuant to the terms of the Subordinate Indenture.

(f) *Subordinate Obligation Debt Service Reserve Funds.* To the Subordinate Trustee for deposit into the respective debt service reserve funds established pursuant to the Subordinate Indenture, if any, such amounts as required to be used to pay or replenish such debt service reserve funds or reimburse a credit provider of a debt service reserve fund surety.

(g) *Maintenance and Operation Reserve Account.* To the payment of the amount established by the Commission as the minimum amount (currently equal to six months of maintenance and operation expenses) required to be deposited in the Maintenance and Operation Reserve Account (such account to be established within the Operating Fund).

(h) *Commission Construction Fund.* To the Commission Construction Fund (such fund being held and administered by the Commission), such amounts, if any, as the Commission may determine in its discretion to be used in any manner provided by the Commission. Pursuant to the Airline Lease Agreements, the Commission has established the Repair and Replacement Account in the Commission Construction Fund.

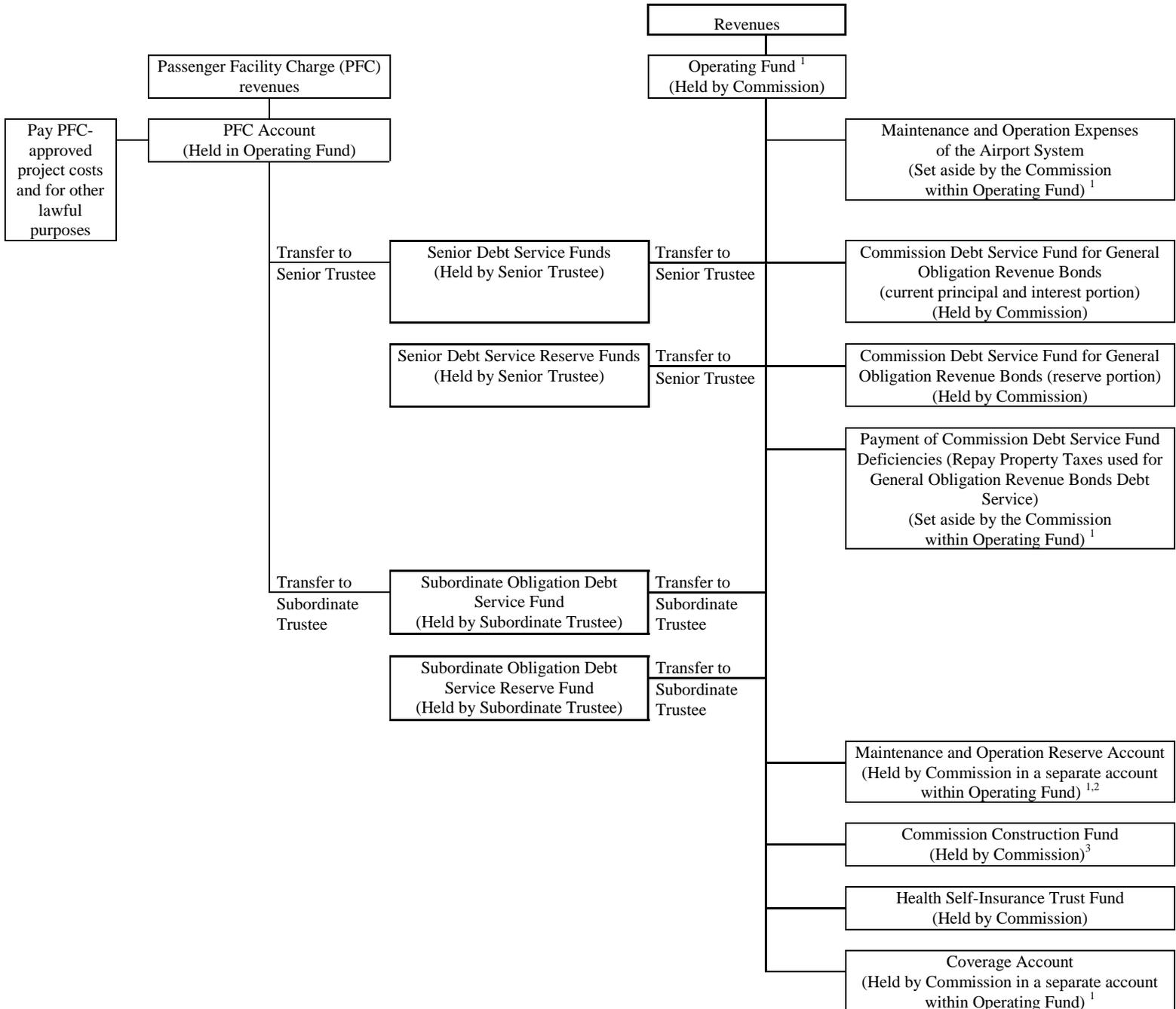
(i) *Health Self-Insurance Trust Fund.* To the Health Self-Insurance Trust Fund (such fund being held and administered by the Commission), such amounts, if any, as the Commission may determine in its discretion to be used in the manner provided by the Commission.

(j) *Coverage Account.* To the Coverage Account (such account to be established within the Operating Fund) such amounts, if any, as the Commission may determine from time to time to be used to pay for Maintenance and Operation Expenses of the Airport System, debt service or redemption premiums on Outstanding Senior Bonds or the cost of additions, improvements and repairs to the Airport System.

The Commission will not be obligated to fund the Commission Debt Service Fund as provided in paragraphs (b)(i) and (c)(i) above and will not be required to reimburse any deficiencies as provided in paragraph (d) above after all outstanding General Obligation Revenue Bonds have been paid in full or defeased in accordance with the terms of the General Obligation Revenue Bond Resolutions (as defined herein).

The following chart provides a graphic presentation of the flow of funds under the Senior Indenture upon the receipt of Revenues and the PFC Resolution (as defined herein) upon the receipt of passenger facility charges (“PFCs”).

**Metropolitan Airports Commission  
Flow of Funds**



<sup>1</sup> The Maintenance and Operation Reserve Account and Coverage Account are separate accounts established within the Operating Fund. Amounts set aside for Maintenance and Operation Expenses of the Airport System and funding Commission Debt Service Fund deficiencies are held within the Operating Fund.

<sup>2</sup> The Commission’s current policy is to maintain in the Maintenance and Operation Reserve Account an amount equal to six months of maintenance and operation expenses.

<sup>3</sup> Includes amounts deposited to the Repair and Replacement Account.

## **Pledge of Subordinate Revenues**

The Subordinate Series 2011A Bonds are limited obligations of the Commission payable solely from and secured by a pledge of Subordinate Revenues and other amounts payable under the Subordinate Indenture. “Subordinate Revenues” (which is referred to in the Master Subordinate Indenture as “Net Pledged Revenues”) means, for any given period, the Revenues for such period less, for such period, all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, less the debt service when due on the Senior Parity Bonds and less the reserve and replenishment requirements on and relating to the Senior Parity Bonds.

Revenues include, but are not limited to, except to the extent specifically excluded therefrom: rates, tolls, fees, rentals, charges and other payments made to or owed to the Commission for the use or availability of the Airport System; amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Commission; the principal portion of payments received pursuant to certain self liquidating lease agreements; and such other amounts that may be designated as Revenues pursuant to a certificate of the Commission or a supplemental indenture. PFCs and capitalized interest, among other things, are specifically excluded from Revenues unless otherwise designated as Revenues pursuant to a certificate of the Commission or in a supplemental indenture. The Commission has not designated pursuant to a certificate or a supplemental indenture, including the Ninth Supplemental Subordinate Indenture, PFCs or capitalized interest, or any additional amounts, as Revenues. However, see “—Use of PFCs to Pay Debt Service” below for a discussion regarding the Commission’s irrevocable commitment of a portion of the PFCs received by the Commission to pay debt service on PFC Eligible Bonds (as defined herein). Additionally, any federal grants restricted by their terms to purposes inconsistent with the payment of debt service on Senior Bonds and Subordinate Obligations are specifically excluded from Revenues. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE—CERTAIN DEFINITIONS” for a more complete definition of Revenues. The Subordinate Series 2011A Bonds are also secured by amounts held in certain funds and accounts pursuant to the Subordinate Indenture, as further described herein.

**The Subordinate Series 2011A Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by (a) a pledge of Subordinate Revenues, and (b) other amounts payable under the Subordinate Indenture. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State, other than the Commission, to the extent of the Subordinate Revenues, is pledged to the payment of the principal of and interest on the Subordinate Series 2011A Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2011A Bonds.**

Subordinate Revenues are available for the equal and proportionate benefit and security of all Subordinate Obligations.

The Subordinate Series 2011A Bonds are secured by a pledge of and lien on Subordinate Revenues on parity with the Prior Subordinate Bonds and any Additional Subordinate Obligations. See “—Additional Subordinate Obligations” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Subordinate Obligations.”

## **Rate Covenant**

The Commission has covenanted in the Master Subordinate Indenture to fulfill the following requirements:

(a) The Commission will, while any of the Subordinate Obligations remain Outstanding (but subject to all existing contracts and legal obligations of the Commission as of the date of execution of the Master Subordinate Indenture setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Subordinate Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Aggregate Annual Debt Service on any Outstanding Subordinate Obligations required to be funded by the Commission during such Fiscal Year as required by the Master Subordinate Indenture, any Supplemental Subordinate Indenture or the Senior Indenture;

(ii) the required deposits to any Subordinate Debt Service Reserve Fund which may be established by a Supplemental Subordinate Indenture;

(iii) the reimbursement owed to any Credit Provider as required by a Supplemental Subordinate Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Special Facility Obligations, General Obligation Revenue Bonds, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than General Obligation Revenue Bonds, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

(b) The Commission has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Subordinate Revenues, together with any Transfer, will be equal to at least 110% of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. For purposes of this subparagraph (b), the amount of any Transfer taken into account may not exceed 10% of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations in such Fiscal Year. Notwithstanding anything to the contrary in the Master Subordinate Indenture, for purposes of this subparagraph (b) only, the calculation of Aggregate Annual Debt Service with respect to Subordinate Commercial Paper Notes will include only the principal and interest on such Subordinate Commercial Paper Notes paid from Subordinate Revenues during such Fiscal Year.

(c) The Commission has agreed that if Subordinate Revenues, together with any Transfer (only as applied in (b) above), in any Fiscal Year are less than the amount specified in subparagraph (a) or (b) above, the Commission will retain and direct a Consultant to make recommendations as to the revision of the Commission's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Commission in connection with the Airport System and, after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission will take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Subordinate Revenues, together with any Transfer (only as applied in (b) above), in the amount specified in subparagraph (a) or (b) above in the next succeeding Fiscal Year.

(d) In the event that Subordinate Revenues for any Fiscal Year are less than the amount specified in subparagraph (a) or (b) above, but the Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by subparagraph (c) above, such deficiency in Subordinate Revenues will not constitute an Event of Default under the provisions of the Subordinate Indenture. Nevertheless, if after taking the measures required by subparagraph (c) above to revise the schedule of rentals, rates, fees and charges, Subordinate Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Commission for such Fiscal Year) are less than the amount specified in subparagraph (a) or (b) above, such deficiency in Subordinate Revenues will constitute an Event of Default under the provisions of the Subordinate Indenture.

The definition of Aggregate Annual Debt Service with respect to Subordinate Obligations specifically excludes the payment of debt service on certain Subordinate Obligations where the payment of such debt service is made from moneys (other than Subordinate Revenues) which are irrevocably committed or deposited for the specific

purpose of paying debt service on such Subordinate Obligations. Bond Counsel has advised the Commission that it may exclude from its calculation of Aggregate Annual Debt Service on the Subordinate Obligations and debt service on the Senior Bonds for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Subordinate Obligations and Senior Bonds whose debt service is payable from moneys (including, but not limited to, PFCs) irrevocably committed or irrevocably deposited for the payment of debt service on such Subordinate Obligations and Senior Bonds. The Commission expects to use PFCs to pay a portion of the debt service on the Subordinate Obligations and the Senior Bonds. See “—Use of PFCs to Pay Debt Service.” See also “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Debt Service Coverage.”

See “THE AIRPORT AGREEMENTS—Airline Lease Agreements” for a discussion regarding certain limits on the ability of the Commission to raise fees to be charged to the airlines.

### **Subordinate Debt Service Deposits**

The Subordinate Indenture provides that the Commission will transfer Subordinate Revenues in amounts needed to pay debt service on Outstanding Subordinate Obligations to the Subordinate Trustee five (5) Business Days prior to each Payment Date with respect to a Series of Subordinate Obligations.

### **Reserve Fund**

Pursuant to the Second Supplemental Subordinate Trust Indenture, dated as of May 1, 2001 (the “Second Supplemental Subordinate Indenture”), by and between the Commission and the Subordinate Trustee, the Commission established a Subordinate Debt Service Reserve Fund (the “Reserve Fund”) with the Subordinate Trustee to secure any Subordinate Obligations elected by the Commission to participate in the Reserve Fund. At the time of issuance of the Subordinate Series 2003A Bonds, the Subordinate Series 2005A Bonds, the Subordinate Series 2005B Bonds, the Subordinate Series 2005C Bonds, the Subordinate Series 2007B Bonds, the Subordinate Series 2010C Bonds and the Subordinate Series 2010D Bonds, the Commission elected to have such Subordinate Obligations participate in the Reserve Fund. At the time of issuance of the Subordinate Series 2011A Bonds, the Commission will elect to have the Subordinate Series 2011A Bonds participate in the Reserve Fund. At the time of issuance of any Additional Subordinate Obligations which the Commission elects to have participate in the Reserve Fund, the Reserve Requirement is required to be met. In order to meet the Reserve Requirement a deposit to the Reserve Fund can be made at the time of issuance of such Additional Subordinate Obligations or over a 12 month period following the date of issuance of such Additional Subordinate Obligations. At the time of issuance of the Subordinate Series 2011A Bonds, sufficient amounts will be on deposit in the Reserve Fund to meet the Reserve Requirement (\$60,090,319) and no proceeds of the Subordinate Series 2011A Bonds will be required to be deposited to the Reserve Fund.

Moneys or investments held in the Subordinate Reserve Fund may only be used to pay the principal of and interest on the Subordinate Obligations participating in the Reserve Fund (including the Subordinate Series 2011A Bonds). Moneys and investments held in the Reserve Fund are not available to pay debt service on the Senior Parity Bonds or any Subordinate Obligations for which the Commission has decided will not participate in the Reserve Fund. The Reserve Fund may be drawn upon if the amounts in the respective Subordinate Debt Service Funds for the Subordinate Obligations participating in the Reserve Fund (including the Subordinate Series 2011A Bonds) are insufficient to pay in full any principal or interest then due on such Subordinate Obligations participating in the Reserve Fund. In the event any amounts are required to be withdrawn from the Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Subordinate Obligations participating in the Reserve Fund (including the Subordinate Series 2011A Bonds).

The Commission may fund all or a portion of the Reserve Requirement with respect to the Reserve Fund with a Debt Service Reserve Fund Surety Policy. A Debt Service Reserve Fund Surety Policy may be an insurance policy, letter of credit or surety bond deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities. Any such Debt Service Reserve Fund Surety Policy must either extend to the final maturity of the Series of Subordinate Obligations for which the Debt Service Reserve Fund Surety Policy was issued or the Commission must agree, by Supplemental Subordinate Indenture, that the Commission will replace such Debt Service Reserve Fund Surety Policy prior to its expiration with another Debt Service Reserve Fund Surety Policy, or with cash, and

the face amount of the Debt Service Reserve Fund Surety Policy, together with amounts on deposit in the Reserve Fund, including the face amount of any other Debt Service Reserve Fund Surety Policy, are at least equal to the Reserve Requirement. Any such Debt Service Reserve Fund Surety Policy deposited to the Reserve Fund must secure all of the Subordinate Obligations participating in the Reserve Fund.

The Reserve Fund is currently and will be at the time of issuance of the Subordinate Series 2011A Bonds funded with cash and securities. No portion of the Reserve Fund has been or will be at the time of issuance of the Subordinate Series 2011A Bonds funded with a Debt Service Reserve Fund Surety Policy.

### **Additional Subordinate Obligations**

The Master Subordinate Indenture provides the Commission with flexibility in establishing the nature and terms of any Additional Subordinate Obligations hereafter issued with a lien and charge on Subordinate Revenues on parity with the Subordinate Obligations, including the Subordinate Series 2011A Bonds.

Additional Subordinate Obligations may be issued under the Master Subordinate Indenture on parity with the Subordinate Obligations provided, among other things, there is delivered to the Subordinate Trustee either:

(a) a certificate prepared by an Authorized Commission Representative showing that the Subordinate Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or preceding the first issuance of the proposed Subordinate Program Obligations were at least equal to 110% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations, and the proposed Series of Subordinate Obligations, calculated as if the proposed Series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding; or

(b) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by a Consultant showing that:

(i) the Subordinate Revenues, together with any Transfer (as calculated by said Consultant), for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or the establishment of a Subordinate Program, were at least equal to 110% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations through and including the last Fiscal Year during any part of which interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof, the Consultant estimates that the Commission will be in compliance with the Subordinate Obligation rate covenant, as described above; and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations during which no interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Subordinate Obligations, or (B) the third full Fiscal Year during which no interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof, the estimated Subordinate Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 110% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed Series of Subordinate Obligations and the full Subordinate

Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

For purposes of paragraph (a) above, no Transfer will be taken into account in the computation of Revenues by the Authorized Commission Representative. For purposes of paragraph (b) above, the amount of any Transfer taken into account cannot exceed 10% of the Aggregate Annual Debt Service on the Outstanding Subordinate Obligations, the Unissued Subordinate Program Obligations, the proposed Series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) in such applicable Fiscal Year.

Additionally, when issuing Additional Subordinate Obligations in the future, the Commission may, for purposes of determining compliance with the additional bonds test described in paragraphs (a) and (b) above, exclude the following amounts from its calculation of Maximum Aggregate Annual Debt Service or Aggregate Annual Debt Service, as the case may be: (i) debt service on Subordinate Obligations which is payable from PFCs specifically and irrevocably committed thereto, and (ii) debt service on Subordinate Obligations which is payable from moneys, such as federal grants, specifically and irrevocably committed or deposited with the Subordinate Trustee to pay such debt service. Bond Counsel has advised the Commission that it may exclude from its calculation of Maximum Aggregate Annual Debt Service and Aggregate Annual Debt Service, as the case may be, for the purposes of complying with the additional bonds test described above, the amount of debt service on Subordinate Obligations payable from PFCs which have been irrevocably committed thereto. See “—Use of PFCs to Pay Debt Service” below. See also “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects—Passenger Facility Charges.”

For purposes of paragraphs (b)(ii) and (iii) above, in estimating Subordinate Revenues and any applicable Transfer, the Consultant may take into account (1) Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Commission and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Maintenance and Operation Expenses of the Airport System, the Consultant will use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Maintenance and Operation Expenses of the Airport System, (ii) Maintenance and Operation Expenses associated with the Projects and any other new Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the Commission, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Subordinate Revenues and any applicable Transfer and will also set forth the calculations of Subordinate Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

Neither of the certificates described above under paragraphs (a) or (b) will be required:

(i) if such Subordinate Obligations are being issued for the purpose of refunding then Outstanding Subordinate Obligations and there is delivered to the Subordinate Trustee, instead, a certificate of the Authorized Commission Representative showing that Aggregate Annual Debt Service after the issuance of such Refunding Subordinate Obligations will not exceed Aggregate Annual Debt Service prior to the issuance of such Refunding Subordinate Obligations, for each Fiscal Year;

(ii) if such Subordinate Obligations constitute Subordinate Notes and there is delivered to the Subordinate Trustee, instead, a certificate prepared by an Authorized Commission Representative showing that the principal amount of the proposed Subordinate Notes being issued, together with the principal amount of any Subordinate Notes then Outstanding, does not exceed 10% of the Subordinate Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Subordinate Notes and there is delivered to the Subordinate Trustee a certificate of an Authorized Commission Representative setting forth calculations showing that for each of the Fiscal Years during which the Subordinate Notes will be Outstanding, and taking into account the debt service becoming due on such Subordinate Notes, the Commission will be in compliance with the rate covenant established by the Master Subordinate Indenture; or

(iii) if such Subordinate Obligations are being issued to pay costs of completing a Project for which Subordinate Obligations have previously been issued and the principal amount of such Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Subordinate Obligations originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Commission Representative and there is delivered to the Subordinate Trustee (A) a Consultant’s certificate stating that the nature and purpose of such Project has not materially changed and (B) a certificate of an Authorized Commission Representative to the effect that (1) all of the proceeds (including investment earnings on amounts in the Subordinate Construction Fund allocable to such Project) of the original Subordinate Obligations issued to finance such Project have been or will be used to pay Costs of the Project and (2) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Subordinate Construction Fund established for the Project (including unspent proceeds of Subordinate Obligations previously issued for such purpose).

At the time of issuance of the Subordinate Series 2011A Bonds, an Authorized Commission Representative will deliver a certificate as described in paragraph (i) above to the Subordinate Trustee.

### Use of PFCs to Pay Debt Service

The definition of Revenues does not include, among other things, PFCs, except to the extent included in Revenues through the adoption of a supplemental indenture, which has not occurred to date. However, the definition of Aggregate Annual Debt Service provides that, if PFCs have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on the Subordinate Obligations, then such principal and/or interest may be excluded from the calculation of Aggregate Annual Debt Service; thus decreasing Aggregate Annual Debt Service and increasing debt service coverage for purposes of the rate covenant and the additional bonds test under the Master Subordinate Indenture.

Pursuant to Resolution No. 2021 adopted by the Commission on May 19, 2003, as amended by Resolution No. 2037 adopted by the Commission on April 19, 2004 (collectively, the “PFC Resolution”), the Commission has irrevocably committed a portion of the PFCs it receives to the payment and funding of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized to be financed with PFCs (collectively, the “PFC Eligible Bonds”) through December 31, 2030.

Pursuant to the PFC Resolution, the Commission has irrevocably committed the following amounts of PFCs in the following Fiscal Years:

**TABLE 1**  
**Metropolitan Airports Commission**  
**Irrevocably Committed PFCs**

Fiscal Year	Irrevocably Committed PFCs	Fiscal Year	Irrevocably Committed PFCs
2011	\$5,026,513	2021	\$9,337,900
2012	5,026,513	2022	9,332,650
2013	5,026,513	2023	9,333,150
2014	5,026,513	2024	9,333,400
2015	9,336,513	2025	9,337,650
2016	9,335,238	2026	9,334,900
2017	9,337,150	2027	9,334,650
2018	9,338,400	2028	9,465,900
2019	9,337,650	2029	9,467,625
2020	9,339,400	2030	9,462,475

Source: Metropolitan Airports Commission.

If the Commission does not use the full amount of the irrevocably committed PFCs to pay debt service on PFC Eligible Bonds in a Fiscal Year (i.e., there is more irrevocably committed PFCs than there is debt service due on PFC Eligible Bonds in such Fiscal Year), any unused portion of the irrevocable commitment for such Fiscal Year is not required to be carried over for use in future Fiscal Years.

In addition to the PFCs irrevocably committed pursuant to the PFC Resolution, the Commission can, at its sole discretion, use excess PFCs to pay additional debt service on PFC Eligible Bonds. The Commission currently expects to utilize all of the irrevocably committed PFCs and a portion of the remaining PFCs to pay the debt service on the PFC Eligible Bonds. See “THE AIRPORT AGREEMENTS—Airline Lease Agreements” for additional information regarding certain agreements the Commission has made with respect to the use of PFCs.

### **Permitted Investments**

Moneys and funds held by the Commission will be invested in Permitted Investments, subject to any restrictions set forth in the Subordinate Indenture and subject to restrictions imposed upon the Commission by the Act. Moneys and funds held by the Subordinate Trustee under the Subordinate Indenture, including moneys in the respective Subordinate Debt Service Funds (and the accounts therein) and in the respective Subordinate Debt Service Reserve Funds, may be invested as directed by the Commission in Permitted Investments, subject to the restrictions set forth in the Subordinate Indenture and subject to restrictions imposed upon the Commission by the Act. The Commission’s current investment policy provides that investments cannot exceed a maturity of three years. See “FINANCIAL INFORMATION—Investment Policy.”

### **Events of Default and Remedies; No Acceleration**

Events of Default under the Subordinate Indenture and related remedies are described in “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies.” The occurrence of an Event of Default does not grant any right to accelerate payment of the Subordinate Obligations to either the Subordinate Trustee or the Holders of the Subordinate Obligations (including the Subordinate Series 2011A Bonds). The Subordinate Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the Commission under the Subordinate Indenture. If there is an Event of Default, payments, if any, on the Subordinate Obligations will be made after payments of Maintenance and Operation Expenses of the Airport System and after the payment of debt service and reserve and repayment requirements on and relating to the Senior Parity Bonds. Since Subordinate Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Expenses of the Airport System and debt service and reserve and repayment requirements on and relating to the Senior Parity Bonds, and the Commission is not subject to involuntary bankruptcy proceedings, the Commission may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport System and the payment of debt service and reserve and repayment requirements on and relating to the Senior Parity Bonds even if an Event of Default has occurred and no payments are being made on the Subordinate Obligations.

## **OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE**

### **Senior Bonds**

Pursuant to the Senior Indenture, the Commission has previously issued and as of September 1, 2011 there was outstanding \$766,915,000 aggregate principal amount of its Senior Bonds. The Senior Bonds are secured by a pledge and lien on Net Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Flow of Funds.” The following table sets forth the Senior Bonds which have been issued and were outstanding as of September 1, 2011.

**TABLE 2**  
**Metropolitan Airports Commission**  
**Senior Bonds**  
**(as of September 1, 2011)**

<b>Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding</b>	<b>Final Maturity Date</b>
2007A	\$440,985,000	\$440,985,000	1/1/2032
2008A	72,035,000	48,075,000	1/1/2016
2009A	23,075,000	21,415,000	1/1/2022
2009B	128,835,000	120,755,000	1/1/2022
2010A	62,210,000	62,210,000	1/1/2035
2010B	<u>73,475,000</u>	<u>73,475,000</u>	1/1/2028
Total	<u>\$800,615,000</u>	<u>\$766,915,000</u>	

Source: Metropolitan Airports Commission.

### General Obligation Revenue Bonds

The Commission has previously issued and as of September 1, 2011 there was outstanding \$226,590,000 aggregate principal amount of its General Obligation Revenue Bonds. The General Obligation Revenue Bonds were issued pursuant to Section 473.667 of the Act and various resolutions of the Commission (the “General Obligation Revenue Bond Resolutions”). The General Obligation Revenue Bonds are general obligations of the Commission secured by a pledge of Net Revenues, subject to the prior pledge of Revenues of the Commission to the payment of Maintenance and Operation Expenses of the Airport System. The General Obligation Revenue Bonds have a pledge of and lien on Net Revenues on parity, except as to timing of payment, with the Senior Bonds. If Net Revenues are insufficient to pay principal and interest currently due on the General Obligation Revenue Bonds, the Commission would be required to levy a tax on all taxable property within the Metropolitan Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Flow of Funds.”

In connection with the Series 15 General Obligation Revenue Bonds, Delta (as successor to Northwest) entered into various lease agreements with the Commission, including, among others, lease agreements for a flight training center in Egan, Minnesota, consisting of land, buildings and flight simulators and related equipment (collectively, the “Series 15 Lease Agreements”). In connection with its consolidation of certain facilities and operations to Atlanta International Airport, Delta currently intends to prepay all lease payments due under the Series 15 Lease Agreements. The Commission expects Delta will prepay the Series 15 Lease Agreements in the first half of 2012. Once Delta prepays the Series 15 Lease Agreements, the Commission will use the prepayment moneys, along with certain other available moneys, to redeem all of the then outstanding Series 15 General Obligation Revenue Bonds. Prior to its announcement to prepay the Series 15 Lease Agreements in the first half of 2012, Delta had previously agreed to prepay all amounts due under the Series 15 Lease Agreements by August 10, 2016. Upon receipt of the prepayment amounts in August 2016, along with certain other available moneys, the Commission had planned to redeem all of the outstanding Series 15 General Obligation Revenue Bonds by September 30, 2016. See also “THE AIRPORT AGREEMENTS—Additional Leases with Delta—Series 15 Lease Agreements.”

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The following table sets forth the General Obligation Revenue Bonds which have been issued and were outstanding as of September 1, 2011.

**TABLE 3**  
**Metropolitan Airports Commission**  
**General Obligation Revenue Bonds**  
**(as of September 1, 2011)**

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Final Maturity Date</u>
15	\$287,825,000	\$214,385,000	1/1/2022
16	<u>12,205,000</u>	<u>12,205,000</u>	1/1/2015
Total	<u>\$300,030,000</u>	<u>\$226,590,000</u>	

Source: Metropolitan Airports Commission.

The Commission is authorized to issue up to \$55,051,875 of additional General Obligation Revenue Bonds without additional statutory authorization and without having to meet the requirements of the additional bonds test set forth in the Senior Indenture. If the Commission decides to issue additional General Obligation Revenue Bonds up to \$55,051,875, such additional General Obligation Revenue Bonds would also have a pledge of and lien on Net Revenues on parity, except as to timing of payment, with the Senior Bonds. At this time, the Commission has no plans to issue any of the authorized \$55,051,875 of additional General Obligation Revenue Bonds. Prior to issuing additional General Obligation Revenue Bonds in excess of \$55,051,875, the Commission would be required to seek authorization from the Minnesota State Legislature and would have to comply with the additional bonds test set forth in the Senior Indenture. Such additional General Obligation Revenue Bonds issued in excess of \$55,051,875 could have a pledge of and lien on Net Revenues on parity, except as to timing of payment, with the Senior Bonds, or on a basis subordinate to the Senior Bonds (if such authority was granted by the Minnesota State Legislature), but could not have a pledge of and lien on Net Revenues senior to the Senior Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Flow of Funds.”

### **Subordinate Obligations**

Pursuant to the Subordinate Indenture, the Commission has previously issued and as of September 1, 2011 there was outstanding \$746,465,000 aggregate principal amount of its Prior Subordinate Bonds (including the Refunded Bonds). The following table sets forth the Subordinate Bonds (including the Refunded Bonds) that have been issued and were outstanding as of September 1, 2011.

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**TABLE 4**  
**Metropolitan Airports Commission**  
**Prior Subordinate Bonds**  
**(as of September 1, 2011)**

<b>Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding</b>	<b>Final Maturity Date</b>
2003A <sup>1</sup>	\$102,690,000	\$102,690,000	1/1/2031
2005A	136,110,000	136,110,000	1/1/2035
2005B	113,155,000	97,845,000	1/1/2026
2005C	123,750,000	122,070,000	1/1/2032
2007B	197,360,000	197,360,000	1/1/2032
2010C	21,600,000	21,600,000	1/1/2024
2010D	<u>68,790,000</u>	<u>68,790,000</u>	1/1/2024
Total	<u>\$763,455,000</u>	<u>\$746,465,000</u>	

<sup>1</sup> See “PLAN OF REFUNDING AND APPLICATIONS OF THE SUBORDINATE SERIES 2011A BOND PROCEEDS—Plan of Refunding” for a discussion of the refunding and defeasance of the Refunded Bonds.

Source: Metropolitan Airports Commission.

The Subordinate Obligations (including the Subordinate Series 2011A Bonds) are secured by a pledge and lien on Subordinate Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Flow of Funds.”

In early November 2011, the Commission expects to enter into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, that will provide the Commission with a short-term borrowing program (not expected to exceed 3 years) in an estimated aggregate principal amount up to \$75 million. The Credit Agreement is intended to replace the Commission’s previous commercial paper program, which the Commission terminated in September 2011. The Commission expects that its obligations under the Credit Agreement will be secured by a pledge of Subordinate Revenues on parity with the Subordinate Obligations (including the Subordinate Series 2011A Bonds).

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## Debt Service Requirements

The following table sets forth the debt service funding requirements for the Senior Parity Bonds, the Prior Subordinate Obligations (after giving effect to the refunding and defeasance of the Refunded Bonds) and the Subordinate Series 2011A Bonds.

**TABLE 5**  
**Metropolitan Airports Commission**  
**Debt Service Requirements<sup>1,2</sup>**

Year Ended December 31	Senior Parity Bonds <sup>3,4,5</sup>	Prior Subordinate Bonds <sup>6,7</sup>	Principal Requirements on the Subordinate Series 2011A Bonds <sup>7</sup>	Interest Requirements on the Subordinate Series 2011A Bonds <sup>7</sup>	Total Debt Service Requirements on the Subordinate Series 2011A Bonds <sup>7</sup>	Total Debt Service Requirements
2011	\$ 87,166,943	\$ 56,656,073	–	\$ 411,201	\$ 411,201	\$ 144,234,216
2012	87,921,203	55,284,288	–	2,509,025	2,509,025	145,714,515
2013	89,954,550	55,286,300	–	2,509,025	2,509,025	147,749,875
2014	88,323,681	55,289,250	–	2,509,025	2,509,025	146,121,956
2015	88,567,948	51,256,400	\$ 4,145,000	2,509,025	6,654,025	146,478,373
2016	88,986,083	51,266,850	4,350,000	2,301,775	6,651,775	146,904,708
2017	88,917,331	51,259,050	4,570,000	2,084,275	6,654,275	146,830,656
2018	88,850,814	46,636,775	4,800,000	1,855,775	6,655,775	142,143,364
2019	88,762,451	46,640,875	5,035,000	1,615,775	6,650,775	142,054,101
2020	88,669,701	46,632,925	5,290,000	1,364,025	6,654,025	141,956,651
2021	53,166,200	54,365,925	5,555,000	1,099,525	6,654,525	114,186,650
2022	53,517,244	54,363,413	5,825,000	821,775	6,646,775	114,527,431
2023	59,217,994	48,679,238	6,115,000	530,525	6,645,525	114,542,756
2024	61,472,994	47,562,650	6,330,000	316,500	6,646,500	115,682,144
2025	61,471,244	54,624,150	–	–	–	116,095,394
2026	61,469,994	54,623,400	–	–	–	116,093,394
2027	61,473,369	54,619,075	–	–	–	116,092,444
2028	61,471,944	54,745,725	–	–	–	116,217,669
2029	61,465,319	54,748,700	–	–	–	116,214,019
2030	39,454,800	54,746,575	–	–	–	94,201,375
2031	22,117,000	45,284,800	–	–	–	67,401,800
2032	9,943,750	13,891,500	–	–	–	23,835,250
2033	9,939,250	13,891,500	–	–	–	23,830,750
2034	9,943,500	13,891,500	–	–	–	23,835,000
Total	<u>\$1,512,245,304</u>	<u>\$1,136,246,935</u>	<u>\$52,015,000</u>	<u>\$22,437,251</u>	<u>\$74,452,251</u>	<u>\$2,722,944,490</u>

<sup>1</sup> Numbers may not total due to rounding to nearest dollar.

<sup>2</sup> Represents the Commission's debt service funding requirements for each Fiscal Year.

<sup>3</sup> Includes debt service on the General Obligation Revenue Bonds and the Senior Bonds. The Senior Parity Bonds have a parity lien on Net Revenues.

<sup>4</sup> By October 10 of each year, the Commission is required to have on deposit in the Commission Debt Service Fund an amount equal to the debt service due on the General Obligation Revenue Bonds in the following Fiscal Year and the second following Fiscal Year.

<sup>5</sup> In connection with its consolidation of certain facilities and operations to Atlanta International Airport, Delta currently intends to prepay all lease payments due under the Series 15 Lease Agreements. The Commission expects Delta will prepay the Series 15 Lease Agreements in the first half of 2012. Once Delta prepays the Series 15 Lease Agreements, the Commission will use the prepayment moneys, along with certain other available moneys, to redeem all of the then outstanding Series 15 General Obligation Revenue Bonds. Prior to its announcement to prepay the Series 15 Lease Agreements in the first half of 2012, Delta had previously agreed to prepay all amounts due under the Series 15 Lease Agreements by August 10, 2016. Upon receipt of the prepayment amounts in August 2016, along with certain other available moneys, the Commission had planned to redeem all of the outstanding Series 15 General Obligation Revenue Bonds by September 30, 2016.

<sup>6</sup> Includes debt service on the Prior Subordinate Bonds after giving effect to the refunding and defeasance of the Refunded Bonds.

<sup>7</sup> The Prior Subordinate Bonds and the Subordinate Series 2011A Bonds have a parity lien on Subordinate Revenues.

Source: Metropolitan Airports Commission and Jefferies & Company, Inc.

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## Debt Service Coverage

The following table sets forth the historical debt service coverage on the Senior Parity Bonds, the Prior Subordinate Bonds and the previously outstanding subordinate commercial paper notes for Fiscal Years 2006 through 2010, and the budgeted debt service coverage on the Senior Parity Bonds and the Prior Subordinate Bonds for Fiscal Year 2011.

**TABLE 6**  
**Metropolitan Airports Commission**  
**Debt Service Coverage**  
**(Dollars in Thousands)**

Fiscal Year	Revenues <sup>1</sup> [a]	Maintenance and Operation Expenses of the Airport System <sup>1</sup> [b]	Net Revenues <sup>1</sup> [c]=[a]-[b]	Debt Service Requirement for Senior Parity Bonds <sup>1,2</sup> [d]	Senior Debt Service Coverage <sup>3,4</sup> [c]/[d]	Debt Service Requirement for Subordinate Bonds <sup>5</sup> [e]	Total Debt Service Coverage <sup>6,7</sup> [c]/([d]+[e])
2006	\$275,650	\$111,634	\$164,016	\$80,377	204%	\$22,701	159%
2007	294,220	124,642	169,578	78,961	215	28,780	157
2008	293,076	126,735	166,341	78,863	211	33,080	149
2009	289,925	123,430	166,495	78,684	212	32,150	150
2010	296,110	131,389	164,721	74,072	222	31,118	157
2011B <sup>8</sup>	287,511	134,737	152,774	72,340	211	31,757	147

<sup>1</sup> Calculated per the terms of the Senior Indenture.

<sup>2</sup> Includes aggregate annual debt service on the Senior Bonds and the General Obligation Revenue Bonds. Excludes debt service on the Senior Bonds paid or expected to be paid with PFCs. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service.”

<sup>3</sup> Equals the debt service coverage on the Senior Bonds and the General Obligation Revenue Bonds. Senior Debt Service Coverage is not being provided to show compliance with the provisions of the rate covenant set forth in the Senior Indenture and as described under “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Rate Covenant.”

<sup>4</sup> Does not include Transfer. If, as permitted by the Senior Indenture, Transfer is included in the calculation, the Senior Debt Service Coverage for Fiscal Year 2011 (Budget) is projected to be 226%.

<sup>5</sup> Includes aggregate annual debt service on the Prior Subordinate Bonds and the previously outstanding subordinate commercial paper notes. Excludes debt service on the Prior Subordinate Bonds and the previously outstanding subordinate commercial paper notes paid or expected to be paid with PFCs. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service.” Does not give effect to the issuance of the Subordinate Series 2011A Bonds and the refunding and defeasance of the Refunded Bonds.

<sup>6</sup> Equals the debt service coverage on the Senior Bonds, the General Obligation Revenue Bonds, the Prior Subordinate Bonds and the previously outstanding subordinate commercial paper notes. Total Debt Service Coverage is not being provided to show compliance with the provisions of the rate covenants set forth in the Senior Indenture and the Master Subordinate Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Rate Covenant.”

<sup>7</sup> Does not include Transfer. If, as permitted by the Senior Indenture and the Master Subordinate Indenture, Transfer is included in the calculation, the Total Debt Service Coverage for Fiscal Year 2011 (Budget) is projected to be 157%.

<sup>8</sup> Budget for Fiscal Year 2011. Does not include the issuance of the Subordinate Series 2011A Bonds or the refunding and defeasance of the Refunded Bonds.

Source: Metropolitan Airports Commission.

The definition of Aggregate Annual Debt Service provides that, if PFCs have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on the Subordinate Obligations, then such principal and/or interest may be excluded from the calculation of Aggregate Annual Debt Service; thus decreasing Aggregate Annual Debt Service and increasing debt service coverage for purposes of the rate covenant and the additional bonds test under the Master Subordinate Indenture. Pursuant to the PFC Resolution, the Commission irrevocably committed approximately \$5.0 million of PFCs to the payment of debt service on PFC Eligible Bonds in each Fiscal Year between Fiscal Years 2011 and 2014, and irrevocably committed approximately \$9.3 million of PFCs to the payment of debt service on PFC Eligible Bonds in each Fiscal Year between Fiscal Years 2015 and 2030. While there is no assurance that the

Commission will continue to do so in the future, historically, the Commission has applied PFCs in addition to the amounts irrevocably committed to pay debt service on PFC Eligible Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service.” See also “THE AIRPORT AGREEMENTS—Airline Lease Agreements” for additional information regarding certain agreements the Commission has made with respect to the use of PFCs.

### **Subordinate Repayment Obligations**

Under certain circumstances the obligation of the Commission, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a “Subordinate Repayment Obligation”) may be secured by a pledge of and lien on Subordinate Revenues on parity with the Subordinate Obligations (including the Subordinate Series 2011A Bonds). If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Subordinate Obligations, all or a portion of the Commission’s Subordinate Repayment Obligation may be afforded the status of a Subordinate Obligation under the Subordinate Indenture. The Commission currently does not have any Subordinate Repayment Obligations outstanding. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Subordinate Repayment Obligations Afforded Status of Subordinate Obligations.”

### **Special Facility Obligations**

The Commission may designate an existing facility or a planned facility as a “Special Facility” and may incur indebtedness in order to acquire, construct, renovate or improve such facility or to finance the acquisition, construction, renovation or improvement thereof by a third party. Additionally, the Commission may provide that certain contractual payments derived from or related to such Special Facility, together with other income and revenues available therefrom, will constitute “Special Facilities Revenue” and will not be included as Revenues, Net Revenues or Subordinate Revenues. Such indebtedness will constitute a “Special Facility Obligation” and will be payable solely from the Special Facilities Revenue. When Special Facility Obligations issued for a Special Facility are fully paid or otherwise discharged, all revenues received by the Commission from such facility will be included as Revenues. To the extent Special Facility Revenues exceed the amounts required to pay the principal of and interest on Special Facility Obligations when due, to the extent not otherwise encumbered, the excess may constitute Revenues as determined by the Commission. The Commission does not currently have any outstanding Special Facility Obligations. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Special Facilities and Special Facility Obligations.”

### **Future Financings**

Other than borrowings under the Credit Agreement, the Commission has no current plans to issue any additional Senior Bonds and/or Additional Subordinate Obligations between 2011 and 2017 to finance capital improvement projects. See “CAPITAL IMPROVEMENT PROGRAM.” However, the Commission continuously evaluates refunding opportunities and may refund one or more series of its Senior Bonds, General Obligation Revenue Bonds or Subordinate Obligations in the future.

## **THE COMMISSION**

### **General**

The Commission was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national and local) in and through the State of Minnesota, promote the efficient, safe and economic handling of air commerce, assure the inclusion of the State in national and international programs of air transportation, and to those ends, develop the full potentialities of the Metropolitan Area as an aviation center. The Commission exercises its jurisdiction over any place within 35 miles of the city hall of the City of Minneapolis or the city hall of the City of St. Paul and over the Metropolitan Area. It

has the responsibility to assure residents of the Metropolitan Area minimal environmental impact from air navigation and transportation, promote the overall goals of the State's environmental policies and minimize the public's exposure to noise and safety hazards around airports.

The Commission may, under the Act, borrow money and issue bonds for the purpose of acquiring property, constructing and equipping new airports, acquiring existing airports, equipping, improving and making additions to such existing airports and making capital improvements to any airport constructed or acquired by the Commission. The Commission may contract with any person for the use by such person of any properties or facilities under the control of the Commission for purposes which will further the interests of aeronautics in the State, including, but not limited to, the right to lease any such properties or facilities, or any part thereof, to any person, the national government, or any foreign government, or any department of either, or to the State or any municipality. Other powers delegated to the Commission include the power to levy taxes against property in the Metropolitan Area required to pay debt service on the General Obligation Revenue Bonds issued by the Commission, to the extent debt service is not paid from Net Revenues of the Airport System, and to levy taxes not in excess of 0.00806% in each year upon the taxable market value of all property in the Metropolitan Area to pay costs of operation and maintenance of airport facilities. The Commission does not currently levy taxes to pay either debt service on its General Obligation Revenue Bonds or Maintenance and Operation Expenses of the Airport System.

Certain capital projects of the Commission at the Airport requiring the expenditure of more than \$5,000,000, and other projects at the Reliever Airports requiring an expenditure of \$2,000,000, are required by law to be submitted for approval to the Metropolitan Council, a public agency established by law with powers of regulation over the development of the Metropolitan Area.

## **The Airport System**

**General.** The Commission owns and operates seven airports within the Metropolitan Area including the Airport and the six Reliever Airports, which are used mainly for general aviation.

**Minneapolis-St. Paul Airport.** The Airport has been designated as the major scheduled passenger airport for the Metropolitan Area, located south and equidistant from the downtown areas of Minneapolis and St. Paul. See "MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT" for further discussion of the Airport.

**Reliever Airports.** In addition to the Airport, the Commission owns and operates the six Reliever Airports which serve general aviation and constitute part of the Airport System. The six Reliever Airports include St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County/Blaine Airport, Lake Elmo Airport and Airlake Airport. The facilities at Airlake, Anoka County/Blaine, Crystal and Lake Elmo function as general aviation airports and are also used for pilot and flight training. In addition, a control tower is operational at Crystal Airport and Anoka County/Blaine. Flying Cloud Airport functions as a general aviation field and is also served by an FAA control tower. The St. Paul Downtown Airport serves as a corporate reliever and an all-purpose general aviation field and is served by an FAA control tower.

Revenues from the Airport are used to cover certain shortfalls incurred by the Reliever Airports. In recent years, the Commission has significantly reduced the amount of such subsidy. In 2007, the Commission adopted an ordinance (the "2007 Reliever Airports Ordinance") that amended the rates and charges methodology at the Reliever Airports. The 2007 Reliever Airports Ordinance requires that all costs associated with the Reliever Airports are to be collected from the users of such airports. As a result of the adoption of the 2007 Reliever Airports Ordinance and certain agreements made with the Signatory Airlines, beginning with calendar year 2006, the Commission's annual subsidy from Airport revenues to the Reliever Airports is now limited to \$300,000 per year, escalated annually by 3%. However, there can be no assurance that major catastrophic liabilities or other unanticipated events will not occur with respect to one or more of the Reliever Airports which would require a substantial transfer of Revenues to such airports. In Fiscal Years 2009 and 2010, the Reliever Airports had a combined net operating loss (including depreciation and interest for projects financed at the Reliever Airports) of \$3,114,000 and \$3,325,000, respectively.

## **Organization of the Commission**

*Commissioners.* The Commission is governed by 15 Commissioners, 12 of whom are appointed by the Governor of the State of Minnesota (the “Governor”) for four-year terms and one of whom is appointed by the Governor as chair of the Commission and serves at the pleasure of the Governor. The remaining two Commissioners are the mayors of St. Paul and Minneapolis, or their designees, who serve a term equal to the term of office of such mayor. Of the 12 Commissioners that are appointed by the Governor for terms of four years, eight are appointed from designated districts within the Metropolitan Area and four are appointed from outside of the Metropolitan Area. From time to time, there have been bills introduced in the Minnesota State Legislature that proposed changes to the membership of the Commission. To date, none of these bills has been passed by the Minnesota State Legislature and signed by the Governor; however, the Commission cannot predict if additional bills will be introduced in the future to change the membership of the Commission or, if introduced and ultimately adopted by the Minnesota State Legislature and signed by the Governor, what effect, if any, such changes might have on the Commission.

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The present Commissioners and their occupations are set forth in the following table:

**TABLE 7**  
**Metropolitan Airports Commission**  
**Commissioners**

Name	Position	Occupation	Term Expires
Daniel Boivin	Chair	Executive VP, Chief Legal Officer and General Counsel; SeeChange Health	N/A <sup>1</sup>
Carl Crimmins	Commissioner	Retired; Current President of Minnesota Pipes Trades Association	January 2015
James Deal	Commissioner	Retired; Former Owner and Chairman of the Board of NAU	January 2015
Greg Foster <sup>2</sup>	Commissioner	Financial Advisor – UBS	Term of Office
Timothy Geisler	Commissioner	Unit Manager – Department of Finance; Mayo Clinic	January 2012
Pat Harris <sup>3</sup>	Commissioner	Vice President; Voyageur Asset Management	Term of Office
Rick King	Commissioner	Chief Technology Officer, Professional Division – Thomson Reuters	January 2015
Michael Landy	Commissioner	Owner; Landy Beef International, Inc.; Cake, Candy and Wedding Supply Company; and Landy Properties	January 2014
Michael Madigan	Commissioner	Attorney and Managing Partner – Madigan, Dahl & Harlan	January 2015
John McClung	Commissioner	Retired businessman	January 2013
Tammy Mencil	Commissioner	President and Publisher – Minneapolis-St. Paul Business Journal	January 2015
Donald Monaco	Commissioner	Owner; Monaco Air Duluth, LLC	January 2013
Lisa Peilen	Commissioner	Director of Municipal Affairs – Minnesota Housing Association	January 2013
Paul Rehkamp	Commissioner	Funeral Director, Partner; Rehkamp Funeral Home	January 2015
Dr. John Williams	Commissioner	Dentist	January 2013

<sup>1</sup> Serves at the pleasure of the Governor of the State of Minnesota.

<sup>2</sup> Representative of the Mayor of the City of Minneapolis. Term expires when the Mayor's term in office expires.

<sup>3</sup> Representative of the Mayor of the City of St. Paul. Term expires when the Mayor's term in office expires.

**Administration.** Management and operation of the Commission are accomplished by the Executive Director through his staff. The Commission is organized into six divisions which include Human Resources, Labor/Government Affairs, Finance and Administrative Services, Legal Affairs, Planning and Environment, and Operations. The following table sets forth the responsibilities of the Executive Director and the six divisions.

**TABLE 8**  
**Metropolitan Airports Commission**  
**Organization**

<b>Division</b>	<b>Responsibilities</b>
Executive Director	Public Affairs, Federal Government Affairs and Internal Audit
Human Resources	Employee Relations, Diversity, Human Resources Development and Strategic Planning
Labor/Government Affairs	Labor Relations and Government Affairs
Finance and Administrative Services	Finance and Purchasing, Risk Management, Information Services, Marketing, Commercial Management/Airline Affairs
Legal Affairs	Legal Affairs
Planning and Environment	Planning, Environment, Airport Development, Concessions and Business Development
Operations	Airside Operations, Landside Operations, Maintenance, Facilities, Communication, Fire, Police and Reliever Airports

***Chair and Administrative Staff.***

*Daniel Boivin, Chair.* Governor Dayton appointed Mr. Boivin to serve as Chair of the Commission in February 2011. Prior to this, he served as the Mayor of Minneapolis' appointee to the Commission beginning in May 2002. As a Commissioner, Mr. Boivin chaired the Human Resources and Affirmative Action Committee. In addition to serving as Chair of the Commission, he is the Executive Vice-President, Chief Legal Officer and General Counsel for SeeChange Health, a value-based health insurance and technology company. Previously, Mr. Boivin served as attorney and partner with the Meshbesher & Spence law firm. He served as the chair of the Minnesota Bar Association Civil Litigation Section, and has provided pro bono legal representation and acted as a volunteer judge for the Minnesota State High School Mock Trial Tournament. He is a graduate of Hamline Law School.

*Jeffrey W. Hamiel, Executive Director.* Mr. Hamiel was appointed Executive Director of the Commission on November 24, 1985. He received his Bachelor of Arts degree from the University of Minnesota, a Master of Arts degree in Public Administration from Northern Michigan University and a Doctorate in Public Administration from Hamline University, St. Paul, Minnesota. In 1977, Mr. Hamiel was initially employed by the Commission as its first Manager of Noise Abatement and Environmental Affairs; in 1980, he was promoted to Assistant Director of Operations and to Director of Operations in 1983. Between 1984 and 1985 he served as Airport Director and was promoted to Deputy Executive Director before becoming Executive Director. Mr. Hamiel was a pilot in the United States Air Force for over seven years and thereafter joined the United States Air Force Reserve where he served as a Chief Pilot and retired as Squadron Commander of the 96<sup>th</sup> Airlift Squadron in 1998. He retired in the rank of Lieutenant Colonel. Mr. Hamiel served as Chairman, ACI-North America for 2001 and continues to serve as a member of the ACI-North America Board of Directors. He also was a member of the Executive Committee of ACI-World in Geneva, Switzerland. Mr. Hamiel is the past Chair of the ACI International Affairs Committee and has served on the Governmental Affairs Committee, Environmental Committee, Technical Committee and Marketing/Communications Committee. Additionally, he is a certified member of the American Association of Airport Executives ("AAAE"). Mr. Hamiel serves as Vice Chair of the Airport Cooperative Research Program of the National Academy of Sciences in Washington, D.C. He is currently the chair of the Executive Committee of the Center for Transportation Studies at the University of Minnesota. Mr. Hamiel is a member of the Board of Trustees of Hamline University. He also is an adjunct instructor and serves on the Board of Advisors, Graduate School of Business at Hamline University. Mr. Hamiel has served as an adjunct instructor at the University of St. Thomas teaching in the MBA program. He was inducted into the Minnesota Aviation Hall of Fame in 2003.

*Stephen L. Busch, Deputy Executive Director, Finance and Administrative Services/Treasurer.* Mr. Busch was appointed Deputy Executive Director, Finance and Administrative Services in June 2008. Prior to his current

appointment he served as Director of Finance of the Commission for 12 years. Mr. Busch has worked for the Commission since 1981. He received his Bachelor of Science degree from St. Johns University and holds a Masters of Business Administration degree from the University of St. Thomas. Prior to his employment with the Commission, he worked for Control Data Corporation and Emmer Distribution Centers. In addition, he is a member of the Government Finance Officers Association and is involved with ACI Economic Committee issues.

*Dennis Probst, Deputy Executive Director, Planning and Environment.* Mr. Probst was appointed Deputy Executive Director, Planning and Environment, in January 2008. Prior to his current appointment, he served as Building Construction Manager of the Commission and was promoted to Director of Landside Development of the Commission in January, 1999. Mr. Probst received a Bachelor of Science in Civil Engineering, a Bachelor of Arts Architecture Degree and a Master of Architecture Degree from Iowa State University. He was previously employed with DMJM Harris as Vice President and was employed with BRW for 14 years as an Architect and Project Manager, Office Manager and Vice President. Mr. Probst served as Mayor of the City of Arden Hills from 1994–2002 and was President of the I-35W Corridor Coalition from 1998–2002. He served as Chairman of the Central Corridor Coordinating Committee. As a member of the American Institute of Architects, Mr. Probst served as Minneapolis Chapter President as well as a Board Member of the Minnesota Society American Institute of Architects. He served as Chair of the Arden Hills Planning Commission and is a former member of American Society of Heating, Refrigeration and Air Conditioning Engineers.

*Jan Nielsen, Deputy Executive Director, Human Resources.* Ms. Nielsen was appointed to the position of Deputy Executive Director, Human Resources in June 2001. Ms. Nielsen has been with the Commission since 1984 and has held the positions of Operations Coordinator, Assistant Manager of Reliever Airports, Properties Manager, Quality Resource Manager and Manager of HRD & Strategic Planning. Ms. Nielsen received a Bachelor of Science Degree from the University of Minnesota and a Masters Degree in Management and Administration from Metropolitan State University, where she was honored as “The Outstanding Graduate Student of the Year.” She is certified as a Senior Professional in Human Resources by the Society of Human Resource Management and has completed the Carlson School of Management’s Human Resource Executive Program. Ms. Nielsen is a member of ACI-North America, AAAE, the Employers Association of Minnesota, the International Personnel Management Association and the Society for Human Resource Management. Prior to joining the Commission, she was a private pilot and was employed by the FAA as an air traffic controller.

*Timothy Anderson, Deputy Executive Director, Operations.* Mr. Anderson was appointed to his current position in April of 1996. He has been with the Commission since April 1981 and has held the positions of Manager/Noise Abatement, Assistant Director of Operations, Airport Director and Director of Airports. Mr. Anderson is also the staff liaison to the Management and Operations Committee of the Commission. He has a Bachelor of Arts in Social Science from the University of Minnesota, Duluth; a Masters in Business Administration from the University of North Dakota; and a Master of Arts in Public Administration from Webster College, St. Louis, Missouri. Prior to joining the Commission, Mr. Anderson spent over 10 years as a pilot with the United States Air Force and in May 2000 ended 20 years of participation with the United States Air Force Reserve, retiring in the rank of Colonel. He is the immediate past Chair of the ACI World Security Standing Committee. Mr. Anderson also is a member of the ACI-NA Public Safety and Security Steering Committee and is a member of the AAAE Transportation Security Committee.

*Thomas W. Anderson, General Counsel.* Mr. Anderson has been employed as the Commission’s chief legal officer since December 1979. He obtained a Bachelors degree in Mathematics and Law degree from the University of Minnesota. He has served as Chair of the ACI–North America Legal Committee, Chair of the Transportation Law Committee of the American Bar Association Section of Urban, State and Local Government Law, President of the Corporate Counsel Association of Minnesota, as a member of the Minnesota State Bar Association Board of Governors and as a member of the Minnesota Secretary of State’s Corporate Advisory Council. He is currently serving as a member of the Airport Foundation MSP.

*Robert C. Schauer, Director of Finance.* Mr. Schauer was appointed Director of Finance in August 2008. Prior to his current appointment he served as Assistant Director of Finance and Manager of Accounting and Finance of the Commission for 20 years. Mr. Schauer has worked for the Commission since 1983. He received his Bachelor of Arts degree and Masters of Business Administration degree from the University of St. Thomas. Mr. Schauer is a Certified Public Accountant and Certified Treasury Professional. Prior to his employment with the Commission, he

worked for St. Joseph’s Hospital in St. Paul, Minnesota. In addition, he is a member of the Government Finance Officers Association and the Association for Finance Professionals.

**Employees.** As of September 1, 2011, approximately 580 full-time employees, including maintenance personnel, police officers, firefighters, clerical and professional persons, were employed by the Commission. The Commission staff believes its relationship with the employees is satisfactory. Certain employees of the Commission are unionized. The number of employees of the Commission represented by unions, the representative union and the date of expiration of respective union contracts are set forth in the following table.

**TABLE 9**  
**Metropolitan Airports Commission**  
**Union Representation of Employees**

Union	Number of Employees	Expiration Date of Union Contracts
International Association of Fire Fighters, Local S-6 (representing fire fighters)	35	December 31, 2010 <sup>1</sup>
International Association of Fire Fighters, Local S-6 (representing fire captains)	9	December 31, 2010 <sup>1</sup>
International Brotherhood of Electrical Workers, Local 292	17	April 30, 2014
International Union of Operating Engineers, Local 49	22	December 31, 2010 <sup>1</sup>
International Union of Operating Engineers, Local 70	15	December 31, 2010 <sup>1</sup>
Lakes & Plains Regional Council of Carpenters	9	April 30, 2014
Law Enforcement Labor Services, Local 302 (Police Officers)	56	December 31, 2013
Law Enforcement Labor Services, Local 307 (Police Supervisors)	18	December 31, 2013
Minnesota Teamsters Public and Law Enforcement Employees Union, Local 320	95	June 30, 2011 <sup>1</sup>
Painter’s and Allied Trades, Local 386	8	April 30, 2014
United Association Plumbers, Local 34	8	April 30, 2014
Law Enforcement Labor Services, Local 358	<u>11</u>	December 31, 2013
Total	303	

<sup>1</sup> Contract is currently being negotiated.  
Source: Metropolitan Airports Commission.

## MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT

### General

The Airport was opened in 1927 as Wold-Chamberlain Field, and was operated by the Minneapolis Park Board until 1943, when it was transferred by State law to the Commission. In 1946, the Commission designated the field as the primary Air Carrier airport for the Metropolitan Area and renamed the Airport the Minneapolis-St. Paul International Airport-Wold-Chamberlain Field.

The Airport serves as a primary hub in the route system of Delta. In 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. On January 31, 2010, Delta assumed all of the obligations of Northwest under the leases and agreements between Northwest and the Commission. On July 1, 2010, Delta sold Mesaba and Compass to two separate buyers. According to Delta, under the terms of the sale agreements, Mesaba and Compass will continue to operate Delta Connection flights under long-term, extendable agreements ranging from 7-12 years depending on aircraft type. Delta, together with its affiliated Air Carriers (Mesaba, Pinnacle, Compass and Comair), accounted for approximately 78.7% of all passengers enplaned at the Airport in 2010. See “AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta.”

The Airport is primarily located within Hennepin County which is within the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area (the “MSA”). The MSA is composed of 13 counties located in the east-central region of the State and the western portion of Wisconsin. There are seven core counties which represent over 86% of the MSA’s population. These counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington, which are all located within the State. The other six counties in the MSA are Chisago, Isanti, Sherburne and Wright, which are also located in the State, and Pierce and St. Croix located in Wisconsin. See “— Air Trade Area” below for further discussion of the MSA.

### **Current Airport Facilities**

**Runways.** The Airport maintains four air-transport-type runways, including two northwest-southeast runways, one north-south runway and one northeast-southwest cross-wind runway. The runways provide operational facilities to cover varying wind conditions and are connected by a system of taxiways and aprons. In addition, all eight of the runway approach directions are equipped with high-intensity runway lighting and instrument landing systems which permit continuous operation under almost all weather conditions. The northerly northwest-southeast runway is 8,200 feet long and 150 feet wide. The parallel northwest-southeast runway is 10,000 feet long and 200 feet wide. The north-south runway (also known as Runway 17/35) is 8,000 feet long and 150 feet wide. The northeast-southwest runway, which is provided to cover other wind conditions, is 11,000 feet long and 150 feet wide. The runways, in the opinion of the Commission’s engineers, have sufficient capacity and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The boundaries of the Airport provide sufficient clear area for runway approaches to meet the requirements of the FAA.

**Terminal Facilities.** Passenger terminal facilities at the Airport are located in two separate buildings: the Lindbergh Terminal and the Humphrey Terminal. International arrivals facilities (“IAF”) at the Airport are located in both of the passenger terminal facilities. The Lindbergh Terminal and the Humphrey Terminal are connected by the light rail system that runs between downtown Minneapolis and the Mall of America (the “Light Rail System”). The Light Rail System includes stations at the Lindbergh and Humphrey Terminals. During peak traffic times during the year, a shuttle bus also provides transportation between the Lindbergh Terminal and the Humphrey Terminal, which are approximately 3.5 miles apart.

The Lindbergh Terminal is a three level structure consisting of approximately 2.8 million square feet of space, of which approximately 1.3 million square feet are considered rentable. The Lindbergh Terminal currently consists of one terminal (the “Main Building”) and seven concourses designated as the A, B, C, D, E, F and G Concourses. The Lindbergh Terminal also includes the principal IAF; the ground transportation center; and a parking garage, which is located beneath the Lindbergh Terminal. The seven concourses, which extend from the Main Building, provided a total of 117 aircraft loading positions. These aircraft loading positions consist of passenger loading bridges and immediately adjacent ramp areas which are utilized by regional airline aircraft that may or may not utilize the passenger loading bridges. Concourses A and B are comprised of 14 and 16 gates, respectively, and are leased to Delta which utilizes them for regional airline operations. See “CAPITAL IMPROVEMENT PROGRAM—Demand Driven CIP Projects” for additional information concerning the proposed expansion of the Lindbergh Terminal.

Within the Lindbergh Terminal are ticketing facilities on the second level in the Main Building; security checkpoint locations on the second level in the Main Building and at the entrance to the G Concourse from the parking ramp skyway; passenger boarding facilities on the second level in each of the seven concourses; baggage claim and the international arrivals waiting area on the ground or first level; and the ground transportation center, which contains covered space for shuttle and taxi pickup on the ground level. Concessions are located throughout the Lindbergh Terminal, the majority of which are located past the security checkpoints. A coffee shop and a full-service restaurant, are located outside of the secure areas of Lindbergh Terminal and are available to all visitors to the Airport, ticketed passengers and non-ticketed passengers.

The majority of international arrivals and departures at the Airport are conducted from the IAF on the G Concourse. The facility contains dual-purpose domestic-international gates that provide ten aircraft loading positions (at nine gates) with international arrival capability. The total processing capacity of this IAF is estimated to be approximately 800 passengers per hour.

The Humphrey Terminal is a two-story structure consisting of approximately 400,000 square feet of space, providing 10 gates. Four of the ten gates consist of international arrival facility gates. The Commission has designated the Humphrey Terminal as a common use facility. The three main Air Carriers operating out of the Humphrey Terminal are Air Tran, Southwest and Sun Country. Air Tran, Southwest and Sun Country operate primarily from one, two and two to four gates, respectively. Currently, due to demand, Air Tran, Southwest and Sun Country also are using, on a common use basis, the other gates in the Humphrey Terminal. On May 2, 2011, Southwest acquired Air Tran. Southwest and Air Tran are currently operating as separate airlines. According to Southwest, it expects that both airlines will begin operating as a single airline (under the Southwest brand) sometime in the first quarter of 2012. At this time, the Commission cannot predict what effect, if any, this merger will have on the operations of Southwest and Air Tran at the Airport. See “CAPITAL IMPROVEMENT PROGRAM—Demand Driven CIP Projects” for additional information concerning the proposed expansion of the Humphrey Terminal.

***Parking Facilities.*** Parking facilities located at the Airport provide approximately 22,941 public automobile parking spaces. The on-Airport parking options include a valet garage, short-term and long-term parking located adjacent to and below the Lindbergh Terminal, and short-term and long-term parking located adjacent to the Humphrey Terminal.

The public parking facilities located adjacent to and below the Lindbergh Terminal provide 14,080 of the 22,941 public parking spaces. The valet garage located beneath the Lindbergh Terminal provides 386 parking spaces, with the remaining 13,694 parking spaces contained in two seven-level parking garages and two nine-level parking garages that are connected to the Lindbergh Terminal and the G Concourse via an enclosed skyway and a surface parking lot located adjacent to the parking garages. The parking garages also can be accessed via the ground transportation center. Thirty percent of the two nine-level parking garages are utilized by the six on-Airport rental car companies and the remaining 70% is utilized for public parking. The Commission also provides approximately 242 employee parking spaces at several surface lots near the Lindbergh Terminal.

The public parking facilities located adjacent to the Humphrey Terminal provide the remaining 8,861 public parking spaces which are contained in an eight-level parking ramp and surface lots. The Commission is currently expanding the rental car facilities in the Humphrey Terminal parking ramp, and once completed, 460 parking spaces will be dedicated to the rental car companies. The Commission also provides approximately 2,203 employee parking spaces in the Humphrey Terminal parking facility and at several surface lots near the Humphrey Terminal.

Four off-Airport private parking facilities serve passengers of the Airport and provide an estimated additional 5,450 automobile parking spaces.

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**Aviation Activity**

**Airport Enplanements.** The Airport is classified by the FAA as one of the large hub airports in the United States. According to ACI statistics, in calendar year 2010 the Airport was the 15<sup>th</sup> busiest airport in the nation in terms of passenger volume and the 24<sup>th</sup> busiest airport in the nation in terms of total cargo. The following table sets forth total enplaned and deplaned passengers and cargo information for 2010 for the Airport as compared to other airports in the United States.

**TABLE 10**  
**2010 Ranking of U.S. Airports**  
**(for the 12 months ended December 31, 2010)**

Total Passengers <sup>1</sup> (in thousands)			Total Cargo <sup>1</sup> (freight and mail, in thousands of metric tons)		
Rank	Airport	Passengers	Rank	Airport	Cargo
1	Atlanta	89,332	1	Memphis	3,916.8
2	Chicago	66,775	2	Anchorage	2,646.7
3	Los Angeles	59,070	3	Louisville	2,166.7
-	-	-	-	-	
-	-	-	-	-	
11	Charlotte	38,254	20	Boston	259.5
12	Miami	35,698	21	Toledo	254.8
13	Orlando	34,878	22	Denver	251.8
14	Newark	33,107	23	Phoenix	250.7
<b>15</b>	<b>Minneapolis-St. Paul</b>	<b>32,839</b>	<b>24</b>	<b>Minneapolis-St. Paul</b>	<b>211.7</b>
16	Detroit	32,377	25	Detroit	193.3
17	Seattle	31,553	26	Portland	190.1
18	Philadelphia	30,776	27	Salt Lake City	145.4
19	Boston	27,429	28	Orlando	135.9

<sup>1</sup> Sum of enplaned and deplaned volume.

Source: ACI, 2010 North American Traffic Report.

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The following table sets forth historical enplanement information for the Airport for the years ended December 31, 2006 through 2010 and for the first six months of 2010 and 2011. The table categorizes enplanement information into origin and destination (“O&D”) enplanements and connecting enplanements.

**TABLE 11**  
**Minneapolis-St. Paul International Airport**  
**O&D and Connecting Passengers<sup>1</sup>**

Year <sup>2</sup>	O&D		Connecting		Total	% Change from Previous Year
	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total		
2006	8,704,000	50.0%	8,687,000	50.0%	17,390,000	(4.4)%
2007	8,922,000	52.1	8,203,000	47.9	17,125,000	(1.5)
2008	8,263,000	50.0	8,256,000	50.0	16,519,000	(3.5)
2009	8,103,000	51.6	7,603,000	48.4	15,706,000	(4.9)
2010	8,496,000	54.1	7,219,000	45.9	15,715,000	0.1
<b>First 6 Months<sup>3</sup></b>						
2010	4,193,000	55.1%	3,418,000	44.9%	7,611,000	—
2011	4,363,000	56.6	3,340,000	43.4	7,703,000	1.2%

<sup>1</sup> Passenger figures are rounded to the nearest thousand and may differ from statistics reported by the Air Carriers to the Commission. Includes revenue passengers only.

<sup>2</sup> Year ended December 31.

<sup>3</sup> January 1 through June 30. Results for the first six months of Fiscal Year 2011 may not be indicative of results for the full Fiscal Year 2011.

Sources: U.S. DOT, Schedules T100 and T3; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; Jacobs Consultancy; Metropolitan Airports Commission.

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**Airport Operations.** The following table sets forth information regarding aircraft operations at the Airport for the years ended December 31, 2006 through 2010 and for the first six months of 2010 and 2011.

**TABLE 12**  
**Minneapolis-St. Paul International Airport**  
**Historical Aircraft Operations**

<u>Year<sup>1</sup></u>	<u>Air Carrier Operations</u>	<u>Commuter Operations</u>	<u>Cargo Operations</u>	<u>Total Commercial Operations<sup>3</sup></u>	<u>Percent Commercial Operations<sup>3</sup></u>	<u>General Aviation Operations</u>	<u>Military Operations</u>	<u>Total Operations</u>
2006	283,844	135,286	16,355	435,485	91.63%	37,473	2,040	474,998
2007	263,816	141,013	15,292	420,121	92.75	30,562	2,289	452,972
2008	226,646	176,237	14,361	417,244	92.71	30,685	2,115	450,044
2009	211,085	183,911	11,146	406,142	93.93	24,361	1,892	432,395
2010	191,341	203,066	12,499	406,906	93.12	27,921	2,145	436,972
<b>First 6 Months<sup>2</sup></b>								
2010	97,000	93,880	5,897	196,777	92.72%	14,343	1,096	212,216
2011	88,085	108,578	6,144	202,807	93.53	13,198	837	216,842

<sup>1</sup> Year ended December 31.

<sup>2</sup> January 1 through June 30. Results for the first six months of Fiscal Year 2011 may not be indicative of results for the full Fiscal Year 2011.

<sup>3</sup> Total Commercial Operations equal Air Carrier Operations (including charters), Commuter Operations and Cargo Operations.

Source: Metropolitan Airports Commission.

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**Landed Weight.** The following table sets forth landed weight information for the Airport for the years ended December 31, 2006 through 2010 and for the first six months of 2010 and 2011.

**TABLE 13**  
**Minneapolis-St. Paul International Airport**  
**Trends in Aircraft Landed Weight**  
**(in thousands of pounds)**

<b>Year<sup>1</sup></b>	<b>Type of Air Carrier</b>		<b>Total Landed Weight</b>
	<b>Passenger</b>	<b>All Cargo</b>	
2006	22,462,015	1,240,238	23,702,253
2007	21,991,657	1,236,885	23,228,542
2008	21,177,817	1,123,707	22,301,524
2009	20,319,892	950,908	21,270,800
2010 <sup>2</sup>	19,856,212	986,029	20,842,241
<b>First 6 Months<sup>3</sup></b>			
2010	9,603,174	479,850	10,083,024
2011	9,764,342	480,117	10,244,459

<sup>1</sup> Year ended December 31.

<sup>2</sup> During 2010, Delta's operations represented 75% of Total Landed Weight of Signatory Airlines at the Airport.

<sup>3</sup> January 1 through June 30. Results for the first six months of Fiscal Year 2011 may not be indicative of results for the full Fiscal Year 2011.

Source: Metropolitan Airports Commission.

#### **Air Carriers Serving the Airport**

**General.** As of January 1, 2011, the Airport was served by 30 Air Carriers, including 21 U.S.-flag carriers providing scheduled service, 1 U.S.-flag carrier providing charter service, 2 foreign-flag carriers and 6 all-cargo service carriers. The following table sets forth the Air Carriers providing service at the Airport as of January 1, 2011.

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**TABLE 14**  
**Minneapolis-St. Paul International Airport**  
**Air Carriers Serving the Airport<sup>1</sup>**  
**(As of January 1, 2011)**

**U.S.-Flag Carriers**

***Scheduled Service***

Air Tran <sup>*2</sup>	Compass <sup>**4</sup>	Republic Airlines <sup>*8,9</sup>
Alaska <sup>*</sup>	Continental <sup>*6</sup>	Shuttle America <sup>*5,10</sup>
American <sup>*</sup>	Continental Express <sup>*7</sup>	SkyWest <sup>*4,9</sup>
American Eagle <sup>*3</sup>	Delta <sup>**</sup>	Southwest <sup>*2</sup>
Atlantic Southeast <sup>**4</sup>	Frontier <sup>*</sup>	Sun Country <sup>*</sup>
Chautauqua <sup>**5</sup>	Mesaba <sup>**4</sup>	United <sup>*6</sup>
Comair <sup>**4</sup>	Pinnacle <sup>**4</sup>	US Airways <sup>*</sup>

***Non-scheduled (Charter) Service***

Omni International<sup>\*\*</sup>

**Foreign-Flag Carriers**

Air Canada Jazz <sup>**</sup>	Icelandair <sup>*</sup>
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**All-Cargo Service**

ATI <sup>**11</sup>	ASTAR Air Cargo <sup>*</sup>	FedEx <sup>**</sup>
ABX Air <sup>*12</sup>	Bemidji <sup>**</sup>	UPS <sup>**</sup>

\* Signatory to Airline Lease Agreement that expires on December 31, 2011.

\*\* Signatory to Airline Lease Agreement that expires on December 31, 2020.

<sup>1</sup> Excludes carriers reporting fewer than 1,000 enplaned passengers per annum. Does not indicate which major air carriers codeshare with each other.

<sup>2</sup> On May 2, 2011, Southwest acquired Air Tran. Southwest and Air Tran are currently operating as separate airlines, and are expected to begin operating as a single airline (under the Southwest brand) sometime in the first quarter of 2012.

<sup>3</sup> Codeshare with American.

<sup>4</sup> Codeshare with Delta.

<sup>5</sup> Codeshare with American and Continental.

<sup>6</sup> On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines expect to continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

<sup>7</sup> Codeshare with Continental.

<sup>8</sup> Codeshare with US Airways.

<sup>9</sup> Codeshare with Midwest Airlines.

<sup>10</sup> Codeshare with United.

<sup>11</sup> Provides air service to BAX Global.

<sup>12</sup> Provides air service to DHL.

Sources: Metropolitan Airports Commission.

Three branches of the United States Armed Forces are represented at the Airport: the Air Force Reserve 934th Tactical Airlift Group, the Marine Air Reserve Training Detachment, and the Naval Air Reserve-Twin Cities Center. Also located at the Airport is the Minnesota Air National Guard 133rd Tactical Airlift Group. At the St. Paul Downtown Airport, the Army maintains a dozen support helicopters and the National Guard bases its Fixed Wing Squadron. Training flights, servicing and simulated emergencies are conducted on a regular basis.

***Enplanements by Air Carriers.*** Enplanements (departing passengers) for the largest Air Carriers operating at the Airport for the years ended December 31, 2006 through 2010 are shown in the following table.

**TABLE 15**  
**Minneapolis-St. Paul International Airport**  
**Air Carrier Market Share**  
**Total Enplaned Passengers<sup>1</sup>**  
**(for the 12 months ended December 31)**  
**(Ranked on 2010 results)**

<b>Air Carrier</b>	<b>2006</b>	<b>2006% of Total<sup>2</sup></b>	<b>2007</b>	<b>2007% of Total<sup>2</sup></b>	<b>2008</b>	<b>2008% of Total<sup>2</sup></b>	<b>2009</b>	<b>2009% of Total<sup>2</sup></b>	<b>2010</b>	<b>2010% of Total<sup>2</sup></b>
Delta <sup>3</sup>	13,882,761	79.8%	13,611,599	79.5%	13,328,777	80.7%	12,368,515	78.7%	12,802,866	78.7%
<i>Northwest Mainline<sup>3</sup></i>	<i>11,434,557</i>	<i>65.8</i>	<i>11,279,067</i>	<i>65.9</i>	<i>10,079,244</i>	<i>61.0</i>	<i>8,449,013</i>	<i>53.8</i>	–	–
<i>Northwest Airlink<sup>3</sup></i>	<i>2,011,831</i>	<i>11.6</i>	<i>1,931,325</i>	<i>11.3</i>	<i>2,790,670</i>	<i>16.9</i>	<i>3,234,544</i>	<i>20.6</i>	–	–
<i>Delta Mainline<sup>3</sup></i>	<i>151,710</i>	<i>0.9</i>	<i>167,675</i>	<i>1.0</i>	<i>193,853</i>	<i>1.2</i>	<i>530,536</i>	<i>3.4</i>	<i>8,765,940</i>	<i>53.9</i>
<i>Delta Connection<sup>3</sup></i>	<i>284,663</i>	<i>1.6</i>	<i>233,532</i>	<i>1.4</i>	<i>265,010</i>	<i>1.6</i>	<i>154,422</i>	<i>1.0</i>	<i>4,036,926</i>	<i>24.8</i>
United <sup>4</sup>	554,349	3.2	556,865	3.3	489,168	3.0	468,025	3.0	541,364	3.3
American	618,655	3.6	656,931	3.8	621,987	3.8	571,074	3.6	541,220	3.3
Southwest <sup>5</sup>	–	–	–	–	–	–	283,796	1.8	514,105	3.2
US Airways	439,544	2.5	461,267	2.7	435,630	2.6	455,886	2.9	507,381	3.1
Sun Country	726,371	4.2	752,582	4.4	632,400	3.8	496,820	3.2	478,870	2.9
Air Tran <sup>5</sup>	288,968	1.7	315,040	1.8	253,918	1.5	248,191	1.6	266,915	1.6
Continental <sup>4</sup>	250,699	1.4	247,471	1.4	245,641	1.5	232,200	1.5	213,387	1.3
Frontier	123,658	0.7	132,864	0.8	167,408	1.0	189,588	1.2	192,547	1.2
Alaska	115	<0.1	–	–	15,998	0.1	91,122	0.6	98,992	0.6
Midwest <sup>6</sup>	84,748	0.5	70,898	0.4	74,891	0.5	81,623	0.5	62,634	0.4
Icelandair	35,084	0.2	35,858	0.2	27,205	0.2	16,519	0.1	21,344	0.1
Other	<u>385,358</u>	<u>2.2</u>	<u>283,843</u>	<u>1.7</u>	<u>225,471</u>	<u>1.4</u>	<u>202,714</u>	<u>1.3</u>	<u>21,163</u>	<u>0.1</u>
<b>Total</b>	<b><u>17,390,310</u></b>	<b><u>100.0%</u></b>	<b><u>17,125,218</u></b>	<b><u>100.0%</u></b>	<b><u>16,518,494</u></b>	<b><u>100.0%</u></b>	<b><u>15,706,072</u></b>	<b><u>100.0%</u></b>	<b><u>16,262,788</u></b>	<b><u>100.0%</u></b>

<sup>1</sup> Passenger figures are rounded to the nearest thousand and may differ from the statistics reported by the Air Carriers to the Commission.

<sup>2</sup> Percentages may not sum to totals due to rounding.

<sup>3</sup> In 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. On July 1, 2010, Delta sold Mesaba and Compass to two separate buyers. According to Delta, under the terms of the sale agreements, Mesaba and Compass will continue to operate Delta Connection flights under long-term, extendable agreements ranging from 7-12 years depending on aircraft type.

<sup>4</sup> On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines expect to continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

<sup>5</sup> On May 2, 2011, Southwest acquired Air Tran. Southwest and Air Tran are currently operating as separate airlines, and are expected to begin operating as a single airline (under the Southwest brand) sometime in the first quarter of 2012.

<sup>6</sup> Midwest discontinued service at the Airport in September 2010.

Sources: For fiscal years 2006 through 2009: U.S. DOT, Schedules T100; U.S. DOT, Air Passenger Origin-Destination Survey, reconciles to Schedules T100 and 298C T1. For fiscal year 2010: Metropolitan Airports Commission.

Enplanements (departing passengers) for the largest Air Carriers operating at the Airport for the first six months of 2010 and 2011 are shown in the following table.

**TABLE 16**  
**Minneapolis-St. Paul International Airport**  
**Air Carrier Market Share**  
**Total Enplaned Passengers<sup>1</sup>**  
**(for the 6 months ended June 30)**  
**(Ranked on 2011 results)**

Air Carrier	2010	2010% of Total <sup>1</sup>	2011 <sup>2</sup>	2011% of Total <sup>1,2</sup>
Delta <sup>3</sup>	6,176,765	78.5%	6,148,378	77.3
<i>Delta Mainline<sup>3</sup></i>	4,365,696	55.5	3,998,796	50.3
<i>Delta Connection<sup>3</sup></i>	1,811,069	23.0	2,149,582	27.0
Sun Country	245,769	3.1	300,479	3.8
Southwest <sup>4</sup>	224,662	2.9	296,149	3.7
US Airways	252,927	3.2	272,841	3.4
United <sup>5</sup>	270,819	3.4	264,533	3.3
American	275,588	3.5	256,004	3.2
Air Tran <sup>4</sup>	130,765	1.7	145,636	1.8
Frontier	84,766	1.1	128,455	1.6
Continental <sup>5</sup>	109,956	1.4	76,590	1.0
Alaska	44,703	0.6	46,021	0.6
Other	<u>56,473</u>	<u>0.7</u>	<u>19,529</u>	<u>0.3</u>
Total	<u>7,873,193</u>	<u>100.0%</u>	<u>7,954,615</u>	<u>100.0%</u>

<sup>1</sup> Percentages may not sum to totals due to rounding.

<sup>2</sup> Results for the first six months of Fiscal Year 2011 may not be indicative of results for the full Fiscal Year 2011.

<sup>3</sup> In 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. On July 1, 2010, Delta sold Mesaba and Compass to two separate buyers. According to Delta, under the terms of the sale agreements, Mesaba and Compass will continue to operate Delta Connection flights under long-term, extendable agreements ranging from 7-12 years depending on aircraft type.

<sup>4</sup> On May 2, 2011, Southwest acquired Air Tran. Southwest and Air Tran are currently operating as separate airlines, and are expected to begin operating as a single airline (under the Southwest brand) sometime in the first quarter of 2012.

<sup>5</sup> On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines expect to continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

Sources: Metropolitan Airports Commission.

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**Cargo Handled by Air Carriers.** The following table presents the total cargo handled (enplaned and deplaned) by the largest Air Carriers operating at the Airport for the years ended December 31, 2006 through 2010.

**TABLE 17**  
**Minneapolis-St. Paul International Airport**  
**Air Carrier Market Share**  
**Total Cargo Handled (tons in thousands) <sup>1</sup>**  
**(for the 12 months ended December 31)**  
**(Ranked on 2010 results)**

Airline	2006	2007	2008	2009	2010	2010% of Total
FedEx	135.4	124.0	120.6	96.7	93.0	43.8%
UPS	53.0	33.2	50.4	48.8	52.9	24.9
Delta <sup>2</sup>	59.4	40.0	37.6	29.2	39.2	18.4
ATI/BAX Global <sup>3</sup>	8.7	4.2	4.4	7.4	15.9	7.5
ABX Air <sup>4</sup>	0.2	1.3	4.0	0.9	3.9	1.8
United <sup>5</sup>	1.7	0.8	1.6	2.3	2.1	1.0
US Airways	0.1	0.5	1.8	1.8	2.1	1.0
Southwest	0.0	0.0	0.0	0.7	1.2	0.6
Mountain Cargo	0.0	0.0	0.0	0.5	0.7	0.4
Sun Country	3.2	3.3	2.4	1.2	0.5	0.3
American	2.3	1.9	2.0	0.8	0.2	0.1
Frontier	0.3	0.3	0.3	0.2	0.3	0.1
Continental <sup>5</sup>	1.1	0.7	0.9	0.6	0.2	0.1
All Other	<u>16.8</u>	<u>12.1</u>	<u>8.0</u>	<u>0.2</u>	<u>1.0</u>	<u>0.5</u>
Total	<u>282.3</u>	<u>222.4</u>	<u>233.8</u>	<u>190.7</u>	<u>212.5</u>	<u>100.0%</u>

<sup>1</sup> Sum of enplaned and deplaned cargo. Tonnages and percentages may not sum to totals due to rounding.

<sup>2</sup> In 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. On July 1, 2010, Delta sold Mesaba and Compass to two separate buyers. According to Delta, under the terms of the sale agreements, Mesaba and Compass will continue to operate Delta Connection flights under long-term, extendable agreements ranging from 7-12 years depending on aircraft type. Includes cargo handled by Delta, Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass.

<sup>3</sup> ATI provides air service to BAX Global.

<sup>4</sup> On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines expect to continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

<sup>5</sup> DHL purchased Airborne Express in 2003. DHL contracted with ABX to provide air service to DHL. In 2008, DHL ceased its U.S. domestic express business. DHL continues to operate its international express business.

Source: Metropolitan Airports Commission.

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The following table presents the total cargo handled (enplaned and deplaned) by the largest Air Carriers operating at the Airport for the first six months of 2010 and 2011.

**TABLE 18**  
**Minneapolis-St. Paul International Airport**  
**Air Carrier Market Share**  
**Total Cargo Handled (in metric tons) <sup>1</sup>**  
**(for the 6 months ended June 30)**  
**(Ranked on 2011 Results)**

Airline	2010	2010% of Total	2011 <sup>2</sup>	2011% of Total <sup>2</sup>
FedEx	45,311	44.6%	44,133	42.6%
UPS	25,086	24.7	25,482	24.6
Delta <sup>3</sup>	17,042	16.8	20,558	19.8
ATI/BAX Global <sup>4</sup>	8,251	8.1	8,090	7.8
ABX Air <sup>5</sup>	1,836	1.8	1,546	1.5
US Airways	1,162	1.1	1,075	1.0
Southwest	550	0.5	671	0.7
United <sup>6</sup>	1,438	1.4	655	0.6
DHL <sup>5</sup>	0	0.0	478	0.5
Mountain Cargo	341	0.3	402	0.4
Sun Country	187	0.2	172	0.2
Continental <sup>6</sup>	128	0.1	118	0.1
Frontier	120	0.1	109	0.1
American	180	0.2	106	0.1
Alaska	39	<0.1	57	<0.1
All Other	<u>0</u>	<u>0.0</u>	<u>2</u>	<u>&lt;0.1</u>
Total	<u>101,673</u>	<u>100.0%</u>	<u>103,654</u>	<u>100.0%</u>

<sup>1</sup> Sum of enplaned and deplaned cargo. Tonnages and percentages may not sum to totals due to rounding.

<sup>2</sup> Results for the first six months of Fiscal Year 2011 may not be indicative of results for the full Fiscal Year 2011.

<sup>3</sup> In 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. On July 1, 2010, Delta sold Mesaba and Compass to two separate buyers. According to Delta, under the terms of the sale agreements, Mesaba and Compass will continue to operate Delta Connection flights under long-term, extendable agreements ranging from 7-12 years depending on aircraft type. Includes cargo handled by Delta, Northwest and its affiliated Air Carriers, Mesaba, Pinnacle and Compass.

<sup>4</sup> ATI provides air service to BAX Global.

<sup>5</sup> DHL purchased Airborne Express in 2003. DHL contracted with ABX to provide air service to DHL. In 2008, DHL ceased its U.S. domestic express business. DHL continues to operate its international express business.

<sup>6</sup> On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines expect to continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

Source: Metropolitan Airports Commission.

### Air Trade Area

The air trade area served by the Airport consists primarily of the MSA. The Airport is currently the only large hub airport in the MSA serving scheduled air commerce. See “THE COMMISSION—The Airport System.” Following is some selected information on population, per capita personal income and unemployment with respect to the air trade area.

**TABLE 19**  
**Population**  
(in thousands)

<b>Year</b>	<b>United States</b>	<b>United States % Change</b>	<b>Minnesota</b>	<b>Minnesota % Change</b>	<b>MSA</b>	<b>MSA % Change</b>
2006	298,593	1.0%	5,148	0.8%	3,167	1.1%
2007	301,394	1.0	5,191	0.8	3,204	1.2
2008	304,177	0.9	5,230	0.8	3,238	1.0
2009	306,656	0.8	5,263	0.6	3,269	1.0
2010	309,051	0.8	5,290	0.5	3,295	0.8

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

**TABLE 20**  
**Per Capita Personal Income**

<b>Year</b>	<b>United States</b>	<b>Minnesota</b>	<b>MSA</b>
2006	\$37,719	\$39,989	\$44,980
2007	39,485	41,770	46,797
2008	40,701	43,239	47,695
2009	39,680	41,881	45,823
2010	40,544	42,952	n.a.

n.a. = not available

Source: U.S. Department of Commerce, Bureau of Economic Analysis website.

**TABLE 21**  
**Civilian Unemployment Rate<sup>1</sup>**

<b>Year</b>	<b>United States</b>	<b>Minnesota</b>	<b>MSA</b>
2006	4.6%	4.1%	3.8%
2007	4.6	4.6	4.3
2008	5.8	5.4	5.1
2009	9.3	8.1	7.9
2010	9.6	7.3	7.2
2011 <sup>1</sup>	9.2	7.0	6.7

<sup>1</sup> 2011 data represents the average for January-June 2011.

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

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**TABLE 22**  
**2010 Employment Share by Industry**

Industry Sector	2010 Percent of Total			MSA Location Quotient Relative to	
	U.S.	Minnesota	MSA	U.S.	Minnesota
Trade, Transportation & Utilities	19.0%	18.6%	18.2%	0.96	0.98
Education & Health Services	15.1	17.4	15.8	1.05	0.91
Professional & Business Services	12.9	11.9	14.9	1.16	1.25
Government	17.3	15.8	14.1	0.81	0.89
Manufacturing	8.9	11.1	10.2	1.15	0.92
Leisure & Hospitality	10.0	8.9	9.1	0.91	1.03
Financial Activities	5.9	6.5	8.0	1.35	1.23
Other Services	4.1	4.3	4.4	1.07	1.02
Construction & Mining	4.8	3.5	3.1	0.64	0.87
Information	2.1	2.1	2.3	1.11	1.12
Total	100.0%	100.0%	100.0%		

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

## THE AIRPORT AGREEMENTS

### General

The Commission has entered into, and receives payments under, different agreements with various airlines and other parties, including lease agreements relating to landing fees and the leasing of space in terminal buildings, leases with Delta, leases relating to cargo and miscellaneous hangar facilities, concession agreements relating to the sale of goods and services at the Airport, and other leases relating to the construction of buildings and facilities for specific tenants.

### Airline Lease Agreements

**General.** The Commission has entered into Airline Lease Agreements with Delta and all of the other airlines operating at the Airport. As of September 1, 2011, 30 Air Carriers operating at the Airport, including Delta, had approved and signed Airline Lease Agreements. In addition to covering the lease of certain portions of the passenger terminal complex, including the apron, the Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield facilities. The original Airline Lease Agreements have an effective date of January 1, 1999. In connection with amending the Airline Lease Agreements in 2007 pursuant to the Third Amendment to Airline Operating Agreement and Terminal Building Lease – Minneapolis-St. Paul International Airport (the “Third Amendment to the Airline Lease Agreements”), the Commission provided an option to each of the Signatory Airlines to extend their respective Airline Lease Agreements to December 31, 2020 (the majority of the Airline Lease Agreements previously had expiration dates of December 31, 2010, while four Airline Lease Agreements (including the Airline Lease Agreement entered into by Delta) had expiration dates of December 31, 2015). As of September 1, 2011, 13 of the Signatory Airlines (including Delta) had elected to extend their respective Airline Lease Agreements to December 31, 2020. In early June 2010, the Commission sent proposed amendments to the Signatory Airlines that decided not to extend their respective Airline Lease Agreements to December 31, 2020. The proposed amendments extended the expiration date of such Airline Lease Agreements to December 31, 2014. None of the Signatory Airlines that were parties to these Airline Lease Agreements signed the proposed extension to December 31, 2014. Instead those Signatory Airlines agreed to extend their respective Airline Lease Agreements to December 31, 2011. In the fourth quarter of 2011, the Commission plans to send proposed amendments to the Signatory Airlines that are parties to the Airline Lease Agreements that expire on December 31, 2011, extending the expiration date of such Airline Lease Agreements to December 31, 2015. At this time, the Commission cannot predict how many of these Signatory Airlines will execute the amendments. Any airline that does not execute an amendment to the Airline Lease Agreement and continues to operate at the Airport will be charged landing fees and terminal rentals as set by ordinances adopted by the Commission. The landing fees and terminal rentals charged

pursuant to ordinance are generally higher than the landing fees and terminal rentals charged under the Airline Lease Agreements, but are subject to the FAA rules and regulations with respect to rates and charges imposed by airports.

The Airline Lease Agreements provide for, among other things, the use of the airfield and apron areas of the Airport and the lease of certain space in the terminal buildings. The Airline Lease Agreements also establish, among other things, procedures for the annual calculation of rents, fees and charges for the use of the Airport. Included in the rates and charges under the Airline Lease Agreements are the required deposits under the Senior Indenture and the Subordinate Indenture, including deposits to any debt service reserve funds established for the Senior Bonds or the Subordinate Obligations, the Maintenance and Operation Reserve Account and the Coverage Account. Although the Airline Lease Agreements allow the Commission to include required deposits, such as amounts to any debt service reserve funds established for the Senior Bonds and the Subordinate Obligations, in the calculation of rates, fees and charges, the Commission has agreed that it will not include deposits to the Maintenance and Operation Reserve Account and Coverage Account in the calculation of rates, fees and charges, except for such amounts which are necessary to be deposited to the Coverage Account in order to meet the rate covenant requirements under the Senior Indenture. The Airline Lease Agreements do not provide for the deposits to the Coverage Account necessary in order for the Commission to meet the rate covenant requirements under the Subordinate Indenture, and therefore, such deposits are not included in the calculation of rates, fees and charges.

Additionally, the Airline Lease Agreements provide that the Commission will utilize PFCs actually collected from the lesser of 90% of originating passengers or 45% of enplaned passengers from 2011 through 2030, for the funding of PFC eligible projects in the 2010 Plan, including the payment of debt service on Senior Bonds and Subordinate Obligations issued to finance PFC eligible projects in the 2010 Plan, before being applied in any other manner. In addition to the provisions of the Airline Lease Agreements, the Commission has agreed to apply PFCs to the fullest extent of eligibility, to pay debt service on the Senior Bonds and the Subordinate Obligations issued to finance airfield projects, including Runway 17/35. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS” for further information on the Airline Lease Agreements.

For the year ended December 31, 2010, the Commission reported revenues of \$81,999,000 collected from the Signatory Airlines pursuant to the terms of the Airline Lease Agreements.

***Rates, Fees and Charges.*** Following is a brief discussion of certain provisions with respect to the rates, fees and charges set forth in the Airline Lease Agreements. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS” for additional information on the Airline Lease Agreements.

The rates, fees and charges under the Airline Lease Agreements are calculated on a compensatory rate-setting methodology for the terminal building and a cost-center residual rate-setting methodology for the airfield. The Airline Lease Agreements define 13 cost centers (including, but not limited to, the airfield, the Lindbergh Terminal, the Humphrey Terminal, and the IAF) to be used in accounting for revenues and expenses and for calculating rents, fees and charges. The Signatory Airlines are charged “Recoverable Costs” for each of the cost centers, which include: direct and indirect operation and maintenance expenses; annual debt service costs, plus reasonable amortization of commercial paper for rate-base related projects (including capital equipment); and the required deposits pursuant to the Senior Indenture and the Subordinate Indenture, including amounts required to be deposited to any debt service reserve funds established for the Senior Bonds and the Subordinate Obligations, but excluding amounts which may be deposited in the Coverage Account and the Maintenance and Operation Reserve Account outlined in the Senior Indenture, except for such amounts which are necessary to be deposited in the Coverage Account in order for the Commission to meet the rate covenant requirements of the Senior Indenture.

In addition to Recoverable Costs, the Signatory Airlines are charged annually, among certain airline cost centers, \$15 million (for 2006, escalated by 3% per year beginning in 2007) which is deposited to a repair and replacement account (the “Repair and Replacement Account”) within the Commission Construction Fund for major maintenance and minor (less than \$2 million) capital projects, except for parking facilities and roadways.

Following is a summary of several of the rate setting methodologies provided for in the Airline Lease Agreements. See also “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE

AGREEMENTS—Rents, Fees and Charges” for further information on the rate setting methodology. Pursuant to the Airline Lease Agreements, the landing fee rates at the Airport per 1,000 pounds of aircraft weight are calculated by dividing the net airfield cost by the total landed weight of the Signatory Airlines. The net airfield cost is calculated as Recoverable Costs, plus, (a) the landing fee repair and replacement amount (68% of the amount deposited to the Repair and Replacement Account each year), (b) \$79,535.16 annually (representing the costs of Runway 17/35 not yet charged to the Signatory Airlines), and (c) certain fines, assessments, judgments, settlements or extraordinary charges, less certain revenues including: service fees from the military; general aviation and nonsignatory landing fees; and debt service on capital costs, if any, disapproved by a Majority-In-Interest of the Signatory Airlines.

Air Carriers that are not Signatory Airlines are charged a landing fee rate as established from time to time by the Commission. In September 2002, the Commission adopted Ordinance No. 96, which, among other things, set the landing fee rate to be paid by Air Carriers that are not Signatory Airlines at the greater of 125% of the Signatory Airline landing fee rate or \$53.

Rental rates at the Lindbergh Terminal are calculated on the basis of dividing the net terminal building cost by total rentable space, excluding rentable space in the G Concourse. The net terminal building cost is calculated as Recoverable Costs, plus \$2,910,547.40 annually (representing the costs of Concourses A, B, C and D not yet charged to the Signatory Airlines), less certain reimbursed expenses for steam and chilled water on the G Concourse, carousel and conveyor costs, ground power, loading dock and consortium utilities, and janitorial operation and maintenance expenses.

The IAF use fee is charged for use of the IAF on the G Concourse and is calculated as the sum of certain costs associated with the IAF divided by total international passengers arriving at the IAF. A gate use fee per aircraft operation is also charged for the use of gates, ramps and loading bridges on the IAF. The gate use fee per operation is \$400, \$800 and \$1,200 for propeller aircraft, narrowbody jet aircraft, and widebody jet aircraft, respectively. The Commission imposes certain other fees and charges for the use of the Airport, including, among others, the terminal apron fees and a carousel and conveyor charge.

The use and occupancy of the Humphrey Terminal are not subject to the Airline Lease Agreements. The Commission establishes the rents, fees and charges and the terms for the common-use of the Humphrey Terminal by ordinance.

The Airline Lease Agreements provide that: (a) except as otherwise provided in the Airline Lease Agreements, no capital projects are subject to approval by a Majority-in-Interest of the Signatory Airlines except for airfield projects costing in excess of \$1 million; (b) the Commission cannot charge the airlines for the cost of improvements to the airfield if a Majority-in-Interest of the Signatory Airlines have disapproved the project, provided that such improvements are subject to the approval of a Majority-in-Interest of the Signatory Airlines; and (c) identified projects in the 2010 Plan totaling approximately \$2.68 billion are deemed approved by the Majority-in-Interest of the Signatory Airlines and thus their costs can be included in the calculation of rates, charges and fees to the extent provided in the Airline Lease Agreements. See “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects.” The Airline Lease Agreements allow the Commission to establish a Contingency Fund in the amount of \$50 million per year beginning in 2010 and continuing through 2020 to be funded from excess revenues and used for capital projects, including projects in the airfield cost center, to be determined by the Commission. Any projects funded from the Contingency Fund will not require Majority-in-Interest approval. The Airline Lease Agreements define “Majority-in-Interest” as the Signatory Airlines who (a) represent no less than 50% in number of the Signatory Airlines operating at the time of the voting action and (b) paid no less than 40% of landing fees incurred by Signatory Airlines during the preceding Fiscal Year. Included in such rates and charges would be amounts sufficient to cover the Commission’s costs of the capital improvements to the airfield, terminal and runways at the Airport.

If, during the course of the year, the Commission believes significant variances exist in budgeted or estimated expense amounts that were used to calculate rents, fees, and charges for the then current Fiscal Year, the Commission may after notice to the Signatory Airlines adjust the rents, fees, and charges for future monthly billing to reflect current estimated expenditure amounts.

As soon as practical following the close of each Fiscal Year, but in no event later than July 1, the Commission is required to furnish to each Signatory Airline an accounting of the costs actually incurred and revenues and credits actually realized during the previous Fiscal Year with respect to each of the components of the calculation of the rents, fees, and charges broken down by rate making cost center. In the event a Signatory Airline's rents, fees, and charges billed during the previous Fiscal Year exceed the amount of such Signatory Airline's rents, fees, and charges required (as recalculated based on actual costs and revenues), such excess is refunded or credited to the Signatory Airline. In the event such Signatory Airline's rents, fees, and charges billed during the previous Fiscal Year are less than the amount of such Signatory Airline's rents, fees, and charges required (as recalculated based on actual costs and revenues), such deficiency is charged to the Signatory Airline in a supplemental billing. For Fiscal Year 2009, the Commission collected an excess of approximately \$1,644,000 from the Signatory Airlines, which excess was credited back to the Signatory Airlines during Fiscal Year 2010. For Fiscal Year 2010, collections from the Signatory Airlines were deficient by approximately \$5,154,000, which deficiency will be billed to the Signatory Airlines during Fiscal Year 2011.

Food and beverage, merchandise and auto-rental annual gross concession revenues ("Selected Concession Revenues") are shared with the Signatory Airlines that provide passenger service at the Airport (the "Passenger Signatory Airlines") (allocated among the Passenger Signatory Airlines based upon their proportionate share of enplanements at the Airport for the applicable Fiscal Year) pursuant to the following schedule (all dollar amounts are for 2006 and are escalated for future years at an approximate annual average of 4.3%) (the "Shared Concession Revenues"):

<b>Annual Selected Concession Revenues<sup>1,2</sup></b>	<b>Percent Shared with Passenger Signatory Airlines</b>
Greater than \$32,299,999	25% up to \$32,299,999 and 50% for amounts above \$32,299,999
\$25,000,000 to \$32,299,999	25%
\$24,000,000 to \$24,999,999	20
\$23,000,000 to \$23,999,999	15
\$22,000,000 to \$22,999,999	10
\$21,000,000 to \$21,999,999	5
Less than \$21,000,000	0

<sup>1</sup> Dollar amounts are for 2006 and are escalated each year at an approximate annual average of 4.3%.

<sup>2</sup> Selected Concession Revenues were \$35,267,780 for Fiscal Year 2010, resulting in Shared Concession Revenues of \$8,816,945.

The total amount of Shared Concession Revenues is structured as a credit against terminal rates and charges payable by the Passenger Signatory Airlines in the subsequent Fiscal Year. Notwithstanding the above schedule, the amount of Shared Concession Revenues will be reduced to the extent necessary so that Net Revenues, after subtracting the Shared Concession Revenues, will not be less than 1.25 times the total annual debt service on Senior Parity Bonds, Subordinate Obligations and other debt obligations of the Commission. In the event that the Shared Concession Revenues are reduced in any year, such reduction will be deferred until the next Fiscal Year and will be credited against the rates and charges payable by the Passenger Signatory Airlines in the next Fiscal Year to the extent that Net Revenues, after subtracting the applicable Shared Concession Revenues, are not less than 1.25 times the total annual debt service on Senior Parity Bonds, Subordinate Obligations and other debt obligations of the Commission.

The Airline Lease Agreements provide that, in the event any Signatory Airline is not in compliance with its payment obligations under any agreement with the Commission, during the period following any applicable notice and cure period under such agreement and continuing until payment of any such amounts (the "Payment Default Period"), the Commission would have the right, upon written notice to such Signatory Airline (provided that if such Signatory Airline is in bankruptcy, no notice would be required for the effectiveness of the following although

invoices would reference the additional amounts due and the applicable rate that applies), to: (i) have such Signatory Airline's payment obligations under their applicable Airline Lease Agreement during the Payment Default Period revert to the rate structure in effect prior to the effective date of the Third Amendment to the Airline Lease Agreement Previous Rate Structure, and (ii) apply the amount of any accrued and unpaid Shared Concession Revenues credits, if any, due to such Signatory Airline for such period against any amounts owed by such Signatory Airline to the Commission to the extent necessary to cure such payment defaults.

***Delta Lease Agreement.*** In addition to the terms of the Airline Lease Agreements discussed above, the Airline Lease Agreement originally entered into by Northwest and assumed by Delta on January 31, 2010, as amended (the "Delta Lease Agreement") contains the following additional terms, (i) Delta will make available one wide-body gate on an as-needed basis, (ii) Delta has exclusive use of the G Concourse through December 31, 2015, with the exception of gates 1-9 which constitute the IAF and (iii) Delta is not required to provide the Commission with a performance bond or security deposit. The Delta Lease Agreement provides for, among other things, the payment of rent for use of space in the G Concourse and for Delta to retain 85% of concession revenues generated on the G Concourse. Pursuant to the Delta Lease Agreement, the Commission and Delta have begun discussions regarding the extension of the G Concourse lease to December 31, 2020. The Commission and Delta have agreed that the Commission will assume operational control and maintenance of the G Concourse in 2016. See also "AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta—Role at the Airport."

Delta also has covenanted that it and its regional affiliate airlines will maintain an annual average of 360 daily departing flights from the Airport (not less than 250 of such daily flights being serviced with jet aircraft with 70 or more passenger seats) and that at least 30% of enplaned passengers of Delta and its regional affiliate airlines at the Airport will be connecting passengers (the "Hubbing Covenant"). Delta will be allowed to reduce the daily flights below the limits set forth in the Hubbing Covenant, without violating the Hubbing Covenant, if such reduction is in connection with a system-wide reduction of flights by Delta. During Fiscal Year 2010, Delta complied with the terms of the Hubbing Covenant. The Hubbing Covenant also is in certain agreements entered into by Delta with respect to the Series 15 General Obligation Revenue Bonds. See "—Additional Leases with Delta—Series 15 Lease Agreements."

In the event Delta violates the Hubbing Covenant, Delta's credit from the Shared Concession Revenues would be eliminated for such year the Hubbing Covenant is violated and if violation of the Hubbing Covenant continues for three consecutive years, or if the Hubbing Covenant is determined to be unenforceable, Delta's credit from the Shared Concession Revenues would be eliminated permanently. See "AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta."

### **Additional Leases with Delta**

**Series 15 Lease Agreements.** In addition to the Delta Lease Agreement, Delta is a party to the Series 15 Lease Agreements, originally executed in connection with the issuance of the Commission's Taxable General Obligation Revenue Bonds, Series 9 (the "Series 9 General Obligation Revenue Bonds"). Delta's obligations under the Series 15 Lease Agreements include making certain lease payments to the Commission sufficient to pay the principal of and interest on the Series 15 General Obligation Revenue Bonds. The proceeds of the Series 9 General Obligation Revenue Bonds were used by the Commission to acquire and lease back to Delta's predecessors (a) a flight training center in Eagan, Minnesota, consisting of land, a building, flight simulators, and related equipment and (b) certain leasehold interests of Delta, and (c) certain additional properties located at the Airport (collectively "the Leased Facilities"). In January 2002, the Series 9 General Obligation Revenue Bonds were refunded with the proceeds of the Series 15 General Obligation Revenue Bonds, and the lease agreements originally entered into with respect to the Series 9 General Obligation Revenue Bonds were amended to, among other things, provide that the respective lease payments due under the Series 15 Lease Agreements would be sufficient to pay the principal and interest on the Series 15 General Obligation Revenue Bonds. The Series 15 Lease Agreements are categorized by the Commission as Self-Liquidating Leases (as defined below). See "—Self-Liquidating Leases" below.

Delta's obligations under the Series 15 Lease Agreements are secured by the Leased Facilities, by guaranties of Delta, and by a pledge of certain additional collateral consisting of, among other things, airframes, aircraft engines, aircraft engine parts, certain revenues generated by concessions on the G Concourse, and Delta's share of the Shared Concession Revenues. During the term of the Series 15 General Obligation Revenue Bonds,

Delta is required to maintain collateral, as determined by periodic independent appraisals, which has an orderly liquidation value of at least 125% of the sum of the principal amount of outstanding Series 15 General Obligation Revenue Bonds and certain other amounts described in the collateral agreement entered into in connection with the Series 15 General Obligation Revenue Bonds, as amended (the “Collateral Agreement”), among the Commission and Delta. Pursuant to the Collateral Agreement, the collateral consisting of real property or fixtures will be appraised every three years on the anniversary of April 1, 2008 and the collateral consisting of personal property will be appraised every two years on the anniversary of April 1, 2008. Delta is currently in compliance with the collateral value requirements. These transactions were accounted for as a capital lease. See “CERTAIN INVESTMENT CONSIDERATIONS—Effect of Airline Bankruptcies.”

In connection with the acquisition of Northwest by Delta, additional amendments to the Series 15 Lease Agreements and the Collateral Agreement were agreed to by the Commission, Northwest and Delta. These amendments include, among others, Delta’s agreement to prepay all lease payments under the Series 15 Lease Agreements by August 10, 2016 (upon receipt of the prepayment the Commission would be required to redeem all of the then outstanding Series 15 General Obligation Revenue Bonds by September 30, 2016), and the substitution of certain pledged collateral upon certain events happening with respect to the acquisition of Northwest by Delta. Delta also delivered a guaranty to the Commission, which guarantees all of the obligations of Northwest under the Series 15 Lease Agreements and the Collateral Agreement. Additionally, the Series 15 Lease Agreements require Delta, among other things, to comply with the Hubbing Covenant and to maintain certain levels of employment in the State (approximately 10,000 persons).

The Series 15 Lease Agreements also require the headquarters of Compass and Mesaba to be located in the State until February 2012. On July 1, 2010, Delta sold Compass and Mesaba to two separate buyers. In connection with the sales, Delta obtained the commitment of each buyer to maintain the headquarters of Compass and Mesaba in the State until February 2012. However, the specific covenants in the Series 15 Lease Agreements that require the headquarters of Compass and Mesaba to be located in the State until February 2012 were not included in the sales agreements with the new buyers. While the new buyers of Compass and Mesaba have not indicated that they plan to move the headquarters of Compass and Mesaba out of the State, Delta has agreed with the Commission that it will maintain in the State, until at least February 2012, the headquarters of MLT Travel and the Delta MSP Quality Assurance Function.

In June 2011, Delta announced that it will be consolidating its pilot and flight attendant training centers, its flight simulator facilities and its TechOps Engineering and technical support teams currently located at the Airport to Atlanta International Airport. In connection with these consolidations, Delta currently intends to prepay all lease payments due under the Series 15 Lease Agreements. The Commission expects Delta will prepay the Series 15 Lease Agreements in the first half of 2012. Once Delta prepays the Series 15 Lease Agreements, the Commission will use the prepayment moneys, along with certain other available moneys on deposit in the Commission Debt Service Fund, to redeem all of the then outstanding Series 15 General Obligation Revenue Bonds. Once Delta prepays all of the lease payments due under the Series 15 Lease Agreements, the Commission will release the Leased Facilities and the other collateral to Delta. Additionally, once Delta prepays all of the lease payments it will no longer be required to comply with the Hubbing Covenant under the Series 15 Lease Agreement (although Delta will still be required to comply with the Hubbing Covenant under the Delta Lease Agreement as described above under “—Airline Lease Agreements—Delta Lease Agreement”), maintain certain levels of employment in the State (approximately 10,000 persons) or that Compass and Mesaba maintain their headquarters in the State until February 2012. At this time, the Commission cannot predict what Delta’s (including its subsidiaries) employment levels will be in the State, the number of daily departures Delta will continue to have from the Airport, or if Compass and Mesaba will continue to maintain their headquarters in the State after Delta prepays its lease obligations under the Series 15 Lease Agreements. See “CERTAIN INVESTMENT CONSIDERATIONS—Dominance of Delta at the Airport.”

**Other Leases.** The Commission and Delta also have entered into additional leases for certain facilities utilized by Delta for maintenance and overhaul and a facility utilized by Delta as an operational headquarters.

## **Other Building and Miscellaneous Leases**

The Commission and certain parties have entered into certain leases which relate to rentals and other fees associated with the Humphrey Terminal, Delta's maintenance hangar, miscellaneous hangar facilities, office rentals for tenants located in the west terminal area, non-airline tenants in the Lindbergh Terminal, cargo facilities and military facilities. For the year ended December 31, 2010, the aggregate annual rentals under these leases were approximately \$21,988,000.

## **Self-Liquidating Leases**

The Commission has constructed various buildings and facilities for specific tenants including a fueling facility for Signature Flight Support, hangars and office space for Delta, Mesaba and Champion Air and cargo facilities for FedEx. As part of its agreement to construct these facilities, the Commission entered into certain leases ("Self-Liquidating Leases") which relate to the use of these buildings and facilities. For the year ended December 31, 2010 the aggregate lease payments paid to the Commission under Self-Liquidating Leases were approximately \$37,676,000. The receipt of payments of imputed interest with respect to the Self-Liquidating Leases is treated as non-operating revenues of the Commission.

***Debt Financed Self-Liquidating Leases.*** If the construction of a facility subject to a self-liquidating lease is financed with bonds issued by the Commission, the lessee is required to pay annual lease payments equal to the debt service requirements due in the following year on the bonds issued to construct such facility. The lease remains in effect until the total debt service on the bonds has been paid. Proceeds from the issuance of certain bonds were used to finance certain facilities subject to self-liquidating leases for Delta, FedEx and a new hangar for Mesaba to replace its then existing hangar that was torn down as part of the construction of Runway 17/35. As part of its reorganization under bankruptcy, Mesaba rejected its lease of the hangar. The Commission leased the hangar to Paragon Aviation, which, until December 2010, used the hanger for aircraft sales and its charter business. The lease with Paragon Aviation was not renewed in December 2010, and the Commission is currently exploring its leasing options with respect to the hangar.

***Commission Funded Self-Liquidating Leases.*** If the construction of a facility subject to a self-liquidating lease is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements which would have been required if bond funds were used. Commission funds were used to finance certain facilities subject to self-liquidating leases for Signature Flight Support, Mesaba, Champion Air and certain Delta facilities, including the extension of the G Concourse and hangar and office space for Mesaba. Champion Airlines ceased operations on May 31, 2008 and vacated the hangar financed by the Commission. The Commission has leased the hangar to Sun Country.

## **Concession Agreements - Terminal Buildings**

The Commission has entered into separate concession agreements with various firms (including, among others, Host International, Inc., Creative Host Services, Inc., Anton Airfood, Inc. (which is now part of Host International, Inc.), Minnesota Retail Partners, Theisen Vending, Inc., Delaware North, Inc. and Project Horizon Inc) to operate concessions inside the terminal buildings at the Airport, including, among others, food and beverage services, newsstands-gifts, advertising, amusements/games, insurance, personal service shops, catering and telephones. The term of each agreement ranges from 1 to 9 years, with options to extend. Each of the agreements also contain provisions for rental payments, which are for a certain percentage of the revenues generated by such concession, and minimum annual guarantees. For the year ended December 31, 2010, revenues from concessions totaled approximately \$25,572,000. See "—Airline Lease Agreement—Rates, Fees and Charges."

## **Parking Agreement**

The public automobile parking facilities at the Airport are operated for the Commission by AMPCO System Parking ("AMPCO") under a management contract. The Commission receives all revenues and pays all costs of operation and maintenance of the facilities plus a management fee. The on-Airport parking options include a valet garage, short-term and long-term parking located at the Lindbergh Terminal, and short-term and long-term

parking at a parking ramp located adjacent to the Humphrey Terminal. See “MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT—Current Airport Facilities—Parking Facilities.” The management contract with AMPCO became effective on August 1, 2004 and had a term of two years with three additional two-year extension periods at the Commission’s option, for a possible total term of eight years. On August 1, 2006, 2008 and 2010 the Commission extended AMPCO’s contract for two additional years. AMPCO’s contract is currently set to expire on August 1, 2012. In 2012, the Commission plans to issue a new request for proposals for management services of the public automobile parking facilities at the Airport. For the year ended December 31, 2010, revenues from parking totaled approximately \$63,684,000.

### **Rental Car Agreements**

The Commission has entered into concession agreements with six on-Airport rental car companies (Avis, Budget, Dollar/Thirty, Enterprise, Hertz and Vanguard (which operates as Alamo Rent-A-Car and National Car Rental at the Airport) to operate at the Airport. The Commission has also issued permits authorizing two off-Airport rental car companies (Ace and Payless) to operate at the Airport. Pursuant to an ordinance of the Commission, the off-Airport companies operate through a permit only, while the on-Airport companies operate through a concession agreement for terminal counter space and a ground lease for maintenance facilities. The agreements with the on-Airport rental car companies have terms of three years and seven months (beginning June 1, 2011) with 2 one-year extension options at the Commission’s discretion. The on-Airport companies pay the Commission 10% of their gross revenue collected at the Airport. The on-Airport rental car companies also pay rent for exclusive-use space in the Lindbergh Terminal and the Humphrey Terminal and rent for the use of ready/return car parking positions. The on-Airport rental car companies have guaranteed a minimum payment to the Commission on an annual basis, which equals the greater of 85% of the previous year’s gross revenue paid to the Commission by the applicable rental car company or the minimum annual guaranteed amount paid to the Commission in 2011.

In 2010, Hertz Global Holdings Inc. and Avis Budget Group Inc. both announced plans to acquire Dollar Thrifty Automotive Group (“Dollar/Thrifty”). In August 2011, Dollar/Thrifty announced that it had informed Hertz and Avis that it planned to solicit for submission in early October 2011 best and final definitive proposals regarding a potential business combination with Dollar/Thrifty. On September 14, 2011, Avis abandoned its bid for Dollar/Thrifty. The Commission cannot predict if Hertz will eventually acquire Dollar/Thrifty or what impact such an acquisition, if completed, would have on Hertz’s and/or Dollar/Thrifty’s operations at the Airport.

Additionally, with respect to the on-Airport rental car companies only, a customer facility charge per transaction day is being assessed by the Commission to recover the rental car portion of capital costs associated with the construction of the auto rental/public parking garage located adjacent to the Lindbergh Terminal and certain agreed upon maintenance items. Such customer facility charge is \$2.00 per transaction day for 2011. The customer facility charge is not included in the calculation of the Shared Concession Revenues.

The off-Airport rental car companies operate under a permit, which is renewed on an annual basis and requires the off-Airport rental car companies to pay a privilege fee equal to a percentage of gross receipts. The percentage with respect to the privilege fee is the same as the percentage charged to the on-Airport rental car companies and can be adjusted at such time as the percentage charged to on-Airport rental car companies is adjusted.

For the year ended December 31, 2010, revenues from on-Airport and off-Airport rental car companies, including the customer facility charge, totaled approximately \$25,184,000. See “—Airline Lease Agreements—Rates, Fees and Charges.”

### **Reliever Airport Leases and Agreements**

In addition to the above agreements, the Commission has entered into various other leases and agreements with tenants at the Reliever Airports. These include reliever airport tenant leases, fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the year ended December 31, 2010, the revenues from these agreements totaled approximately \$5,089,000.

### **Miscellaneous—Off-Airport Concession Leases and Ground Transportation Fees**

The Commission has entered into certain leases with off-Airport concessionaires which provide off-Airport advertising and auto services. Additionally, the Commission charges fees for permits and licenses to operate shuttles, vans, buses and taxis at the Airport. Such fees are set by Commission ordinances. For the year ended December 31, 2010, the Commission received approximately \$7,576,000 in off-Airport leases and ground transportation fees.

### **Miscellaneous Revenues**

In addition to the above agreements, the Commission has entered into various other leases and agreements and collects certain miscellaneous revenues, including, among other things, utility charges, ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, employee parking/shuttle bus fees, loading dock consortium/utility fees and other miscellaneous amounts. For the year ended December 31, 2010, the Commission collected approximately \$12,994,000 in other miscellaneous revenues.

## **FINANCIAL INFORMATION**

### **General Information**

The Commission maintains its financial records on a calendar year basis, using the accrual method of accounting. Financial statements are audited annually by a firm of independent auditors. Financial statements for the years ended December 31, 2010 and 2009 are included in this Official Statement as set forth in Appendix A.

### **Summary of Financial Operations**

The Commission's financial report, attached as Appendix A, includes three financial statements: the Balance Sheets, the Statements of Revenues and Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board ("GASB"). The following table summarizes the financial results from operations for the Commission for the years ended December 31, 2006 through 2010.

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**TABLE 23**  
**Metropolitan Airports Commission**  
**Summary of Statements of Revenues, Expenses**  
**and Changes in Net Assets**  
**(\$000s)**

	<u>2006</u>	<u>2007</u>	<u>2008<sup>1</sup></u>	<u>2009</u>	<u>2010</u>
Operating Revenues					
Airline rates and charges – gross <sup>2</sup>	\$ 78,270	\$ 85,475	\$ 87,244	\$ 89,867	\$ 90,376
Concessions <sup>2</sup>	110,139	115,857	112,365	109,636	112,503
Other revenues					
Utilities	2,350	2,473	2,528	2,315	2,590
Other building rentals <sup>2</sup>	14,502	12,394	14,503	14,838	15,419
Other <sup>2</sup>	<u>18,866</u>	<u>22,052</u>	<u>24,914</u>	<u>24,219</u>	<u>24,155</u>
Total Operating Revenues	\$ <u>224,127</u>	\$ <u>238,251</u>	\$ <u>241,554</u>	\$ <u>240,875</u>	\$ <u>245,043</u>
Operating Expenses					
Personnel	\$ 54,258	\$ 56,278	\$ 59,811	\$ 59,304	\$ 63,412
Administrative	1,240	1,538	1,298	1,301	1,271
Professional services	4,091	4,474	4,161	4,004	3,519
Utilities	14,820	16,466	18,089	16,553	16,238
Operating services	14,485	15,437	17,540	16,043	17,278
Maintenance	19,417	21,527	22,140	23,718	27,088
Depreciation	111,429	115,329	117,999	123,060	121,555
Other	<u>3,323</u>	<u>8,922</u>	<u>3,696</u>	<u>2,510</u>	<u>2,583</u>
Total Operating Expenses	\$ <u>223,063</u>	\$ <u>239,971</u>	\$ <u>244,734</u>	\$ <u>246,493</u>	\$ <u>252,944</u>
Operating Income (Loss)	\$ 1,064	\$ (1,720)	\$ (3,180)	\$ (5,618)	\$ (7,901)
Nonoperating Revenues (Expenses)					
Investment income	\$ 52,895	\$ 62,271	\$ 49,938	\$ 30,625	\$ 33,933
Passenger facility charges	67,573	66,662	54,682	67,481	59,453
Gain/(Loss) on disposal of assets	(828)	(70)	5,178	205	119
Bond interest expense	(94,069)	(95,556)	(88,722)	(84,198)	(85,141)
Part 150 home insulation expenses <sup>3</sup>	<u>(5,395)</u>	<u>(2,308)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total Nonoperating Revenues/ (Expenses)	\$ <u>20,176</u>	\$ <u>30,999</u>	\$ <u>21,076</u>	\$ <u>14,113</u>	\$ <u>8,364</u>
Income Before Capital Contributions and Grants					
Grants	21,240	29,279	17,896	8,495	463
Capital contributions and grants	<u>34,276</u>	<u>22,805</u>	<u>30,149</u>	<u>26,918</u>	<u>24,723</u>
Change in Net Assets	55,516	52,084	48,045	35,413	25,186
Net Assets – Beginning of Year	<u>1,296,662</u>	<u>1,352,178</u>	<u>1,412,574</u>	<u>1,523,530</u>	<u>1,558,943</u>
Prior period adjustments	–	–	62,911	–	–
Net Assets – Beginning of Year, as restated	<u>–</u>	<u>–</u>	<u>1,475,485</u>	<u>1,523,530</u>	<u>–</u>
Net Assets – End of Year	<u>\$1,352,178</u>	<u>\$1,404,262</u>	<u>\$1,523,530</u>	<u>\$1,558,943</u>	<u>\$1,584,129</u>

<sup>1</sup> Restated. During Fiscal Year 2009, the Commission changed its method of accounting with respect to Part 150 home insulation costs, depreciation related to land purchased for Runway 17/35, and amortization of bond and commercial paper costs. The Commission's financial statements for the Fiscal Year ended December 31, 2008, were retroactively restated to reflect these changes in accounting principles.

<sup>2</sup> For Fiscal Years 2006-2009, the Commission reclassified certain Operating Revenues that had previously been classified as "Other" as "Airline rates and charges – gross," "Concessions" and "Other building rentals". Total Operating Revenues did not change as a result of this reclassification.

<sup>3</sup> Includes Part 150 home insulation expenses financed with PFCs and/or federal grants. Beginning with the Commission's restated financial statements for Fiscal Year 2008, Part 150 home insulation expenses financed with PFCs and/or federal grants are no longer recorded as a nonoperating expense but are recorded as an intangible asset and depreciated over a ten-year period.

Source: Basic Financial statements of the Metropolitan Airports Commission.

## Management Discussion of Airport Finances

**2010 vs. 2009.** Change in net assets for the year ended December 31, 2010 was \$25,186,000 as compared to \$35,413,000 for the year ended December 31, 2009. Operating loss for the year ended December 31, 2010 increased by \$2.3 million. Operating revenues increased by \$4,168,000. Factors affecting operating revenues included: (a) a \$509,000 increase in airline rates and charges, attributable to higher snow removal costs as well as slightly higher debt service costs; (b) a \$2,867,000 increase in concessions primarily as a result of increases in public parking revenue as the number of transactions along with longer length of stays increased, a new ATM lease and increased revenues from indoor advertising; (c) a \$275,000 increase in utilities due to higher consumption and higher utility rates; (d) a \$581,000 increase in other building rentals due to higher rates for non-airline tenants in the Lindberg Terminal and the Humphrey Terminal as well as additional rentals received from Delta for Building C; and (e) a \$64,000 decrease in other revenues as a result of lower one-time types of revenue such as energy rebates and lower Police K9 reimbursements. Operating expenses increased by \$6,451,000. Factors affecting operating expenses included: (a) a \$4,108,000 increase in personnel costs attributable to higher wage and benefit costs associated with the above average snow fall received during the fourth quarter of 2010 and increases in the healthcare trend rate associated with the Commission post employment healthcare benefit; (b) a \$1,235,000 increase in operating services as a result of higher parking management expense (parking management expenses were higher due to labor costs and increases in parking activity), higher storm water monitoring (storm water monitoring costs were higher due to higher than average snow fall amounts) and higher service agreement expenses (service agreement expenses were higher due to support costs of flight information displays in the terminal buildings); (c) a \$3,370,000 increase in maintenance expense related to higher snow removal costs as well as an increase in the maintenance of MAC's mechanical systems such as moving walkways and automated people mover systems. Nonoperating revenues decreased \$5,749,000 due to a decrease in PFC revenues offset by an increase in interest income. PFC revenues decreased as a result of a change in accounting policy adopted in 2009 (see 2009 vs. 2008 discussion below). Interest income increased as a result of additional interest earned by the termination of an investment agreement that was part of a debt refunding. Nonoperating expenses increased slightly due to a new debt issue in 2010.

**2009 vs. 2008.** Change in net assets for the year ended December 31, 2009 was \$35,413,000 as compared to \$48,045,000 (a \$12.6 million decrease) for the year ended December 31, 2008, restated. Operating loss for the year ended December 31, 2009 increased by \$2.4 million. Operating revenues decreased by \$679,000. Factors affecting operating revenues included: (a) a \$2.6 million increase in airline rates and charges mainly attributed to an increase in debt service relating to equipment financing (in 2009 the Commission retired debt that was used to finance equipment which had a large balloon payment at maturity); (b) concessions decreased \$2.7 million primarily due to a reduction in public parking, lower passenger counts as well as shorter length of stays; and (c) other revenues decreased \$573,000 due to lower ground rent and lower customer facility charges collected from auto rental firms, lower Reliever Airports revenue, lower utility rates and lower general aviation landing and airside fees due to lower traffic. Operating expenses increased by \$1.8 million. All categories of operating expense decreased with the exception of maintenance and depreciation. The increase in maintenance was in the contract cleaning and mechanical areas. Contract cleaning increased as a result of an increase in the frequency of cleaning certain areas of the terminal building as well as a general rate increase. Mechanical areas increased due to increased prices on the automated people mover and escalator maintenance contracts. Depreciation increased \$5.1 million as a result of a parking ramp addition at the Humphrey Terminal, which became fully operational in February 2009, as well as incurring a full years' depreciation on projects that were closed in 2008. The remaining operating expense categories decreased due to lower spending, wage and hiring freezes and decreases in utility rates. Non-operating revenues decreased \$11.5 million due to lower cash balances and interest rates earned on the Commission's investments. Additionally, in 2008 the Commission received \$3.2 million from Mesaba with respect to its emergence from bankruptcy and \$2.0 million from the gain on a sale of a hangar to 3M Corporation. PFC revenues increased by \$12.8 million in 2009 as a result of how the Commission recognizes PFC revenues. In 2009, the Commission reversed the policy adopted in 2008 with respect to the timing of the recognition of PFC revenues. In 2008, the Commission changed its accounting policy on PFC revenue recognition from a basis of tickets sold to that of enplaned passengers. In 2009, the Commission and its auditors determined that the previous policy of recognizing PFC revenue based upon when a ticket is sold rather than when a passenger is actually enplaned was preferable. Non operating expenses decreased \$4.5 million primarily due to refunding and retiring debt.

**2008 (restated) vs. 2007.** Subsequent to the issuance of its financial statements for the year ended December 31, 2008, the Commission determined that it incorrectly recorded certain transactions. The Commission's financial statements for the year ended December 31, 2008 were restated to correctly record these transactions. The corrections by the Commission included, among others, recognizing grant revenue when the allowable expenditures were incurred. Historically, the Commission had recognized grant revenue when a qualifying capital expenditure was submitted for reimbursement to the FAA or such other granting agency. This restatement resulted in an \$8,311,000 increase in the January 1, 2008 net asset balance, an \$11,130,000 increase to the capital contribution balance within the Statement of Revenues, Expenses and Changes in Net Assets, and a \$19,441,000 increase in December 31, 2008 government grants in aid of construction receivable balance within the Balance Sheet. This restatement had no effect on the Net Revenues reported for the fiscal year ended December 31, 2008.

Additionally, during Fiscal Year 2009, the Commission changed its method of accounting with respect to Part 150 home insulation costs, depreciation related to land purchased for Runway 17/35, and amortization of bond and commercial paper costs. The Commission's financial statements for the year ended December 31, 2008 (as restated) were retroactively restated to reflect these changes in accounting principles. These changes in accounting principles included capitalizing Part 150 sound insulation costs that were reimbursed with PFCs and/or federal grants, eliminating prior depreciation expense recognized on land acquired in connection with the construction of Runway 17/35, and adjusting the estimated bond and commercial paper issuance costs. These restatements resulted in an increase of \$60.5 million to Net Assets for the fiscal year ended December 31, 2008. These restatements had no effect on the Net Revenues reported for the fiscal year ended December 31, 2008.

Change in Net Assets for the year ended December 31, 2008 was \$48,045,000 as compared to \$52,084,000 for the year ended December 31, 2007 (a \$4 million decrease). Operating loss for the year ended December 31, 2008 increased by \$1.5 million. Operating revenues increased by \$3.3 million. Factors affecting operating revenues included: (a) a \$1.8 million increase in airlines rates and charges mainly attributed to an increase in terminal building rentals which was a result of increases in utilities, building maintenance and cleaning expenses; (b) concessions decreased \$3.5 million primarily due a reduction in public parking, lower passenger counts as well as shorter length of stays contributed to this decrease; and (c) other revenue increased \$5.0 million due to higher customer facility charges collected from the auto rental firms due to a higher level of activity and higher non-airline building income at the Humphrey Terminal. Operating expenses increased \$4.8 million. Factors affecting operating expenses included: (i) an increase in personnel expenses of \$3.5 million as a result of general wage adjustments, additional headcount as well as overtime costs associated with snow events; (ii) administrative expenses decreased \$240,000 as a result of reduced spending; (iii) professional services decreased \$313,000 due to lower legal fees incurred offset partially by an increase in airport planning fees; (iv) utilities increased \$1.6 million due to an increase in rates for electricity, natural gas and sewer; (v) operating services increased \$2.1 million due to an increase in computer service agreements, increases in parking management expenses, storm water monitoring due to an increase in snow events in 2008 and the cost of hosting national conventions; (vi) maintenance increased \$613,000 due to the increase on the frequency of cleaning certain areas in the terminal building as well as increases in contract prices for the people mover and escalator contracts; (vii) depreciation increased due to capital improvement projects that were placed into service during 2007 and 2008. Non-operating revenues decreased \$19.1 million as a result of lower cash balances in construction and operating funds as well as lower interest rates earned on Commission investments which amounted to a \$12.3 million decrease and PFC's were \$12.0 million lower in 2008. In 2008, the Commission changed its accounting policy on PFC revenue recognition from a basis of tickets sold to that of enplaned passengers. These decreases in interest income and PFC's were offset by a \$3.2 million bankruptcy claim received from Mesaba as well as a \$2.0 million gain on a sale of a hangar to 3M Corporation. Non-operating expenses decreased by \$11.2 million. Interest expense decreased \$9.1 million due to refunding and retiring debt in 2007 and 2008; noise mitigation program expenses decreased \$2.1 million due to lower levels of spending from the previous year as the program nears completion.

**2007 vs. 2006.** Change in Net Assets for the year ended December 31, 2007 was \$52,084,000 as compared to \$55,516,000 for the year ended December 31, 2006 (a \$3.4 million decrease). Operating losses for the year ended December 31, 2007 increased by \$2.8 million. Operating revenues increased \$14.1 million. Factors affecting operating revenues included: (a) airline rates and charges increased \$7.2 million as a result of higher snow removal costs as well as higher debt service costs; (b) concessions increased \$5.7 million due to an increase in the utilization of public parking, higher food, beverage and merchandise revenue due to a new agreement and higher minimum

rents and increased activity from auto rentals; (c) other revenues increased \$1.2 million due to higher rents collected at the Humphrey Terminal as well as an increase in revenue from customer facility charges collected from the auto rental firms based on a higher number of transactions. Operating expenses increased \$16.9 million. Factors affecting operating expenses included: (i) personnel expenses increased \$2.0 million due to a general wage adjustment for Commission employees as well as additional overtime incurred due to snow events in 2007; (ii) utilities increased \$1.6 million due to the increase in electricity rates as well as new facilities that were placed into service in 2006 and 2007; (iii) operating services increased \$952,000 due to an increase in parking advertising, additional security personnel due to a higher security level and an increase in the cost of operating a shuttle bus between the Humphrey and Lindbergh Terminals; (iv) maintenance expenses increased \$2.1 million due to additional areas subject to contract cleaning, higher snow removal costs due to snow events that occurred in 2007 and an increase in contract prices for the people mover; (v) depreciation increased \$3.9 million due to capital improvement projects that were placed into service in 2006 and 2007; (vi) other expenses increased \$5.6 million, resulting from a write-down of a lease receivable on the Building B lease with Northwest. Non-operating revenues increased \$8.5 million primarily due to an increase in investment income earned as a result of larger cash balance along with higher interest rates and market value increases on investments. Non-operating expense decreased \$2.4 million due to a reduction in spending on the noise mitigation program expenses partially offset by an increase in interest expense as a result of a decrease in capitalized interest.

### **Airline Revenues**

During 2010, operations of Delta, Mesaba, Pinnacle, Compass and Comair represented 73% of the total takeoffs and landings at the Airport. The following table sets forth total operating revenue of the Commission and total revenue of the Air Carriers and that portion of each derived from payments made by Northwest in 2006 and 2007, by Northwest and Delta in 2008 and 2009 and by Delta in 2010.

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**TABLE 24**  
**Minneapolis-St. Paul International Airport**  
**Airline Revenue (Unaudited)**  
**(\$000s)**

	Year Ended December 31				
	2006	2007	2008	2009	2010
<b>Commission Revenues Attributable to Northwest/Delta<sup>3</sup></b>					
Total Commission Operating Revenue	\$224,127	\$238,251	\$241,554	\$240,874	\$245,043
Commission Funded & Bond Funded Self-Liquidating Revenue (Principal & Interest)	37,014	36,246	36,277	38,430	37,676
Interest Income – Commission Funds <sup>1</sup>	<u>24,474</u>	<u>31,628</u>	<u>21,318</u>	<u>5,194</u>	<u>11,183</u>
Total Commission Revenue	\$285,615	\$306,125	\$299,149	\$284,498	\$293,902
Northwest/Delta's Portion of Operating Revenue <sup>3</sup>	\$52,265	\$55,080	\$62,970	\$66,503	\$66,711
Northwest/Delta's Portion of Commission Funded Bond & Self-Liquidating Revenue (Principal & Interest) <sup>2,3</sup>	<u>31,301</u>	<u>31,605</u>	<u>31,875</u>	<u>32,127</u>	<u>33,336</u>
Total Northwest/Delta Portion of Revenue <sup>3</sup>	\$83,566	\$86,685	\$94,845	\$98,630	\$100,047
Northwest/Delta's Percentage of Total Commission Revenue <sup>3</sup>	29.26%	28.32%	31.70%	34.67%	34.04%
Total Commission Revenue	\$285,615	\$306,125	\$299,149	\$284,498	\$293,891
Less: Northwest/Delta's Self-Liquidating Lease Payments due with respect to the Series 15 Bonds <sup>2,3</sup>	<u>24,931</u>	<u>25,222</u>	<u>25,413</u>	<u>25,721</u>	<u>26,037</u>
Total Adjusted Commission Revenue	\$260,684	\$280,903	\$273,736	\$258,777	\$267,854
Total Northwest/Delta's Portion of Revenue Less Northwest/Delta's Self-Liquidating Lease Payments due with respect to the Series 15 Bonds <sup>2,3</sup>	58,635	61,463	69,432	72,909	74,010
Northwest/Delta's Percentage of Total Adjusted Commission Revenue <sup>3</sup>	22.49%	21.88%	25.36%	28.17%	27.63%
<b>Total Airline Revenues Attributable to Northwest/Delta<sup>3</sup></b>					
Total Air Carrier Operating Revenue	\$70,544	\$76,131	\$81,015	\$83,052	\$83,989
Total Air Carrier Commission Funded Self-Liquidating Revenue	<u>34,364</u>	<u>34,231</u>	<u>34,262</u>	<u>36,188</u>	<u>35,658</u>
Total Air Carrier Revenue	\$104,908	\$110,362	\$115,277	\$119,240	\$119,647
Northwest/Delta's Portion of Air Carrier Revenue <sup>3</sup>	\$83,566	\$86,685	\$94,845	98,630	100,047
Northwest/Delta's Percentage of Total Air Carrier Revenue <sup>3</sup>	79.66%	78.55%	82.28%	82.72%	83.62%
Total Air Carrier Operating Revenue	\$104,908	\$110,362	\$115,277	\$119,240	\$119,647
Less: Northwest/Delta's Self-Liquidating Lease Payments due with respect to the Series 15 Bonds <sup>2,3</sup>	<u>24,931</u>	<u>25,222</u>	<u>25,413</u>	<u>25,721</u>	<u>26,037</u>
Total Adjusted Air Carrier Revenue	\$79,977	\$85,140	\$89,864	\$93,519	\$93,610
Total Northwest/Delta's Portion of Revenue Less Northwest Airlines' Self-Liquidating Lease Payments due with respect to the Series 15 Bonds <sup>2,3</sup>	58,635	61,463	69,432	72,909	74,010
Northwest/Delta's Percentage of Total Adjusted Air Carrier Revenue <sup>3</sup>	73.31%	72.19%	77.26%	77.96%	79.06%

<sup>1</sup> Does not include interest income earned on PFCs.

<sup>2</sup> Northwest/Delta's obligation to make payments to the Commission sufficient to meet debt service on the Series 15 General Obligation Revenue Bonds is collateralized pursuant to the Collateral Agreement (as defined herein). In January 2002, the Commission issued the Series 15 General Obligation Revenue Bonds to refund the Commission's previously issued Series 9 General Obligation Revenue Bonds. See "THE AIRPORT AGREEMENTS—Additional Leases with Delta—Series 15 Lease Agreements."

<sup>3</sup> For the years ended December 31, 2006 and 2007 includes revenues for Northwest. For the years ended December 31, 2008 and 2009 includes revenues for Northwest and Delta. For the year ended December 31, 2010 includes revenues for Delta.

Source: Metropolitan Airports Commission.

## Operating Revenue Diversity

The following tables set forth the top ten operating revenue providers and top ten revenue sources for the Commission for the year ended December 31, 2010.

**TABLE 25**  
**Metropolitan Airports Commission**  
**Top Ten Operating Revenue Providers**  
**(for the year ended December 31, 2010)**

1. Northwest and Delta
2. HMS Host
3. Hertz
4. Vanguard<sup>1</sup>
5. Minnesota Retail Partners
6. Avis Rent A Car
7. Sun Country Airlines
8. Enterprise Rent A Car
9. United Airlines<sup>2</sup>
10. American Airlines

<sup>1</sup> Includes Alamo Rent-A-Car and National Car Rental.

<sup>2</sup> On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines expect to continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

Source: Metropolitan Airports Commission.

**TABLE 26**  
**Metropolitan Airports Commission**  
**Top Ten Operating Revenue Sources**  
**(for the year ended December 31, 2010)**

Source	Revenue
1. Parking	\$63,682,000
2. Landing Fees	49,037,000
3. Terminal Rent-Airlines	34,064,000
4. Other Building Rent	16,437,000
5. Auto Rental (on- and off-Airport) <sup>1,2</sup>	15,673,000
6. Food and Beverages <sup>2</sup>	12,957,000
7. Ground Rent <sup>2</sup>	9,125,000
8. Merchandise	8,027,000
9. Ramp Fees	5,901,000
10. Passenger Services	4,359,000

<sup>1</sup> Excludes the customer facility charge imposed on the on-Airport rental car companies, of which the Commission collected \$9,511,000 in 2010. See "THE AIRPORT AGREEMENTS—Rental Car Agreements."

<sup>2</sup> See "THE AIRPORT AGREEMENTS—Airline Lease Agreements."

Source: Metropolitan Airports Commission.

## Budgeting Process

**Operating Budget.** The budget for the Commission is prepared on an accrual basis. Work on the budget begins in April of each Fiscal Year. During April, the Finance Department prepares historical information for each service center. In late May, the Finance, Development and Environment Committee provides direction to staff

regarding growth and allocation of funds and budget targets. These targets are typically focused around revenue growth, expense growth, debt coverage and airline rates and charges. The direction provided by the Finance, Development and Environment Committee is communicated to staff at various informational meetings and included in their budget packages.

Budget packages are distributed to each service center in June. All service centers have four weeks to complete their budget. The Finance Department reviews all packages and summarizes information. The staffing matrix is the first item reviewed by senior staff. The Executive Director requests preliminary approval for additional positions, if any, from the Finance, Development and Environment Committee. This preliminary approval provides the basis for more accurate projections.

During August, staff compiles summary reports and completes, on a preliminary basis, the revenue budget, the expense budget and the schedule of airline rates and charges. During September, presentations and supporting documents are prepared for the Finance, Development and Environment Committee, senior staff and the Air Carriers. A draft of the budget is also provided to the Minnesota State Legislature. The month of October is reserved for presentations to the Finance, Development and Environment Committee and revisions prior to requesting final approval.

The Finance, Development and Environment Committee receives updates from staff during October and November. The recommendation from the Finance, Development and Environment Committee for final approval is typically requested at the December Commission meeting. Final approval of the operating budget is given at the December Commission meeting. Rate changes are provided at the beginning of December based upon final draft information.

For the year ended December 31, 2011, the Commission has budgeted operating revenues of approximately \$247,526,000 and total operating expenses of approximately \$255,737,000 (including approximately \$121,000,000 of depreciation and amortization). For the six months ended June 30, 2011, the Commission's operating revenues for Fiscal Year 2011 were approximately 1.7% over budget and the Commission's operating expenses, not including depreciation and amortization, for Fiscal Year 2011 were approximately 0.4% over budget. Results for the first six months of Fiscal Year 2011 may not be indicative of results for the full Fiscal Year. Actual results for the full Fiscal Year may vary from budgeted figures and such variations may be material.

**Capital Budget.** Each year, the Commission reviews, revises and approves capital projects that will start within the next 12 months, and adopts a Capital Improvement Program ("CIP") which covers all projects which are to be started during the second calendar year. In addition, a CIP which covers an additional five years is adopted. These serve as a basis for determining funding requirements and other operational planning decisions. The Commission's policy is to include in the CIP projects which enable the Commission to maximize federal aid and enhance safety and those that are customer service oriented. Certain projects which have a metropolitan significance are also submitted to the Metropolitan Council for review and approval. The Metropolitan Council is a regional planning agency responsible for coordinating and planning certain governmental services for the metropolitan area.

Commission staff has developed a set of project priority categories to use as a guide in determining the projects to be included in the CIP. Commission approval authorizes staff to proceed with plans and specifications and to obtain bids for contract award by the Commission. These priority categories in order of importance include (a) projects which the Commission has made a commitment to complete; (b) projects that enhance or ensure continued safety at each of the airports in the Airport System; (c) projects that cannot be accomplished by Commission maintenance crews, but are essential for reasons of economics or continued operation; (d) projects that are necessitated by regulatory requirements, such as FAA regulations and local, state or federal laws; (e) projects which address various environmental issues ranging from asbestos abatement to wetland mitigation; (f) projects constituting preventative maintenance; (g) projects which improve customer service and/or convenience; and (h) projects which have been identified as improving various operational aspects of the Airport System, whether applicable to aircraft, tenants, Commission staff or off-airport service providers.

On December 20, 2010, the Commission adopted a \$235.7 million CIP for 2011-12 (the "2011-12 CIP"), that includes projects in the 2010 Plan and certain of the Other Capital Projects, construction of which will occur

during calendar years 2011 and 2012. See “CAPITAL IMPROVEMENT PROGRAM” for additional information on the 2011-12 CIP.

### Pension and Retirement Plans

**GERF and PEPFF.** All full-time and certain part-time employees of the Commission hired after June 30, 1978 are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (“PERA”). PERA administers the General Employees Retirement Plan (previously known as the Public Employees Retirement Fund) (“GERF”) and the Public Employees Police and Fire Fund (“PEPFF”) which are cost-sharing, multiple-employer retirement plans. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by PEPFF. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to the Coordinated Plan, which incorporates Social Security. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon the death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member’s average salary for any five successive years of allowable service, age and years of credit at termination of service. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009—NOTES TO THE FINANCIAL STATEMENTS—NOTE K: PENSION AND RETIREMENT PLANS” for additional information on GERF and PEPFF.

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. The Commission makes annual contributions to GERF and PEPFF equal to the amounts required by State law.

The following table sets forth the statutorily required contributions made by the Commission and the employees of the Commission to GERF and PEPFF for Fiscal Years 2006 through, and including, 2010, and the budgeted contributions for Fiscal Year 2011. The Commission and the employees of the Commission have always made their full statutorily required contributions to GERF and PEPFF. The Commission cannot predict the levels of funding that will be required in the future.

**TABLE 27**  
**Metropolitan Airports Commission**  
**Contributions to GERF and PEPFF**

Fiscal Year	GERF				PEPFF			
	Commission Contribution		Commission Employees’ Contribution		Commission Contribution		Commission Employees’ Contribution	
	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll
2006	\$1,533,000	6.00%	\$1,405,000	5.50%	\$ 998,000	10.50%	\$ 665,000	7.00%
2007	1,721,000	6.25	1,583,000	5.75	1,159,000	11.70	773,000	7.80
2008	1,927,000	6.50	1,779,000	6.00	1,321,000	12.90	881,000	8.60
2009	1,989,000	6.75	1,768,000	6.00	1,421,000	14.10	947,000	9.40
2010	2,174,000	7.00	1,863,000	6.00	1,490,000	14.10	993,333	9.40
2011 <sup>1</sup>	2,414,000	7.25	2,081,000	6.25	1,474,000	14.40	982,000	9.60

<sup>1</sup> Budgeted.

Source: Metropolitan Airports Commission

The following tables set forth certain information about the funding status of GERF and PEPFF that has been extracted from the comprehensive annual financial reports of PERA for the fiscal years ended June 30, 2006 through, and including, 2010 (collectively, the “PERA CAFRs (2006-2010)”), and the actuarial valuation reports provided to PERA by The Segal Group, Inc. (for the fiscal years ended June 30, 2006 and 2007) and by Mercer (for the fiscal years ended June 30, 2008 through, and including, 2010) (collectively, the “PERA Actuarial Reports

(2006-2010)”). Complete copies of the PERA CAFRs (2006-2010) and the PERA Actuarial Reports (2006-2010) can be obtained from PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088. According to PERA, there are approximately 2,000 separate units of government (including the Commission) that participate in PERA’s various funds, including GERF and PEPFF. PERA does not breakout the funding status for each participating entity in GERF and PEPFF; therefore, it is not possible to determine the Commission’s allocable share of the funding status of GERF and PEPFF.

**TABLE 28**  
**Funding Status of GERF**  
**(Dollars in thousands)**

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
7/1/2006	\$12,495,207	\$12,828,990	\$16,737,757	\$4,242,550	74.65%	\$3,908,767	76.65%	\$4,247,109	99.89%
7/1/2007	12,985,324	13,718,459	17,705,627	4,720,303	73.34	3,987,168	77.48	4,448,954	106.10
7/1/2008	13,048,970	12,770,183	17,729,847	4,680,877	73.60	4,959,664	72.03	4,722,432	99.12
7/1/2009	13,158,490	10,116,852	18,799,416	5,640,926	69.99	8,682,564	53.81	4,778,708	118.04
7/1/2010	13,126,993	11,338,582	17,180,956	4,053,963	76.40	5,842,374	66.00	4,804,627	84.38

Source: PERA CAFRs (2006-2010) and PERA Actuarial Reports (2006-2010).

**TABLE 29**  
**Funding Status of PEPFF**  
**(Dollars in thousands)**

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
7/1/2006	\$5,017,951	\$5,167,417	\$5,260,564	\$242,613	95.39%	\$93,147	98.23%	\$618,435	39.23%
7/1/2007	5,198,922	5,529,663	5,669,347	470,425	91.70	139,684	97.54	648,342	72.56
7/1/2008	5,233,015	5,110,823	5,918,061	685,046	88.42	807,238	83.22	703,701	97.34
7/1/2009	5,239,855	4,001,046	6,296,274	1,056,419	83.22	2,295,228	63.55	733,164	144.09
7/1/2010	5,188,339	4,453,737	5,963,672	775,333	87.00	1,509,935	74.68	740,101	104.76

Source: PERA CAFRs (2006-2010) and PERA Actuarial Reports (2006-2010).

When calculating the funding status of GERF and PEPFF for the fiscal year ended June 30, 2010, PERA and Mercer, the actuary of PERA (the “PERA Actuary”), used the following assumptions: (1) assets are valued on a five-year moving average of expected and market values so that investment gains and losses for a fiscal year are recognized over five years at 20% per year; (2) the remaining amortization period under GERF is 21 years and under PEPFF is 28 years; (3) the rate of return on investments is assumed to be 8.5%; (4) salaries are projected to increase 3.5-12.03% for GERF and 4.75-11.0% for PEPFF; (5) the rate of inflation is assumed to be 3.0%; (6) payrolls are projected to increase 4.0% per year for GERF and 4.5% per year for PEPFF; and (7) cost of living adjustments for GERF are assumed to be 1.0% per year until GERF is 90% funded on a market value basis and 2.5% per year thereafter, and for PEPFF are assumed to be 1.0% in 2011 and 2012, 1.5% per year starting in 2013 and continuing at 1.5% per year until PEPFF is 90% funded on a market value basis and 2.5% per year thereafter.

For the valuation date of July 1, 2010, several actuarial assumptions and plan provisions were adjusted in GERF, including, among others: (i) expected payroll growth was lowered from 4.5% to 4.0%; (ii) assumed retirement rates were lowered; (iii) cost of living adjustments were lowered from 2.5% per year to 1.0% per year

until GERS is 90% funded on a market value basis and 2.5% per year thereafter; and (iv) employer and employee contribution rates increase 0.25% each starting January 1, 2011. For the valuation date of July 1, 2010, these changes decreased the unfunded actuarial accrued liability of GERS to approximately \$4.1 billion and increased the funded ratio (actuarial value) to 76.4%. Without the changes to the actuarial assumptions and plan provisions, for the valuation date of July 1, 2010, the unfunded actuarial accrued liability of GERS would have been approximately \$6.6 billion and the funded ratio (actuarial value) would have been 66.6%.

For the valuation date of July 1, 2010, several actuarial assumptions and plan provisions were adjusted in PEPFF, including, among others: (i) cost of living adjustments were lowered from 2.5% per year to 1.0% in 2011 and 2012, 1.5% per year starting in 2013 and continuing at 1.5% per year until PEPFF is 90% funded on a market value basis and 2.5% per year thereafter; and (ii) employer contribution rates increased from 14.1% to 14.4% starting January 1, 2011 and employee contribution rates increased from 9.4% to 9.6% starting January 1, 2011. For the valuation date of July 1, 2010, these changes decreased the unfunded actuarial accrued liability of PEPFF to approximately \$775 million and increased the funded ratio (actuarial value) to 87.0%. Without the changes to the actuarial assumptions and plan provisions, for the valuation date of July 1, 2010, the unfunded actuarial accrued liability of PEPFF would have been approximately \$1.4 billion and the funded ratio (actuarial value) would have been 78.8%.

**MERF.** All full-time and certain part-time employees of the Commission hired before July 1, 1978 are covered by the Minnesota Employees Retirement Fund (“MERF”), a defined benefit pension plan administered by PERA. MERF is a cost-sharing, multiple-employer retirement plan. MERF has two accounts, one for active employees and one for retired employees. The Commission funds the active employee portion and when the employee retires the actuarially required balance is transferred to the retiree benefit fund, for which MERF is responsible. There are currently 4 active employees of the Commission that are part of MERF. MERF is closed to new participants and current active participants are quickly approaching retirement age. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009—NOTES TO THE FINANCIAL STATEMENTS—NOTE K: PENSION AND RETIREMENT PLANS” for additional information on MERF.

In May 2010, the Minnesota State Legislature passed and the Governor of the State signed an omnibus retirement bill (the “2010 Retirement Bill”) that, among other things, made MERF a division of PERA as of July 1, 2010, and, in order to substantially reduce the unfunded actuarial accrued liability of MERF, requires increased contributions to be made by the members of MERF, including the Commission. The following table sets forth certain information about the funding status of MERF that has been extracted from the actuarial valuation report of MERF (the “MERF Actuarial Report”) completed by Mercer (the “MERF Actuary”), as of July 1, 2010. A complete copy of the MERF Actuarial Report can be obtained from PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088. MERF does not breakout the funding status for each participating entity; therefore, it is not possible to determine the Commission’s allocable share of the funding status of MERF.

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**TABLE 30**  
**Funding Status of MERF**  
**(Dollars in thousands)**

Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Liquidity Trigger Adjustment [c]	Unfunded Actuarial Accrued Liability [b+c]-[a]	Funded Ratio [a]/[b+c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll [[b+c-a]/[d]]
7/1/2006	\$1,490,280	\$1,617,653	\$ 0	\$127,373	92.13%	\$21,669	\$ 587.82
7/1/2007 *	1,383,741	1,610,881	0	227,139	85.90	17,296	1,313.27
7/1/2008 *	1,214,305	1,576,854	12,135	374,685	76.42	13,957	2,684.64
7/1/2009 *	880,133	1,551,099	23,913	694,878	55.88	10,979	6,328.96
7/1/2010	844,033	1,286,151	0	442,118	65.62	11,090	3,986.64

\* Prior to 2007, the valuation method under statute ignored the actual market value of the assets and therefore did not develop a contribution plan to fund the unfunded actuarial accrued liability (UAAL). This method was changed in 2007.

Source: MERF Actuarial Report.

When calculating the funding status of MERF, PERA and the MERF Actuary, used the following assumptions: (1) for purposes of determining the actuarial value of assets, assets are valued at market value (prior to July 1, 2010, asset gains and losses were smoothed over a five year period); (2) the remaining amortization period under MERF is 21 years; (3) the rate of return on investments is assumed to be 8.5%; (4) salaries are projected to increase 4.0%; (5) the rate of inflation is assumed to be 3.0%; and (6) cost of living adjustments are assumed to be 1.0% per year until GERF is 90% funded on a market value basis and 2.5% per year thereafter.

For the valuation date of July 1, 2010, several actuarial assumptions and plan provisions were adjusted in MERF, including, among others: (i) for purposes of determining the actuarial value of assets, the assets were valued at market value (prior to July 1, 2010, asset gains and losses were smoothed over a five year period); (ii) cost of living adjustments were lowered from the Consumer Price Index and certain investment performance triggers to 1.0% per year until GERF is 90% funded on a market value basis and 2.5% per year thereafter; (iii) the post-retirement rate of return on investments was increased from 5.0% to 8.5%; and (iv) the pre-retirement rate of return on investments was increased from 6.0% to 8.5%. For the valuation date of July 1, 2010, these changes decreased the unfunded actuarial accrued liability of MERF to approximately \$442 million and increased the funded ratio (actuarial value) to 65.6%. Without the changes to the actuarial assumptions and plan provisions, for the valuation date of July 1, 2010, the unfunded actuarial accrued liability of MERF would have been approximately \$635 million and the funded ratio (actuarial value) would have been 57.0%.

The Commission contributed \$393,000 to MERF to meet 100% of its required contribution for Fiscal Year 2009. The Commission contributed \$122,000 to MERF to meet 100% of its required contribution for Fiscal Year 2010. As a result of the passage of the 2010 Retirement Bill, the Commission expects that its future required contributions to MERF will increase substantially. For Fiscal Year 2011, the Commission budgeted \$1,752,000 for its required contribution to MERF. The Commission expects that its required annual contributions to MERF between Fiscal Years 2012 and 2031 will average approximately \$1.7 million per Fiscal Year. The Commission cannot predict if its required contributions to MERF will be greater than these expected contributions. The Commission funds its MERF obligations with unrestricted revenues of the Commission.

**Post-Retirement Health Benefits.** In addition to the contributions to GERF, PEPFF and MERF, the Commission provides health insurance benefits for certain of its retired employees (the "Post-Retirement Health Benefits Program"). Active employees (hired before August 17, 2006) who retire from the Commission and who have become vested in either PERA or MERF, and who do not participate in any other health benefits program providing coverage similar to that offered by the Commission, are eligible to continue receiving coverage with respect to both themselves and their eligible dependants under the Post-Retirement Health Benefits Program. Employees of the Commission hired after August 17, 2006 are not eligible for the Post-Retirement Health Benefits Program. The Commission's post-retirement health benefits expense for Fiscal Year 2010 was \$3,667,000 and is

expected to be \$3,233,000 in 2011. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009—NOTES TO THE FINANCIAL STATEMENTS—NOTE L: POST RETIREMENT BENEFITS” for additional information on the post-retirement benefits offered by the Commission to its employees.

As a result of the adoption of GASB Statement No. 45, an actuarial valuation of the Post-Retirement Health Benefits Program was completed by Van Iwaarden Associates in March 2010 (the “OPEB Actuarial Report”). According to the OPEB Actuarial Report, as of January 1, 2011, the Post-Retirement Health Benefits Program had an actuarial accrued liability of \$92,692,830. As of December 31, 2010 and 2009, the Commission held \$48,297,000 and \$45,229,000, respectively, in designated cash that was reserved against the Commission’s actuarial accrued liability to the Post-Retirement Health Benefits Program. As of December 31, 2011, the Commission expects to hold approximately \$50,200,000 in designated cash that will be reserved against the Commission’s actuarial accrued liability to the Post-Retirement Health Benefits Program. However, since such designated cash has not been irrevocably deposited in trust for the benefit of the Post-Retirement Health Benefits Program, the OPEB Actuarial Report stated that 100% of the actuarial accrued liability of the Post-Retirement Health Benefits Program was unfunded. The OPEB Actuarial Report assumed an amortization period of 30 years for contributions to be made by the Commission to the Post-Retirement Health Benefits Program, a discount rate of 4%, and health care cost increases of 7.5% in 2011, 7.0% in 2012, 6.5% in 2013, 6.0% in 2014, 5.5% in 2015 and 5% in 2016 and remaining at 5% through 2041. Based upon these assumptions and the current level of Commission contributions to the Post-Retirement Health Benefits Program, the OPEB Actuarial Report projected that the actuarial accrued liability of the Post-Retirement Health Benefits Program would increase to \$95,049,715 as of December 31, 2011.

## Risk Management and Insurance

The Senior Indenture and the Subordinate Indenture do not specify any minimum amount of insurance coverage. Instead, the Senior Indenture requires the Commission to maintain insurance or qualified self-insurance against such risks at the Airport as are usually insured at other major airports. The Senior Indenture and the Subordinate Indenture also do not require that the Commission carry insurance against losses due to seismic activity.

As of September 1, 2011, the Commission maintained the following insurance coverages:

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/USA <sup>1</sup>	1/1/13	General aviation liability including personal injury	\$500,000
Driver Alliant	7/1/12	Blanket fire & extended coverage on building and contents. Boiler and machinery	\$1,250,000
Self-insured <sup>2</sup>	Continuous	Statutory workers’ compensation	Excess of \$450,000
Great American Insurance Group	6/1/12	Comprehensive crime employee/police	\$3,000
Minnesota Risk Management Fund	7/1/12	Auto liability (licensed vehicles), physical damage, hired automobiles, valet parking, inland marine and garage keepers	Physical Damage; Other (MN State Tort Cap)
Minnesota Risk Management Fund	7/1/12	Non-aviation liability	MN State Tort Cap.

<sup>1</sup> Prior to the September 11 Events, war risk/terrorism insurance was provided as a free rider to the Commission’s general liability insurance policy for the Airport. After the September 11 Events, the rider was cancelled by the insurer and such insurance was unavailable for a period of time. War risk/terrorism insurance has again been made available to the Commission, although at a cost which the Commission has determined to be prohibitive and not cost-effective. The Commission continues to evaluate its options of obtaining war risk/terrorism insurance.

<sup>2</sup> Funded from current operating revenues of the Commission. Administered by Berkley Risk Services, Inc.

## Investment Policy

Minnesota Statutes require that all Commission deposits be protected by insurance, a surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds (140% for mortgage notes pledged). Authorized collateral includes allowable investments as discussed

below, certain first mortgage notes and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

The Commission invests funds as authorized by Minnesota Statutes in direct obligations or obligations guaranteed by the United States or its agencies, general obligations of the State or any other state or any of its municipalities, commercial paper rated in the highest category by at least two nationally recognized rating agencies, bankers acceptances of United States banks eligible for purchase by the Federal Reserve System, certificates of deposit issued by official depositories of the Commission, shares of investment companies registered under the Investment Company Act of 1940, as amended, and whose only investments are in direct obligations or obligations guaranteed by the United States or its agencies, and repurchase agreements with financial institutions. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009—NOTES TO FINANCIAL STATEMENTS—NOTE B: DEPOSITS AND INVESTMENTS—Investments” for additional discussion on the Commission’s investment policies and the Commission’s investments as of December 31, 2010.

### **Derivatives Policy**

In November 2003, the Commission adopted a derivatives policy which provides guidelines to be used by the Commission when entering into derivative financial products, including, but not limited to, interest rate swaps, swaptions, municipal warrants and interest rate caps. As of the date of this Official Statement, the Commission has not entered into any derivative financial products.

## **CAPITAL IMPROVEMENT PROGRAM**

The Commission has an ongoing capital improvement program at the Airport and the Reliever Airports, which includes projects set forth in its 2010 Plan and certain other capital projects at the Airport and the Reliever Airports. The Commission also has certain demand driven projects in its capital improvement program that will be only undertaken if the Commission determines that sufficient demand exists for such projects.

### **Planned CIP Projects**

In order to modernize the Airport System, in the 1990’s, the legislature of the State directed the Commission to develop and implement a long-term capital improvement program for the Airport System. In response to this directive, the Commission created a long-term capital improvement program, known as the 2010 Long Term Comprehensive Plan (the “2010 Plan”). The principal features of the 2010 Plan include, among other things, the construction of a new 8,000 foot north-south runway on the west side of the Airport (Runway 17/35), expansion of the Lindbergh Terminal (including expansion of the C Concourse, construction of a new commuter terminal consisting of Concourses A and B, an automated people mover along Concourses A, C and D, upgrades to Concourses E and F, and concession area development), construction of a new auto rental/public parking facility adjacent to the Lindbergh Terminal, a new multi-level econolot/employee parking structure adjacent to the Humphrey Terminal, construction of a new Humphrey Terminal, and certain improvements to the Reliever Airports. As of September 1, 2011, the total capital cost of the 2010 Plan was estimated to be approximately \$2.90 billion (in actual and inflated dollars); and as of September 1, 2011, the majority of the projects under the 2010 Plan had been completed and \$2.85 billion of the costs of the 2010 Plan had been incurred. The main project remaining to be completed under the 2010 Plan are various noise mitigation projects.

In addition to the remaining projects to be constructed under the 2010 Plan, the Commission has plans to construct certain additional capital projects at the Airport and the Reliever Airports, including, runway and airfield rehabilitation, security and terminal improvements, various landside improvements and certain Reliever Airport improvements (collectively, the “Other Capital Projects”). Between 2011 and 2017 the Commission expects to incur approximately \$546.2 million of costs for the Other Capital Projects.

The remaining projects to be constructed under the 2010 Plan and the Other Capital Projects are collectively referred to herein as the “Planned CIP Projects.” As of September 1, 2011, the Planned CIP Projects had an estimated capital cost of approximately \$572.4 million (in actual and inflated dollars). The Commission anticipates constructing, equipping and funding the Planned CIP Projects between 2011 and 2017. The Planned CIP Projects include, among other things, airfield and runway rehabilitation at the Airport, noise mitigation programs (including the noise mitigation required pursuant to the Consent Decree (as defined herein)), rehabilitation and improvements to the Lindbergh Terminal and the Humphrey Terminal, and various projects at the reliever airports.

### Demand Driven CIP Projects

In addition to the Planned CIP Projects, the Commission has included certain demand driven projects in its capital improvement program (the “Demand Driven CIP Projects”) that will only be undertaken if demand exists for such projects. The Demand Driven CIP Projects include, among other projects, expanding the Humphrey Terminal (including modifying the existing baggage sorting system to provide for in-line explosive detection systems capabilities) in connection with moving all airlines, other than Delta, Mesaba, Pinnacle, Compass and Comair, to the Humphrey Terminal; modifying and expanding the E Concourse and the ticket lobby in the Lindbergh Terminal; equipping a new tram system for the G Concourse and the potential H Concourse (an extension of the G Concourse); and construction of new parking facilities at the Humphrey Terminal. As of September 1, 2011, the Demand Driven CIP Projects had a total estimated capital cost of approximately \$1.024 billion.

In the event the Commission approves any of the Demand Driven CIP Projects, such projects will not require the approval of the Majority-in-Interest of the Signatory Airlines and such related construction costs will be included in the calculation of rates and charges under the Airline Lease Agreements. See “THE AIRPORT AGREEMENTS—Airline Lease Agreements—Rates, Fees and Charges.”

### 2011-12 Capital Improvement Program-Planned CIP Projects

In order to determine funding and operational planning requirements, the Commission annually reviews, revises and approves capital projects that are scheduled to be constructed during the next two calendar years. See “FINANCIAL INFORMATION—Budgeting Process—Capital Budget.” The Commission approved a two-year capital program, the 2011-12 CIP, on December 20, 2010, which includes projects that the Commission expects to construct during the period from January 1, 2011 through December 31, 2012. The 2011-12 CIP includes \$235.7 million of Planned CIP Projects, as set forth in the following table. Future two-year CIPs could reflect project revisions and additional projects could be added to the 2011-12 CIP, including, but not limited to, one or more of the Demand Driven CIP Projects.

**TABLE 31**  
**Metropolitan Airports Commission**  
**2011-12 Capital Improvement Program**  
**Planned CIP Projects**

Projects	2011	2012
Noise Mitigation Program <sup>1</sup>	\$ 17,950,000	\$ 3,600,000
Lindbergh Terminal - Energy Management Center	48,825,000	59,850,000
Airfield and Runway	22,150,000	10,250,000
Parking Facilities	3,650,000	3,500,000
Humphrey Terminal Rehabilitation and Repair	18,165,000	18,500,000
Police and Fire	3,400,000	4,600,000
Reliever Airport Program	5,450,000	3,600,000
Other	<u>5,950,000</u>	<u>6,300,000</u>
Total	<u>\$125,540,000</u>	<u>\$110,200,000</u>

<sup>1</sup> Includes amounts expected to be spent by the Commission in compliance with the Consent Decree.

Source: Metropolitan Airports Commission.

In addition to the Planned CIP Projects included in the 2011-12 CIP, the Commission is currently negotiating with Delta to make approximately \$16-20 million of improvements to the G Concourse. If agreed to by the Commission, these improvements will be included in the Commission's CIP for 2012-13 that would be adopted by the Commission in December 2011. The Commission expects to finance such improvements from borrowings under the Credit Agreement.

### 2013-17 Capital Improvement Program-Planned CIP Projects

For longer range funding and planning decisions in addition to the two-year CIP, the Commission also adopts a capital improvement plan that covers an additional five-year period. In addition to the 2011-12 CIP, on December 20, 2010, the Commission adopted a CIP for the period between 2013 through 2017 (the "2013-17 CIP"). The 2013-17 CIP includes \$336.6 million of Planned CIP Projects, which are expected to be constructed between 2013 and 2017. Future CIPs could reflect project revisions and additional projects could be added to the 2013-17 CIP, including, but not limited to, one or more of the Demand Driven CIP Projects. The following table sets forth the Planned CIP Projects included in the 2013-17 CIP.

**TABLE 32**  
**Metropolitan Airports Commission**  
**2013-17 Capital Improvement Program**  
**Planned CIP Projects**

Projects	2013	2014	2015	2016	2017
Noise Mitigation Program <sup>1</sup>	\$ 1,300,000	\$ 3,420,000	-	-	-
Lindbergh Terminal – Energy Management Center	47,175,000	47,085,000	\$40,250,000	\$33,790,000	\$11,435,000
Airfield and Runway	10,950,000	16,810,000	6,000,000	16,550,000	1,550,000
Parking Facilities	2,500,000	8,850,000	4,000,000	4,000,000	4,000,000
Police and Fire	8,150,000	20,350,000	2,000,000	500,000	500,000
Reliever Airport Program	1,500,000	15,540,000	4,500,000	12,300,000	-
Other	<u>3,500,000</u>	<u>4,830,000</u>	<u>500,000</u>	<u>2,300,000</u>	<u>500,000</u>
Total	<u>\$75,075,000</u>	<u>\$116,885,000</u>	<u>\$57,250,000</u>	<u>\$69,440,000</u>	<u>\$17,985,000</u>

<sup>1</sup> Includes amounts expected to be spent by the Commission in compliance with the Consent Decree.  
Source: Metropolitan Airports Commission.

### Funding Sources for the Planned CIP Projects

**General.** The Commission anticipates financing the Planned CIP Projects in the 2011-12 CIP and the 2013-17 CIP with a combination of proceeds of previously issued Senior Bonds (approximately \$74.5 million); PFCs (approximately \$158.4 million; either on a pay-as-you-go basis or PFC secured bonds); federal and State grants (approximately \$114.6 million); other available revenues of the Commission (approximately \$213.5 million, including \$120.0 million from the Repair and Replacement Account); and moneys contributed by private 3<sup>rd</sup> parties (approximately \$11.6 million).

The Commission has no current plans to issue any additional Senior Bonds and/or Additional Subordinate Obligations between 2011 and 2017 to finance the currently approved Planned CIP Projects. However, if the Commission agrees to make certain improvements to the G Concourse that are being requested by Delta, the Commission expects to borrow \$16-20 million under the Credit Agreement in late 2011 and in 2012 to finance such improvements. The Commission expects that its obligations under the Credit Agreement will be secured by a pledge of Subordinate Revenues on parity with the Subordinate Series 2011A Bonds

**Senior Bond Proceeds.** The Commission expects to use approximately \$74.5 million of the proceeds of previously issued Senior Bonds to finance a portion of the costs of the Planned CIP Projects in the 2011-12 CIP and the 2013-17 CIP.

**Passenger Facility Charges.** The Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"), permits public

agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a \$1.00, \$2.00 or \$3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of \$4.50. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of \$4.50 on each enplaning passenger. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and satisfy the requirements of the PFC Act. In addition, an application for the imposition of PFCs by certain public agencies (including the Commission) will not be approved by the FAA after October 1, 2000, unless such applying public agency has submitted a competition plan acceptable to the FAA. See “—Competition Plan” below.

The purpose of the PFC is to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among Air Carriers. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program.”

The Commission has received approval from the FAA, pursuant to ten separate applications (eight of which were later amended by the Commission, with the approval of the FAA), to collect a PFC on each enplaning passenger at the Airport totaling approximately \$1,551,884,000. The Commission has closed PFC Applications 1 through 5. These applications have been fully funded and the projects they financed have been completed. Additionally, the Commission expects to close PFC Application 9 in the fourth quarter of 2011. In the fourth quarter of 2011, the Commission plans to file an amendment to: (a) PFC Application 6 with the FAA for the purpose of increasing the approved collection amount under PFC Application 6 from \$779,146,000 to \$809,825,000; (b) PFC Application 8 with the FAA for the purpose of decreasing the approved collection amount under PFC Application 8 from \$191,380,000 to \$146,414,000; and (c) PFC Application 10 with the FAA for the purpose of decreasing the approved collection amount under PFC Application 10 from \$128,448,000 to \$76,215,000. Additionally, the Commission plans to file an 11<sup>th</sup> PFC application and a 12<sup>th</sup> PFC application in the fourth quarter of 2011 with the FAA for the purpose of collecting \$89.2 million and \$63.8 million, respectively, of PFCs for costs associated with the 2010 Plan and certain other Planned CIP Projects.

The Commission first began collecting a \$3.00 PFC in 1992. In 2001 the Commission received approval from the FAA to collect an additional \$1.50 on each enplaning passenger resulting in a \$4.50 PFC now being collected on each enplaning passenger at the Airport. Such PFCs have been approved by the FAA to be used to finance all or a portion of certain capital improvements at the Airport, including, among other things, the automated people mover system which was constructed as part of the auto rental/public parking garage located adjacent to the Lindbergh Terminal, noise mitigation projects, primarily the Part 150 Residential Insulation Program which applied to homes within the FAA-certified 65 or greater Day Night Level (“DNL”) noise contours, the Humphrey Terminal, portions of the Runway 17/35 project, Concourses A and B of the Lindbergh Terminal, and expansion of Concourse C of the Lindbergh Terminal.

Under the Airline Lease Agreement, the Commission has agreed to use PFCs actually collected from the lesser of 90% of originating passengers or 45% of enplaned passengers from 2011 through 2030, for the funding of projects in the 2010 Plan including debt service on obligations issued to fund projects in the 2010 Plan, before being applied in any other manner. The Commission also has agreed to use PFCs to the fullest extent of eligibility, to pay the debt service on PFC Eligible Bonds issued to finance airfield projects, including Runway 17/35. See “THE AIRPORT AGREEMENTS—Airline Lease Agreements.” See also “SECURITY AND SOURCES OF PAYMENT OF THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service.”

Significant changes to the PFC program are being considered by Congress. The Commission cannot predict when or whether Congress will adopt new legislation or the scope of such legislation. If authorized by Congress, future increases in PFCs may be applied for by the Commission and approved by the FAA. In such event, PFCs may be collected faster than anticipated. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program.”

The following table sets forth a summary of the Commission's approved PFC applications and the total amount of PFCs received by the Commission under each application through September 1, 2011.

**TABLE 33**  
**Metropolitan Airports Commission**  
**Approved PFC Applications<sup>1</sup>**

<b>PFC Application</b>	<b>Initial Approval Date</b>	<b>Initial Approval Amount</b>	<b>Amended Approval Amount</b>	<b>Total Amount Received as of September 1, 2011<sup>2</sup></b>
1	June 1992	\$ 66,356,000	\$ 92,714,000	\$ 92,714,000
2	August 1994	113,064,000	140,717,000	140,717,000
3	December 1995	32,700,000	36,377,000	36,377,000
4	December 1998	55,460,000	47,801,000	47,801,000
5	January 2000	106,874,000	112,533,000	112,533,000
6	January 2003	1,161,479,000 <sup>3</sup>	779,146,000 <sup>3</sup>	350,062,000
7	June 2005	0	14,109,000	1,855,000
8	May 2005	191,380,000 <sup>3</sup>	191,380,000 <sup>3</sup>	125,876,000
9	November 2005	7,316,000	8,659,000	0
10	May 2008	<u>128,448,000<sup>3</sup></u>	<u>128,448,000<sup>3</sup></u>	<u>63,593,000</u>
Total		<u>\$1,863,077,000</u>	<u>\$1,551,884,000</u>	<u>\$971,528,000</u>

<sup>1</sup> PFC Applications 1 through 5 were originally approved for the collection of a \$3.00 PFC on each enplaning passenger. The Commission subsequently amended its PFC Application 5, which was subsequently approved by the FAA, authorizing the Commission to collect an additional \$1.50 PFC per enplaning passenger. PFC Applications 6 through 10 have been approved at the collection rate of \$4.50 per enplaning passenger.

<sup>2</sup> Authorization to collect PFCs under all of the applications and amendments expires on September 1, 2020, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to September 1, 2020.

<sup>3</sup> In the fourth quarter of 2011, the Commission plans to file an amendment to: (a) PFC Application 6 with the FAA for the purpose of increasing the approved collection amount under PFC Application 6 from \$779,146,000 to \$809,825,000; (b) PFC Application 8 with the FAA for the purpose of decreasing the approved collection amount under PFC Application 8 from \$191,380,000 to \$146,414,000; and (c) PFC Application 10 with the FAA for the purpose of decreasing the approved collection amount under PFC Application 10 from \$128,448,000 to \$76,215,000.

Source: Metropolitan Airports Commission.

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The following table sets forth the amount of PFCs collected in 2006 through 2010.

**TABLE 34**  
**Metropolitan Airports Commission**  
**Annual Collections of PFCs<sup>1</sup>**

<b>Year</b>	<b>PFCs Collected</b>
2006	\$67,535,000
2007	66,865,000
2008	64,126,000
2009	57,638,000
2010	57,262,000

<sup>1</sup> The information in this table is presented on a cash basis, and, therefore, will not match the accrual accounting presentation set forth in the Commission's audited financial statements for the years ended December 31, 2010 and 2009 that are included in Appendix A to this Official Statement.

Source: Metropolitan Airports Commission.

***Federal and State Grants.***

***Airport Improvement Program Grants.*** The Commission receives federal grant money from the FAA each year. The Airport and Airway Improvement Act of 1982, as amended, created the Airport Improvement Program ("AIP"), which is administered by the FAA. Grants are available to airport operators in the form of entitlement funds and discretionary funds and are payable on a reimbursement basis. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft; discretionary funds are available at the discretion of the FAA based upon a national priority system.

The Commission expects to receive approximately \$62.7 million of AIP entitlement/discretionary grants to finance Planned CIP Projects in the 2011-12 CIP and the 2013-17 CIP. There can be no assurance as to the amount of such funding to the Commission in the future. See "CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program." Additionally, pursuant to the Wendel H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century ("AIR 21"), no AIP grants will be approved by the FAA after October 1, 2000 for certain airports (including the Airport), unless such applying airport has submitted a competition plan acceptable to the FAA. See "—Competition Plan" below.

As described above, the FAA has granted the Commission approval to collect PFCs at the Airport. In accordance with the PFC Act and the PFC Regulations, since the Commission collects a \$4.50 PFC the amount of AIP entitlement grants which the Commission is permitted to receive annually may be reduced up to 75%. However, as a result of the increased funding of AIP entitlement grants pursuant to AIR 21, the Commission has not experienced a material reduction from its previous level of AIP entitlement grants since it began collecting a \$4.50 PFC.

The Commission's financial plan for funding its Planned CIP Projects assumes that AIP entitlement and discretionary grant funds will be available to fund the grant-eligible portion of certain projects. In the event that AIP grants to the Airport are lower than those made in recent years, the Commission would either elect to delay or not undertake certain projects or seek alternative sources of funding, including the possible issuance of additional debt. See "CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program."

***Transportation Security Administration Grants.*** The Commission has received a grant from the Transportation Security Administration ("TSA") in the amount of \$30.2 million for phase 1 of the in-line baggage

screening program at the Lindbergh Terminal. The Commission also has applied for, and expects to receive, approximately \$41.9 million of additional grants from the TSA in 2012 and 2013, which will be used for phase 2 of the in-line baggage screening program at the Lindbergh Terminal and for the in-line baggage screening program at the Humphrey Terminal. The Commission does not plan to move forward with phase 2 of the in-line baggage screening program at the Lindbergh Terminal or the in-line baggage screening program at the Humphrey Terminal until it receives approval from the TSA for the applied grants.

*MNDOT Grants.* In the past, the Commission has received grants from the Minnesota Department of Transportation (“MNDOT”) that are used to fund projects at the Airport. The Commission currently expects to receive approximately \$10 million of MNDOT grants between 2013 and 2016.

*Internally Generated Commission Funds.* The Commission also intends to use certain amounts it generates from operations after the payment of all of its operating expenses, debt service and other payment obligations to pay for costs of the Planned CIP Projects. The Commission expects that approximately \$213.5 million of such funds (including \$120.0 million to come from the Repair and Replacement Account) will be available to fund Planned CIP Projects in the 2011-12 CIP and the 2013-17 CIP.

*Projects to be Funded by 3<sup>rd</sup> Parties.* Certain of the Planned CIP Projects, totaling approximately \$11.6 million, are to be funded with contributions from Airport tenants or other third parties. These projects will only move forward when the Commission receives a firm commitment for funding from the applicable Airport tenant or such other third parties.

## **Competition Plan**

Pursuant to the AIR 21, certain covered airports, including the Airport, are required to file a competition plan with the FAA in order to receive further AIP entitlement grants after October 1, 2000 and in order to receive approval of PFC applications submitted after October 1, 2000. The airports that are required to comply with these provisions of AIR 21, include airports that board more than 0.25% of all passengers throughout the United States and at which one or two Air Carriers control more than 50% of the passenger boardings at such airport. The Airport meets both of these criteria and therefore must comply. AIR 21 states that the competition plan should include information on the availability of airport gates and related facilities, leasing and sub-leasing arrangements, gate-use requirements, patterns of air service, gate-assignment policy, financial constraints, airport controls over air- and ground-side capacity, whether the airport intends to build or acquire gates that would be used as common facilities, and airfare levels compared to other large airports.

The Commission filed an update to its competition plan with the FAA in the fall of 2001, which the FAA subsequently accepted. The Commission filed a new update to its competition plan in 2008, which was also accepted by the FAA.

## **AIRLINE AND AIRLINE INDUSTRY INFORMATION**

### **Availability of Information Concerning Individual Airlines**

Certain of the airlines or their parent corporations operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovation Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

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

*Neither the Commission nor the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.*

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Commission.

## **Delta**

**General.** Delta Air Lines Inc.'s SEC filings provide comprehensive financial, operational and other information concerning Delta and prospective investors are encouraged to review such filings prior to making an investment decision.

**Role at the Airport.** The Airport serves as a domestic hub in the route system of Delta. Delta also maintains domestic hubs at Atlanta, Cincinnati, Detroit, Memphis, New York-JFK and Salt Lake City. Delta is the dominant Air Carrier operating at the Airport. Delta, together with its affiliated Air Carriers (Mesaba, Pinnacle, Compass and Comair) accounted for approximately 78.7% of passenger enplanements at the Airport in 2010 and approximately 79.0% of the airline rentals, fees and charges component of the Airport System's operating revenues. Additionally, Delta leases 104 of the 117 full service jet gates in the Lindbergh Terminal. See "CERTAIN INVESTMENT CONSIDERATIONS—Dominance of Delta at the Airport" and "—Factors Affecting the Airline Industry."

## **AIRPORT SYSTEM ENVIRONMENTAL MATTERS**

There are several significant environmental matters which have direct and indirect impacts on the Commission and the Airport. These include aircraft noise reduction and the discharge of storm water runoff.

### **Airport Noise Control Program**

**65 or Greater DNL Noise Contours.** The Commission's plans for mitigating noise in homes near the Airport have changed in recent years. The Commission's previously approved Part 150 Residential Insulation Program, which applied only to homes within the FAA-certified DNL noise contours of 65 decibels or greater, was designed to reduce the average internal noise level in habitable rooms directly exposed to aircraft noise to a level equal to a home located in the 45 DNL noise contours or by an average of 5 decibels. Once a home in the 65 or greater DNL noise contours was designated for sound insulation, its degree of sound insulation modifications depended on the existing conditions of the home's windows, doors, insulation levels, and mechanical systems. Residents within the 65 or greater DNL noise contours received a five decibel reduction package, which included some, or all, of the following items: reconditioning or replacement of existing windows; addition of exterior acoustical storm windows; reconditioning or replacement of existing prime doors; addition of exterior acoustical storm doors; baffling of attic and roof vents; addition of wall and attic insulation; and addition of central air conditioning (if not existing). Insulation modification to the 7,846 homes eligible to receive such modifications within the 65 or greater DNL noise contours have been completed at a total cost of approximately \$229.5 million.

**60 to 64 DNL Noise Contours.** In addition to insulating homes within the 65 or greater DNL noise contours, the Commission has received Majority-In-Interest approval from the Signatory Airlines to spend up to \$150 million for noise mitigation within the 60 to 64 DNL noise contours (the "60 to 64 DNL Noise Contours"). In early 2001, the Commission planned to spend the \$150 million on noise mitigation for homes within the 60 to 64 DNL Noise Contours. It had been estimated in 2001 that providing the five decibel reduction mitigation package to all of the homes located in the 60 to 64 DNL Noise Contours would cost approximately \$450 million (in the 2004

update to the Commission's 150 Residential Insulation Program the cost was estimated to be approximately \$331.5 million), and therefore, the Commission's plan to spend \$150 million would not have been sufficient. In November 2001, the Commission submitted a proposal to the FAA regarding, among other things, noise mitigation in the 60 to 64 DNL Noise Contours. On December 17, 2001, the Commission decided to reevaluate the best and most efficient use of the \$150 million for noise mitigation within the 60 to 64 DNL Noise Contours. Additionally, in 2002 the Commission withdrew its November 2001 submittal to the FAA in order to develop revised noise contours for 2007. The Commission submitted revised noise contours to the FAA in November 2004 for review and approval. These revised noise contours took into account recent changes in the aviation industry but did not represent current conditions.

In 2004, the Commission proposed a \$48 million noise mitigation plan for the 60 to 64 DNL Noise Contours, whereby the Commission would spend \$28 million (down from the \$150 million plan) and the homeowners would spend \$20 million of their own money. The plan would include the installation of a mechanical package (including, among other things air conditioning) to the affected homes.

On April 6, 2005, the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield (collectively, the "Noise Plaintiffs") filed a lawsuit in Minnesota State District Court, Fourth Judicial District (the "District Court"), against the Commission, alleging, among other things, that the Commission has violated and will likely continue to violate certain noise pollution provisions of the Minnesota Environmental Rights Act ("MERA") and other laws of the State. The Noise Plaintiffs requested the court, among other things, to order the Commission to cease violating the noise pollution provisions of MERA and other laws of the State and to provide a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours, at no cost to the homeowners. The Commission estimated that the cost of providing a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours would be approximately \$331.5 million; however, the Commission estimated that the cost could be approximately \$450 million if it was required to provide the five decibel reduction mitigation package to all of the homes located in the 60 to 64 DNL Noise Contours in effect in 2001. On January 25, 2007, the court granted the Noise Plaintiffs' motion for summary judgment, holding that the Commission created an environmental quality standard under MERA that required the Commission to provide a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours and that the Commission violated that standard. In February 2007, the district court held a five-day trial on the issue of whether the Commission's failure to provide a five decibel reduction package violated MERA by materially adversely affecting the environment, and on the issue of an appropriate remedy under MERA.

On September 1, 2005, David B. Wiencke, et. al., on behalf of themselves and all others similarly situated, filed a lawsuit in Minnesota State District Court, Fourth Judicial District, against the Commission seeking a declaratory judgment and monetary relief for the Commission's failure to implement a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours. On August 3, 2006, the court issued an order certifying a class action of all individuals owning homes or other buildings within the boundaries of the City of Minneapolis and the City of Richfield within the 60 to 64 DNL Noise Contours as projected for 2005 by the Commission in its 1996 DNL Noise Contour Maps. The complaint, as amended, alleged breach of express contract, breach of implied contract, breach of contract on the grounds of promissory estoppel and sought declaratory relief. Although the legal claims were different than those raised by the Noise Plaintiffs discussed in the previous paragraph, the underlying facts and general claims for relief were substantially similar.

**Consent Decree** On October 19, 2007, the District Court approved a Consent Decree (the "Consent Decree") negotiated by the Commission, the Noise Plaintiffs and David B. Wiencke, et. al. Under the Consent Decree, the Commission will provide mitigation to homes in the 60 to 64 DNL Noise Contours. Mitigation activities will vary based on noise contour, with homes in the most noise-impacted contours eligible for more extensive mitigation than those in less impacted areas. Multi-family dwellings (those with more than three living units) will receive less extensive mitigation than single-family homes. The total cost to the Commission is uncertain until the program is complete, but the Commission estimates that the program will cost as much as \$127 million to implement (approximately \$47 million of which will be funded from amounts on deposit in the Repair and Replacement Account and approximately \$80 million of which will be funded from Airport revenues generated from sources other than the rates, charges and payments received from the Air Carriers).

Four separate residential noise mitigation programs are included in the Consent Decree. Costs depicted in each of the four programs are in 2007 dollars and will be adjusted annually for inflation according to the Consumer Price Index:

(1) Single-Family Homes in the Projected 2007 Mitigated 63-64 DNL Noise Contours - The approximately 432 homes in the most noise-impacted contours will be eligible to receive the same level of noise mitigation provided in the 65 or greater DNL noise contours. The program is designed to achieve five decibels of noise reduction on average. Depending on the improvements needed to reduce interior noise sufficiently, modifications could include: central air conditioning; exterior and storm window repair or replacement; prime door and storm door repair or replacement; wall and attic insulation; baffling of roof vents and chimney treatment. This program was substantially completed in March 2010.

(2) Single-Family Homes in the Projected 2007 Mitigated 60-62 Noise Contours - Owners of the approximately 5,392 homes in less noise-impacted areas will be eligible for one of two mitigation packages: (1) the estimated 3,421 homes that did not have central air conditioning as of September 1, 2007 may receive it, and additionally, homeowners would get up to \$4,000 (including installation costs) in other noise mitigation products and services to be chosen from a menu provided by the Commission; and (2) owners of homes that already had central air conditioning installed as of September 1, 2007 or who choose not to receive central air conditioning would be eligible for up to \$14,000 (including installation costs) of noise mitigation products and services to be chosen from a menu provided by the Commission. Categories of products on the menu to be provided by the Commission will include: exterior and storm window repair or replacement; prime door and storm door repair or replacement; wall and attic insulation; baffling of roof vents and chimney treatment. The Commission estimates that this program will be substantially completed by December 1, 2012.

(3) Multi-family homes in the Projected 2007 Mitigated 60-64 DNL Noise Contours - Any of the approximately 1,646 multi-family units in the projected 2007 mitigated 60-64 DNL noise contours that do not have air conditioning will receive through-the-wall or equivalent permanently installed air conditioners. The Commission will also install an acoustical cover for each air conditioner in the multi-family units. This program was substantially completed in December 2010.

(4) \$7 Million Total for Opt-Out and 2005 Mitigated Single-Family Homes - Single-family homes whose owners originally opted out of the already completed Commission noise-mitigation program within the 65 or greater DNL noise contours, but that now have new owners, will be eligible to "opt in" and receive noise mitigation. If the total cost to the Commission of opt-in mitigation is less than \$7 million, any remaining moneys would be used to reimburse owners of approximately 2,352 single-family homes in the 2005 Mitigated 60-64 DNL noise contours for purchase and installation of products included on a menu to be provided by the Commission. The amount each homeowner receives will be determined by subtracting dollars spent for the opt-in program from the total \$7 million budget and dividing the remainder among the total number of single-family homes within the 2005 Mitigated 60-64 DNL noise contours. The Commission began issuing reimbursements in March 2010 and expects to complete such reimbursement by September 1, 2014. The Commission's monetary obligation with respect to the opt-out and 2005 Mitigated 60-64 DNL program is capped at \$7 million (plus an annual Consumer Price Index adjustment).

Owners of single-family homes participating in the program who sell their home within two years of receiving mitigation will be required to reimburse the Commission for twenty-five percent of the cost of providing the mitigation, up to a maximum of \$3,500 per home.

**Federal Aviation Administration Approval.** On November 30, 2007 the FAA issued a determination that the settlement agreement with the Noise Plaintiffs and the Wiencke plaintiffs is an appropriate use of Airport revenues and is consistent with federal grant obligations.

**State Legislation.** From time to time, there have been bills introduced in the Minnesota State Legislature that addressed noise mitigation with respect to communities surrounding the Airport. To date, none of these bills has been passed by the Minnesota State Legislature and signed by the Governor; however, the Commission cannot predict if additional bills will be introduced in the future that may impose restrictions or obligations on the Commission with respect to noise mitigation or, if introduced and ultimately adopted by the Minnesota State

Legislature and signed by the Governor, what effect, if any, such restrictions or obligations might have on the Commission.

### **Discharge Permit**

Under the Clean Water Act and Environmental Protection Agency Regulations, the Airport is required to obtain a National Pollutant Discharge Elimination System/State Disposal System permit from the MPCA. The permit authorizes the discharge of the Airport's storm water runoff, subject to certain requirements and conditions. The Airport's storm water discharge is impacted primarily from the use of airline deicing chemicals. The permit contains limitations on the total amount of a pollutant, known as biological oxygen demand ("BOD"), that the Airport may discharge on an annual basis. BOD is associated with the use of deicing chemicals at the Airport and is carried by storm water to the points of discharge regulated by the permit. The current permit was issued in 1993. A reapplication was made by the Commission in 1995 (six months prior to expiration date), as required by the permit. The Commission continues to operate under the 1993 permit and certain modifications that were made to the permit in 2004. The Commission, the Air Carriers operating at the Airport and MPCA are currently in discussions with respect to MPCA issuing a new permit.

The Commission has, with the exception of the 2000-01 and the 2001-02 deicing seasons, always been in compliance with the permit regulations and limitations. In August 2004, the Commission entered into a stipulation agreement (the "Stipulation Agreement") with the MPCA regarding the violation of certain regulations concerning the discharge of glycol at the Airport during the 2000-01 and the 2001-02 deicing seasons. The Commission has completed all elements of the Stipulation Agreement.

## **CERTAIN INVESTMENT CONSIDERATIONS**

**The purchase and ownership of the Subordinate Series 2011A Bonds involve investment risk and may not be suitable for all investors. The factors set forth below, among others, may affect the security of the Subordinate Series 2011A Bonds.**

### **The Subordinate Series 2011A Bonds are Limited Obligations**

The Subordinate Series 2011A Bonds are limited obligations of the Commission, payable solely from and secured by a pledge of Subordinate Revenues, other amounts payable under the Subordinate Indenture and certain funds and accounts held under the Subordinate Indenture, as described in this Official Statement. None of the properties of the Airport System are subject to any mortgage or other lien (except for the lien created by the Subordinate Indenture on the Subordinate Revenues) for the benefit of the owners of the Subordinate Series 2011A Bonds. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State, other than the Commission, to the extent of the Subordinate Revenues, is pledged to the payment of the principal of or interest on the Subordinate Series 2011A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS."

The Subordinate Series 2011A Bonds are payable from Revenues only after, and subordinate to, the prior payment of the Maintenance and Operation Expenses of the Airport System and the payment of debt service when due on the Senior Parity Bonds and the funding of the reserve and replenishment requirements on and relating to the Senior Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Flow of Funds."

### **Dominance of Delta at the Airport**

Delta is the dominant Air Carrier operating at the Airport, which serves as a primary hub in Delta's route system. Delta currently leases 104 of the existing 117 full service jet gates in the Lindbergh Terminal. In 2010, Delta, together with its affiliated Air Carriers (Mesaba, Pinnacle, Compass and Comair), accounted for approximately 78.7% of passenger enplanements at the Airport, and approximately 79.0% of the airline rentals, fees and charges component of the Airport System's operating revenues. No other airline accounted for more than 3.3%

of passenger enplanements at the Airport in 2010 or accounted for over 5.0% of the airline rentals, fees and charges component of the Airport System's operating revenues in 2010.

The Commission has no information regarding the financial condition of Delta other than from SEC filings and press releases made by Delta. See "AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta." No assurances can be given concerning the present or future financial viability of Delta.

Although the Commission assumes that, as a result of the Airport's geographic location, facilities and capabilities and Delta's investment in the Airport, the Airport is likely to remain a system hub for Delta, no assurance can be given that the Airport will continue as a system hub for Delta, regardless of Delta's financial condition. In the event Delta discontinues or reduces its hubbing operations at the Airport, Delta's current level of activity may not be replaced by other carriers, thereby resulting in reduced revenue collections by the Commission. See "THE AIRPORT AGREEMENTS—Additional Leases with Delta—Series 15 Lease Agreements."

Additionally, any significant financial or operational difficulties incurred by Delta may have a material adverse effect on the Commission's revenues and the Airport, although financial or operational difficulties by any of the other Air Carriers also may, whether directly or indirectly, have an adverse impact on the Commission's revenues and the Airport, the effect of which may be material.

### **Factors Affecting the Airline Industry**

**General.** Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Subordinate Revenues available for payment of the Subordinate Series 2011A Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline fares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports for connecting traffic; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that began in 2008. Other business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at the Airport and could have a more pronounced effect in the future.

Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market. See also "—Aviation Security Concerns" below for additional discussion on the costs of security.

**Economic Conditions.** Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. During September 2008, significant and dramatic changes occurred in the U.S. and global financial markets. Since 2008, the U.S. economy has experienced a recession followed by weak growth. As a result of concerns about the U.S. government's ability to resolve long-term deficits, in August 2011, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, downgraded the credit rating of the U.S. sovereign debt from "AAA" to "AA+". It is not known at this time whether the high national unemployment rate, or the slow rate of national and global economic growth will persist beyond 2012. There can be no assurances that the prolonged weak economic conditions, the downgrade of the credit rating of the U.S. sovereign debt or other national and global fiscal concerns will not have an adverse effect on the air transportation industry.

***Cost of Aviation Fuel.*** Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to the Air Transport Association, a one-dollar increase in the price of oil per barrel equates to approximately \$415-475 million in annual additional expense for U.S. airlines. The price of aviation fuel rose to an all-time high of almost \$4.00 per gallon in July 2008. According to the Air Transport Association, the price of aviation fuel averaged approximately \$2.85 per gallon for the first six months of 2011. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

***International Conflict and the Threat of Terrorism.*** The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The Commission cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Commission or the airlines operating at the Airport from such incidents or disruptions.

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

### **Effect of Airline Bankruptcies**

***General.*** Since December 2000, numerous airlines have filed for bankruptcy protection including, among others, Northwest, Delta, including its subsidiary Comair, Mesaba, Sun Country (which filed for protection twice), US Airways (which filed for protection twice), UAL Corporation, the parent of United, Air Canada and Frontier. Each of these airlines has emerged from bankruptcy and continues to operate at the Airport.

***Assumption or Rejection of Agreements.*** An airline that has executed an Airline Lease Agreement or other executory contract with the Commission and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its Airline Lease Agreement within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed (further extensions are subject to the consent of the Commission)), and (b) its other executory contracts with the Commission prior to the confirmation of a plan of reorganization.

In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Lease Agreement or other agreements.

Rejection of an Airline Lease Agreement or other agreement or executory contract will give rise to an unsecured claim of the Commission for damages, the amount of which in the case of an Airline Lease Agreement or other agreement is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an Airline Lease Agreement or

other agreement could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code. Certain amounts unpaid as a result of a rejection of an Airline Lease Agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs would be passed on to the remaining airlines under their respective Airline Lease Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, payments made by an airline in bankruptcy (or by its surety) within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy, in particular if the debtor posts collateral with its surety. In general, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the Commission may not be able to enforce any of its remedies under the agreements with a bankrupt airline

Northwest, Delta, Comair, Mesaba, Sun Country, US Airways, United, Air Canada and Frontier were each operating at the Airport under an Airline Lease Agreement at the time of their respective filings for bankruptcy protection. Northwest, Delta, Comair, Mesaba, US Airways, United, Air Canada and Frontier each assumed their respective Airline Lease Agreements when they emerged from bankruptcy protection. During its first bankruptcy proceedings, Sun Country rejected its Airline Lease Agreement, however the investor group that purchased the assets of the defunct Sun Country signed a new Airline Lease Agreement. During its second bankruptcy proceedings, Sun Country, assumed its Airline Lease Agreement. See also "THE AIRPORT AGREEMENTS."

With respect to an airline in bankruptcy proceedings in a foreign country, the Commission is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

***Pre-Petition Obligations.*** During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Commission on account of goods and services provided prior to the bankruptcy. Thus, the Commission's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. All of the pre-petition obligations of Northwest, Delta, Comair, Mesaba, Sun Country (with respect to its second bankruptcy filing), US Airways, United, Air Canada and Frontier were paid in full. A portion of Mesaba's pre-petition obligations were paid from Mesaba's security deposit made to the Commission. At the time of Sun Country's first bankruptcy filing, it owed the Commission approximately \$570,000 in pre-petition obligations; approximately \$72,000 of such obligations was recovered from the other Air Carriers operating at the Airport through increased landing fees, approximately \$46,000 of such obligations was recovered from an Air Carrier which leased a hangar previously leased by Sun Country, and \$451,392 of such obligations was written off as bad debt and was not recoverable.

***PFCs.*** Pursuant to the PFC Act, the FAA has approved the Commission's applications to require the airlines to collect and remit to the Commission a \$4.50 PFC on each enplaning revenue passenger at the Airport. See "CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects—Passenger Facility Charges."

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Commission) imposing the PFCs, except for any handling fee (which currently is \$0.11 per PFC) or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Commission cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

It is possible that the Commission could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Commission cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the Commission or whether the bankruptcy estate would have sufficient moneys to pay the Commission in full for the PFCs owed by such airline. All of the airlines that were operating at the Airport at the

time of their respective filings for bankruptcy protection and during the time they operated at the Airport while under bankruptcy protection submitted to the Commission all of the PFCs collected by them. PFCs are not pledged to the repayment of the Senior Bonds, the General Obligation Revenue Bonds or the Subordinate Obligations (including the Subordinate Series 2011A Bonds), however, see “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service” for a discussion of the Commission’s irrevocable commitment of a portion of PFCs received by the Commission to pay debt service on the Eligible PFC Bonds.

### **Aviation Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks, increased threat levels declared by the Department of Homeland Security and world health concerns such as the Severe Acute Respiratory Syndrome (“SARS”) outbreak in 2003 and the H1N1 influenza (“swine flu”) outbreak in 2009 and 2010, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Commission cannot predict whether the Airport or any of the Reliever Airports will be targets of terrorists in the future. After the terrorist attacks of September 11, 2001, the United States government launched a military offensive against Afghanistan and in March 2003 against Iraq, and has warned that these hostilities may continue for years. The Commission cannot predict the duration of the effects of these hostilities on the air transportation system, the likelihood of any retaliation or the likelihood of any future terrorist attacks. Any such action could directly or indirectly reduce passenger traffic and depress airline industry revenues and Revenues. The Commission cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

### **Regulations and Restrictions Affecting the Airport**

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the Commission, or whether such restrictions or legislation or regulations would adversely affect Revenues. See “—Aviation Security Concerns” above, “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects—Passenger Facility Charges” and “—Federal and State Grants.”

### **Ability to Meet Rate Covenant**

As discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Rate Covenant,” the Commission has covenanted in the Master Subordinate Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the rate covenant set forth in the Master Subordinate Indenture is met. In addition to Subordinate Revenues, the Commission expects to use \$12.8 million to \$18.3 million of PFCs each Fiscal Year between Fiscal Years 2011 and 2016, respectively, to pay a portion (approximately 26%-36%) of the debt service on the Subordinate Obligations. If PFCs have been irrevocably committed or are otherwise used to pay principal of and/or interest on the Subordinate Obligations, the principal and/or interest on such Subordinate Bonds may be excluded from the calculation of Aggregate Annual Debt Service; thus decreasing Aggregate Annual Debt Service and increasing debt service coverage for purposes of

the rate covenant under the Master Subordinate Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service.” Also see “—Availability of PFCs” below.

If Subordinate Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant, the Master Subordinate Indenture provides for procedures under which the Commission would retain and direct a Consultant to make recommendations as to the revision of the Commission’s business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Commission in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Commission in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see “—Regulations and Restrictions Affecting the Airport” above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines (including using the Airport for hubbing activities), concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport. Notwithstanding this potential detrimental impact, the Airline Lease Agreements acknowledge the existence of the rate covenant under the Senior Indenture (which includes the payment of debt service on the Subordinate Obligations, but does not include the requirement that Subordinate Revenues must equal 110% of Annual Debt Service on the Subordinate Obligations) and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges. The Airline Lease Agreements do not address the rate covenant under the Master Subordinate Indenture.

#### **Availability of PFCs**

In addition to the use of Subordinate Revenues, the Commission expects to use \$12.8 million to \$18.3 million of PFCs each Fiscal Year between Fiscal Years 2011 and 2017, respectively, to pay a portion (approximately 26-36%) of the debt service on the Subordinate Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Use of PFCs to Pay Debt Service” and “—Ability to Meet Rate Covenant” above. Additionally, the Commission expects to use approximately \$158.4 million of PFCs to finance a portion of the costs of the Planned CIP Projects, and the Commission expects to use \$13.4 million to \$15.1 million of PFCs each Fiscal Year between Fiscal Years 2011 and 2017, respectively, to pay a portion (approximately 19-23%) of the debt service on the Senior Bonds.

The amount of PFC revenue received by the Commission in future years will vary based upon the actual number of PFC-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. See “—Factors Affecting the Airline Industry” above. See also “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects—Passenger Facility Charges” and “—Ability to Meet Rate Covenant” above. Additionally, the FAA may terminate the Commission’s authority to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Act or the PFC Regulations, or (b) the Commission otherwise violates the PFC Act or the PFC Regulations. The Commission’s authority to impose a PFC may also be terminated if the Commission violates certain provisions of the Airport Noise and Capacity Act of 1990 (the “ANCA”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Commission’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the Commission’s authority to impose a PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Commission or that the Commission will not seek to decrease the amount of PFCs to be collected, provided such decrease does not violate the Commission’s covenant in the PFC Resolution. A shortfall in PFC revenues may cause the Commission to increase rates and charges at the Airport to meet the debt service requirements on the Senior Bonds and the Subordinate Obligations that the Commission plans to pay from PFCs, and/or require the Commission to identify other sources of funding for its capital program, including issuing additional Senior Bonds and/or Subordinate Obligations, to finance the pay-as-you-go projects currently expected to be paid with PFC revenues.

The PFC Act also provides that for certain classes of airports, including the Airport, federal AIP entitlement funds will be reduced by 50% following the imposition of a PFC of \$3.00 or less and will be reduced by 75% following the imposition of a PFC greater than \$3.00. The Commission currently collects a PFC of \$4.50.

### **Availability of Funding for the Capital Improvement Program**

*General.* In addition to a portion of the proceeds of the previously issued Senior Bonds, the Commission's plan of finance assumes that PFC revenues on a pay-as-you-go basis, federal and State grants, other available revenues of the Commission (including certain amounts to be on deposit in the Repair and Replacement Account), and certain moneys to be contributed by third parties will be received by the Commission in certain amounts and at certain times to pay the costs of the Planned CIP Projects. See "CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects." No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed. See "—Availability of PFCs" above.

To the extent that any portion of the funding assumed in the plan of finance for the Planned CIP Projects is not available as anticipated, the Commission may be required to defer or remove certain of the Planned CIP Projects or issue additional Senior Bonds and/or Subordinate Obligations to pay the costs of such Planned CIP Projects.

*Federal Grants.* See also "CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the Planned CIP Projects—Federal Grants," for a discussion of the assumptions with respect to AIP entitlement and discretionary grant funding. Although the Commission considers these assumptions to be reasonable, assumptions are inherently subject to certain uncertainties and contingencies. Actual AIP entitlement and/or discretionary funding levels and timing may vary and such differences may be material. Funds obligated for the AIP are drawn from the Airport and Airway Trust Fund that is supported by user fees, fuel taxes, and other similar revenue sources that must be authorized and approved by Congress. Authority for the existing federal excise user fees, fuel taxes and other revenue sources for the Airport and Airway Trust Fund, FAA expenditure authority for the Trust Fund, AIP appropriations and FAA authority to issue AIP grants (collectively, "FAA Authorizations") originally expired in 2007. Since 2007, the FAA Authorizations have been extended 21 times by the President and Congress, the most recent short-term extension coming on September 16, 2011. The latest extension expires on January 31, 2012.

At the end of July 2011, the President and Congress failed to agree on an extension of the FAA Authorizations that were set to expire at the end of July 2011, and, as a result of such failure, nearly 4,000 FAA workers were furloughed and more than 200 airport construction and safety projects were halted. After the partial shutdown of the FAA had lasted more than two weeks, in early August 2011, the President and Congress agreed to extend the FAA Authorizations until the end of September 2011, which have now been further extended to the end of January 2012. During the partial shutdown, the federal government also lost nearly \$400 million in uncollected airline ticket taxes.

In the event the President and Congress cannot agree on new long-term FAA reauthorization legislation or another short-term extension by January 31, 2011, the FAA will again be forced to furlough thousands of FAA workers, airport construction projects will be halted and the FAA will no longer have the authority to issue new AIP grants. The Commission cannot predict whether or when new legislation will be enacted, the amount or type of funding for the FAA that will be approved, or the effect of such legislation on the FAA's funding, the timing or amount of FAA grants to the Commission, the requirements the Commission must satisfy as a condition to receipt of FAA funding or to the imposition and use of PFCs or the FAA's regulations of airport rates, charges and long-term planning and development.

During the partial shutdown of the FAA in July and August of 2011 and during any future shutdown as a result of the President and Congress failing to extend the FAA Authorizations, existing AIP grant funded projects for which the FAA has already obligated money continued or will continue to be funded by automatic outlays and FAA air traffic control and tower operations and PFC authorizations and collections were not and are not expected to be impacted.

## **Potential Limitation of Tax Exemption of Interest on Subordinate Series 2011A Bonds**

On September 12, 2011, President Obama announced a legislative proposal entitled the American Jobs Act of 2011 (the “American Jobs Act of 2011”). The American Jobs Act of 2011 was introduced in the United States Senate on September 13, 2011, as Senate Bill 1549. The American Jobs Act of 2011, if enacted, would, among other things, subject interest on tax-exempt bonds (including the Subordinate Series 2011A Bonds) to federal income taxation for taxpayers with incomes above certain thresholds for tax years beginning after 2012. The American Jobs Act of 2011 or other legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may cause interest on the Subordinate Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Subordinate Series 2011A Bonds. Prospective purchasers of the Subordinate Series 2011A Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS—Changes in Federal and State Tax Law.”

### **No Acceleration**

Events of Default under the Subordinate Indenture and related remedies are described herein under “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies” The occurrence of an Event of Default does not grant any right to accelerate payment of the Subordinate Series 2011A Bonds. Since Subordinate Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Expenses and debt service and reserve and repayment requirements on an relating to the Senior Parity Bonds, and the Commission is not subject to involuntary bankruptcy proceedings, the Commission may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport even if an Event of Default has occurred and no payments are being made on the Subordinate Series 2011A Bonds.

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward looking statements”. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. See “INTRODUCTION—Forward-Looking Statements.”

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Commission’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Commission’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Commission’s independent auditors assume no responsibility for its content.

## **TAX MATTERS**

### **General**

In the opinion of Kutak Rock LLP, Bond Counsel to the Commission, under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2011A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and

compliance by the Commission with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Subordinate Series 2011A Bonds. Failure to comply with such requirements could cause interest on the Subordinate Series 2011A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Subordinate Series 2011A Bonds. The Commission will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Subordinate Series 2011A Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Subordinate Series 2011A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

In the opinion of Bond Counsel, interest on the Subordinate Series 2011A Bonds is not includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includable in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes.

The accrual or receipt of interest on the Subordinate Series 2011A Bonds may otherwise affect the federal income tax liability of the owners of the Subordinate Series 2011A Bonds. The extent of these other tax consequences will depend upon such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Subordinate Series 2011A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Subordinate Series 2011A Bonds.

### **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Subordinate Series 2011A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Subordinate Series 2011A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Subordinate Series 2011A Bonds. An example is the American Jobs Act of 2011, proposed by President Obama on September 12, 2011 and introduced in the United States Senate on September 13, 2011. If enacted as introduced, a provision of the American Jobs Act of 2011 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Subordinate Series 2011A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of

the Subordinate Series 2011A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Subordinate Series 2011A Bonds or the market value thereof would be impacted thereby. Purchasers of the Subordinate Series 2011A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Subordinate Series 2011A Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **Tax Treatment of Original Issue Discount**

The Subordinate Series 2011A Bonds maturing on January 1, 2024 (the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described under “—General” above.

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

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

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

### **Tax Treatment of Original Issue Premium**

The Subordinate Series 2011A Bonds maturing on January 1, 2016 through, and including, January 1, 2023, and the Subordinate Series 2011A Bonds maturing on January 1, 2025 (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Although the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

## **LITIGATION**

### **No Litigation Relating to the Subordinate Series 2011A Bonds**

There is no litigation now pending or, to the best of the Commission's knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Subordinate Series 2011A Bonds or in any way contests the validity of the Subordinate Series 2011A Bonds or any proceedings of the Commission taken with respect to the authorization, sale or issuance of the Subordinate Series 2011A Bonds, or the pledge or application of any moneys provided for the payment of or security for the Subordinate Series 2011A Bonds.

### **Litigation Relating to the Commission and the Airport System**

There are a number of litigation matters pending against the Commission for incidents at the Airport System. These claims and suits are of a nature usually incident to the operation of the Airport System and, in the aggregate, in the opinion of Airport management, based upon the advice of the General Counsel to the Commission, will not have a material adverse effect on the Net Revenues or financial condition of the Airport System. It should be noted that a portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the Commission for the Airport System.

There are no material claims or litigation arising out of or challenging any federal grants held by the Commission to date.

## **RATINGS**

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "A" (stable outlook) and "A" (stable outlook), respectively, to the Subordinate Series 2011A Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Subordinate Series 2011A Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of 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 Subordinate Series 2011A Bonds.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore Inc., independent certified public accountants, will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Fund, will be sufficient to pay the interest on the Refunded Bonds on January 1, 2012 and July 1, 2012 and the redemption price of and interest on the Refunded Bonds on the Refunded Bonds Redemption Date.

## **LEGAL MATTERS**

The validity of the Subordinate Series 2011A Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Commission. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix D hereto. Certain matters will be passed upon for the Commission by Thomas W. Anderson, Esq., General Counsel to the Commission. Certain legal matters will be passed upon for the Commission by Kutak Rock LLP, as Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the issuance of the Subordinate Series 2011A Bonds are contingent upon the issuance and delivery of the Subordinate Series 2011A Bonds.

## **FINANCIAL ADVISOR**

The Commission has retained the services of Jefferies & Company, Inc., New York, New York, as Financial Advisor, in connection with the issuance of the Subordinate Series 2011A Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fees of the Financial Advisor with regard to the issuance of the Subordinate Series 2011A Bonds are contingent upon the issuance and delivery of the Subordinate Series 2011A Bonds.

## **CONTINUING DISCLOSURE**

The Commission will covenant to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the SEC (17 C.F.R. § 240.15c2-12) (“Rule 15c2-12”). The Commission will enter into an undertaking (the “Undertaking”) for the benefit of the holders of the Subordinate Series 2011A Bonds to provide certain financial information and operating data concerning the Commission and certain other obligated persons, including Delta, and notices of certain events to the Municipal Securities Rulemaking Board, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein for a description of the Undertaking. A failure by the Commission to provide any information required thereunder will not constitute an Event of Default under the Subordinate Indenture. The Commission has never failed to comply with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events.

The Commission has entered into an engagement letter with Digital Assurance Certification, L.L.C. (“DAC”), pursuant to which the Commission has engaged DAC to file and disseminate information provided by the Commission in connection with the Commission’s continuing disclosure obligations under Rule 15c2-12.

## **UNDERWRITING**

The Subordinate Series 2011A Bonds will be purchased by Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Piper Jaffray & Co., RBC Capital Markets, LLC, and Wells Fargo Bank, National Association (the “Underwriters”), from the Commission at a price of \$57,593,852.00 (which is the par amount of the Subordinate Series 2011A Bonds, plus a net original issue premium of \$5,886,370.30, less an underwriters’ discount of \$307,518.30), subject to the terms of a bond purchase agreement (the “Bond Purchase Agreement”), between Barclays Capital Inc., as representative of the Underwriters, and the Commission. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Subordinate Series 2011A Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Subordinate Series 2011A Bonds set forth on the inside front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Subordinate Series 2011A Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Commission, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Commission.

Citigroup Global Markets Inc. (“Citigroup”) provided the information contained in this paragraph and the following paragraph for inclusion in this Official Statement and the Commission does not take any responsibility for or make any representation as to its accuracy or completeness. Citigroup Inc., the parent company of Citigroup, one of the underwriters of the Subordinate Series 2011A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Subordinate Series 2011A Bonds.

Additionally, Citigroup has entered into a master distribution agreement (the “Master Distribution Agreement”) with TheMuniCenter L.L.C. (“TMC”), for the distribution to retail investors of certain municipal securities offerings at their original issue prices. TMC has established an electronic primary offering application platform through which certain TMC approved users that are also broker-dealers or municipal securities dealers can submit orders for and receive allocations of new issue municipal securities at the original issue price for their retail customers. Pursuant to the Master Distribution Agreement (if applicable for this transaction), Citigroup may share with TMC a portion of its underwriting compensation with respect to any Subordinate Series 2011A Bonds that are allocated to a TMC user. The TMC users permitted to participate in the offering of the Subordinate Series 2011A Bonds may also share a portion of the underwriting compensation received by Citigroup with respect to any Subordinate Series 2011A Bonds allocated to such TMC user pursuant to the terms of a Member Addendum to the TMC user’s Trading Authorization User Agreement with TMC. Citigroup Financial Products Inc., an affiliate of Citigroup, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

J.P. Morgan Securities LLC (“JPMS”) provided the information contained in this paragraph for inclusion in this Official Statement and the Commission does not take any responsibility for or make any representation as to its accuracy or completeness. JPMS, one of the underwriters of the Subordinate Series 2011A Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Subordinate Series 2011A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Subordinate Series 2011A Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Subordinate Series 2011A Bonds that such firm sells.

Piper Jaffray & Co. provided the information contained in this paragraph for inclusion in this Official Statement and the Commission does not take any responsibility for or make any representation as to its accuracy or completeness. Piper Jaffray & Co., one of the underwriters of the Subordinate Series 2011A Bonds, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Piper/Pershing Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Subordinate Series 2011A Bonds. Under the Piper/Pershing Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

Wells Fargo Bank, National Association provided the information contained in this paragraph for inclusion in this Official Statement and the Commission does not take any responsibility for or make any representation as to its accuracy or completeness. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA, one of the underwriters of the Subordinate Series 2011A Bonds, has entered into an agreement (the “Wells Fargo Distribution Agreement”) with Wells Fargo Advisors, LLC (“WFA”) for the retail distribution of certain municipal securities offerings, including the Subordinate Series 2011A Bonds. Pursuant to the Wells Fargo Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Subordinate Series 2011A Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

## **INDEPENDENT AUDITORS**

The basic financial statements of the Commission as of and for the Fiscal Years ended December 31, 2010 and December 31, 2009, included in this Official Statement in Appendix A, have been audited by BKD, LLP, independent auditors, as stated in their report included in Appendix A hereto dated May 25, 2011.



**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE  
METROPOLITAN AIRPORTS COMMISSION FOR THE  
FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009**

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**Minneapolis/St. Paul Metropolitan Airports  
Commission**

Independent Accountants' Reports and Financial Statements  
With Supplementary Information

December 31, 2010 and 2009

# Minneapolis/St. Paul Metropolitan Airports Commission

December 31, 2010 and 2009

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## Independent Accountants' Report on Financial Statements and Supplementary Information

To the Members of the  
Minneapolis/St. Paul Metropolitan Airports Commission  
Minneapolis, Minnesota

We have audited the accompanying basic financial statements of Minneapolis/St. Paul Metropolitan Airports Commission (Commission) as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minneapolis/St. Paul Metropolitan Airports Commission as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and other postemployment benefits information, as listed in the table of contents, are not a required part of the basic financial statements but are 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 the required supplementary information. However, we did not audit the information and express no opinion on it.

*BKD, LLP*

May 25, 2011

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

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The following discussion and analysis of the financial performance and activity of the Minneapolis/St. Paul Metropolitan Airports Commission (the Commission or MAC) is to provide an introduction and understanding of the basic financial statements of the Commission for the year ended December 31, 2010 with selected comparative information for the years ended December 31, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

### USING THE FINANCIAL STATEMENTS

The MAC's financial report includes three financial statements: the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the *Governmental Accounting Standards Board (GASB)*. The MAC has also adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34)* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The objective of these reporting standards is to enhance the understandability and usefulness of the basic external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.

### FINANCIAL HIGHLIGHTS

#### General

The Commission has entered into, and receives payment under, different agreements with various air carriers and other parties, including the airline lease agreements relating to landing fees and the leasing of space in terminal buildings, other building leases regarding the leasing of cargo and miscellaneous hangar facilities, concession agreements relating to sale of goods and services at the airport and specific project leases relating to the construction of buildings and facilities for specific tenants. Below is a brief description of each agreement along with the revenue generated in 2010.

#### Airline Lease Agreements

The airline lease agreements relate to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport, ramp fees for parking aircraft at the Lindbergh terminal and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same.

In the airline lease agreements, the Commission has leased to each particular air carrier a certain specified square footage portion of the terminal area in the airport. Annual rents are computed on the basis of various charges per square foot for various types of space within the existing terminal area and, in certain cases, the costs of certain improvements of the existing terminal area. The airline lease agreements also provide that each air carrier is required to pay a basic landing fee. The landing fee is calculated by dividing the cost of operations, maintenance and debt service at the airfield by total landed weight of aircraft utilizing the airport. The airline lease agreements also require each air carrier leasing gate space at Lindbergh Terminal to pay an aircraft parking ramp fee that is computed on a lineal foot basis. The ramp fee includes the cost of operations, maintenance and debt service to the ramp area surrounding the terminal building gates.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

The airline lease agreement amended in 2007 also provides that food and beverage, merchandise and auto-rental annual gross concession revenues to the Commission ("Selected Concession Revenues") will be shared with the Passenger Signatory Airlines (allocated among the Passenger Signatory Airlines based upon their proportionate share of enplanements at the Airport for the applicable fiscal year) under the following schedule (the "Shared Concession Revenues"):

<b>Selected Concession Revenues</b> <sup>1</sup>	<b>Percent Shared with Passenger Signatory Airlines</b>
Greater than \$35,972,974	25% up to \$37,576,639 and 50% for amounts above \$37,576,639
\$29,084,087 to \$37,576,639	25%
\$27,920,723 to \$29,084,086	20%
\$26,757,360 to \$27,920,722	15%
\$25,593,996 to \$26,757,359	10%
\$24,430,633 to \$25,593,995	5%

1 Selected Concession Revenues were \$35,267,780 for fiscal year 2010, resulting in shared concession revenue of \$8,816,945. The selected concession revenues thresholds are subject to change annually.

The total amount of Shared Concession Revenues will be structured as a credit against the rates and charges in the current year, payable to the Passenger Signatory Airlines in the subsequent fiscal year. Notwithstanding the above schedule, the amount of Shared Selected Concession Revenues will be reduced to the extent necessary so that Net Revenues, after subtracting the Shared Concession Revenues, will not be less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission. In the event that the Shared Concession Revenues are reduced in any year, such reduction will be deferred until the next fiscal year and will be credited against the rates and charges payable by the Passenger Signatory Airlines in the next fiscal year to the extent that Net Revenues, after subtracting the applicable Shared Concession Revenues, are not less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission.

For the years ended December 31, 2010 and 2009, the aggregate rentals earned by the Commission pursuant to the airline lease agreements were approximately \$82,665,000 and \$81,999,000, respectively. The annual rentals due under each lease may be adjusted each year to reflect actual costs of the airport.

#### Other Building and Miscellaneous Leases

The other building and miscellaneous leases relate to rentals and other fees associated with the Hubert H. Humphrey Terminal (Humphrey Terminal), miscellaneous hangar facilities, and office rentals for non-airline tenants in the Lindbergh Terminal. For the years ended December 31, 2010 and 2009, the aggregate annual rentals under these leases were approximately \$22,269,000 and \$21,988,000, respectively.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

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#### Specific Project Leases

The Commission has constructed various buildings and facilities for specific tenants including a fueling facility for Servisair & Shell Fuel Services, and hangars and office buildings for Delta, Federal Express, Champion and Mesaba Airlines. The specific project leases relate to the use of these buildings and facilities by, Northwest/Delta, Servisair & Shell Fuel Services, Federal Express, Champion and Mesaba. On May 1, 2007, Mesaba rejected an aircraft hangar facility lease. The Commission took possession of the hangar on that date. In September 2007, the Commission was able to lease the hangar to Petters Aviation, which in 2008 subsequently filed for bankruptcy and rejected the hangar lease. In 2009, the Commission was able to find another tenant to lease the hangar until November 2010. Champion Airlines ceased operations on May 31, 2008. During 2008, the Commission entered into a lease with Mesaba Airlines to occupy the hangar formerly leased by Champion Airlines through April 30, 2009. In 2009, Delta began occupying the hangar formerly leased to Champion and Mesaba airlines.

If bonds were issued by the Commission to finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid. Bond funds were used to finance certain facilities for Delta Airlines, Mesaba and Federal Express.

If the construction of a facility is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements, which would have been required, if bond funds were used. Commission funds were used to finance facilities for Servisair & Shell Fuel Services, Champion Airlines and certain facilities for Delta Airlines, including the extension of the "G" Concourse.

For the years ended December 31, 2010 and 2009, the aggregate lease rentals paid to the Commission under specific project leases was approximately \$37,676,000 and \$38,430,000, respectively.

#### Concession Agreements

The Commission has entered into separate concession agreements with various firms to operate concessions inside the terminal building at the airport including, among others, food and beverage services, newsstands, advertising, amusements/games, insurance, personal service shops, and telephones. For the years ended December 31, 2010 and 2009, the aggregate fees earned by the Commission under the existing concession agreements were approximately \$25,572,000 and \$24,911,000, respectively. Such fees are computed on the basis of different percentages of gross sales for the various types of concessions, with the larger concessions guaranteeing a minimum payment each year.

Concession agreements for rental car agencies require such concessionaires to pay fees based on a percentage of their gross revenues and special charges such as parking fees and a per-square-foot land rental. The Commission also has a management contract with a firm for the operation of the airport parking lot and garage facilities. For the years ended December 31, 2010 and 2009, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract were approximately \$88,867,000 and \$86,065,000, respectively. Of this amount, parking revenue was approximately \$63,684,000 for 2010 and \$61,546,000 for 2009. Auto rental revenue for both on and off airport auto rentals for December 31, 2010 and 2009 was approximately \$25,184,000 and \$24,519,000, respectively.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

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#### Reliever Airports

The Commission has entered into various other leases and agreements with tenants at its reliever airport system. These reliever airport tenant leases include fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the years ended December 31, 2010 and 2009, revenues from these agreements were approximately \$5,089,000 and \$4,905,000, respectively.

#### Miscellaneous Off-Airport Concession Leases and Ground Transportation Fees

The Commission has entered into certain leases with off-airport concessionaires that provide off-airport advertising and auto services. Additionally, the Commission charges fees for employee parking, permits and licenses to operate shuttles, vans, buses and taxis at the airport. Such fees are set by Commission ordinances. For the years ended December 31, 2010 and 2009, the Commission earned \$7,576,000 and \$7,370,000, respectively.

#### Miscellaneous Revenues

In addition to the above agreements, the Commission enters into various other leases and agreements. These include utility charges, ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, and other miscellaneous amounts. For the years ended December 31, 2010 and 2009, the revenues from these agreements were approximately \$12,994,000 and \$13,637,000, respectively.

#### Operating Revenues

Operating revenues for the MAC are derived entirely from user fees that are established for various services and facilities that are provided at Commission airports. While the Commission has the power to levy taxes to support its operations, it has adopted policies to provide adequate revenues for the system to operate since 1969 without general tax support. Revenue sources have been grouped into the following categories in the Statements of Revenues, Expenses and Changes in Net Assets:

- |                              |  |
|------------------------------|--|
| Airline Rates & Charges      | - Revenue from landing and ramp fees and terminal building rates                               |
| Concessions                  | - Revenue from food and beverage sales, merchandise sales, auto parking, etc.                  |
| Other Revenues:              |  |
| Rentals/fees                 | - Fees for building rentals  |
| Utilities and other revenues | - Charges for tenants use of ground power, water and sewer, and other services provided by MAC |

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

For the fiscal years ended December 31, 2010 and 2009, the top ten operating revenue sources for the MAC were as follows:

#### Top Ten Operating Revenue Sources:

Source	2009 Revenue
1. Parking	\$ 61,546,000
2. Landing fees	49,455,000
3. Terminal rent - airlines	32,774,000
4. Auto rental (off- and on-airport)	15,808,000 *
5. Other building rent	15,800,000
6. Food and beverage	13,052,000
7. Merchandise	9,177,000
8. Ground rent	8,082,000
9. Ramp fees	6,531,000
10. Ground transportation fee	3,951,000

Source	2010 Revenue
1. Parking	\$ 63,682,000
2. Landing fees	49,037,000
3. Terminal rent - airlines	34,064,000
4. Other building rent	16,437,000
5. Auto rental (off- and on-airport)	15,673,000 *
6. Food and beverage	12,957,000
7. Ground rent	9,125,000
8. Merchandise	8,027,000
9. Ramp fees	5,901,000
10. Passenger services	4,359,000

\*Excludes customer facility charges.

The top ten revenue providers for 2010 for the MAC were as follows:

#### Top Ten Operating Revenue Providers

1. Delta Airlines
2. HMS Host
3. Hertz
4. National/Alamo Car Rental
5. Minnesota Retail Partners
6. Avis
7. Sun Country
8. Enterprise Rent a Car
9. United Airlines
10. American Airlines

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

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

During 2010, MAC total revenues and capital contributions decreased by .8% to \$363,271,000 from \$366,104,000 in 2009. Changes in major categories are summarized below (dollars in thousands):

	2010	% of Total	2009	% of Total	Dollar Change	Percent Change
<b>Operating revenues</b>						
Airline rates and charges	\$ 90,376	24.9%	\$ 89,867	24.5%	\$ 509	0.6%
Concessions	112,503	30.9%	109,636	29.9%	2,867	2.6%
Rentals/fees	29,609	8.2%	28,435	7.8%	1,174	4.1%
Utilities and other revenues	12,555	3.5%	12,937	3.5%	(382)	-3.0%
Total operating revenues	<u>245,043</u>		<u>240,875</u>		<u>4,168</u>	
<b>Nonoperating revenues</b>						
Investment income	33,933	9.3%	30,625	8.4%	3,308	10.8%
Gain on sale of assets/other	119	0.0%	205	0.1%	(86)	-42.0%
Passenger facility charges (PFC)	59,453	16.4%	67,481	18.4%	(8,028)	-11.9%
Total nonoperating revenues	<u>93,505</u>		<u>98,311</u>		<u>(4,806)</u>	
<b>Capital contributions and grants</b>	<u>24,723</u>	6.8%	<u>26,918</u>	7.4%	<u>(2,195)</u>	-8.2%
<b>Total revenues and capital contributions</b>	<u>\$ 363,271</u>	100.0%	<u>\$ 366,104</u>	100.0%	<u>\$ (2,833)</u>	-0.8%

Airline rates and charges increased \$509,000 or 0.6% from 2009 levels. A majority of the revenue derived from the airline rates and charges category is based on the amount of expenses incurred in certain cost centers. Above average snowfall in 2010 resulting in larger snow removal costs combined with increases in debt service allocations accounted for the majority of the increase in airline rates and charges.

Concessions increased by 2.6% or \$2,867,000, primarily as a result of public parking and passenger services. An increase in parking transactions as well as longer length of stays account for the increase in parking. For passenger services, the increase is due to new lease agreements (ATM lease) as well as increased revenue in indoor advertising.

Rental fees increased \$1,174,000 or 4.1%. Increases in non-terminal building rentals as a result of new building leases as well as increased auto rental customer facility charge (CFC) transactions accounted for the majority of the increase in this category.

Other revenues decreased by \$382,000 or 3.0% as a result of a decrease in various one-time reimbursements, such as energy rebates, and lower Police K9 expense reimbursements.

Investment income increased \$3,308,000 or 10.8% due to the following: (1) a new capital lease was entered into with Delta Airlines for improvements constructed at Delta's Building C; and (2) a new general airport revenue bond (GARB) issue occurred during 2010, which resulted in higher investment balances. As a result of refinancing certain GARBs and terminating the investment agreement associated with these bonds during 2010, additional interest income was earned.

PFCs decreased as a result of the decrease in deferred revenue that occurred in 2009.

Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2010 comes primarily from a decrease in grant eligible projects.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

During 2009, MAC total revenues and capital contributions decreased by 4.0% to \$366,104,000 from \$381,501,000 in 2008. Changes in major categories are summarized below (dollars in thousands):

	2009	% of Total	2008	% of Total	Dollar Change	Percent Change
<b>Operating revenues</b>						
Airline rates and charges	\$ 89,867	24.5%	\$ 87,244	22.9%	\$ 2,623	3.0%
Concessions	109,636	29.9%	112,365	29.5%	(2,729)	-2.4%
Rentals/fees	28,435	7.8%	28,632	7.5%	(197)	-0.7%
Utilities and other revenues	12,937	3.5%	13,313	3.5%	(376)	-2.8%
Total operating revenues	<u>240,875</u>		<u>241,554</u>		<u>(679)</u>	
<b>Nonoperating revenues</b>						
Investment income	30,625	8.4%	49,938	13.1%	(19,313)	-38.7%
Gain on sale of assets/other	205	0.1%	5,178	1.4%	(4,973)	-
Passenger facility charges (PFC)	67,481	18.4%	54,682	14.3%	12,799	23.4%
Total operating revenues	<u>98,311</u>		<u>109,798</u>		<u>(11,487)</u>	
<b>Capital contributions and grants</b>	<u>26,918</u>	7.4%	<u>30,149</u>	7.8%	<u>(3,231)</u>	-10.7%
<b>Total revenues and capital contributions</b>	<u>\$ 366,104</u>	100.0%	<u>\$ 381,501</u>	100.0%	<u>\$ (15,397)</u>	-4.0%

Airline rates and charges increased 3.0%. The increase is mainly attributed to an increase in debt service. During 2009, the Commission retired an equipment related financing debt that had a large principal payment at maturity.

Concessions decreased \$2,729,000 or 2.4%. The decrease is primarily in the areas of public parking and car rentals. Lower passenger counts as well as shorter length of stays attributed to this decrease.

Rentals and Fees decreased slightly by \$197,000 or 0.7%. Increases in building rentals for non-airline tenants were offset by decreases in ground rentals and customer facility charges collected by auto rental firms.

Utilities and Other Revenues decreased \$376,000 or 2.8%. Decreases in utility rates along with decreases in general aviation landing fees and airside fees contributed to the majority of the decreases in this category.

Investment income decreased due to lower cash balances along with lower interest rates earned on investments.

Gain on sale of assets and other income decreased \$4,973,000. During 2008, the Commission received \$3.2 million from a bankruptcy claim against Mesaba Airlines. In addition, the Commission sold a hangar at St. Paul downtown airport to 3M Corporation for a gain.

PFC revenue increased from 2008 levels as a result of a decrease in passenger levels and offset by a decrease in deferred revenue.

Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2009 comes primarily from a slight decrease in grant eligible projects.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

#### Expenses

In 2010, MAC total expenses increased by 2.2% to \$338,085,000 from \$330,691,000 in 2009. Changes in major categories are summarized below (dollars in thousands):

	2010	% of Total	2009	% of Total	Dollar Change	Percent Change
<b>Operating expenses</b>						
Personnel	\$ 63,412	18.8%	\$ 59,304	17.9%	\$ 4,108	6.9%
Administrative	1,271	0.4%	1,301	0.4%	(30)	-2.3%
Professional services	3,519	1.0%	4,004	1.2%	(485)	-12.1%
Utilities	16,238	4.8%	16,553	5.0%	(315)	-1.9%
Operating services	17,278	5.1%	16,043	4.9%	1,235	7.7%
Maintenance	27,088	8.0%	23,718	7.2%	3,370	14.2%
Depreciation	121,555	36.0%	123,060	37.2%	(1,505)	-1.2%
Other	2,583	0.8%	2,510	0.8%	73	2.9%
Operating expenses	<u>252,944</u>		<u>246,493</u>		<u>6,451</u>	
<b>Nonoperating expenses</b>						
Interest expense	<u>85,141</u>	25.1%	<u>84,198</u>	25.4%	<u>943</u>	1.1%
Total nonoperating expenses	<u>85,141</u>		<u>84,198</u>		<u>943</u>	
<b>Total expenses</b>	<u>\$ 338,085</u>	100.0%	<u>\$ 330,691</u>	100.0%	<u>\$ 7,394</u>	2.2%

Personnel increased by 6.9% or \$4,108,000. In November and December 2010, the MAC experienced a larger than average amount of snow, which resulted in higher labor and benefit costs. In addition, in 2010, the MAC updated its actuarial study on postretirement healthcare benefits and as a result MAC increased the healthcare trend rate, which increased the amount of expense incurred in 2010.

Professional services decreased \$485,000 or 12.1%. This decrease is due to lower legal activity, as well as lower MSP airport planning expense.

Utilities decreased \$315,000 or 1.9%. Lower natural gas prices partially offset by higher electricity prices were the major changes in this category.

Operating services increased \$1,235,000 or 7.7%. The categories of parking management, service agreements and storm water monitoring had the largest increases. Parking management increased due to more parking activity and higher labor costs. Service agreements increased due to new contracts for ground transportation equipment, parking equipment and computers. Computer service agreements had the largest increase in the service agreement category primarily in the support of the MUFIDS (Multiple Users Flight Information Displays) that were installed in the terminals in 2009-2010. Storm water monitoring relates to the amount of snow received, as described in the personnel section above; higher than average snow amounts required a larger amount of monitoring and capture of chemicals used in snow removal operations.

Maintenance increased \$3,370,000 or 14.2%. The increase in maintenance can be attributed to increases in snow removal and building mechanical systems. As described above, the large amount of snow the MAC received in November-December 2010 contributed to the majority of the increase in this category. The largest increase in the snow removal maintenance category is the cost of the liquid deicer that is used on MAC's runways and taxiways. The increase in mechanical systems can be attributed to new contracts for the maintaining of MAC's moving sidewalks and automated people movement systems.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

Depreciation decreased \$1,505,000 or 1.2%. The decrease is attributed to assets that became fully depreciated in 2009-2010, offset partially by new projects placed into service during 2009-2010.

Interest expense increased \$943,000 or 1.1%. Increases in deferred bond expense and deferred amounts on bond refundings accounted for the largest increase. These increases were partially offset by an increase in capitalized interest.

In 2009, MAC total expenses decreased by 0.8% to \$330,691,000 from \$333,456,000 in 2008. Changes in major categories are summarized below (dollars in thousands):

	2009	% of Total	2008	% of Total	Dollar Change	Percent Change
<b>Operating expenses</b>						
Personnel	\$ 59,304	17.9%	\$ 59,811	17.9%	\$ (507)	-0.8%
Administrative	1,301	0.4%	1,298	0.4%	3	0.2%
Professional services	4,004	1.2%	4,161	1.2%	(157)	-3.8%
Utilities	16,553	5.0%	18,089	5.4%	(1,536)	-8.5%
Operating services	16,043	4.9%	17,540	5.3%	(1,497)	-8.5%
Maintenance	23,718	7.2%	22,140	6.6%	1,578	7.1%
Depreciation	123,060	37.2%	117,999	35.4%	5,061	4.3%
Other	2,510	0.8%	3,696	1.1%	(1,186)	-32.1%
Operating expenses	<u>246,493</u>		<u>244,734</u>		<u>1,759</u>	
<b>Nonoperating expenses</b>						
Interest expense	84,198	25.4%	88,722	26.7%	(4,524)	-5.1%
Total nonoperating expenses	<u>84,198</u>		<u>88,722</u>		<u>(4,524)</u>	
<b>Total expenses</b>	<u>\$ 330,691</u>	100.0%	<u>\$ 333,456</u>	100.0%	<u>\$ (2,765)</u>	-0.8%

Personnel expenses decreased \$507,000 or 0.8%. This is primarily a result of lower overtime costs; delaying and/or freezing employee pay rates and slightly lower medical costs.

Professional services decreased \$157,000 from 2008 levels primarily in the area of legal fees offset partially by increase in airport planning fees.

Utilities decreased 8.5% from 2008 levels. The result of this decrease is attributed to a decrease in rates in natural gas, water and sewer.

Operating services decreased \$1,497,000 or 8.5%. The decreases in this category were in parking management fees, advertising, shuttle bus and events. Parking management fees and advertising decreased due to lower spending in these areas. Shuttle bus decreased due to a decrease in service as a result of the opening of a new parking ramp at the HHH Terminal and events decreased as a result of the Twin Cities area hosting national conventions in 2008.

Maintenance increased 7.1% from 2008 levels. The majority of the increases were in the contract cleaning and mechanical areas. Contract cleaning increased as a result of an increase on the frequency of cleaning certain areas of the terminal building, as well as a general rate increase. Mechanical areas increased due to increased prices on the automated people mover and escalator maintenance contracts.

Depreciation increased by 4.3% as a result of a parking ramp addition at the HHH Terminal, which came into full service in February 2009, as well as incurring a full year's depreciation on projects that were completed in 2008.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

Other expenses decreased due to lower general insurance premiums as well as lower spending for noncapital equipment and miscellaneous expenses.

Interest expense decreased due to the refunding of debt that occurred in 2008 and 2009.

#### Net Revenues

In order to promote and encourage the efficient use of facilities at all MAC airports, as well as minimize the environmental impact of MSP on the surrounding community, MAC has implemented a policy of subsidizing its reliever airports by establishing relatively low user charges as an incentive for pilots to use these facilities rather than MSP. In order to maintain this subsidy, MAC sets its rates and charges to assure that total system revenues will be sufficient to pay total system expenses.

Net revenues generated by the Commission are designated for construction and debt service payments. These net revenues provide the Commission with a portion of the money to meet the funding requirements of its capital improvement program. This reduces the need to issue bonds and, therefore, allows the Commission to avoid the interest expense of additional debt.

Following is a summary of the Statements of Revenues, Expenses and Changes in Net Assets:

(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 245,043	\$ 240,875	\$ 241,554
Operating expenses	(252,944)	(246,493)	(244,734)
Operating loss	(7,901)	(5,618)	(3,180)
Nonoperating revenues	93,505	98,311	109,798
Nonoperating expenses	(85,141)	(84,198)	(88,722)
Capital contributions	24,723	26,918	30,149
Increase in net assets	<u>\$ 25,186</u>	<u>\$ 35,413</u>	<u>\$ 48,045</u>

The Commission shows a decrease in the total change in its net assets in 2010 from 2009 and 2008. The primary cause for the fiscal year 2010 decrease in net asset change from prior years is due to a decrease in PFC deferred revenue, which resulted in higher PFC revenues in 2009. Also contributing to the decrease in net asset change in 2010, is a lower amount of capital contributions, which is a result of having fewer grant eligible projects.

The Commission shows a growing operating loss as a result of its methodology of charging airline rates and charges and the revenue recognition of PFCs. For its airline rates and charges model, the Commission uses debt service instead of depreciation as a basis of recovering capital costs. Therefore, projects constructed with internally generated funds are not recoverable under the airline agreement. Further contributing to the operating loss is the accounting treatment of PFCs and federal grants. The Commission cannot charge the users of the airport for any of its capital costs that were funded by PFCs and/or capital contributions. Therefore, under operating expenses the full cost of the capital project is depreciated over its useful life; however, the corresponding revenue from that particular project shows below the operating loss line item as a nonoperating revenue (PFC) item or a capital contribution.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

We believe we are well positioned to increase the long-term financial stability and air service competitiveness of MSP. In addition, our 10-year history of airline rates and charges is very competitive and, as one of the few airports with an AA- rating from both Fitch Investor Services and Standard & Poors, we feel we are positioned well for growth in the future.

### BALANCE SHEETS

The Balance Sheets present the financial position of the MAC at the end of the fiscal year and include all assets and liabilities of the MAC. Net assets are the difference between total assets and total liabilities and are an indicator of the current financial health of the MAC. A summarized comparison of the MAC's assets, liabilities and net assets at December 31, 2010, 2009 and 2008 is as follows (in thousands):

	2010	December 31, 2009	2008
<b>Assets</b>			
Current assets-unrestricted	\$ 247,092	\$ 247,749	\$ 311,873
Restricted assets-current	116,086	111,552	249,231
Noncurrent assets:			
Other noncurrent assets	716,588	622,228	618,063
Capital assets-net	<u>2,457,011</u>	<u>2,475,603</u>	<u>2,456,421</u>
Total assets	<u>\$ 3,536,777</u>	<u>\$ 3,457,132</u>	<u>\$ 3,635,588</u>
<b>Liabilities</b>			
Current liabilities-unrestricted	\$ 41,414	\$ 46,829	\$ 121,995
Payable from restricted current assets	99,569	129,511	221,038
Noncurrent liabilities:			
Bonds payable	1,744,673	1,657,546	1,710,300
Other noncurrent liabilities	<u>66,992</u>	<u>64,303</u>	<u>58,725</u>
Total liabilities	<u>1,952,648</u>	<u>1,898,189</u>	<u>2,112,058</u>
<b>Net Assets</b>			
Invested in capital assets, net of debt	1,140,449	1,145,797	978,466
Restricted	282,824	253,811	391,646
Unrestricted	<u>160,856</u>	<u>159,335</u>	<u>153,418</u>
Total net assets	<u>1,584,129</u>	<u>1,558,943</u>	<u>1,523,530</u>
Total liabilities and net assets	<u>\$ 3,536,777</u>	<u>\$ 3,457,132</u>	<u>\$ 3,635,588</u>

Overall, the majority of the increase in total assets and liabilities is a result of the issuance and refunding of debt that occurred in 2010.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

#### CASH AND INVESTMENT MANAGEMENT

The following summary shows the major sources and uses of cash (in thousands):

	2010	2009	2008
Cash received from operating activities	\$ 245,689	\$ 240,962	\$ 240,407
Cash expended from operating activities	(133,924)	(125,479)	(151,507)
Net cash provided by operating activities	111,765	115,483	88,900
Net cash used in capital and related financing activities	(31,842)	(180,757)	(249,671)
Net cash provided by (used in) investing activities	(68,784)	69,167	168,316
Net increase in cash and cash equivalents	11,139	3,893	7,545
Cash and cash equivalents, beginning of year	16,181	12,288	26,237
Cash and cash equivalents, end of year	\$ 27,320	\$ 16,181	\$ 33,782

Cash temporarily idle during the year is invested according to legal requirements established by the Legislature of the State of Minnesota. In accordance with state law, investments are restricted to various United States government securities, certificates of deposits, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase. During 2010, the MAC's average portfolio balance was \$530,823,000 and total investment earnings were \$14,213,000 for an average yield on investments during the year of 2.52%. This compares to an average portfolio balance of \$507,399,000; investment earnings of \$10,608,000 and average yield of 2.09% in fiscal year 2009.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2010, the Commission has in its operating fund approximately \$47 million over and above its 2010 six-month working capital requirement. The Commission is currently considering how to apply or use some or all of these excess-operating funds.

#### CAPITAL CONSTRUCTION

During 2010, the MAC expended \$111 million in its on-going capital improvement program. Major projects that were completed in 2010 were projects associated with the construction of a skyway from the parking structure at Terminal 2, Taxiway C-D complex-Phase 6, the installation of MUFIDS at MSP, multiple projects to update and improve the MSP terminal buildings and the ongoing implementation of the residential sound insulation program. Average monthly capital construction spending in 2010 was approximately \$9 million.

During 2009, the MAC expended \$138 million in its on-going capital improvement program. Major projects that were completed in 2009 were projects associated with the construction of an additional parking ramp at the Humphrey Terminal, various improvements in the Lindbergh Terminal and the reconstruction of a segment of Runway 12L/30R and Taxiway C-D-Phase 5. Projects that began or continued construction during 2009 were the construction of a skyway from the Humphrey parking ramp to the Humphrey Terminal building and the ongoing implementation of the residential sound insulation program. Average monthly capital construction spending in 2009 was approximately \$11.5 million.

Further information can be found in the letter of transmittal as well as Note E.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Section

#### CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: Notes Payable, General Airport Revenue Bonds and General Obligation Revenue Bonds. General Obligation Revenue Bonds are backed by Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county Metropolitan Area. In 1998-2009, the MAC issued General Airport Revenue Bonds, which are not backed by the MAC's taxing authority.

The MAC is required by law to maintain Debt Service funds sufficient to bring the balance on hand in the Debt Service Account on October 10th of each year to an amount equal to all principal and interest to become due on all General Obligation Revenue Bonds payable from October 10th to the end of the second following year. The required balance as of October 10th in the Debt Service Account for the General Obligation Revenue Bonds for the next five years is as follows (in thousands):

October 10, 2010	\$	65,330
October 10, 2011		59,444
October 10, 2012		60,110
October 10, 2013		60,724
October 10, 2014		58,853

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2010, permits the issuance of an additional \$55 million of General Obligation Revenue Bonds.

On August 10, 2010, the MAC issued \$135,685,000 Series 2010A and 2010B General Airport Revenue Bonds to finance certain improvements at the airport; to reimburse the MAC for its previous purchase of commercial paper notes; to make a deposit to the Reserve Fund and to pay costs of issuance.

On November 10, 2010, the MAC issued \$90,390,000 Series 2010C and 2010D General Airport Revenue Bonds to advance refund \$73,975,000 of General Airport Revenue Bond Series 2001B and \$33,850,000 of General Airport Revenue Bond Series 2001D, which were called on January 1, 2011.

On November 17, 2010, the MAC issued \$12,205,000 Series 16 General Obligation Revenue Bonds to advance refund \$15,635,000 of General Obligation Revenue Bond Series 13, which were called on January 1, 2011.

The MAC is financing its construction program through a combination of the MAC's revenues, entitlement and discretionary grants received from the FAA, state grants, PFCs and revenue bonds. Long-term debt is the principal source of funding of the capital improvement program. The MAC, through its Master Indenture, has covenanted to maintain a debt service coverage ratio of 1.25. Debt service coverage is calculated based on a formula included in the Master Indenture and the airport use agreement. Also see Notes F, G, H and I.

#### CONTACTING THE MAC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the MAC's Commissioners, management, investors, creditors and customers with a general view of the MAC's finances and to demonstrate the MAC's accountability for the funds it receives and expends. For further information about this report, or if you need additional financial information, please contact Director of Finance, 6040 28<sup>th</sup> Avenue South, Minneapolis, MN 55450 or access the Commission's website – <http://www.msppairport.com/mac/organization/financial/default.aspx>.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## Financial Section

## BALANCE SHEETS

(Dollars in Thousands)

	December 31	
	2010	2009
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 27,320	\$ 16,181
Investments	207,731	220,405
Accounts receivable (net of allowances for uncollectibles of \$71 and \$191, respectively)	8,883	8,362
Other	3,158	2,801
Restricted assets:		
Investments	95,001	85,933
Leases receivable	4,147	3,673
Receivable - government grants in aid of construction	9,284	16,483
Passenger facility charge receivable	7,654	5,463
Total current assets	<u>363,178</u>	<u>359,301</u>
Noncurrent Assets:		
Investments, restricted	443,619	337,296
Leases receivable, restricted	257,874	268,029
Other receivable, restricted	1,649	1,563
Bond and commercial paper issue costs, net	13,446	15,340
Capital assets:		
Land	398,625	397,767
Airport improvements and buildings	3,305,261	3,223,703
Moveable equipment	106,487	94,337
Construction in progress	110,893	103,827
Less accumulated depreciation	(1,464,255)	(1,344,031)
Total capital assets (net of accumulated depreciation)	<u>2,457,011</u>	<u>2,475,603</u>
Total noncurrent assets	<u>3,173,599</u>	<u>3,097,831</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,536,777</u></b>	<b><u>\$ 3,457,132</u></b>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## Financial Section

## BALANCE SHEETS

(Dollars in Thousands)

	December 31	
	2010	2009
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 30,035	\$ 28,866
Accounts payable due to airlines	3,663	10,383
Notes payable	1,675	1,579
Employee compensation, payroll taxes and other	6,041	6,001
Payable from restricted current assets:		
Current portion of long-term debt	37,150	37,500
Construction and other	3,997	3,636
Deferred revenue	16,044	16,746
Interest payable	42,378	41,042
Commercial paper	-	30,587
Total current liabilities	<u>140,983</u>	<u>176,340</u>
Noncurrent liabilities:		
Deferred revenue, restricted	15,285	16,381
Employee compensation and other	-	335
Notes payable	5,210	4,758
Postemployment medical	46,497	42,829
Bonds payable	<u>1,744,673</u>	<u>1,657,546</u>
Total noncurrent liabilities	<u>1,811,665</u>	<u>1,721,849</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,952,648</u></b>	<b><u>1,898,189</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,140,449	1,145,797
Restricted for debt service and other	282,824	253,811
Unrestricted	<u>160,856</u>	<u>159,335</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,584,129</u></b>	<b><u>1,558,943</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,536,777</u></b>	<b><u>\$ 3,457,132</u></b>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## Financial Section

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Dollars in Thousands)

	Fiscal Years Ended December 31	
	2010	2009
<b>OPERATING REVENUES</b>		
Airline rates and charges	\$ 90,376	\$ 89,867
Concessions	112,503	109,636
Rentals/fees	29,609	28,435
Utilities and other revenues	12,555	12,937
<b>TOTAL OPERATING REVENUES</b>	<b>245,043</b>	<b>240,875</b>
<b>OPERATING EXPENSES</b>		
Personnel	63,412	59,304
Administrative	1,271	1,301
Professional services	3,519	4,004
Utilities	16,238	16,553
Operating services	17,278	16,043
Maintenance	27,088	23,718
Depreciation	121,555	123,060
Other	2,583	2,510
<b>TOTAL OPERATING EXPENSES</b>	<b>252,944</b>	<b>246,493</b>
<b>OPERATING LOSS</b>	<b>(7,901)</b>	<b>(5,618)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	33,933	30,625
Passenger facility charges	59,453	67,481
Gain on disposal of assets	119	205
Interest expense	(85,141)	(84,198)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>8,364</b>	<b>14,113</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>463</b>	<b>8,495</b>
Capital contributions and grants	24,723	26,918
<b>CHANGE IN NET ASSETS</b>	<b>25,186</b>	<b>35,413</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>1,558,943</b>	<b>1,523,530</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,584,129</b>	<b>\$ 1,558,943</b>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## Financial Section

## STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Years Ended December 31	
	2010	2009
Cash received from customers and users	\$ 245,689	\$ 240,962
Cash paid to employees and benefit providers	(60,039)	(57,897)
Cash paid to suppliers	(73,885)	(67,582)
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>111,765</b>	<b>115,483</b>
Payments for airport improvements and facilities	(111,046)	(138,239)
Proceeds from bond/note issuance	256,086	161,558
Receipt of lease payments	19,090	20,827
Receipt of passenger facility charges	57,262	57,638
Payment on bonds/notes	(197,510)	(219,685)
Interest paid on bonds	(87,646)	(95,134)
Receipt of government grants	31,922	32,278
<b>NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(31,842)</b>	<b>(180,757)</b>
Purchase of investment securities	(1,027,742)	(955,034)
Proceeds from maturities of investment securities	921,700	987,567
Investment income	37,258	36,634
<b>NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(68,784)</b>	<b>69,167</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,139</b>	<b>3,893</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>16,181</b>	<b>12,288</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 27,320</b>	<b>\$ 16,181</b>
<b>Reconciliation of Operating Loss to Net Cash Flows Provided by Operating Activities:</b>		
Operating loss	\$ (7,901)	\$ (5,618)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	121,555	123,060
Changes in assets and liabilities:		
Accounts receivable	(521)	1,285
Other assets	(357)	(363)
Accounts payable and accrued expenses	(5,551)	(3,289)
Postretirement medical	3,668	3,007
Other restricted liabilities	-	196
Employee compensation and payroll taxes	(295)	(1,600)
Deferred revenue	1,167	(1,195)
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 111,765</b>	<b>\$ 115,483</b>
<b>Noncash investing, capital and related financing activities:</b>		
Changes in fair value of investments	\$ (2,222)	\$ 3,892
Additions to capital assets included in construction and accounts payables	3,636	16,134

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

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Fiscal years ended December 31, 2010 and 2009

#### **NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Reporting Entity**

The Minneapolis/St. Paul Metropolitan Airports Commission (the Commission) was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national, and local) in and through the State of Minnesota; promote the efficient, safe, and economical handling of air commerce; assure the inclusion of the state in national and international programs of air transportation; and, to those ends, develop the full potential of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies, and minimize the public's exposure to noise and safety hazards around airports.

The area over which the Commission exercises its jurisdiction is the Minneapolis/St. Paul metropolitan area, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The Commission controls and operates seven airports within the metropolitan area, including the Minneapolis/St. Paul International Airport, which services scheduled air carriers and six reliever airports serving general aviation.

The Commission is governed independently by a 15-member Board of Commissioners. The governor of the State of Minnesota appoints 13 commissioners. The mayors of Minneapolis and St. Paul also have seats on the Commission with the option to appoint a surrogate to serve in their place. Certain large capital improvement projects having metropolitan significance must be reviewed by the Metropolitan Council, which is a public agency established by law with powers of regulation over the development of the metropolitan area.

In applying Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity (as amended by GASB No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14), the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

##### **Basis of Accounting**

Under GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, the Commission is considered to be a special-purpose government engaged primarily in business type activities (BTA). As a BTA, the Commission prepares its financial statements using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when they are earned or when services are provided, and expenses are recognized when they are incurred.

The Commission has applied GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Under GASB Statement No. 20, the Commission applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Under the provisions of GASB 20, the Commission has elected to not apply FASB Statements and Interpretations issued after November 30, 1989.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### 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.

#### Revenue and Expense and Net Assets Recognition

The Commission considers revenues and expenses carried out in the operation and the maintenance of the Commission's system of airports to be operating in nature. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

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

#### Budgeting Process

As required by Minnesota Statutes, the Commission adopts an annual operating and capital expenditures budget for purposes of determining required taxes, if any, to be levied by counties in its jurisdiction. Budgets are established on a departmental basis using the accrual method of accounting.

The process to amend the budget is set forth in the Commission bylaws, Article III, Section 8(a), and presented below:

"8(a) Establishment of the annual budget setting out anticipated expenditures by type of expenditure and/or upward or downward revision of that budget in the course of the corporation's fiscal year shall constitute prior approval of each type of expenditure. Authorization by vote of the Commission is required for transfer of budgeted amounts between or among line items or to appropriate additional funds for each line item. The Executive Director is directed to provide for the daily operation and management of the Commission within the expenditure guidelines of the annual budget. Commission approval of a contract shall constitute prior approval of disbursements made pursuant to terms of the contract within the constraints of the budget for all contract payments, except final construction contract payments, which shall require Commission approval.

The Executive Director shall have the responsibility of securing adequate quantities of office, janitorial, maintenance and repair materials and supplies, and the rent of sufficient equipment necessary for the smooth, continuous operation of the Commission's system of airports and all facilities associated with the system of airports. The Executive Director's authority to secure these items shall be subject to the Commission's purchasing procedures and be subject to the line-item budget constraints of the annual budget.

At any time during the fiscal year, the Executive Director may recommend to the full Commission that all or any unencumbered appropriation balances of individual line-items be transferred to those line-items that require additional budgeted funds. In addition, the Executive Director may recommend to the full Commission the appropriation of additional funds above and beyond those approved at the time of budget adoption."

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

---

Fiscal years ended December 31, 2010 and 2009

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

#### **Cash and Cash Equivalents**

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks which are members of the Federal Reserve System, as authorized by the Commission.

For purposes of the statements of cash flows, the Commission considers cash on hand plus overnight investments to be cash and cash equivalents.

#### **Investments**

The Commission's investments are reported at fair value as determined by quoted market prices in the balance sheets and changes in the fair value of investments are reported as investment income in the statements of revenues, expenses and changes in net assets.

#### **Inventory**

Inventories, primarily fuel, are valued at cost on a first-in, first-out basis. The cost of the Commission's inventories included in other assets is recorded as an expense when consumed rather than purchased.

#### **Leases**

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased under self-liquidating lease agreements, which require the lessee to pay annual payments equal to the debt service requirements of the bonds issued to construct the facilities or the debt service requirements which would have been required if bond funds were used. Other facilities at Minneapolis/St. Paul International Airport are charged to user airlines under lease agreements which provide for compensatory rental rates designed to recover agreed-upon portions of costs incurred, including debt service, in the terminal building, ramp, and runway areas. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases.

#### **Federal and State Grants**

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Minnesota. The Commission records government grants in aid of construction as capital contributions.

Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

#### **Passenger Facility Charges**

In June 1992, the Commission began collecting Passenger Facility Charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

The following table sets forth a summary of the Commission's approved PFC applications.

<b>PFC Application</b>	<b>Approval Date</b>	<b>Initial Approval Amount</b>	<b>Amended Approval Amount</b>
1	June, 1992	\$ 66,356,000	\$ 92,714,000
2	August, 1994	113,064,000	140,717,000
3	June, 1998	32,700,000	36,377,000
4	April, 1999	55,460,000	47,801,000
5	August, 1999	106,874,000	112,533,000
6	April, 2003	1,161,479,000	779,146,000
7	April, 2003	-	14,109,000
8	August, 2005	191,380,000	191,380,000
9	February, 2006	7,316,000	8,659,000
10	May, 2008	128,448,000	128,448,000
		<u>\$ 1,863,077,000</u>	<u>\$ 1,551,884,000</u>

Applications one through five were originally approved for the collection of a \$3.00 PFC on each enplaning passenger. However, as a result of the AIR 21, the Commission amended its fifth PFC application, which was subsequently approved by the FAA, authorizing the Commission to collect an additional \$1.50 PFC per enplaning passenger. The collection of a \$4.50 PFC was approved by the FAA for PFC applications six, eight, nine and ten. PFC applications one through five are fully funded and have been closed out.

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to \$59,453,000 and \$67,481,000 for 2010 and 2009, respectively.

### Debt Issuance Costs

Bond issue costs are deferred and amortized over the life of the respective bond issue using the straight-line method. Commercial paper issuance costs are being amortized on a straight-line basis over the original term of the respective letter of credit that secures each debt issuance.

### Intangible Assets

The Commission has incurred, and continues to incur, substantial costs in relation to its ongoing Part 150 Sound Insulation Program. The Sound Insulation Program pays for a home within the airport's impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Commission. Because the Commission receives an aviation release from each affected homeowner in return for providing sound insulation improvements, the associated costs are being recorded as an intangible asset and amortized to expense over a ten-year period, which approximates the estimated useful lives of such improvements. Amortization expense for capitalized Part 150 Sound Insulation expenses was \$13,369,000 and \$14,424,000 for the years ended December 31, 2010 and 2009, respectively. This amortization expense is included as a component of depreciation expense on the statements of revenues, expenses and changes in net assets. The unamortized costs included in airport improvements and buildings at December 31, 2010 and 2009 was \$30,009,000 and \$39,302,000, respectively.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

The Commission adopted GASB 51, *Accounting and Financial Reporting for Intangible Assets*, during 2010. GASB 51 did not affect the financial reporting for the aviation releases under the Part 150 Sound Insulation Program.

#### Airports and Facilities

As required under Chapter 500, Laws of Minnesota 1943—the law under which the Commission was created—certain properties, classified as airports and facilities, were contributed by the cities of Minneapolis and St. Paul. Fee title to the land and improvements remain with the two cities.

Land contributed to the Commission from the cities has been recorded at the cost reported by the cities. The fair market value of the land when it was contributed was not determinable. However, it is the Commission's belief that the difference between the cost and the fair market value in 1943 is immaterial. Additions to the property accounts have been recorded at cost since 1943, unless contributed, in which case such additions are recorded at fair value.

It is the Commission's policy to amortize the carrying amount of the properties, including those acquired using government grants in aid of construction and passenger facility charges, over their estimated useful lives on a straight-line basis by annual depreciation charges to income. Estimated useful lives on depreciable assets are as follows:

Airport improvements and buildings	10-40 years
Moveable equipment	3-15 years

Costs incurred for major improvements are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized. The capitalization threshold for capital assets is \$10,000.

#### Capitalized Interest

Interest capitalized on projects funded by internally generated funds is based on the weighted-average borrowing rate of the Commission and actual project expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is based on the interest cost of the specific borrowing less interest earned on undisbursed invested funds during the construction period. Interest is not capitalized on project costs that are reimbursed by government grants in aid of construction or PFCs.

Total interest paid during 2010 and 2009 was \$87,646,000 and \$95,134,000, respectively. Total interest expense was \$85,141,000 and \$84,198,000 for the years ended December 31, 2010 and 2009, respectively, while interest capitalized as part of the cost of constructed assets was \$3,043,000 and \$2,419,000, respectively.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

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Fiscal years ended December 31, 2010 and 2009

#### **Compensated Absences**

In accordance with the vesting method provided under GASB Statement No. 16, Accounting for Compensated Absences, accumulated vacation and personal time is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred and included in employee compensation, payroll taxes and other in the balance sheets.

#### **Deferred Revenue**

Deferred revenue represents advance interest payments on direct financing leases received from certain airlines, which will be recognized as investment income over the term of the lease agreement as well as rental payments received in advance of billing.

#### **Original Issue Discounts/Premiums**

Original issue discounts/premiums on bonds are amortized using the straight-line method over the lives of the bonds to which they relate.

#### **Deferred Loss on Refundings**

The Commission defers recognition of losses incurred with refundings according to GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities. The losses incurred in refundings are amortized on a straight-line basis over the lesser of the remaining life of the original bonds or the life of the new bonds.

#### **Net Assets**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: reflects the Commission's investment in capital assets, net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction or improvements of those assets.
- Restricted: represent resources that are subject to external restrictions on how they may be used.
- Unrestricted: represent resources that are not subject to externally imposed stipulations that may be used to meet the Commission's ongoing obligations to the public and creditors. Unrestricted net assets may be designated for specific purposes by action of the management or the governing board of the Commission.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

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Fiscal years ended December 31, 2010 and 2009

#### Rental Income

Rental income is generally recognized as it becomes receivable over the respective lease terms. The Commission may, from time to time, have leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, the related rental income for leases in which the rental income stream is not systematic, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

#### Customer Facility Charges

With respect to on-airport rental car companies, the Commission is assessing a customer facility charge (CFC) per transaction day to recover the rental car portion of capital costs associated with the construction of the auto rental/public parking garage located adjacent to Terminal 1 (formerly the Lindbergh Terminal), as well as to recover certain maintenance costs relating to the auto rental facilities. Through 2009, the CFC was \$3 per rental car transaction per day. In 2010, the CFC rate was \$3.25 per rental car transaction per day. Beginning in 2011, the fee was \$2.00 per rental car transaction per day.

#### Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

### NOTE B: DEPOSITS AND INVESTMENTS

#### Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% for mortgage notes pledged). Authorized collateral includes allowable investments as discussed below, certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

Certain financial institutions holding the Commission's deposit accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the accounts. Effective July 21, 2010, the FDIC's insurance limits increased to \$250,000 for all interest-bearing accounts.

For 2010 and 2009, cash deposits were entirely insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

---

Fiscal years ended December 31, 2010 and 2009

#### Securities Lending Transactions

State statutes and Commission policies permit the Commission to use its investments to enter into securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Commission's securities custodian acts as the Commission's agent in lending the Commission's securities for cash collateral of 100% plus accrued interest. At year-end, the Commission has limited credit risk exposure to borrowers because the amounts the Commission owes the borrowers exceed the amounts the borrowers owe the Commission. Contracts with the lending agents require them to indemnify the Commission if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Commission for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the Commission or the borrower, although the average term of the loans is one week. The Commission does not have the authority to pledge or sell collateral without borrower default. In lending securities, cash collateral is invested in securities authorized by Minnesota Statutes. At December 31, 2010 and 2009, the Commission had no security lending transactions outstanding.

#### Investments

The Commission may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Commission's internal investment policy in the following:

- a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd. 6;
- b) Mutual funds through shares of registered investment companies, provided the mutual fund receives certain ratings depending on its investments;
- c) General obligations of the State of Minnesota and its municipalities and certain state agency and local obligations of Minnesota and other states, provided such obligations have certain specified bond ratings by a national bond rating service;
- d) Bankers' acceptances of United States banks;
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two national rating agencies and matures in 270 days or less; and
- f) With certain restrictions, in repurchase agreements, security lending agreements, joint powers investment trusts, and guaranteed investment contracts.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

The Commission addresses certain investment-related risks to which it is currently exposed as follows:

Interest rate risk - the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Commission may not invest in securities maturing more than three years from the date of purchase. The Commission manages interest rate risk by maintaining sufficient liquidity to enable the Commission to meet anticipated cash requirements. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Below is a table of segmented time distribution for the Commission's debt investments at December 31, 2010:

Security Type	Ratings	Maturing in months (Dollars in thousands)					Total
		0 - 6	7 - 12	13 - 18	19 - 24	25 - 30	
U.S. Government Agency Obligations							
Federal Agricultural Mortgage Corporation	Aaa/AAA	\$ 4,068	\$ -	\$ -	\$ -	\$ -	\$ 4,068
Federal Home Loan Mortgage Corporation	Aaa/AAA	16,622	24,040	-	31,920	10,742	83,324
Federal National Mortgage Association	Aaa/AAA	7,702	10,057	14,450	-	-	32,209
Federal Home Loan Bank	Aaa/AAA	44,190	100,394	63,313	55,444	13,070	276,411
Federal Farm Credit Bank	Aaa/AAA	5,081	2,510	5,035	4,087	-	16,713
Wells Fargo Government Money Market Mutual Fund		<u>333,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,626</u>
Totals		<u>\$ 411,289</u>	<u>\$ 137,001</u>	<u>\$ 82,798</u>	<u>\$ 91,451</u>	<u>\$ 23,812</u>	<u>\$ 746,351</u>

Ratings: Aaa Moody's; AAA Standard & Poors

Credit risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A (as referenced on the previous page) limits the types of investment instruments that may be purchased by the Commission. The ratings of the Commission's debt investments are shown in the table above.

Concentration of credit risk - the Commission requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities.

In respect to U.S. Government agency obligations, the Commission places no limit on the amount that may be invested in any one issuer. For commercial paper securities, the Commission cannot hold more than 30% of its portfolio in commercial paper and further cannot hold more than 4% in any one corporation. The investments listed above held by the Commission are not explicitly guaranteed by the U.S. Government and the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Home Loan Bank securities are subject to concentration of credit risk.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

Custodial credit risk - the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At December 31, 2010 and 2009, all of the Commission's investments in U.S. Agency obligations were exposed to custodial credit risk. According to Commission policy, all securities purchased by the Commission are held by a third-party safekeeping agent appointed as custodian. The Commission's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2010 and 2009, as their existence is not evidenced by securities that exist in physical or book entry form.

Foreign currency risk - the risk of adverse effects on the fair value of an investment from changes in exchange rates. The Commission's investment policy does not allow investments in foreign investments, thus the Commission has no foreign currency risk with respect to its deposits or investments.

The Commission's cash, cash equivalents and investments are reported as follows in the balance sheets at December 31 (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents - unrestricted	\$ 27,320	\$ 16,181
Investments - unrestricted	207,731	220,405
Investments, current - restricted	95,001	85,933
Investments, noncurrent - restricted	<u>443,619</u>	<u>337,296</u>
Total cash, cash equivalents and investments	<u>\$ 773,671</u>	<u>\$ 659,815</u>

Investment income for the Commission for the years ended December 31, consisted of the following (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Investment income from leases	\$ 19,720	\$ 20,017
Investment income from investments	16,435	15,451
Net decrease in fair value of investments	<u>(2,222)</u>	<u>(4,843)</u>
	<u>\$ 33,933</u>	<u>\$ 30,625</u>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### NOTE C: RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are restricted as follows (dollars in thousands):

	<u>2010</u>	<u>2009</u>
General Obligation Revenue Bond Fund	\$ 62,091	\$ 71,534
Coverage Account	17,047	17,094
Police Federal Forfeiture Fund	502	498
Police State Forfeiture Fund	98	85
Passenger Facility Charge Fund	173,620	157,721
911 Emergency Communications Fund	424	368
Revenue Bond Interest and Principal Fund	64,602	52,852
Revenue Bond Reserve Fund	129,215	119,787
Revenue Bonds Construction Fund	90,972	3,242
Revenue Bond Cost of Issuance Fund	49	48
	<u>\$ 538,620</u>	<u>\$ 423,229</u>

Minnesota Statutes require the Commission to have a balance on hand in a debt service account on October 10th of every year equal to the total amount of principal and interest due on all general obligation revenue bonds outstanding to the end of the second following year. Cash and investments to meet this requirement, plus interest earned thereon, are restricted.

#### NOTE D: GRANTS RECEIVABLE

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Minnesota for allowable costs incurred on federal and state award programs. Grants receivable at December 31, 2010 and 2009 consist of (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Federal Aviation Administration	\$ 5,230	\$ 16,191
Transportation Security Administration	4,054	292
	<u>\$ 9,284</u>	<u>\$ 16,483</u>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### NOTE E: CAPITAL ASSETS

Changes in capital assets by major classification are as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2010
Capital assets-not depreciated:					
Land	\$ 397,767	\$ -	\$ 858	\$ -	\$ 398,625
Projects-in-progress	103,827	99,678	(92,612)	-	110,893
Total capital assets-not depreciated	501,594	99,678	(91,754)	-	509,518
Capital assets - depreciated:					
Airport improvements and buildings	3,223,703	297	81,261	-	3,305,261
Less: accumulated depreciation	(1,278,175)	(114,300)	-	-	(1,392,475)
Net airport improvements and buildings	1,945,528	(114,003)	81,261	-	1,912,786
Movable equipment	94,337	2,999	10,493	(1,342)	106,487
Less: accumulated depreciation	(65,856)	(7,256)	-	1,332	(71,780)
Net movable equipment	28,481	(4,257)	10,493	-	34,707
Total capital assets-depreciated	1,974,009	(118,260)	91,754	(10)	1,947,493
Net capital assets	\$ 2,475,603	\$ (18,582)	\$ -	\$ (10)	\$ 2,457,011

	Balance January 1, 2009	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2009
Capital assets-not depreciated:					
Land	\$ 397,780	\$ -	\$ (13)	\$ -	397,767
Projects-in-progress	191,675	134,722	(222,570)	-	103,827
Total capital assets-not depreciated	589,455	134,722	(222,583)	-	501,594
Capital assets - depreciated:					
Airport improvements and buildings	3,002,220	1,504	219,979	-	3,223,703
Less: accumulated depreciation	(1,162,176)	(115,999)	-	-	(1,278,175)
Net airport improvements and buildings	1,840,044	(114,495)	219,979	-	1,945,528
Movable equipment	91,221	6,017	2,604	(5,505)	94,337
Less: accumulated depreciation	(64,299)	(7,062)	-	5,505	(65,856)
Net movable equipment	26,922	(1,045)	2,604	-	28,481
Total capital assets-depreciated	1,866,966	(115,540)	222,583	-	1,974,009
Net capital assets	\$ 2,456,421	\$ 19,182	\$ -	\$ -	\$ 2,475,603

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### NOTE F: SHORT-TERM DEBT – COMMERCIAL PAPER

The Commission has issued commercial paper, for which the proceeds were used to finance various capital projects under the Commission's long-term capital improvement program. The commercial paper is a short-term promissory note that is sold in tranches with maturities ranging from 1 to 270 days. At maturity, interest is paid to the investor and the commercial paper is resold. The Commission was authorized to issue and have outstanding, from time to time, up to \$125,000,000 in Minneapolis/St. Paul Metropolitan Airports Commission Subordinate Revenue Commercial Paper Notes, Series A (Non-AMT), Series B (AMT) and Series C (Taxable) (the Subordinate Series ABC Commercial Paper Notes). Additionally, the Commission was authorized to issue and have outstanding, from time to time, up to \$75,000,000 in Minneapolis/St. Paul Metropolitan Airports Commission Subordinate Revenue Commercial Paper Notes, Series D (Non-AMT), Series E (AMT) and Series F (Taxable) (the Subordinate Series DEF Commercial Paper Notes).

To mitigate the risk of an unsuccessful remarketing, the Subordinate Series ABC Commercial Paper Notes were backed by a direct pay letter of credit aggregating \$125,000,000, which expired on May 5, 2010. The commercial paper was payable from and secured by a lien on net revenues of the airport system. This lien is subordinate to the lien of the Commission's Senior General Airport Revenue Bonds, and therefore, the commercial paper notes are considered to be a Subordinate Obligations as defined in the Master Subordinate Indenture. On April 29, 2010, the Commission retired all outstanding commercial paper outstanding. At December 31, 2009, the Commission had \$30,587,000 in commercial paper outstanding with an interest rate ranging from 0.40% to 0.55%.

The following is a summary of commercial paper transactions for the Commission for the years ended December 31, 2010 and 2009 (dollars in thousands):

	<b>Balance January 1, 2010</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance December 31, 2010</b>
Commercial paper	<u>\$ 30,587</u>	<u>\$ -</u>	<u>\$ (30,587)</u>	<u>\$ -</u>
	<b>Balance January 1, 2009</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance December 31, 2009</b>
Commercial paper	<u>\$ 33,887</u>	<u>\$ -</u>	<u>\$ (3,300)</u>	<u>\$ 30,587</u>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### NOTE G: LONG-TERM DEBT

The Commission's long-term bonds issued and outstanding were as follows:

(Dollars in thousands)						
Type of Issue	Issue Date	Interest Rates	Maturing on January 1	Amount	Outstanding at December 31,	
					2010	2009
<b>General Airport Revenue Bonds</b>						
<b>Series 2001B *</b>	5/30/2001	5.500%	2011	\$ 3,895		
Original amount - \$98,815		5.750%	2012 - 2017	28,485		
		5.625%	2018	5,745		
		5.250%	2019 - 2024	35,850	\$ -	\$ 77,665
<b>Series 2001D *</b>	5/30/2001	5.250%	2011	5,670		
Original amount - \$70,210		5.750%	2012 - 2016	28,180	-	39,240
<b>Series 2003A **</b>	7/9/2003	5.250%	2016 - 2017	8,845		
Original amount - \$102,690		5.000%	2018 - 2028	67,825		
		4.500%	2029 - 2031	26,020	102,690	102,690
<b>Series 2005A **</b>	5/26/2005	5.000%	2013 - 2018	34,665		
Original amount - \$136,110		4.250%	2026	2,700		
		5.000%	2027 - 2035	98,745	136,110	136,110
<b>Series 2005B **</b>	5/26/2005	5.000%	2011 - 2026	101,955	101,955	105,870
Original amount - \$113,155						
<b>Series 2005C **</b>	5/26/2005	3.500%	2011	360		
Original amount - \$123,750		3.625%	2012	370		
		3.750%	2013	385		
		4.000%	2014 - 2021	3,675		
		5.000%	2022 - 2031	104,150		
		4.500%	2032	13,490	122,430	122,775
<b>Series 2007A *</b>	1/9/2007	5.000%	2017 - 2026	223,090		
Original amount - \$440,985		4.500%	2027 - 2032	217,895	440,985	440,985
<b>Series 2007B **</b>	1/9/2007	5.000%	2016 - 2025	108,150		
Original amount - \$197,360		4.500%	2027 - 2032	89,210	197,360	197,360
<b>Series 2008A *</b>	1/15/2008	5.000%	2011 - 2016	56,380	56,380	64,290
Original amount - \$72,035						
<b>Series 2009A *</b>	11/10/2009	2.000%	2011 - 2012	3,480		
Original amount - \$23,075		3.000%	2013 - 2014	3,770		
		4.000%	2015 - 2019	10,700		
		5.000%	2020 - 2021	4,920		
		4.125%	2022	205	23,075	23,075
<b>Series 2009B *</b>	11/10/2009	4.000%	2011	8,080		
Original amount - \$128,835		5.000%	2012 - 2017	63,260		
		4.500%	2018	2,000		
		5.000%	2018	10,465		
		4.700%	2019	2,000		
		5.000%	2019	11,075		
		4.800%	2020	2,000		
		5.000%	2020 - 2022	29,955	128,835	128,835

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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Fiscal years ended December 31, 2010 and 2009

(Dollars in thousands)						
Type of Issue	Issue Date	Interest Rates	Maturing on January 1	Amount	Outstanding at December 31,	
					2010	2009
<b>Series 2010A *</b>	7/28/2010	5.000%	2028	\$ 1,460		
Original amount - \$62,210		4.000%	2028	3,090		
		5.000%	2029	2,000		
		4.000%	2029	5,155		
		5.000%	2030	2,325		
		4.125%	2030	5,135		
		5.000%	2035	43,045	\$ 62,210	\$ -
<b>Series 2010B *</b>	7/28/2010	3.000%	2012 - 2014	5,940		
Original amount - \$73,475		4.000%	2015 - 2016	7,640		
		5.000%	2017 - 2026	50,980		
		4.000%	2027 - 2028	8,915	73,475	-
<b>Series 2010C **</b>	10/01/2010	4.000%	2012 - 2016	16,515		
Original amount - \$21,600		3.000%	2017	635		
		3.500%	2018	655		
		5.000%	2019 - 2021	2,145		
		3.250%	2022 - 2023	1,595		
		3.500%	2024	55	21,600	-
<b>Series 2010D ** (AMT)</b>	10/01/2010	5.000%	2012 - 2022	62,090		
Original amount - \$68,790		4.000%	2023	5,690		
		4.125%	2024	1,010	68,790	-
<b>Total General Airport Revenue Bonds</b>					<u>1,535,895</u>	<u>1,438,895</u>
<b>General Obligation Revenue Bonds</b>						
<b>Series 13</b>	11/01/1998	5.250%	2011 - 2013	8,980		
Original amount - \$38,750		4.500%	2014 - 2015	6,655	-	18,370
<b>Series 14</b>	10/31/2001	5.500%	2011	3,465	3,465	6,740
Original amount - \$25,690						
<b>Series 15</b>	1/29/2002	6.000%	2011	11,170		
Original amount - \$287,825		6.050%	2012	12,180		
		6.150%	2013	13,320		
		6.250%	2014	14,520		
		6.350%	2015	15,830		
		6.450%	2016	18,185		
		6.550%	2017	19,770		
		6.850%	2018 - 2022	120,580	225,555	235,795
<b>Series 16</b>	10/28/2010	4.000%	2012 - 2015	12,205	12,205	-
Original amount - \$12,205						
<b>Total General Obligation Revenue Bonds</b>					<u>241,225</u>	<u>260,905</u>
<b>Notes Payable</b>					<u>6,885</u>	<u>6,337</u>
					1,784,005	1,706,137
Unamortized premium, net					52,444	44,838
Deferred loss on refundings					(47,741)	(49,592)
Current portion of long-term debt					(38,825)	(39,079)
<b>Total Long-Term Bonds and Notes Payable</b>					<u>\$ 1,749,883</u>	<u>\$ 1,662,304</u>

\* Senior General Airport Revenue Bonds

\*\* Subordinated General Airport Revenue Bonds

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

Future debt service requirements as of December 31, 2010 are as follows (in thousands):

	Notes Payable	General Airport Revenue Bonds	General Obligation Revenue Bonds	Total Debt Outstanding	Interest	Total Principal and Interest
2011	\$ 1,675	\$ 22,515	\$ 14,635	\$ 38,825	\$ 86,411	\$ 125,236
2012	1,602	41,815	15,145	58,562	86,402	144,964
2013	1,207	44,870	16,485	62,562	83,388	145,950
2014	402	49,205	17,755	67,362	80,139	147,501
2015	373	51,515	18,670	70,558	76,652	147,210
2016 - 2020	1,603	291,405	105,535	398,543	322,414	720,957
2021 - 2025	23	360,165	53,000	413,188	209,181	622,369
2026 - 2030	-	464,045	-	464,045	105,816	569,861
2031 - 2035	-	210,360	-	210,360	17,721	228,081
	<u>\$ 6,885</u>	<u>\$1,535,895</u>	<u>\$ 241,225</u>	<u>\$ 1,784,005</u>	<u>\$ 1,068,124</u>	<u>\$ 2,852,129</u>

The Commission's General Airport Revenue Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State, or any political subdivision or public agency of the State, other than the Commission, to the extent of net revenues, is pledged to the payment of the General Airport Revenue Bonds.

The proceeds of these issues have been used to finance a portion of the Commission's long-term capital improvement program. The long-term capital improvement program details the expansion of the airport system, which includes the construction of a new runway at the airport, the construction of two new public/car rental garages at the airport, the expansion and upgrading of the passenger terminal facilities at the airport and certain other projects at the reliever airports.

On August 10, 2010, the Commission issued \$135,685,000 Series 2010A and 2010B General Airport Revenue Bonds to finance certain improvements at the airport; to reimburse the Commission for its previous purchase of commercial paper notes; to make a deposit to the Reserve Fund and to pay costs of issuance.

General Obligation Revenue Bonds are general obligations of the Commission, payments of which are secured by the pledge of all operating revenues of the Commission. The Commission has the power to levy property taxes upon all taxable property in the seven-county metropolitan area in order to pay debt service on outstanding General Obligation Revenue Bonds. The Commission has not levied taxes for the payment of debt service since 1969. Since then, Commission revenues have been sufficient to pay principal and interest due on General Obligation Revenue Bonds.

The Commission has statutory authority to issue General Obligation Revenue Bonds. The Commission currently has \$241,225,000 outstanding in General Obligation Revenue Bonds. The present statutory general obligation bonding limit as of December 31, 2010, would permit the issuance of an additional \$55 million of General Obligation Revenue Bonds.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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Fiscal years ended December 31, 2010 and 2009

The Commission's Series 14 General Obligation Revenue Bonds were used to retire the Series 8 Bonds that were issued in 1992. The Series 8 Bonds were used primarily to finance the construction of improvements to the terminal building, runways, taxiways and public roadways.

The Series 15 General Obligation Revenue Bonds were issued by the Commission in order to finance facilities for Delta Airlines (formerly Northwest Airlines) and to retire the Series 9 Bonds that were issued in 1992. With respect to the Series 15 Bonds, Delta Airlines is required to maintain certain collateral. The value of the collateral is to be determined by periodic independent appraisals. The value (based upon use of the assets by an airline) of the collateral must be at least 125% of the principal amount of the Series 15 General Obligation Revenue Bond.

Lease agreements underlying the Series 15 and Series 16 General Obligation Revenue Bonds require Delta Airlines to make annual payments equal to the debt service requirements of the bonds. Further information on the Series 15/16 Bonds can be found later in these notes.

Rental agreements between the Commission and its tenants, including compensatory rental agreements, self-liquidating agreements, and other arrangements, are intended to provide for revenues which allow for the payment of required principal and interest payments on long-term debt.

#### **NOTE H: BOND REFUNDINGS**

In November 2009, the Commission issued \$151,910,000 of Series 2009A and 2009B General Airport Revenue Bonds. The net proceeds were used to current refund and defease \$92,460,000 of Series 1999B General Airport Revenue Bonds and \$62,355,000 of Series 2000B General Airport Revenue Bonds, with the balance being used to pay for costs of issuance. As a result of this refunding, the Commission reduced its total debt service requirements by \$11,186,269, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of \$8,141,630. The Commission recognized an accounting loss of \$5,218,671 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2022.

On November 10, 2010, the Commission issued \$90,390,000 Series 2010C and 2010D General Airport Revenue Bonds to current refund and defease \$73,975,000 of Series 2001B General Airport Revenue Bonds and \$33,850,000 of Series 2001D General Airport Revenue Bonds, with the balance to be used to pay for costs of issuance. As a result of this refunding, the Commission reduced its total debt service requirements by \$15,735,123, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of \$9,640,331. The Commission recognized an accounting loss of \$724,411 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2024.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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On November 17, 2010, the Commission issued \$12,205,000 Series 16 General Obligation Revenue Bonds to current refund and defease \$15,635,000 of Series 13 General Obligation Revenue Bonds, with the balance to pay for costs of issuance. The Series 13 Bonds were used to retire the Series 7 Bonds that were issued in 1998 and to construct a 747-400 hangar for Delta Airlines. As a result of this refunding, the Commission reduced its total debt service requirements by \$4,080,619, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of \$633,411. The Commission recognized an accounting loss of \$619,000 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2015.

At December 31, 2010, \$281,790,000 in defeased bonds remain outstanding from previous refundings.

### NOTE I: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2010 and 2009 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Retirements and Other	Balance December 31, 2010	Current Portion
Deferred revenue	\$ 33,127	\$ 26,679	\$ (28,477)	\$ 31,329	\$ 16,044
Employee compensation and other	6,336		(295)	6,041	6,041
Notes payable	6,337	2,508	(1,960)	6,885	1,675
Bonds payable	1,695,046	259,054	(172,277)	1,781,823	37,150
	<u>\$ 1,740,846</u>	<u>\$ 288,241</u>	<u>\$ (203,009)</u>	<u>\$ 1,826,078</u>	<u>\$ 60,910</u>
	<b>Balance January 1, 2009</b>	<b>Additions</b>	<b>Retirements and Other</b>	<b>Balance December 31, 2009</b>	<b>Current Portion</b>
Deferred revenue	\$ 34,322	\$ 30,244	\$ (31,439)	\$ 33,127	\$ 16,746
Employee compensation and other	7,936	335	(1,935)	6,336	6,001
Notes payable	5,839	4,984	(4,486)	6,337	1,579
Bonds payable	1,754,975	154,521	(214,450)	1,695,046	37,500
	<u>\$ 1,803,072</u>	<u>\$ 190,084</u>	<u>\$ (252,310)</u>	<u>\$ 1,740,846</u>	<u>\$ 61,826</u>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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#### NOTE J: DIRECT FINANCING LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements that would have been required if bond financing was used. These leases are classified as direct financing leases and expire in various years through 2030. The Commission records the interest portion of the lease payments as investment income. The following lists the components of the Commission's direct financing leases as of December 31 (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Total minimum lease payments to be received	\$ 412,782	\$ 433,575
Less: Unearned income	(135,616)	(147,863)
Net investment in leases	<u>277,166</u>	<u>285,712</u>
Less: Prepaid principal	(15,145)	(14,010)
Leases receivable - current and noncurrent	<u>\$ 262,021</u>	<u>\$ 271,702</u>

As of December 31, 2010, future minimum lease payments are as follows (in thousands):

	<u>December 31</u>
2011	\$ 37,803
2012	38,282
2013	38,661
2014	38,595
2015	36,477
2016 - 2020	176,980
2021 - 2025	42,434
2026 - 2030	<u>3,550</u>
	<u>\$ 412,782</u>

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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#### **NOTE K: PENSION AND RETIREMENT PLANS**

All full-time and certain part-time employees of the Commission participate in the Minneapolis Employees Retirement Fund (MERF) (participation is restricted to employees hired prior to July 1, 1978) or the Public Employees Retirement Association of Minnesota (PERA). In 2010, legislation was passed that consolidated MERF as a separate plan administered by PERA effective June 30, 2010.

#### **1. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

##### **A. Plan Description**

All full-time and certain part-time employees of the Commission (hired after June 30, 1978) are covered by defined-benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Using Method 2, the annuity accrual rate is 1.7% of average salary for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For PERF members and for all PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equals at least 90.

Normal retirement age is 55 for PEPFF and 65 for Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits and is capped at 66 for Coordinated Plan members hired after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement. There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contribution in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

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The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

#### **B. Funding Policy**

Minnesota Statutes set the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members are required to contribute 6.00% of their annual covered salary. PEPFF members are required to contribute 9.40% of their annual covered salary. The Commission is required to contribute the following percentages of annual covered payroll: 6.75% for Coordinated Plan PERF members and 12.90% for PEPFF members. Employer contribution rates for the Coordinated Plan increased to 7.00% effective January 1, 2010. The Commission's required contributions to the Public Employees Retirement Fund for the years ended December 31, 2010, 2009 and 2008 were \$2,174,000, \$1,989,000 and \$1,927,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2010, 2009 and 2008 were \$1,490,000, \$1,421,000 and \$1,321,000, respectively. The Commission's contributions were equal to the contractually required contributions for each year as set by state statute.

## **2. MINNEAPOLIS EMPLOYEES RETIREMENT FUND**

#### **A. Plan Description**

All full-time and certain part-time employees of the Commission (hired before July 1, 1978) are covered by a defined-benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). MERF is a cost-sharing, multiple-employer retirement plan

MERF provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after ten years of credited service. Members are eligible for service retirement either:

- A) With 30 or more years of service at any age; or
- B) At age 60 with three or more years of service; or
- C) At age 65 with one year of service; or
- D) With 20 or more years of service at age 55, if a MERF member prior to June 28, 1973.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

The defined retirement benefits are based on the average of the highest five years' salary within the last ten years of employment. The member will receive a benefit amount of 2% of that average salary for each of the first ten years of service and 2.5% of that salary for each year over ten years of service. The formulas used in calculating pension benefit increases are contained in Minnesota State Law. Increases may only be paid from investment earnings which exceed the actuarial assumption of a 5% return set for Minnesota public employment retirement funds. The annual increase for MERF is calculated from information supplied by the consulting actuary who determines the reserves required to maintain MERF as an actuarially and financially sound pension fund. Increases in pension benefits are permanent and guaranteed because they are fully funded, that is, the amount necessary to sustain the increase has been set aside.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members leaving public service any time before retirement and before age 60 may receive a refund of all personal contributions, with interest, except for the survivor benefit contribution which is the equivalent of a nonrefundable term insurance premium. Employees who leave public service after age 60 may not withdraw personal contributions with interest unless they have worked less than three years and do not qualify for monthly retirement benefits. The survivor benefits contribution is nonrefundable.

MERF issues a publicly available financial report that includes financial statements and required supplementary information for MERF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

#### **B. Contributions Required and Contributions Made**

Minnesota Statutes require members to contribute 9.75% of their earnings to MERF, which includes .5% for survivor benefits. Required employer contributions are also established by Minnesota Statutes and include the normal cost, as reported in the annual actuarial valuation, plus an amount to cover administrative costs. Employers also contribute an additional 2.68% of covered employees' payroll and an annual total of \$3.9 million, which is required by Minnesota Statutes to be applied against the unfunded liability. Commencing in 1986, the Commission is required to make additional contributions toward the unfunded liability. This contribution was previously made by the State of Minnesota. Minnesota Laws of 1991 provide for a maximum annual contribution of \$9,000,000 by the State of Minnesota to MERF for the purpose of amortizing the unfunded liability by June 30, 2020. The consulting actuary for the fund determines the unfunded liability at the end of the fiscal year. By using a 6% interest assumption rate, an annual contribution to provide full funding by June 30, 2020 is determined. That amount is reduced by the employer's 2.68% of covered payroll and is further reduced by the aforementioned \$3.9 million and any additional contributions made by the Commission and others. If the balance exceeds the amount of the state maximum contribution, the excess is contributed by the employers.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

Current required contribution rates are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Additional Employer</u>
Retirement contribution	9.25%	13.80%	2.68%
Survivor benefits	0.50%	0.00%	0.00%

Total required contributions made by the Commission for the fiscal year ended December 31 are as follows (in thousands):

<u>Contributions</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Employer (100% of required)	\$ 122	\$ 393	\$ 415

### NOTE L: POSTEMPLOYMENT BENEFITS

The Commission implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions in 2006. In accordance with this Statement, the Commission recognizes postemployment benefits on the full accrual basis of accounting over a period that approximates an employee's years of service.

The Commission provides health insurance benefits for certain retired employees under a single employer self-insured plan. Active employees who retire from the Commission and who have become vested in either the Minneapolis Employees Retirement Fund (MERF) or the Public Employees Retirement Association (PERA), and who do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program.

The contribution requirements of employees and retirees are established and may be amended by the Commission. The required contribution is based upon projected pay-as-you-go financing requirements and funding for future benefits. The Commission will make contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare Part A or B, or both. The Commission will then pay 100% of the premium for the retired employee, spouse over age 65, and legal dependents, provided that the retired employee is receiving benefits from either MERF or PERA, and is enrolled in Medicare Part A and B as their primary health insurance. As of January 1, 1991, all employees hired by the Commission will only be able to participate in the Commission medical plan up to age 65. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. During 2006 and 2007, the Commission was successful in getting language in all eligible labor agreements that provides that employees hired after the date of the signed contract will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. As of December 31, 2010, there were 250 retired employees and 540 active employees receiving health benefits from the Commission's health plan. The Commission does not issue a stand-alone financial report for its retiree health plan.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

The Commission contributed \$1,888,435 to the plan in fiscal year 2010, \$2,547,140 to the plan in fiscal year 2009 and \$1,305,818 in fiscal year 2008. Plan participants contributed \$226,196 for fiscal year 2010, \$245,511 for fiscal year 2009 and \$206,556 for fiscal year 2008. Monthly contributions for retirees under 65 for 2010 are shown below:

Plan	Retiree Only	Family
Blue Plan	\$ 26.00	\$ 158.00
HRA/HSA	13.00	97.00

### Annual OPEB Cost and Net OPEB Obligation

The Commission's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for 2010, 2009 and 2008, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation:

	2010	2009	2008
Annual required contribution (ARC)	\$ 6,333,672	\$ 6,269,416	\$ 5,706,877
Interest on net OPEB obligation	1,745,016	1,603,292	1,483,574
Adjustment of ARC	<u>(2,522,861)</u>	<u>(2,317,964)</u>	<u>(2,144,880)</u>
Annual OPEB cost	5,555,827	5,554,744	5,045,571
Contributions during the year	<u>(1,888,435)</u>	<u>(2,547,140)</u>	<u>(1,305,818)</u>
Increase in net OPEB obligation	3,667,392	3,007,604	3,739,753
Net OPEB - beginning of year	<u>42,829,127</u>	<u>39,821,523</u>	<u>36,081,770</u>
Net OPEB - end of year	<u><u>\$ 46,496,519</u></u>	<u><u>\$ 42,829,127</u></u>	<u><u>\$ 39,821,523</u></u>

The percentage of the Commission's annual OPEB cost contributed to the plan was: 48.32% for 2010; 36.21% for 2009; and 40.68% for 2008.

### Funding Status

The Commission has set aside cash and investments to pay for future health benefits of \$48,297,000, \$45,229,000 and \$43,169,000 in 2010, 2009 and 2008, respectively. However, since such designated cash has not been irrevocably deposited in trust for future health benefits, the actuarial value of assets is zero.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

The schedule of funding progress for the plan follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2008	-	\$ 70,248,393	\$ 70,248,393	0.0%	\$ 37,573,402	187.0%
01/01/2009	-	80,406,333	80,406,333	0.0%	37,735,411	213.1%
01/01/2010	-	81,785,746	81,785,746	0.0%	38,859,182	210.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### **Actuarial Methods and Assumptions**

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

In the most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions in 2010 included a 4% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Additionally, the valuation assumes an annual healthcare cost trend rate of 8.0% (revised from 7.0% in 2009), reduced by decrements to an ultimate rate of 5% after six years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level dollar amount over 30 years on an open basis.

#### **NOTE M: ARBITRAGE**

Every five years, the Commission is required to rebate arbitrage profits earned in relation to certain General Obligation Revenue and General Airport Revenue Bond issues. Arbitrage profits are earned when investment income relating to these issues exceeds the yield on the bonds. The Commission has recorded a liability for such arbitrage in accrued expenses at December 31, 2010 and 2009 of \$311,000 and \$4,005,000, respectively.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### NOTE N: RISK MANAGEMENT

Risk management is the responsibility of the Commission. The Commission is self-insured for workers' compensation and health/dental claims. Claims paid for workers compensation for 2010 and 2009 were \$531,000 and \$331,000, respectively. Claims paid for health and dental coverage for 2010 and 2009 were \$6,240,000 and \$5,734,000, respectively. The unpaid claims for workers compensation at December 31, 2010 and 2009 were \$1,286,000 and \$1,482,000, respectively. The health and dental unpaid claims at December 31, 2010 and 2009 were \$509,000 and \$523,000, respectively. The liability recorded under employee compensation and payroll taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 2010 and 2009, as well as an estimate of claims incurred but not reported. Changes in the balances of claim liabilities during the past two years are as follows:

	<u>2010</u>	<u>2009</u>
Unpaid claims - beginning of year	\$ 2,005,237	\$ 2,142,268
Incurred claims and changes in estimates	7,636,334	5,927,984
Claims paid	<u>(7,845,763)</u>	<u>(6,065,015)</u>
Unpaid claims - end of year	<u>\$ 1,795,808</u>	<u>\$ 2,005,237</u>

Operationally, the Commission is exposed to various risks of loss relating to theft, damage and destruction of assets, as well as natural disasters and certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from \$50,000 to \$250,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other large-size airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

Casualty loss involving damage to or destruction of physical property in the course of construction is covered under the Commission's property insurance policy. This policy does not apply to the Commission contractors. This policy contains a deductible of \$250,000 per occurrence applicable to all covered causes of loss, including flood and earth movement.

The Commission requires entities providing professional services to the Commission to obtain an owner's protective professional indemnity policy. Contracted professional service firms participating in this project are required to provide evidence of at least \$1.0 million of coverage and names the Commission as an additional insured on the general liability policy, leaving the Commission minimally exposed.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

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Fiscal years ended December 31, 2010 and 2009

#### **NOTE O: JOINT VENTURE**

The Commission is a participant with the City of Bloomington, the City of Eden Prairie and the City of Edina in a joint venture to construct and operate a facility to be used for the training of law enforcement officers and firefighters. The South Metro Public Safety Training Facility Association (PSTF) is governed by a Board consisting of one representative from each member. Upon dissolution of the Association, the facility shall revert to the City of Edina, and all remaining assets shall be divided among members based on a cost sharing formula.

In accordance with the joint venture agreement, each member of the association will share in the cost of construction and operation based on the cost sharing formula. Complete financial statements for the PSTF can be obtained from the City of Edina, 4801 West 50th Street, Edina, MN 55424.

#### **NOTE P: CONTINGENT LIABILITIES AND COMMITMENTS**

The nature of the business of the airport generates certain litigation against the Authority arising in the ordinary course of business. The Commission believes that existing and pending lawsuits and claims are either billable to airport users or would not materially affect the financial statements of the Commission.

Contractual obligations for construction were approximately \$65,752,000 at December 31, 2010.

#### **Noise Abatement**

On October 19, 2007, the Minnesota State District Court, Fourth Judicial District (the District Court) approved a Consent Decree negotiated by the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield (collectively, the "Noise Plaintiffs") and the Commission to settle noise abatement lawsuits.

Under the Consent Decree, the Commission must provide noise mitigation to homes and apartments in the 60 to 64 DNL contours. Noise mitigation activities vary based on noise contours, with homes in the most noise-impacted contours eligible for more extensive mitigation than those in less impacted areas. Multi-family dwellings (those with more than three living units) receive less extensive mitigation than single-family homes. The total cost to the Commission is uncertain until the program is completed in 2014 and is dependent upon submission of applications by homeowners to receive noise mitigation and subsequent approval by the Commission; however, it is estimated the program may cost as much as \$127 million. Estimated program costs are in 2007 dollars and will be adjusted annually for inflation according to the Consumer Price Index. As discussed previously in the notes, noise mitigation costs are being capitalized as incurred and amortized over ten years.

The costs related to the noise abatement settlements will be funded from internally generated funds of the Commission and rates and charges paid by air carriers operating at the Airport.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

Fiscal years ended December 31, 2010 and 2009

#### **Runway 17/35 Land Acquisition**

Certain remaining property acquisitions in association with Runway 17/35 may result in damage awards of an indeterminate amount. Any damage awards associated with these acquisitions would be capitalized as a cost of the project and may be recovered through airline rates and charges.

#### **NOTE Q: MAJOR CUSTOMER**

Delta Airlines, Inc. (Delta), as successor by merger to Northwest Airlines, Inc. (NAI), is in the business of transporting air passengers, mail, and property. Delta operates both domestic and international air route systems. Minneapolis/St. Paul International Airport is one of Delta's major hubs. Airport revenues from Delta account for approximately 28% of operating revenues and 78% of total revenues from major airlines.

On October 29 2008, Delta acquired NAI through a merger of NAI's parent company, Northwest Airlines, LLC, with a wholly owned subsidiary of Delta. On December 31, 2009, Delta completed the integration of NAI by merging NAI into Delta.

On April 23, 1992, the Commission issued \$270,000,000 of taxable General Obligation Revenue Bonds, Series 9 (Series 9 Bonds). In January 2002, the Commission issued \$287,825,000 in General Obligation Revenue Bonds, Series 15 (Series 15 Bonds), to refund the Series 9 Bonds. The Series 15 Bonds were used to acquire and lease back (a) a flight training center in Eagan, Minnesota, owned by Northwest Aerospace Training Corporation (NATCO), NAI, and NWA (collectively, the Northwest Entities), consisting of land, a building, flight simulators, and related equipment and (b) certain leasehold interests of the Northwest Entities and certain additional properties located at Minneapolis/St. Paul International Airport (collectively the Leased Facilities). The lease obligations initially were secured by the Leased Facilities, by guarantees of the Northwest Entities and NWA Corp., and by a pledge of certain additional collateral consisting of aircraft engine parts and international route authorities. Under the documents in effect when the Bonds were issued and during the term of the Bonds, the Northwest Entities were required to maintain collateral, as determined by periodic independent appraisals, with a value (based upon use of the assets by an airline) of at least 145% (reducible to 135% under certain circumstances) of the sum of the principal amount of Series 15 Bonds outstanding. At the time NAI emerged from bankruptcy protection, the Commission and NAI amended certain provisions of the leases entered into with respect to the Series 15 Bonds and the Collateral Agreement, including modifying the collateral requirements to 125% of the principal amount of outstanding Series 15 Bonds and certain other amounts described in the Collateral Agreements based upon its "orderly liquidation value" and agreed to accept "aircraft" as an additional collateral category. The majority of the collateral was last appraised as of December 31, 2010. When the collateral posted is valued in excess of 125%, the Commission may under certain circumstances be required to release collateral (mutually agreeable to the Commission and NAI) so long as the remaining collateral value exceeds 125% of the principal amount of outstanding Series 15 Bonds and certain other amounts described in the Collateral Agreements. Additionally, the Commission and NAI agreed that NAI can pledge to the Commission its right to receive Shared Concession Revenue credits during the term of the NAI Lease Agreement to secure its obligations related to the Series 15 Bonds. These transactions were accounted for as a capital lease. In February, 2009, Delta guaranteed the lease obligations of the Northwest entities.

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Section

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Fiscal years ended December 31, 2010 and 2009

The financial condition of Delta, on a consolidated basis, is material to Delta's ability to perform and accounts receivable from Delta represent 7.0% of the Commission's total assets at December 31, 2010.

For the years ended December 31, 2010 and 2009, Delta had audited consolidated net income (losses) of approximately \$593 million and \$(1.2) billion, respectively. On December 31, 2010 Delta's audited total consolidated assets were \$43.2 billion and their total audited consolidated liabilities were \$42.3 billion, resulting in Delta's audited consolidated net equity of \$897 million. These audited numbers were derived from the audited consolidated financial statements of Delta. In the event that Delta and its subsidiaries are unable to meet their lease commitments, the Commission has the authority to levy property taxes to support the debt obligations on the Bonds.

#### **NOTE R: RENTAL INCOME FROM OPERATING LEASES**

The Commission leases space at the airport terminal buildings as well as other land and building leases on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Commission for the purpose of rental or related use. Minimum future rentals scheduled to be received on operating leases that have initial or remaining noncancelable terms in excess of one year are:

	<u>December 31</u>
2011	\$ 59,456,000
2012	58,493,000
2013	54,317,000
2014	45,758,000
2015	43,740,000
Thereafter	117,265,000

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## **Required Supplementary Information**

# MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

## Schedule of OPEB Funding Progress (Unaudited)

### Financial Section

Fiscal years ended December 31, 2010 and 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2008	-	\$ 70,248,393	\$ 70,248,393	0.0%	\$ 37,573,402	187.0%
01/01/2009	-	80,406,333	80,406,333	0.0%	37,735,411	213.1%
01/01/2010	-	81,785,746	81,785,746	0.0%	38,859,182	210.5%

Actuarial Valuation Date	Participant Summary		
	Active Employees	Retirees and Beneficiaries	Total
01/01/2008	n/a	n/a	n/a
01/01/2009	523	250	773
01/01/2010	523	243	766

n/a = not available.

#### Actuarial Assumptions:

Actuarial cost method	Projected unit credit
UAAL amortization method	Level dollar amount
UAAL amortization period	30-years, open
Discount rate	4%
Healthcare cost trend rate	8%

## APPENDIX B

### CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE

#### CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture.

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

“*Act*” means Minnesota Statutes, Sections 473.601, *et seq.*, as amended from time to time.

“*Aggregate Annual Debt Service*” means for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the principal due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations in accordance with any amortization schedule established by the governing documents setting forth the terms of such Subordinate Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Subordinate Obligations will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Subordinate Obligations or Unissued Subordinate Program Obligations constitute Balloon Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program

Obligations, only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Subordinate Program Obligations or Subordinate Program Obligations, or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized Commission Representative stating that the Commission intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Commission is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Subordinate Tender Indebtedness (but excluding Subordinate Program Obligations or Subordinate Obligations as to which a Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Aggregate Annual Debt Service, Subordinate Tender Indebtedness will be treated as if the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than 30 years from the date such Subordinate Tender Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all principal and interest payments becoming due prior to the year in which such Subordinate Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Subordinate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Subordinate Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Subordinate Obligations will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Subordinate Commercial Paper Program) (i) debt service on such Subordinate

Program Obligations then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Subordinate Program Obligations, it will be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized Commission Representative at the time the initial Subordinate Program Obligations of such Subordinate Program are issued to be the expected duration of such Subordinate Program or, if such expectations have changed, over a term certified by an Authorized Commission Representative to the expected duration of such Subordinate Program at the time of such calculation, but not to exceed 30 years from the date of the initial issuance of such Subordinate Program Obligations and it will be assumed that debt service will be paid in substantially level Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Subordinate Repayment Obligations, to the extent such obligations constitute Subordinate Obligations under the Master Subordinate Indenture, will be calculated as provided in the Master Subordinate Indenture;

(h) (i) for purposes of computing the Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Commission elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Commission fails to elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission;

(ii) for purposes of computing the Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap has been entered into whereby the Commission has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Subordinate Obligations to which such Swap pertains will be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Subordinate Obligations will, if the Commission elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Subordinate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Subordinate Commercial Paper Program which has been Implemented and not then terminated or with respect to any Subordinate Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Authorized Amount of such Subordinate Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Subordinate Commercial Paper Program is Implemented and with substantially level annual debt service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Subordinate Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be

used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Annual Debt Service; and

(k) if Passenger Facility Charges, state and/or federal grants or other moneys have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such Passenger Facility Charges, state and/or federal grants or other moneys or from earnings thereon will be disregarded (unless such Passenger Facility Charges, state and/or federal grants or other moneys are included in the definition of Revenues) and not included in calculating Aggregate Annual Debt Service.

“*Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Aggregate Annual Debt Service for a Subordinate Debt Service Reserve Fund with respect to all Outstanding Subordinate Obligations participating in an identified Subordinate Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Aggregate Annual Debt Service For Reserve Requirement for the respective Subordinate Debt Service Reserve Fund, if any, for a Series of Subordinate Obligations, the annual debt service with respect to any Variable Rate Subordinate Indebtedness will, upon the issuance of such Series participating in a Subordinate Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Subordinate Obligations containing Balloon Indebtedness or Subordinate Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Aggregate Required Deposits*” means, for any month, the sum of the Required Deposits under all Supplemental Subordinate Indentures becoming due in such month.

“*Airport Facilities*” or “*Airport Facility*” means a facility or group of facilities or category of facilities which constitute or are part of the Airport System.

“*Airport System*” means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Commission, including Minneapolis-St. Paul International Airport, the St. Paul Downtown Airport, the Flying Cloud Airport, the Crystal Airport, the Anoka County-Blaine Airport, the Lake Elmo Airport and the Airlake Airport, and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Commission or in which the Commission has other rights or from which the Commission derives revenues at such location; and including or excluding, as the case may be, such property as the Commission may either acquire or which will be placed under its control, or divest or have removed from its control.

“*Annual Debt Service*” means, with respect to any Subordinate Obligation, the aggregate amount of principal and interest becoming due and payable during the Fiscal Year, and if a Qualified Swap is in effect for such Subordinate Obligation, plus the amount payable by the Commission (or the Subordinate Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the Commission from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service.

“*Authorized Amount*” means, when used with respect to Subordinate Obligations, including Subordinate Program Obligations, the maximum Principal Amount of Subordinate Obligations which is then authorized by a resolution or Supplemental Subordinate Indenture adopted by the Commission pursuant to the Master Subordinate Indenture to be Outstanding at any one time under the terms of such Subordinate Program or Supplemental Subordinate Indenture. If the maximum Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution or form of Supplemental Subordinate Indenture approved by the Commission pursuant to the Master Subordinate Indenture exceeds the maximum Principal Amount of Subordinate Obligations set forth in the final resolution of sale adopted by the Commission or in the definitive Supplemental

Subordinate Indenture executed and delivered by the Commission pursuant to which such Subordinate Obligations are issued or such Subordinate Program is established, the Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final resolution of sale or in the definitive Supplemental Subordinate Indenture as executed and delivered by the Commission will be deemed to be the “Authorized Amount.”

“*Authorized Commission Representative*” means the Executive Director of the Commission, or such other officer or employee of the Commission or other person which other officer, employee or person has been designated by the Executive Director as an Authorized Commission Representative by written notice delivered by the Executive Director to the Senior Trustee and the Subordinate Trustee.

“*Authorized Denominations*” means \$5,000 principal amount and integral multiples thereof.

“*Balloon Indebtedness*” means, with respect to any Series of Subordinate Obligations, fifty percent (50%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Subordinate Obligations of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Subordinate Obligations scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Subordinate Commercial Paper Program and the Commercial Paper constituting part of such Subordinate Program will not be Balloon Indebtedness.

“*Bond Counsel*” means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Master Subordinate Indenture and which are acceptable to the Commission.

“*Bondholder,*” “*Holder,*” “*holder,*” “*Owner,*” “*owner,*” “*Registered Owner*” or “*registered owner*” means the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Subordinate Registrar and will include any Credit Provider or Liquidity Provider to which a Subordinate Repayment Obligation is then owed, to the extent that such Subordinate Repayment Obligation is deemed to be a Subordinate Obligation under the provisions of the Master Subordinate Indenture.

“*Business Day*” means a day on which banks located in New York, New York, in Minneapolis, Minnesota, and in the city in which the principal corporate trust office of the Subordinate Trustee is located are open, provided that such term may have a different meaning for any specified Series of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

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

“*Capitalized Interest*” means the amount of interest on Subordinate Obligations, if any, funded from the proceeds of the Subordinate Obligations or other monies that are deposited with the Subordinate Trustee in the Subordinate Debt Service Fund as will be described in a Supplemental Subordinate Indenture upon issuance of Subordinate Obligations to be used to pay interest on the Subordinate Obligations.

“*Chair*” means the chair of the Commission or such other title as the Commission may from time to time assign for such position.

“Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“Commercial Paper” means notes of the Commission with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Subordinate Program adopted by the Commission.

“Commission” or “MAC” means the Metropolitan Airports Commission, created under the provisions of the Act, and any successor to its function. Any action required or authorized to be taken by the Commission in the Master Subordinate Indenture may be taken by the Authorized Commission Representative with such formal approvals by the Commission as are required by the policies and practices of the Commission and applicable laws; provided, however, that any action taken by the Authorized Commission Representative in accordance with the provisions of the Master Subordinate Indenture will conclusively be deemed by the Subordinate Trustee and the Owners to be the act of the Commission without further evidence of the authorization thereof by the Commission.

“Commission Construction Fund” means the “Commission Construction Fund” established by the Commission and held and maintained by the Commission.

“Commission Debt Service Fund” means the Commission Debt Service Fund created by the Commission pursuant to Section 473.667 Subd. 4 of the Act and Resolution No. 922, adopted by the Commission on May 19, 1975, and held and maintained by the Commission.

“Commission General Counsel” means the in-house general counsel to the Commission who is responsible for representing the Commission on legal matters.

“Consultant” means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Commission to perform acts and carry out the duties provided for such consultant in the Master Subordinate Indenture.

“Costs” or “Costs of a Project” means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Commission or Independent Consultant; (d) costs of the Commission properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, a Subordinate Debt Service Fund, if any, Subordinate Trustee’s fees and expenses; (f) any Subordinate Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Commission.

“Costs of Issuance” means all costs and expenses incurred by the Commission in connection with the issuance of the Subordinate Series 2011A Bonds, including, but not limited to, costs and expenses of printing and copying documents, the official statement, the feasibility studies and the Subordinate Series 2011A Bonds, any bond insurance premium, any reserve fund surety policy premium, underwriters’ compensation, and the fees, costs and expenses of rating agencies, the Subordinate Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

“*Coverage Account*” means the “Coverage Account” created by the Commission within the Operating Fund pursuant to the Master Senior Indenture.

“*Credit Facility*” means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Subordinate Trustee for the payment of the principal of and/or interest on Subordinate Obligations whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Commission fails to do so.

“*Credit Provider*” means the party obligated to make payment of principal of and interest on the Subordinate Obligations under a Credit Facility.

“*Debt Service Reserve Fund Surety Policy*” means an insurance policy or surety bond, or a letter of credit, deposited with the Subordinate Trustee for the credit of the Subordinate Debt Service Reserve Fund created for one or more series of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy will be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

“*Designated Debt*” means a specific indebtedness, designated by the Commission, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series or multiple Series of Subordinate Obligations.

“*Eighth Supplemental Senior Indenture*” means the Eighth Supplemental Trust Indenture, dated as of August 1, 2010, by and between the Commission and the Senior Trustee.

“*Eighth Supplemental Subordinate Indenture*” means the Eighth Supplemental Subordinate Trust Indenture, dated as of November 1, 2010, by and between the Commission and the Subordinate Trustee.

“*Event of Default*” means any occurrence or event specified as a “Event of Default” in the Master Subordinate Indenture.

“*Executive Director*” means the person at a given time who is the executive director of the Commission or such other title as the Commission may from time to time assign for such position and the officer or officers succeeding to such position as certified to the Subordinate Trustee by the Commission.

“*Facilities Construction Credit*” or “*Facilities Construction Credits*” means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the Commission and another person or entity pursuant to which the Commission permits such person or entity to make a payment or payments to the Commission which is reduced by the amount owed by the Commission to such person or entity under such agreement, resulting in a net payment to the Commission by such person or entity. The “Facilities Construction Credit” will be deemed to be the amount owed by the Commission under such agreement which is “netted” against the payment of such person or entity to the Commission.

“*Fifth Supplemental Senior Indenture*” means the Fifth Supplemental Trust Indenture, dated as of January 1, 2007, by and between the Commission and the Senior Trustee.

“*First Supplemental Subordinate Indenture*” means the First Supplemental Subordinate Trust Indenture, dated as of October 1, 2000, by and between the Commission and the Subordinate Trustee.

“*Fiscal Year*” means the period of time beginning on January 1 of each given year and ending on December 31 of such given year, or such other similar period as the Commission designates as its fiscal year.

“*Fitch*” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a

securities rating agency, “Fitch” will be deemed to refer to any nationally recognized rating agency designated by the Commission.

“*Fourth Supplemental Senior Indenture*” means the Fourth Supplemental Trust Indenture, dated as of May 1, 2001, by and between the Commission and the Senior Trustee.

“*Fourth Supplemental Subordinate Indenture*” means the Fourth Supplemental Subordinate Trust Indenture, dated as of July 1, 2003, by and between the Commission and the Subordinate Trustee.

“*General Obligation Revenue Bonds*” means all bonds of the Commission as described and issued pursuant to the General Obligation Revenue Bond Resolutions plus any additional bonds that may be issued under Section 473.667 of the Act as General Obligation Revenue Bonds.

“*General Obligation Revenue Bonds Resolutions*” means Resolution No. 1953, adopted by the Commission on December 17, 2001, which provided for the issuance of \$287,825,000 Minneapolis-Saint Paul Metropolitan Airports Commission Taxable General Obligation Revenue Refunding Bonds Series 15 (the “Series 15 General Obligation Revenue Bonds”); Resolution No. 2136, adopted by the Commission on October 18, 2010, which provided for the issuance of \$12,205,000 Minneapolis-Saint Paul Metropolitan Airports Commission General Obligation Revenue Refunding Bonds Series 16 (the “Series 16 General Obligation Revenue Bonds”); and any additional resolutions adopted by the Commission authorizing the issuance of additional General Obligation Revenue Bonds in accordance with the Act.

“*Government Obligations*” means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the Commission to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Subordinate Obligations to be defeased have determined to be permitted defeasance securities.

“*Health Self-Insurance Trust Fund*” means the “Health Self-Insurance Trust Fund” established by the Commission and held and maintained by the Commission.

“*Implemented*” means, when used with respect to a Subordinate Program, a Subordinate Program which has been authorized and the terms thereof approved by a resolution adopted by the Commission and, with respect to which Subordinate Program, the provisions of the Master Subordinate Indenture have been complied with.

“*Independent*” means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Commission, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Commission as an official, officer or employee.

“*Initial Subordinate Obligations*” means the Subordinate Commercial Paper Notes authorized in 2000 pursuant to the First Supplemental Subordinate Indenture.

“*Investment Agreement*” means an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial

institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (ii)(A) or (B) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens. Notwithstanding anything to the contrary in the definition of Investment Agreement, with respect to the Master Subordinate Indenture, at any time a rating is required on an Investment Agreement, such rating will be received from S&P, but only if S&P has been requested by the Commission to maintain a rating on the Subordinate Obligations and S&P is then maintaining a rating on any of the Subordinate Obligations.

“*Liquidity Facility*” means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Subordinate Obligations.

“*Liquidity Provider*” means the entity, including the Credit Provider, which is obligated to provide funds to purchase Subordinate Obligations under the terms of a Liquidity Facility.

“*Mail*” means by first-class United States mail, postage prepaid.

“*Maintenance and Operation Expenses of the Airport System*” means, for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues.

“*Maintenance and Operation Reserve Account*” means the “Maintenance and Operation Reserve Account” created by the Commission within the Operating Fund pursuant to the Master Senior Indenture.

“*Master Senior Indenture*” means the Master Trust Indenture, dated as of June 1, 1998, by and between the Commission and the Senior Trustee, together with all Supplemental Senior Indentures.

“*Master Subordinate Indenture*” means the Master Subordinate Trust Indenture dated as of October 1, 2000, by and between the Commission and the Subordinate Trustee, together with all Supplemental Subordinate Indentures.

“*Maximum Aggregate Annual Debt Service*” means the maximum amount of Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued Subordinate Program Obligations and the Authorized Amount of all Subordinate Obligations then proposed to be issued in the then current or any future Fiscal Year.

“*Maximum Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Maximum Aggregate Annual Debt Service for a Subordinate Debt Service Reserve Fund with respect to all Outstanding Subordinate Obligations participating in an identified Subordinate Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Maximum Aggregate Annual Debt Service For Reserve Requirement for the respective Subordinate Debt Service Reserve Fund, if any, for a Series of Subordinate Obligations the annual debt service with respect to any Variable Rate Subordinate Indebtedness will, upon the issuance of such Series participating in an identified Subordinate Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Subordinate Obligations containing Balloon Indebtedness or Subordinate Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized rating agency designated by the Commission.

“*Net Proceeds*” means insurance proceeds received as a result of damage to or destruction of Airport Facilities or any condemnation award or amounts received by the Commission from the sale of Airport Facilities under the threat of condemnation less expenses (including attorneys’ fees and expenses and any fees and expenses of the Subordinate Trustee) incurred in the collection of such proceeds or award.

“*Net Revenues*” means, for any given period, the Revenues for such period less, for such period, all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System.

“*Ninth Supplemental Subordinate Indenture*” means the Ninth Supplemental Subordinate Trust Indenture, to be dated as of November 1, 2011, by and between the Commission and the Subordinate Trustee.

“*Non-Qualified Swap*” means any Swap which is not a Qualified Swap.

“*Operating Fund*” means the “Operating Fund” established by the Commission and held and maintained by the Commission.

“*Original Issue Discount Subordinate Obligations*” means Subordinate Obligations which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Subordinate Obligations by the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued.

“*Outstanding*” means, when used with respect to Subordinate Obligations, all Subordinate Obligations which have been authenticated and delivered under the Master Subordinate Indenture, except:

- (a) Subordinate Obligations cancelled or purchased by the Subordinate Trustee for cancellation or delivered to or acquired by the Subordinate Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;
- (b) Subordinate Obligations deemed to be paid in accordance with the Master Subordinate Indenture;
- (c) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under the provisions of the Master Subordinate Indenture;
- (d) Subordinate Obligations that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Subordinate Trustee or a Subordinate Paying Agent;
- (e) Subordinate Obligations which, under the terms of the Supplemental Subordinate Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;
- (f) Subordinate Repayment Obligations deemed to be Subordinate Obligations under the Master Subordinate Indenture to the extent such Subordinate Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Subordinate Obligations acquired by the Liquidity Provider; and
- (g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Subordinate Obligations under the Master Subordinate Indenture, Subordinate Obligations held by or for the account of the Commission or by any person controlling, controlled by or under common

control with the Commission, unless such Subordinate Obligations are pledged to secure a debt to an unrelated party.

“*Passenger Facility Charges*” means charges collected by the Commission pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Payment Date*” means, with respect to any Subordinate Obligations, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

“*Permitted Investments*” means:

(i) those investments specified in Minnesota Statutes, Sections 118A.01 et seq., and 473.606 Subd. 3, and which further comply with any investment policy of the Commission; and

(ii) any of the following, but only to the extent Minnesota Statutes, Sections 118A.01 et seq., and 473.606 Subd. 3, as amended from time to time, permits the Commission to set forth in a Supplemental Subordinate Indenture or resolution entered into in connection with the issuance of a Series of Subordinate Obligations to provide for other permitted investments:

(A) United States Obligations;

(B) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(C) direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(D) direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;

(E) interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (“FDIC”) or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (1) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (2) fully secured by obligations described in item (ii)(A) or (B) of this definition of Permitted Investments (a) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (b) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (c) subject to a perfected first lien in favor of the Subordinate Trustee, and (4) free and clear from all third-party liens;

(F) long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(G) repurchase agreements which are (1) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (2) fully secured by investments specified in items (ii)(A) or (B) of this definition of Permitted Investments (a) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (b) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (c) subject to a perfected first lien in favor of the Subordinate Trustee and (d) free and clear from all third-party liens;

(H) prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(I) shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (1) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (2) a money market fund or account of the Subordinate Trustee or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose one bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than \$50,000,000;

(J) interest bearing notes issued by a banking institution having a combined capital and surplus of at least \$500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(K) public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(L) obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(M) Investment Agreements;

(N) any other type of investment consistent with Commission policy in which the Commission directs the Subordinate Trustee to invest provided that there is delivered to the Subordinate Trustee a certificate of an Authorized Commission Representative stating that each of the Rating Agencies then maintaining a rating on the Subordinate Obligations has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Subordinate Obligations; and

(O) any other investment which is a permitted investment of the Commission in accordance with the laws of the State.

Notwithstanding anything to the contrary in the definition of Permitted Investments, with respect to the Master Subordinate Indenture, at any time a rating is required on a Permitted Investment, such rating will be received from S&P, but only if S&P has been requested by the Commission to maintain a rating on the Subordinate Obligations and S&P is then maintaining a rating on any of the Subordinate Obligations.

“*PFC Resolution*” means Resolution No. 2021 adopted by the Commission on May 19, 2003, as amended by Resolution No. 2037 adopted by the Commission on April 19, 2004, as may be further amended or supplemented from time to time.

“*Principal Amount*” or “*principal amount*” means, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligations, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Subordinate Obligations, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued will specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture will control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

“*Project*” means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Senior Bonds or Subordinate Obligations, as the case may be.

“*Qualified Swap*” means any Swap (a) whose Designated Debt is all or part of a particular Series of Subordinate Obligations; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Subordinate Trustee by the Commission as a Qualified Swap with respect to such Subordinate Obligations.

“*Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1”, in the case of Moody’s and “A+”, in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (ii)(A) or (B) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

“*Rating Agency*” or “*Rating Agencies*” means Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Commission to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations.

“*Rating Category*” or “*Rating Categories*” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“*Rebate Fund*” means any fund created by the Commission pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Record Date*” means, with respect to any Series of Subordinate Obligations, the record date as specified in the Supplemental Subordinate Indenture which provides for the issuance of such Series. With respect to the Subordinate Series 2011A Bonds, “Record Date” means for a January 1 Interest Payment Date the preceding December 15 and for a July 1 Interest Payment Date the preceding June 15.

“*Refunding Subordinate Obligations*” means any Subordinate Obligations issued pursuant to the Master Subordinate Indenture to refund or defease all or a portion of any series of Outstanding Subordinate Obligations, Senior Bonds, or any General Obligation Revenue Bonds.

“*Regularly Scheduled Swap Payments*” means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

“*Required Deposits*” means, with respect to any Series of Subordinate Obligations, the amount determined in accordance with the terms of the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued and/or incurred, required to be deposited into funds and accounts created under such Supplemental Subordinate Indenture for the purpose of paying principal and interest on Subordinate Obligations or accumulating funds from which to make such payments and to pay other obligations specifically secured by the Subordinate Revenues under such Supplemental Subordinate Indenture. On or before the Payment Date, if any, in each month, the Subordinate Trustee will determine the Aggregate Required Deposits from the Required Deposits described under each Supplemental Subordinate Indenture.

“*Reserve Requirement*” means an amount equal to the lesser of (a) Maximum Aggregate Annual Debt Service for Reserve Requirement for all Series of Subordinate Obligations participating in the Subordinate Debt Service Reserve Fund, (b) 10% of the principal amount of the Series of Subordinate Obligations that have been issued and are participating in the Subordinate Debt Service Reserve Fund, less the amount of original issue discount with respect to such Series of Subordinate Obligations if such original issue discount exceeded 2% on such Series of Subordinate Obligations at the time of their original sale and (c) 125% of the average Aggregate Annual Debt Service for Reserve Requirement for all Series of Subordinate Obligations participating in the Subordinate Debt Service Reserve Fund.

“*Resolution*” means Resolution No. 2162 adopted by the Commission on September 19, 2011, as amended or supplemented.

“*Responsible Officer*” means an officer or assistant officer of the Subordinate Trustee assigned by the Subordinate Trustee to administer the Master Subordinate Indenture.

“*Revenues*” means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Commission from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Commission for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Commission, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Commission or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Commission receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, “Revenues” will also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earning allowed to be pledged by the terms of a Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, to fund a senior construction fund or a Subordinate Construction Fund, as the case may be) from the investment of amounts held in the Operating Fund, any senior construction fund, any Subordinate Construction Fund, any senior debt service fund or Subordinate Debt Service Fund (except capitalized interest on deposit therein), any senior debt service reserve fund or Subordinate Debt Service Reserve Fund, the Commission Construction Fund, and such additional revenues, if any, as are designated as “Revenues” under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the Commission

from the imposition of ad valorem taxes (except ad valorem taxes which have been specifically levied to pay principal and interest on the General Obligation Revenue Bonds or to pay Maintenance and Operation Expenses of the Airport System), (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of “Revenues” which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds or the Subordinate Obligations, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds or the Subordinate Obligations (except to the extent Net Proceeds are utilized to pay Maintenance and Operating Expenses of the Airport System), (iv) any Transfer, and (v) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from “Revenues,” unless designated as “Revenues” under the terms of a Supplemental Senior Indenture or pursuant to a certificate of an Authorized Commission Representative: (a) any senior swap termination payments paid to the Commission pursuant to a Qualified Swap or any Subordinate Swap Termination Payments paid to the Commission pursuant to a Qualified Swap, (b) Facilities Construction Credits, (c) Passenger Facility Charges, (d) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Senior Bonds or Subordinate Obligations, (e) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and (f) capitalized interest. Further, interest earnings or other investment earnings on any senior construction fund or Subordinate Construction Fund, as the case may be, established by any Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, are specifically excluded from “Revenues,” unless otherwise provided for in such Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be.

“*Second Supplemental Subordinate Indenture*” means the Second Supplemental Subordinate Trust Indenture, dated as of May 1, 2001, by and between the Commission and the Subordinate Trustee.

“*Senior Bond*” or “*Senior Bonds*” means any debt obligation of the Commission issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Senior Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Commission, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and senior repayment obligations to the extent provided in the Master Senior Indenture. The term “Senior Bond” or “Senior Bonds” in the Master Senior Indenture does not include any Subordinate Obligations; provided, however, that the Commission may provide in a Supplemental Senior Indenture to the Master Senior Indenture that Subordinate Obligations may be thenceforth issued pursuant to the Master Senior Indenture having the terms applicable to the Senior Bonds, except that such Subordinate Obligations will be junior and subordinate in payment of such Subordinated Obligation from the Net Revenues.

“*Senior Series 2007A Bonds*” means the \$440,985,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Fifth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2007A.”

“*Senior Series 2008A Bonds*” means the \$72,035,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Sixth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2008A.”

“*Senior Series 2009A Bonds*” means the \$23,075,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Seventh Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2009A.”

“*Senior Series 2009B Bonds*” means the \$128,835,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Seventh Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2009B.”

“*Senior Series 2010A Bonds*” means the \$62,210,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Eighth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Bonds, Series 2010A.”

“*Senior Series 2010B Bonds*” means the \$73,475,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Eighth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Bonds, Series 2010B.”

“*Senior Trustee*” means Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, N.A.), until a successor replaces it and, thereafter, means such successor.

“*Serial Subordinate Obligations*” means Subordinate Obligations for which no sinking installment payments are provided.

“*Series*” means with respect to Subordinate Obligations, Subordinate Obligations designated as a separate Series by a Supplemental Subordinate Indenture and, with respect to Subordinate Program Obligations or a Subordinate Commercial Paper Program, means the full Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Subordinate Indenture, designated as a separate Series.

“*Seventh Supplemental Senior Indenture*” means the Seventh Supplemental Trust Indenture, dated as of November 1, 2009, by and between the Commission and the Senior Trustee.

“*Seventh Supplemental Subordinate Indenture*” means the Seventh Supplemental Subordinate Trust Indenture, dated as of January 1, 2007, by and between the Commission and the Subordinate Trustee.

“*Significant Portion*” means, for purposes of the Master Senior Indenture, any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Commission at the beginning of an annual period which includes the month of commencement of the 12-month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such Airport Facilities and increased by the expenses of the Commission directly attributable to such Airport Facilities. The Commission will notify each of the Rating Agencies that the Commission has requested ratings from and who are then maintaining a rating on any of the Senior Bonds and the Subordinate Obligations prior to the selling or disposing of a Significant Portion of any Airport Facilities or portions thereof.

“*Sixth Supplemental Senior Indenture*” means the Sixth Supplemental Trust Indenture, dated as of January 1, 2008, by and between the Commission and the Senior Trustee.

“*Sixth Supplemental Subordinate Indenture*” means the Sixth Supplemental Subordinate Trust Indenture, dated as of June 1, 2005, by and between the Commission and the Subordinate Trustee.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, successor to Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Commission.

“*Special Facilities*” or “*Special Facility*” means a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the provisions of the Master Senior Indenture.

“*Special Facilities Revenue*” means the contractual payments and all other revenues (other than ground rentals relating to such Special Facility) derived by or available to the Commission from a Special Facility which are pledged to secure Special Facility Obligations.

“*Special Facility Obligations*” means bonds or other debt instruments issued pursuant to an indenture other than the Master Senior Indenture or the Master Subordinate Indenture to finance Special Facilities and which are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

“*State*” means the State of Minnesota.

“*Subordinate Commercial Paper Program*” means a Subordinate Program authorized by the Commission pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Subordinate Program.

“*Subordinate Commercial Paper Notes*” means Commercial Paper authorized to be issued pursuant to a Subordinate Commercial Paper Program.

“*Subordinate Construction Fund*” means any of the Construction Funds authorized to be created as provided by the Master Subordinate Indenture.

“*Subordinate Debt Service Fund*” or “*Subordinate Debt Service Funds*” means a Debt Service Fund or any of the Debt Service Funds required to be created as provided by the Master Subordinate Indenture.

“*Subordinate Debt Service Reserve Fund*” means any Debt Service Reserve Fund created by the Commission pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series of Subordinate Obligations issued pursuant to the terms of the Master Subordinate Indenture and as specified in any Supplemental Subordinate Indenture.

“*Subordinate Notes*” means Subordinate Obligations issued under the provisions of the Master Subordinate Indenture which have a maturity of one year or less from their original date of issue and which are not part of a Subordinate Commercial Paper Program.

“*Subordinate Obligation*” or “*Subordinate Obligations*” means any debt obligation of the Commission issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Commission, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Subordinate Repayment Obligations to the extent provided in the Master Subordinate Indenture. The terms “Subordinate Obligation” and “Subordinate Obligations” include Subordinate Program Obligations.

“*Subordinate Paying Agent*” or “*Subordinate Paying Agents*” means, with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Subordinate Indenture or a resolution of the Commission as the place where such Subordinate Obligations will be payable. The Subordinate Trustee will act as Subordinate Paying Agent with respect to the Subordinate Series 2011A Bonds.

“*Subordinate Program*” means a financing program identified in a Supplemental Subordinate Indenture, including but not limited to a Subordinate Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Commission and the items required under the Master Subordinate Indenture have been filed with the Subordinate Trustee, (b) wherein the Commission has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in a Authorized Amount, and (c) the Authorized Amount of which has met the additional bonds test set forth in the Master Subordinate Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Authorized Amount.

“*Subordinate Program Obligations*” means Subordinate Obligations issued and Outstanding pursuant to a Subordinate Program, other than Unissued Subordinate Program Obligations.

“*Subordinate Registrar*” means, with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the Commission to perform the function of Registrar under the Master Subordinate Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in

accordance with the Master Subordinate Indenture. The Subordinate Trustee will act as Subordinate Registrar with respect to the Subordinate Series 2011A Bonds.

“*Subordinate Repayment Obligations*” means an obligation arising under a written agreement of the Commission and a Credit Provider pursuant to which the Commission agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Subordinate Obligations and all other amounts due and owing to a Credit Provider under a Credit Facility, or an obligation arising under a written agreement of the Commission and a Liquidity Provider pursuant to which the Commission agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Subordinate Obligations and all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

“*Subordinate Revenues*” or “*Net Pledged Revenues*” means for any given period, the Revenues for such period less, for such period, all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, the aggregate annual debt service when due on the Senior Bonds and the General Obligation Revenue Bonds and the reserve and replenishment requirements on and relating to the Senior Bonds and the General Obligation Revenue Bonds.

“*Subordinate Series 2003A Bonds*” means the \$102,690,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Fourth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2003A.”

“*Subordinate Series 2005A Bonds*” means the \$136,110,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Sixth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2005A.”

“*Subordinate Series 2005B Bonds*” means the \$113,155,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Sixth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2005B.”

“*Subordinate Series 2005C Bonds*” means the \$123,750,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Sixth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2005C.”

“*Subordinate Series 2007B Bonds*” means the \$197,360,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Seventh Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2007B.”

“*Subordinate Series 2010A Bonds*” means the \$21,600,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Eighth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2010A.”

“*Subordinate Series 2010B Bonds*” means the \$68,790,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Eighth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2010B.”

“*Subordinate Series 2011A Bonds*” means the \$52,015,000 original principal amount of Subordinate Obligations to be issued under the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture

and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A.”

“*Subordinate Swap Termination Payment*” means an amount payable by the Commission or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“*Subordinate Tender Indebtedness*” means any Subordinate Obligations or portions of Subordinate Obligations a feature of which is an option or an obligation on the part of the holders, under the terms of such Subordinate Obligations, to tender all or a portion of such Subordinate Obligations to the Commission, the Subordinate Trustee, the Subordinate Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Subordinate Obligations or portions of Subordinate Obligations be purchased if properly presented.

“*Subordinate Trustee*” means Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), until a successor replaces it and, thereafter, means such successor.

“*Supplemental Senior Indenture*” means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

“*Supplemental Subordinate Indenture*” means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Subordinate Obligations and entered into as provided in the Master Subordinate Indenture.

“*Swap*” means any financial arrangement between the Commission and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate or index) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid *before* it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid *after* it is deemed to have accrued will reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

“*Swap Provider*” means a party to a Swap with the Commission.

“*Synthetic Fixed Rate Debt*” means indebtedness issued by the Commission which: (a) is combined, as Designated Debt, with a Senior Qualified Swap or a Qualified Swap, as the case may be, and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Tax Compliance Certificate*” means the certificate of the Commission prepared by Bond Counsel and delivered by the Commission at the time of issuance and delivery of any Subordinate Obligations, the interest on which is excluded from gross income for federal income tax purposes pursuant to a favorable opinion of such Bond Counsel, making certifications and representations of the Commission as to the status of such Subordinate Obligations under the Code.

“*Term Subordinate Obligations*” means Subordinate Obligations of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Subordinate Indenture for such series for that purpose and calculated to retire the Subordinate Obligations on or before their specified maturity dates.

“*Third Supplemental Subordinate Indenture*” means the Third Supplemental Subordinate Trust Indenture, dated as of November 1, 2002, by and between the Commission and the Subordinate Trustee.

“*Transfer*” means (a) the amount deposited on the last Business Day of the Fiscal Year from the Coverage Account into the Operating Fund plus (b) any amounts withdrawn from the Coverage Account during such Fiscal Year (i) to pay Maintenance and Operation Expenses of the Airport System or (ii) to make any required payments or deposits to pay or secure the payment of the principal or purchase price of or interest or redemption premium on the Senior Bonds or the Outstanding Subordinate Obligations; less (c) any amounts deposited in the Coverage Account from Revenues during such Fiscal Year.

“*Unissued Subordinate Program Obligations*” means the bonds, notes or other indebtedness authorized to be issued pursuant to a Subordinate Program and payable from Subordinate Revenues, issuable in an amount up to the Authorized Amount relating to such Subordinate Program, which have been approved for issuance by the Commission pursuant to a resolution adopted by the Commission and with respect to which Subordinate Program the items described in the Master Subordinate Indenture have been filed with the Subordinate Trustee but which have not yet been authenticated and delivered pursuant to the Subordinate Program documents.

“*United States Bankruptcy Code*” means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

“*United States Obligations*” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. “*United States Obligations*” will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

“*Variable Rate Subordinate Indebtedness*” means any Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any commercial paper program.

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## **SUMMARY OF THE MASTER SUBORDINATE INDENTURE**

In addition to certain information contained under the captions “DESCRIPTION OF THE SUBORDINATE SERIES 2011A BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Subordinate Indenture.

### **Grant to Secure Subordinate Obligations; Pledge of Subordinate Revenues**

To secure the payment of the principal and premium, if any, of and interest on the Subordinate Obligations and the performance and observance by the Commission of all the covenants, agreements and conditions expressed or implied herein or contained in the Subordinate Obligations, the Commission has pledged and assigned to the Subordinate Trustee and has granted to the Subordinate Trustee a lien on and security interest in all right, title and interest of the Commission in and to all of the following and provides that, such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Commission in the following: (a) the Subordinate Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Subordinate Trustee under the Master Subordinate Indenture, and to the extent provided in any Supplemental Subordinate Indenture moneys and securities held in any Subordinate Construction Fund whether or not held by the Subordinate Trustee, (c) earnings on amounts included in provisions (a) and (b) of this paragraph, and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Subordinate Trustee as additional security under the Master Subordinate Indenture, for the equal and proportionate benefit and security of all Subordinate Obligations, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this Granting Clause, be of equal rank without preference, priority or distinction as to any Subordinate Obligation over any other Subordinate Obligation or Subordinate Obligations, except as to the timing of payment of the Subordinate Obligations. Any Subordinate Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Subordinate Obligations, a specific Series of Subordinate Obligations or one or more Series of Subordinate Obligations may, as provided by a Supplemental Subordinate Indenture, secure only such specific Subordinate Obligations, Series of Subordinate Obligations or one or more Series of Subordinate Obligations and, therefore, will not be included as security for all Subordinate Obligations under the Master Subordinate Indenture unless otherwise provided by a Supplemental Subordinate Indenture and moneys and securities held in trust as provided in the Master Subordinate Indenture exclusively for Subordinate Obligations which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Obligations which are deemed to have been paid under the Master Subordinate Indenture will be held solely for the payment of such specific Subordinate Obligations. All amounts held in (a) the Commission Debt Service Fund, from time to time, for payment of the General Obligation Revenue Bonds and (b) the funds and accounts created under the Master Senior Indenture are not be included as security for any Subordinate Obligations under the Master Subordinate Indenture.

### **Subordinate Repayment Obligations Afforded Status of Subordinate Obligations**

If a Credit Provider or Liquidity Provider makes payment of principal or interest on a Subordinate Obligation or advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Commission, but is not reimbursed, the Commission’s Subordinate Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under the Master Subordinate Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Holder of such Subordinate Obligation, and such Subordinate Obligation will be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the issuance provisions of the Master Subordinate Indenture; provided, however, (unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations are issued or in the agreement with the Credit Provider or Liquidity Provider): (a) interest will be due and payable semiannually and (b) principal will be due and

payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Subordinate Obligations or (B) if later, the final maturity of the Subordinate Repayment Obligation under the written agreement, and providing substantially level annual debt service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Subordinate Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Subordinate Repayment Obligation. Any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Obligation will be a subordinated obligation of the Commission payable after its obligations to fund the Senior Bonds, the General Obligation Revenue Bonds and the Subordinate Obligations. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Subordinate Indenture. The Subordinate Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Subordinate Repayment Obligation is to be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture.

## **Revenues and Funds**

***Funding of Subordinate Debt Service Funds.*** The Subordinate Trustee will, at least fifteen (15) Business Days prior to each Payment Date on any Subordinate Obligation, give the Commission notice by telephone, promptly confirmed in writing, of the Aggregate Required Deposits, after taking into account Capitalized Interest, if any, on deposit in the Subordinate Debt Service Fund, required to be deposited with the Subordinate Trustee in order to make each payment of debt service coming due on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Commission of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

The Commission, at least five Business Days prior to each Payment Date, will withdraw from the Operating Fund and pay to the Subordinate Trustee the full Aggregate Required Deposits needed to make the interest and/or principal payments due on such Payment Date.

On any day on which the Subordinate Trustee receives funds from the Commission to be used to pay principal of or interest on Subordinate Obligations, the Subordinate Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Subordinate Debt Service Funds for the Series of Subordinate Obligations for which such payments were made and any excess will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Funds (without regard to any amounts which may be available from Subordinate Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Subordinate Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the various Subordinate Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series according to the amount of interest then due, and second to the payment of principal then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all principal on the Subordinate Obligations then due, then pro rata among the Series according to the Principal Amount then due on the Subordinate Obligations.

If a Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Subordinate Obligations secured thereby, then the Commission may be required by Supplemental Subordinate Indenture to replenish such Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds or reimburse the Credit Provider from Subordinate Revenues provided that (a) no amount from Subordinate Revenues may be used for such purpose until all payments of principal of and interest on all Subordinate Obligations which have become due and payable will have been paid in full, (b) the required payments to replenish any such Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds or reimburse the Credit Provider will be due in no more than twelve (12)

substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Subordinate Trustee for such purpose will be allocated among the various Subordinate Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Subordinate Obligations secured thereby.

Notwithstanding the foregoing, the Commission may, in the Supplemental Subordinate Indenture authorizing such Series of Subordinate Obligations, provide for different provisions and timing of deposits with the Subordinate Trustee and different methods of paying principal of or interest on such Subordinate Obligations depending upon the terms of such Subordinate Obligations and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Subordinate Debt Service Fund created for the Series of Subordinate Obligations for which such Credit Facility is provided.

If the Subordinate Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, the Commission may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into the Subordinate Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

***Additional Security.*** The pledge of Subordinate Revenues and the other security provided in the Granting Clauses in the Master Subordinate Indenture, secure all Subordinate Obligations issued under the terms of the Master Subordinate Indenture on an equal and ratable basis, except as to the timing of such payments. The Commission may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Obligations or Series of Subordinate Obligations with no obligation to provide such additional security or credit enhancement to other Subordinate Obligations.

#### **Payment of Principal and Interest**

The Commission has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Subordinate Revenues and to the extent thereof the principal of, premium, if any, and interest on every Subordinate Obligation at the place and on the dates and in the manner set forth in the Master Subordinate Indenture, and in the Supplemental Subordinate Indentures and in the Subordinate Obligations specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements set forth in the Master Subordinate Indenture and in the Subordinate Obligations contained, provided that the Commission's obligation to make payments of the principal of, premium, if any, and interest on the Subordinate Obligations will be limited to payment from the Subordinate Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Subordinate Indenture and any other source which the Commission may specifically provide for such purpose and no Holder will have any right to enforce payment from any other funds of the Commission.

#### **Junior and Subordinated Obligations**

The Commission may, from time to time, incur indebtedness with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the Commission will determine, provided that: (a) any resolution or indenture of the Commission authorizing the issuance of any subordinate obligations will specifically state that such lien on or security interest granted in the Subordinate Revenues is junior and subordinate to the lien on and security interest in such Subordinate Revenues and other assets granted to secure the Subordinate Obligations; and (b) payment of principal of and interest on such subordinated obligations will be permitted, provided that all deposits required to be made to the Subordinate Trustee to be used to pay debt service on the Subordinate Obligations or to replenish the Subordinate Debt Service Reserve Fund, if any, are then current in accordance with the Master Subordinate Indenture.

## **Special Facilities and Special Facility Obligations**

The Commission is permitted to designate new or existing Airport Facilities as Special Facilities. The Commission may, from time to time, and subject to the terms and conditions of the Master Senior Indenture, (a) designate a separately identifiable existing facility or planned facility as a “Special Facility,” (b) pursuant to an indenture other than the Master Senior Indenture or the Master Subordinate Indenture and without a pledge of any Net Revenues or Subordinate Revenues, incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Commission from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be “Special Facilities Revenue” and not included as Revenues, Net Revenues or Subordinate Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred will be a “Special Facility Obligation” and the principal of and interest thereon will be payable solely from the Special Facilities Revenue. The Commission may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue, which will include contractual payments derived by the Commission under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Commission and another person, firm or corporation, either public or private, as will undertake the operation of a Special Facility.

No Special Facility Obligations will be issued by the Commission unless there will have been filed with the Senior Trustee a certificate of an Authorized Commission Representative stating that: (i) the estimated Special Facilities Revenue pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Commission and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due; and (ii) with respect to the designation of any separately identifiable existing Airport Facilities or Airport Facility as a “Special Facility” or “Special Facilities,” the estimated Net Revenues, calculated without including the new Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Maintenance and Operation Expenses of the Airport System, will be sufficient so that the Commission will be in compliance with the rate covenant of the Master Senior Indenture; and (iii) no Event of Default then exists under the Master Senior Indenture.

To the extent Special Facilities Revenue received by the Commission during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, will constitute Revenues.

## **Maintenance and Operation of Airport System**

Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Commission has covenanted that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Commission will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Commission, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues, Net Revenues or Subordinate Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues, Net Revenues or Subordinate Revenues or Airport System or any part thereof constituting part of the Airport System.

## **Insurance; Application of Insurance Proceeds**

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: (a) the Commission will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Commission, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self insured programs provided by similar airports; and (b) the Commission will place on file with the Senior Trustee, if requested in writing by the Senior Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Commission Representative containing a summary of all insurance policies and self insured programs then in effect with respect to the Airport System and the operations of the Commission.

“Qualified Self Insurance” means insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Commission may have a material interest and of which the Commission may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Commission determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Commission a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he will make a recommendation as to the amount of reserves that should be established and maintained, and the Commission will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Commission.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Commission will create within the Operating Fund a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue producing Airport Facilities, (iii) redeem Senior Bonds and/or Subordinate Obligations, or (iv) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture and/or the Master Subordinate Indenture; provided, however, that the Commission will first deliver to the Senior Trustee and/or the Subordinate Trustee certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds and/or Subordinate Obligations, the rate covenant as set forth in the Master Senior Indenture and the Master Subordinate Indenture is met.

## **Transfer of Airport Facility or Airport Facilities**

The Commission will not, except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. For purposes of this section, any transfer of an asset over which the Commission retains substantial control in accordance with the terms of such transfer, will not, for so long as the Commission has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

The Commission may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12 month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Operating Fund to be used as described below and the Commission believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture and the Master Subordinate Indenture; or (c) the Commission receives fair market value for the property, the proceeds are deposited in the Operating Fund to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee and the Subordinate Trustee a

certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Commission as evidenced by a certificate of an Authorized Commission Representative, the Consultant estimates that Commission will be in compliance with the rate covenant of the Master Senior Indenture and the Master Subordinate Indenture during each of the five Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under paragraph (b) or (c) above will be deposited into the Operating Fund and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Senior Bonds and/or Subordinate Obligations or (iii) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of paragraph (a) above, unless the Commission has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition will be made which would cause the Commission to be in default of any other covenant contained in the Master Senior Indenture or the Master Subordinate Indenture.

### **Investments**

Moneys held by the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Subordinate Indenture will be invested and reinvested as directed by the Commission, in Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Subordinate Indenture and subject to the investment restrictions imposed upon the Commission by the laws of the State, including, but not limited to, Minnesota Statutes Sections 118A.01 et seq. and 473.606 Subd. 3. The Commission will direct such investments by written certificate (upon which the Subordinate Trustee may conclusively rely) of an Authorized Commission Representative or by telephone instruction followed by prompt written confirmation by an Authorized Commission Representative; in the absence of any such instructions, the Subordinate Trustee will, to the extent practicable, invest in Permitted Investments specified in (ii)(A) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account (which is generally referred to as the (WFF) Government Money Market Fund) of the Subordinate Trustee, provided it meets the requirements specified in (ii)(I) of the definition of Permitted Investments, which are Permitted Investments under state law.

### **Defeasance**

Subordinate Obligations or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture except for the purposes of payment from moneys or Government Obligations held by the Subordinate Trustee or a Subordinate Paying Agent for such purpose. When all Subordinate Obligations which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Commission, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Subordinate Registrar and the Subordinate Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Revenues and the other assets pledged to secure the Subordinate Obligations under the Master Subordinate Indenture will thereupon cease, terminate and become void, and thereupon the Subordinate Trustee will cancel, discharge and release the Master Subordinate Indenture, will execute, acknowledge and deliver to the Commission such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Commission any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate

Trustee or the Subordinate Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation will be deemed to be paid within the meaning of the Master Subordinate Indenture and for all purposes of the Master Subordinate Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Subordinate Obligations and the Master Subordinate Indenture or (b) will have been provided for by depositing with the Subordinate Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Subordinate Obligations are deemed to be paid under the Master Subordinate Indenture, such Subordinate Obligations will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Subordinate Obligations. Once such deposit has been made, the Subordinate Trustee will notify all Holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Obligations are deemed to have been paid in accordance with the terms of the Master Subordinate Indenture. No notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued. The Commission may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or the Master Subordinate Indenture subject to (i) receipt of an approving opinion of Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Obligation or Subordinate Obligations then Outstanding and (ii) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Subordinate Obligations. Notwithstanding anything in the Master Subordinate Indenture to the contrary, monies from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the Commission so long as the requirements of clauses (i) and (ii) above are met prior to or concurrently with any such withdrawal.

## **Defaults and Remedies**

***Events of Default.*** Each of the following events constitute and are referred to in the Master Subordinate Indenture as a “Event of Default”:

- (a) a failure to pay the principal of or premium, if any, on any of the Subordinate Obligations when the same will become due and payable at maturity or upon redemption;
- (b) a failure to pay any installment of interest on any of the Subordinate Obligations when such interest will become due and payable;
- (c) failure to pay the purchase price of any Subordinate Obligation when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;
- (d) a failure by the Commission to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this section) that are to be observed or performed by the Commission and which are contained in the Master Subordinate Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under the rate covenant provisions of the Master Subordinate Indenture which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Commission by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and will be given at the written request of Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding, unless the Subordinate

Trustee, or the Subordinate Trustee and the Holders of Subordinate Obligations in a Principal Amount not less than the Principal Amount of Subordinate Obligations the Holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Subordinate Trustee or the Subordinate Trustee and the Holders of such principal amount of Subordinate Obligations will be deemed to have agreed to an extension of such period if corrective action is initiated by the Commission within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Commission and, if instituted against the Commission, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Event of Default as is provided in a Supplemental Subordinate Indenture; or

(g) a default in the payment of principal of or interest on any General Obligation Revenue Bonds or Senior Bonds.

If, on any date on which payment of principal of or interest on the Subordinate Obligations is due and sufficient moneys are not on deposit with the Subordinate Trustee or Paying Agent to make such payment, the Subordinate Trustee will give telephone notice of such insufficiency to the Commission.

***Remedies.***

(a) Upon the occurrence and continuance of any Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, and require the Commission to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the Act or any other law to which it is subject and the Master Subordinate Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the Commission to account as if it were the trustee of an express trust for the Holders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders.

(b) The Subordinate Trustee will be under no obligation to take any action with respect to any Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Event of Default.

(c) In no event, upon the occurrence and continuation of a Event of Default, will the Subordinate Trustee, the Holders, a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Obligations Outstanding.

***Holders' Right To Direct Proceedings.*** Anything in the Master Subordinate Indenture to the contrary notwithstanding, Holders of a majority in Principal Amount of the Subordinate Obligations then Outstanding will

have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there will have been provided to the Subordinate Trustee security and indemnity satisfactory to the Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

***Limitation on Right To Institute Proceedings.*** No Holder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Subordinate Indenture, or any other remedy under the Master Subordinate Indenture or on such Subordinate Obligations, unless such Holder or Holders previously will have given to the Subordinate Trustee written notice of a Event of Default as hereinabove provided and unless also Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding will have made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding under the Master Subordinate Indenture will have accrued, and will have afforded the Subordinate Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Subordinate Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Holders will have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Obligations, except in the manner provided under the Master Subordinate Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided under the Master Subordinate Indenture and for the equal benefit of all Holders.

***Application of Moneys.*** If a Event of Default will occur and be continuing, all amounts then held or any moneys received by the Subordinate Trustee, by any receiver or by any Holder pursuant to any right given or action taken under the provisions of the Master Subordinate Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Subordinate Trustee (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which will have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Obligations on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Subordinate Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

### **The Subordinate Trustee**

***Standard of Care.*** If a Event of Default has occurred and is continuing, the Subordinate Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Subordinate Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (a) the Subordinate Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (b) the Subordinate Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Holders or the Commission in the manner provided in the Master Subordinate Indenture.

**Notice of Defaults.** If (a) a Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be a Event of Default and, with respect to such events for which notice to the Commission is required before such events will become Subordinate Events of Default, such notice has been given, then the Subordinate Trustee will promptly, after obtaining actual notice of such Event of Default or event described in (b) of the first sentence of this section, give notice thereof to each Holder. Except in the case of a default in payment or purchase on any Subordinate Obligations, the Subordinate Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

**Individual Rights of Trustee.** The Subordinate Trustee in its individual or any other capacity may become the owner or pledgee of Subordinate Obligations and may otherwise deal with the Commission with the same rights it would have if it were not Subordinate Trustee. Any Subordinate Paying Agent or other agent may do the same with like rights. Notwithstanding the prior two sentences, in the event the Subordinate Trustee and/or the Subordinate Paying Agent become the owner or pledgee of Subordinate Obligations and a conflict of interest arises between the Subordinate Trustee's role as trustee under the Master Subordinate Indenture and its role as owner or pledgee of Subordinate Obligations and/or the Subordinate Paying Agent's role as paying agent under the Master Subordinate Indenture and its role as owner or pledgee of Subordinate Obligations, the Subordinate Trustee and/or the Subordinate Paying Agent, as the case may be, will resign as Subordinate Trustee and Subordinate Paying Agent, respectively. If at any time the Subordinate Trustee is acting as trustee or such other fiduciary for the Senior Bonds and a Event of Default has occurred or is occurring or such other event that has caused a conflict to arise between the Subordinate Trustee's role as trustee under the Master Subordinate Indenture and the Master Senior Indenture, the Subordinate Trustee will prioritize its fiduciary obligations by first protecting the interest of the Bondholders under the Master Senior Indenture and then protecting the interests of Holders under the Master Subordinate Indenture. If the Subordinate Trustee is unable to resolve any such conflicts that may arise, the Subordinate Trustee will resign (or be removed by the Commission) as trustee under the Master Subordinate Indenture or as trustee under the Master Senior Indenture that have created such conflict.

**Eligibility of Subordinate Trustee.** The Master Subordinate Indenture will always have a Subordinate Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

**Replacement of Subordinate Trustee.** The Subordinate Trustee may resign by notifying the Commission in writing prior to the proposed effective date of the resignation. The Holders of a majority in Principal Amount of the Subordinate Obligations may remove the Subordinate Trustee by notifying the removed Subordinate Trustee and may appoint a successor Subordinate Trustee with the Commission's consent. The Commission may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Commission will have no right to remove the Subordinate Trustee during any time when a Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Event of Default.

No resignation or removal of the Subordinate Trustee under this section will be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the Commission. Immediately thereafter, the retiring Subordinate Trustee will transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee will then (but only then) become effective and the successor Subordinate Trustee will have all the rights, powers and duties of the Subordinate Trustee under the Master Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Subordinate Indenture, the Commission will promptly appoint a successor Subordinate Trustee.

If a Subordinate Trustee is not performing its duties under the Master Subordinate Indenture and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Commission delivers notice of removal, the retiring Subordinate Trustee, the Commission or the Holders of a majority in Principal Amount of the Subordinate Obligations may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

## **Amendments**

*Amendments Not Requiring Consent of Holders.* The Commission may, from time to time and at any time, without the consent of or notice to the Holders, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Subordinate Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Subordinate Obligations under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which will apply to such Subordinate Obligations;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Subordinate Indenture, provided such supplement or amendment is not materially adverse to the Holders;

(c) to add to the covenants and agreements of the Commission in the Master Subordinate Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Commission, provided such supplement or amendment will not adversely affect the interests of the Holders;

(d) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Holders;

(e) to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by a Supplemental Subordinate Indenture at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Master Subordinate Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Holders;

(h) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(i) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Subordinate Obligations which are issued or are proposed to be issued or of a Subordinate Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate

commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Commission from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Subordinate Obligations, including, without limitation, the segregation of Subordinate Revenues into different funds.

Before the Commission will, pursuant to this section, execute any Supplemental Subordinate Indenture, there will have been delivered to the Commission and the Subordinate Trustee an opinion of Bond Counsel to the effect that such Supplemental Subordinate Indenture: (i) is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Commission in accordance with its terms and (ii) will not cause interest on any of the Subordinate Obligations which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel set forth clause (ii) in the preceding sentence will not be required for a Supplemental Subordinate Indenture executed and delivered in accordance with subsection (a) above.

***Amendments Requiring Consent of Subordinate Obligation Holders.*** Except for any Supplemental Subordinate Indenture entered into pursuant to the above section and any Supplemental Subordinate Indenture entered into pursuant to the following paragraph, subject to the terms and provisions contained in this section and not otherwise, the Holders of not less than a majority in aggregate Principal Amount of the Subordinate Obligations then Outstanding will have the right from time to time to consent to and approve the execution by the Commission of any Supplemental Subordinate Indenture deemed necessary or desirable by the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the Holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series of Subordinate Obligations and the following subsection (b) is applicable, nothing herein contained will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing herein contained, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefor under the Granting Clauses of the Master Subordinate Indenture, or (v) a reduction in the aggregate Principal Amount of Subordinate Obligations the consent of the Holders of which is required for any such Supplemental Subordinate Indenture. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the execution of any Supplemental Subordinate Indenture as authorized in the section above, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Revenues.

The Commission may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or multiple Series of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes set forth in the previous section, no notice to or consent of the Holders will be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Obligations Outstanding and the previous section is not applicable, then this subsection rather than the subsection above will control and, subject to the terms and provisions contained in this section and not otherwise, the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations of all Series of Subordinate Obligations Outstanding which are affected by such changes will have the right from time to

time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series; provided, however, that, unless approved in writing by the Holders of all the Subordinate Obligations of all the affected Series then Outstanding, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or the rate of interest thereon.

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## SUMMARY OF THE NINTH SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SUBORDINATE SERIES 2011A BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Ninth Supplemental Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Ninth Supplemental Subordinate Indenture.

### Terms of the Subordinate Series 2011A Bonds

The Ninth Supplemental Subordinate Indenture sets forth the terms of the Subordinate Series 2011A Bonds, most of which terms are described in the forepart of this Official Statement under “DESCRIPTION OF THE SUBORDINATE SERIES 2011A BONDS.”

### Establishment of Funds

Pursuant to the Ninth Supplemental Subordinate Indenture, the Subordinate Trustee will establish and maintain the following funds and accounts: the Series 2011A Debt Service Fund and within the Series 2011A Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Series 2011A Costs of Issuance Fund; the Series 2011A Reserve Account in the Reserve Fund; and the Series 2011A Rebate Fund.

**Series 2011A Debt Service Fund.** The Subordinate Trustee will deposit into the Interest Account of the Series 2011A Debt Service Fund amounts received from the Commission, as provided in the Subordinate Indenture, to be used to pay interest on the Subordinate Series 2011A Bonds. The Subordinate Trustee will also deposit into the Interest Account any other amounts deposited with the Subordinate Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Commission on the Business Day following an Interest Payment Date for deposit into the Operating Fund, unless a Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2011A Debt Service Fund amounts received from the Commission to be used to pay principal of the Subordinate Series 2011A Bonds at maturity. The Subordinate Trustee will also deposit into the Principal Account any other amounts deposited with the Subordinate Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Commission on the Business Day following a principal payment date for deposit into the Operating Fund, unless a Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2011A Debt Service Fund amounts received from the Commission to be used to pay principal of and interest on and premium, if any, on the Subordinate Series 2011A Bonds which are to be redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Commission for deposit into the Operating Fund in accordance with instructions given to the Subordinate Trustee by an Authorized Commission Representative at the time of such deposit.

The Series 2011A Debt Service Fund will be invested and reinvested in Permitted Investments as directed by an Authorized Commission Representative.

**Series 2011A Costs of Issuance Fund.** The proceeds of the Subordinate Series 2011A Bonds deposited into the Series 2011A Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay Costs of Issuance of the Subordinate Series 2011A Bonds. Amounts in the Series 2011A Costs of Issuance Fund will be invested and reinvested in Permitted Investments as directed by the Commission and the earnings upon such accounts will be credited to such fund.

***Reserve Fund; Series 2011A Reserve Account.*** For a description of the Reserve Fund, reference is made to the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2011A BONDS—Reserve Fund” in the forepart of this Official Statement.

***Series 2011A Rebate Fund.*** The Ninth Supplemental Subordinate Indenture creates the Series 2011A Rebate Fund established for the purpose of complying with certain provisions of the Code which require that the Commission pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Subordinate Trustee with respect to the Subordinate Series 2011A Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Subordinate Series 2011A Bonds. Such excess is to be deposited into the Series 2011A Rebate Fund and periodically paid to the United States of America. The Series 2011A Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Subordinate Series 2011A Bonds.

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS

The following is a summary of certain provisions of the Airline Lease Agreements and is qualified in its entirety by reference to the Airline Lease Agreements, copies of which are available from the Commission.

#### Certain Definitions

The following are definitions of certain terms used in this Appendix C. Capitalized terms used in this Appendix C, but not otherwise defined herein, have the meanings set forth in the forepart of this Official Statement and in Appendix B of this Official Statement.

“*Airline*” means an entity that operates an Air Transportation Business at the Airport.

“*Airline Rented Space*” means the aggregate of that portion of Rentable Space under lease to all Signatory Airlines.

“*Air Transportation Business*” means the carriage by aircraft of persons or property as a common carrier for compensation or hire, or the carriage of mail by aircraft in commerce, and activities directly related thereto.

“*Airport*” means Minneapolis-St. Paul International Airport located in Hennepin County, Minnesota, including but not limited to those contiguous and non-contiguous areas described in the Airline Lease Agreement, together with any additions thereto, or improvements or enlargements thereof, hereafter made, whether contiguous or not.

“*Airport Cost Centers*” means areas of the Airport and the Airport System to be used in accounting for airport revenues and expenses and for calculating and adjusting certain rents, fees, and charges described in the Airline Lease Agreement as such areas now exist or may hereafter be modified or extended, and as more particularly described below:

“Airfield” means the runways, taxiways, approach and clear zones, safety areas, infield areas, landing and navigational aids, and other facilities and land areas which are not leased to any entity and are required by or related to aircraft operations (landings, takeoffs, and taxiing) at the Airport and other facilities including, but not limited to, the control tower, roads, tunnels, and collection and processing facilities for deicing agents and shall include on-Airport noise costs and Off-Airport Aircraft Noise Costs, but excluding any areas under lease at any time.

“Terminal Building” means the passenger terminal buildings known as Terminal 1 - Lindbergh Terminal, the Regional Terminal, the Southwest Addition, Red Concourse, Blue Concourse, and Green Concourse, including the Temporary Regional Terminal and related facilities at the Airport including, but not limited to, underground parking beneath the Lindbergh Terminal, a portion of the auto rental/parking/terminal people mover, the Ground Transportation Center (the “GTC”), skyways, and the Energy Management Center, together with additions and/or changes thereto (but excluding the G Concourse, but including the IAF).

“Terminal Apron” and “Terminal Ramp” shall be interchangeable terms and both terms shall mean the airport parking apron as shown in the Airline Lease Agreements, together with any additions and/or changes thereto.

“G Concourse” means the original Loading Pier A which consists of gates 1-9, the Loading Pier A Extension which consists of the balance of the gates (gates 10 through the end of the concourse), and the G World Club.

“Humphrey Terminal” means Terminal 2 - Hubert H. Humphrey Terminal building located on 34th Avenue South at the Airport or any replacement facility.

“International Arrivals Facility” or “IAF” shall be interchangeable terms and both terms shall mean the space in the Terminal Complex utilized for the arrival and departure of international flights.

“Reliever Airports” means the general aviation airports owned and operated by Commission, including but not limited to St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County-Blaine Airport, Lake Elmo Airport, and Airlake Airport.

“Landside Area” means the upper and lower level terminal roadways, the inbound and outbound terminal roads, the commercial lane, rental car service and storage areas, a portion of the auto rental/parking/terminal people mover, rental car ready/return areas, skyways, and the automobile parking areas (except the underground parking beneath the Lindbergh Terminal) at the Airport.

“Equipment Buildings” means the building and ground areas at the Airport provided for the storage of equipment owned and/or rented/leased by MAC including, but not limited to, shops, storage facilities, and vehicle parking areas.

“ARFF” means the building and ground areas at the Airport provided for aircraft rescue and fire fighting functions.

“Police” means the building and ground areas at the Airport provided for police functions.

“Administration” means the building and ground areas at the Airport provided for MAC administration activities including, but not limited to, the general office building and the Terminal Building.

“Other Areas” means all other direct cost building and ground areas at the Airport provided for general aviation, cargo, aircraft maintenance, and other aviation- and nonaviation-related activities.

“*Airport Bonds*” means general airport revenue bonds, general obligation bonds, commercial paper, and other forms of indebtedness incurred or assumed by the Commission in connection with the ownership or operation of the Airport System and payable from MAC revenues.

“*Airport System*” means the Airport and the Reliever Airports.

“*Annual Gross Revenue*” means rent, concessions fees or similar charges actually received during any Fiscal Year by the Commission from Selected Concessions. Annual Gross Revenue will not include sales taxes, utility fees, consortium fees, key money, customer facilities charges or other similar “pass through” charges.

“*Auto Rental Concessions*” means all auto rental companies or other business organizations operating at either the Lindbergh or Humphrey Terminals pursuant to concessions agreements with the Commission.

“*Capital Cost*” (or a phrase of similar import) means the sum of (a) project costs, which includes any expenditures to acquire, construct, or equip a Capital Project, together with related costs such as planning fees, architectural and engineering fees, program management fees, construction management fees, fees for environmental studies, testing fees, inspection fees, impact fees, other direct and allocable fees, and interest during construction, and (b) financing costs, if any, such as capitalized interest, costs of issuance, and funding of mandatory reserves with bond proceeds. In the case of estimates, Capital Costs also include an allowance for contingencies.

“*Capital Project*” means (a) the acquisition of land or easements; (b) the purchase of machinery, equipment, or rolling stock; (c) the planning, engineering, design, and construction of new facilities; (d) the remediation of environmental contamination, including noise mitigation, or expenditures to prevent or protect against such contamination; or (e) the performance of any extraordinary, non-recurring major maintenance of

existing facilities that may be acquired, purchased, or constructed by Commission to improve, maintain, or develop the Airport; provided, however, that any single item of the foregoing has a Capital Cost of \$100,000 or more and a useful life in excess of three years.

“*Capital Outlay*” means any item that fails to meet the cost threshold and useful life criterion necessary to qualify as a Capital Project.

“*Commission*” and “*MAC*” shall be interchangeable terms and both terms shall mean the Metropolitan Airports Commission, a public corporation organized and operating pursuant to Chapter 500, Laws of Minnesota 1943 and amendments thereto.

“*Common Use Formula*” means a formula that prorates the cost of a service or space among those Airlines actually using the service or space as follows: 20% of the cost equally among each such Airline and 80% of the cost on the basis of that proportion which the number of each such Airline’s Enplaned Passengers at the Airport bears to the total number of Enplaned Passengers of all such Airlines at the Airport; provided, however, that Airlines that only operated aircraft with 40 seats or less during the relevant period will be excluded from the proration of the 20% of costs, but included in the proration of 80% of costs.

“*Current Cost Estimate*” means as of the date of the estimate, the total project costs in then current dollars, for one or more of the 2010 Plan Airfield Programs, as the context shall determine, as estimated by MAC. The Current Cost Estimate shall reflect actual costs for completed projects, bid amounts when available, and change orders accepted by MAC (including contingencies).

“*Coverage Account*” means the Coverage Account established and maintained pursuant to the terms of the Trust Indenture.

“*Date of Beneficial Occupancy*” or “*DBO*” means the earlier of (a) the date on which the Commission certifies that Premises or Capital Project are available for beneficial use or (b) the date on which beneficial use is first made of Premises or Capital Project; provided, however, that with respect to land and other non-depreciable assets, the date on which beneficial occupancy occurs is the date of closing.

“*Debt Service*” means the aggregate amount of principal and interest payments made by the Commission that are due and payable during the Fiscal Year on the Commission financings including but not limited to all future and existing general obligation revenue bonds, airport revenue bonds, refunding obligations, commercial paper (excluding the principal amount of commercial paper reissued during the Fiscal Year) and other debt instruments of the Commission and specifically including, but not limited to, the Senior Bonds, the General Obligation Revenue Bonds, the Subordinate Bonds, the Subordinate Commercial Paper Notes and certain equipment leases. In addition, debt service also includes: (i) amounts paid as prepayment of obligations, if such prepayment is deemed approved by a Majority-In-Interest of Signatory Airlines pursuant to the provisions of Airline Lease Agreements, or (ii) principal and interest in accordance with its original scheduled amortization for any prepayment made by the Commission which is not deemed approved by the Majority-In-Interest of Signatory Airlines in accordance with (i) above, until such time as the original principal amount of such prepaid obligation has been recovered by the Commission.

“*Executive Director*” means Commission’s Executive Director or such other person designated by the Executive Director to exercise functions with respect to the rights and obligations of Commission under this Agreement.

“*Enplaned Passengers*” means all Originating Passengers and connecting passengers boarded at the Airport, including passengers traveling on frequent flyer coupons, but excluding Through Passengers and Non-Revenue Passengers.

“*FAA*” means the Federal Aviation Administration of the U.S. Government or any federal agencies succeeding to its jurisdiction.

“*Fiscal Year*” refers to Commission’s fiscal year and means the twelve-month period commencing on January 1 and ending December 31.

“*Facilities Construction Credit*” or “*Facilities Construction Credits*” means the amounts resulting from an arrangement embodied in a written agreement of the Commission and an Airline pursuant to which the Commission permits such Airline to make a payment or payments to the Commission which is reduced by the amount owed by the Commission to such Airline as a result of such Airline upfronting and paying for the cost of construction of MAC improvements under such agreement, resulting in a net payment to the Commission by such Airline. The “*Facilities Construction Credit*” shall be deemed to be the amount owed by the Commission under such agreement which is “netted” against the payment of such Airline to the Commission.

“*Food and Beverage Concessions*” means companies or other business organizations that sell consumable food or beverages items, excluding vending operations, to the traveling public at the Lindbergh (excluding sales from the G Concourse) or Humphrey Terminals, pursuant to concessions agreements with the Commission.

“*Lindbergh Terminal Repair and Replacement Surcharge*” means the amount equal to nineteen percent (19%) of the Repair and Replacement Amount divided by Airline Rented Space. This allocation will be adjusted every five years based on increases to the cost center’s book value.

“*Landing Fee Repair and Replacement Amount*” means an amount equal to sixty-eight percent (68%) of the Repair and Replacement Amount. This allocation will be adjusted every five years based on increases to the cost center’s book value.

“*Maximum Certificated Gross Landing Weight*” means the maximum gross landing weight in thousand-pound units based on the current FAA Type Certificate Data Sheet applicable to the particular type, design, and model of aircraft.

“*Majority-In-Interest*” (“*MIF*”) means the Signatory Airlines who (a) represent no less than 50% in number of the Signatory Airlines operating at the time of the voting action and (b) paid no less than 40% of landing fees incurred by Signatory Airlines during the preceding Fiscal Year. No Airline shall be deemed a Signatory Airline for the purpose of determining a Majority-In-Interest so long as the Commission has given written notice of an event of default to such Airline and the event of default is continuing at the time of the voting action.

“*Merchandise Concessions*” means companies or other business organizations that sell retail or news products, excluding automated vending items, to the traveling public at the Lindbergh (excluding sales from the G Concourse) or Humphrey Terminals, pursuant to concessions agreements with the Commission.

“*Non-Revenue Passengers*” means passengers from whom a Signatory Airline receives no remuneration or only token remuneration, including employees of an airline and others, but excluding passengers traveling on frequent flyer coupons.

“*Off-Airport Aircraft Noise Costs*” means the capital and operating costs (including legal and administrative costs), net of any amounts for off-airport aircraft noise costs received from nonsignatory airlines and/or federal and state grants, connected to the acquiring of land or interests in land within the 2005 DNL 60 contours of the Airport, soundproofing of existing public and private schools and day care facilities, public hospitals, nursing homes, private single- and multi-family residences, and other categories of land use, and implementing other programs to prevent, reduce or mitigate non-compatible land uses within the 2005 DNL 60 contours of the Airport resulting from aircraft noise emissions from turbojet aircraft. Such costs shall also include but not be limited to liabilities or responsibilities imposed upon the Commission for noise in connection with the operation or use of the Airport, or from flights to or from the Airport, or from aircraft thereon, or from takings or any other causes of action related to aircraft noise or for settlement of claims based on such causes of action.

“*Operation and Maintenance Expenses*” (or a phrase of similar import) means, for any Fiscal Year, the costs incurred by the Commission to operate, maintain, and administer the Airport System, including but not limited to items (a) through (j) listed below, but excluding operation and maintenance reserves and an optional Coverage

Account associated with the planned bond issues after January 1, 1999 in connection with the financing of the 2010 Plan.

- (a) Personnel costs, including salaries and wages of Commission employees and temporary workers (including overtime pay), together with payments or costs incurred for associated payroll expenses such as life, health, accident, and unemployment insurance premiums; contributions to pension funds, retirement funds, union funds, and unemployment compensation funds; vacation and holiday pay; post-retirement benefits; and other fringe benefits;
- (b) Costs of materials, supplies, machinery and equipment, and other similar expenses, which are not capitalized under generally accepted accounting principles as evidenced by a written opinion of the Commission's independent auditors;
- (c) Costs of maintenance, landscaping, decorating, repairs, renewals, and alterations, which are not reimbursed by insurance and which are not capitalized under generally accepted accounting principles as evidenced by a written opinion of the Commission's independent auditors;
- (d) Costs of water, electricity, natural gas, fuel oil, telephone service, and all other utilities and services whether furnished by the Commission or furnished by independent contractors and purchased by the Commission;
- (e) Cost of operating services, including services for stormwater, airport shuttle bus, service agreements, and other cost of operating services;
- (f) Costs of premiums for insurance covering the Airport System and its operations maintained by the Commission pursuant to the Airline Lease Agreement;
- (g) Costs incurred in collecting and attempting to collect any sums for the Commission in connection with the operation of the Airport System and the write-off of bad debts;
- (h) Except to the extent capitalized the compensation paid or credited to persons or firms engaged by the Commission to render advice and perform architectural, engineering, program management, construction management, financial, legal, accounting, testing, or other professional services in connection with the operation of the Airport System;
- (i) Except to the extent capitalized, the fees of trustees and paying agents, and all other fees and expenses incurred in order to comply with the provisions of a master or supplemental trust indenture; and
- (j) All other expenses, which arise out of the operation of the Airport System and which are properly regarded as operating expenses under generally accepted accounting principles, provided, however, that Operation and Maintenance Expenses shall not include any allowance for depreciation, payments in lieu of taxes, the costs of improvements, extensions, enlargements or betterments, or any charges for the accumulation of reserves for capital replacements.

*“Original Cost Estimate”* means for one or more or all of the 2010 Plan Airfield Programs, as the context shall determine, that were approved by a Majority-In-Interest of the Signatory Airlines, the amount of estimated project costs as specified in the Airline Lease Agreement. The Original Cost Estimate includes contingencies, but excludes financing costs, interest on bonds or on any interim financing obtained by the Commission to finance the 2010 Plan, and other deposits and reserves.

*“Originating Passengers”* means Airline passengers for whom the Airport is the point of origin in their air travel itinerary.

“*Passenger Facility Charges*” or “*PFCs*” means those charges on a Signatory Airline’s passengers using the Airport authorized under Section 111 3(e) of the Federal Aviation Act of 1958, as amended by Section 9110 of the Omnibus Budget Reconciliation Act of 1990 (Pub. L. 101-508, 49 U.S.C. App. Section 1513), or any successor program authorized by federal law, and the rules and regulations promulgated thereunder (14 C.F.R. Part 158, hereafter the “PFC Regulations”).

“*Premises*” means the areas at the Airport leased by a Signatory Airline pursuant to the Airline Lease Agreement.

“*Rentable Space*” means the space in the Terminal Building available for lease to Airlines, concessionaires, and other rent-paying tenants and for public automobile parking. Rentable Airline space is separated into the following categories:

- (a) “*Exclusive Use Space*” means space leased by an Airline for its exclusive use and occupancy.
- (b) “*Preferential Use Space*” means space leased by an Airline on a preferential basis.
- (c) “*Common Use Space*” means space used by an Airline in common with all other Airlines using the space.

“*Repair and Replacement Amount*” means a \$15 million deposit for Fiscal Year 2006, and increased by three percent (3%) per annum for each Fiscal Year thereafter compounded annually (i.e., \$15.45 million in Fiscal Year 2007, \$15,913,500 million in Fiscal Year 2008, etc.) to the Repair and Replacement Account within the Commission Construction Fund to be expended for major maintenance and minor (less than \$2 million) capital projects, except for automobile parking facilities and roadways.

“*Selected Concessions*” means Food and Beverage Concessions, Merchandise Concessions, and Auto Rental Concessions.

“*Selected Concessions Revenues Escalation Factor*” means the following annual percentage escalation factors (compounded) to be applied to the dollar thresholds provided in “Revenue Sharing”:

<b>Year</b>	<b>Annual Escalation Factor</b>	<b>Year</b>	<b>Annual Escalation Factor</b>
2006	Base Year	2014	4.47%
2007	1.77%	2015	4.46
2008	4.75	2016	4.46
2009	4.47	2017	4.46
2010	4.46	2018	4.47
2011	4.20	2019	4.47
2012	4.73	2020	4.47
2013	4.46		

“*Signatory Airlines*” means Airlines that have executed agreements with the Commission substantially the same as the Airline Lease Agreement.

“*Terminal Apron Repair and Replacement Amount*” means an amount equal to four percent (4%) of the Repair and Replacement Amount. This allocation will be adjusted every five years based on increases to the cost center’s book value.

“*Terminal Complex*” means the passenger terminal facilities consisting of the Terminal Building, the G Concourse, and the International Arrivals Facility.

“*Through Passengers*” means Airline passengers for whom the Airport is an intermediate stop in their itinerary between their point of origin and their point of destination, which intermediate stop does not involve a change of plane.

“*Total Landed Weight*” means the sum of the Maximum Certificated Gross Landing Weight for all aircraft arrivals over a stated period of time. Said sum shall be rounded to the nearest thousand pounds for all landing fees.

“*Trust Indenture*” means the Master Trust Indenture between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee, dated as of June 1, 1998 (for purposes of the Airline Lease Agreement, without giving effect to any amendments thereto).

“*2010 Plan*” means the construction, acquisitions, and improvements to the Airport System, as described in the Airline Lease Agreement, as such may be revised from time to time.

“*2010 Plan Airfield Programs*” means the programs in the 2010 Plan that are subject to and have been approved by a Majority-In-Interest of the Signatory Airlines, as described in the Airline Lease Agreement.

## **Term**

The Airline Lease Agreement has an original effective date of January 1, 1999 and the amended provisions of the Airline Lease Agreement set forth in the Third Amendment to the Airline Lease Agreement have an effective date of January 1, 2006. At the option of the Signatory Airline, the Airline Lease Agreement has a termination date of December 31, 2010, December 31, 2015 or December 31, 2020, except as expressly provided in the Airline Lease Agreement (hereinafter referred to as the “Term”), and the rents, fees, and charges established in the Airline Lease Agreement shall apply to said Term.

## **Rents, Fees and Charges**

The Airline Lease Agreement defines the areas to be used in accounting for revenues and expenses and for calculating certain rents, fees and charges. These areas include 13 Airport Cost Centers. Costs allocated to these Airport Cost Centers would include the following (hereinafter referred to as “Recoverable Costs”): (a) direct and indirect Operation and Maintenance Expenses, (b) Debt Service, net of amounts paid from PFCs or grants, and (c) required deposits to the debt service reserve funds, maintenance and operation reserve account and coverage account, as provided for in the Trust Indenture. Although the Airline Lease Agreements allow the Commission to include required deposits per the Trust Indenture in the calculation of rates, fees and charges, the Commission has agreed that it will not include deposits to the maintenance and operation reserve account and coverage account in the calculation of rates, fees and charges, except for such amounts which are necessary to be deposited to the coverage account in order to meet the rate covenant requirements under the Trust Indenture. The rate-setting procedures would be based on the recovery of the costs allocated to certain of the Airport Cost Centers.

Prior to the beginning of each Fiscal Year, the Commission will calculate rents, fees and charges for the upcoming Fiscal Year based on the annual operating budget, capital expenditure information, estimates of activity and other relevant information. If, during the course of any Fiscal Year, the Commission believes that significant variances exist in budgeted and estimated amounts used to calculate rents, fees and charges for the then current Fiscal Year, the Commission may adjust the rents, fees and charges to reflect current estimated amounts.

Following the end of each Fiscal Year, the Commission is required to determine the difference between the amount a Signatory Airline should have paid during such Fiscal Year based upon actual information and the amount a Signatory Airline actually paid based upon budgeted and estimated information. The difference would be invoiced and credited or paid to the Signatory Airlines, as appropriate.

**Landing Fees.** Each Signatory Airline will pay a monthly landing fee equal to the number of 1,000-pound units of such Signatory Airline’s Total Landed Weight during the month multiplied by the landing fee rate. The landing fee rate per 1,000 pounds of aircraft weight is calculated by dividing the net airfield cost by Total Landed

Weight of the Signatory Airlines. The net airfield cost is calculated as Recoverable Costs allocable to the Airfield cost center, plus (a) the cost of Runway 17/35 deferred and not yet charged from the date of occupancy through December 31, 2005 which will be charged starting January 1, 2006 through December 31, 2035 at \$79,535.16 annually, (b) the Landing Fee Repair and Replacement Amount, and (c) the amount of any fine, assessment, judgment, settlement or extraordinary charge (net of insurance proceeds), less certain revenues: service fees from the military; general aviation and nonsignatory landing fees; and Debt Service on the capital costs disapproved by a Majority-in-Interest of Signatory Airlines.

Air carriers that are not Signatory Airlines are charged a landing fee rate as established from time to time by the Commission. In September 2002, the Commission adopted Ordinance No. 96, which, among other things, set the landing fee rate to be paid by air carriers that are not Signatory Airlines at the greater of 125% of the Signatory Airline landing fee rate or \$53.

**Terminal Apron Fees.** Each Signatory Airline will pay a monthly terminal apron fee equal to the number of lineal feet of terminal apron under lease by such Signatory Airline multiplied by the terminal apron rate. The terminal apron rate per lineal foot of terminal apron leased by a Signatory Airline (excluding the terminal apron associated with Concourses A and B) is equal to the terminal apron cost divided by the total lineal feet of terminal apron lease by a Signatory Airline (excluding the terminal apron associated with Concourses A and B). The terminal apron rate per lineal foot of the terminal apron associated with Concourses A and B leased by a Signatory Airline is equal to the terminal apron cost divided by 50% of the total lineal feet of terminal apron associated with Concourses A and B leased by a Signatory Airline. The terminal apron cost is equal to the Recoverable Costs allocable to the Terminal Apron cost center plus (a) the costs of the Concourses A and B apron area deferred and not yet charged from the date of occupancy through December 31, 2005 which will be charged starting January 1, 2006 through December 31, 2035 at \$159,950.19 annually, and (b) the Terminal Apron Repair and Replacement Amount.

**Terminal Building Rents.** Each Signatory Airline will pay monthly terminal building rentals (for unjanitored and janitored space) and the Lindbergh Terminal Repair and Replacement Surcharge. The terminal building rental rate per square foot for unjanitored space is calculated by dividing the net terminal building cost by total rentable space, excluding rentable space in the G Concourse. The net terminal building cost is calculated as (a) Recoverable Costs, plus (b) the costs of Concourses A, B, C and D deferred and not yet charged from date of occupancy through December 31, 2005 which will be charged starting January 1, 2006 through December 31, 2035 at \$2,910,547.40 annually, less (i) the reimbursed expense of steam and chilled water on the G Concourse carousel and conveyor capital costs and operation and maintenance expenses, ground power, loading dock and consortium utilities and (ii) janitorial operation and maintenance expenses.

The terminal building rental rate per square foot for janitored space is calculated as the terminal building rental rate per square foot for unjanitored space plus an additional amount, the janitored rate, per square foot, calculated by dividing total direct janitorial operation and maintenance expenses by the total janitored space in the terminal building, excluding the Commission and mechanical space.

**IAF Use Fees.** Each Signatory Airline using the IAF will pay the Commission an IAF use fee and an IAF gate use fee. The IAF use fee, which is charged for use of the IAF located on the G Concourse, is calculated as the sum of certain costs associated with the IAF divided by total international arrivals at the IAF on the G Concourse. A gate use fee per aircraft operation also is charged for the use of gates, ramps and loading bridges on the IAF. The gate use fee per operation is \$400, \$800 and \$1,200 for propeller aircraft, narrowbody aircraft and widebody jet aircraft, respectively.

**Carousel and Conveyor Charge.** The carousel and conveyor charge is calculated as the sum of (a) equipment charges associated with the carousel and conveyor, including Debt Service, (b) maintenance expense and (c) service charge. These costs are allocated among the Signatory Airlines using a common use formula, which allocates 20% of the cost equally among each airline using such space and 80% of the cost on the basis of enplaned passengers (airlines that only operate aircraft with 40 seats or less are excluded from the proration of the 20% of costs).

**Other Fees and Charges.** The Commission charges certain other fees and charges for the use of the Airport.

## **Revenue Sharing**

Beginning January 1, 2006, in conjunction with the year end adjustments of rents, fees and charges, the Commission will rebate to the Signatory Airlines a portion of the Annual Gross Revenues for Selected Concessions for the most recent Fiscal Year under the following schedule (“Revenue Sharing”) (all dollar amounts set forth below apply for 2006 only and will be escalated for each Fiscal Year after 2006 on an annual compounded basis by the Selected Concession Revenue Escalation Factor):

a. If Annual Gross Revenues for the Selected Concessions for 2006 are between \$25 million and \$32.299 million for the Fiscal Year, 25% of gross revenues;

b. If Annual Gross Revenues for the Selected Concessions are above \$ 32.299 million for the Fiscal Year, 25% of gross revenues up to \$32.299 million and 50% of gross revenues above \$32.299 million;

If Annual Gross Revenues for the Selected Concessions are below \$25 million for the Fiscal Year;

a. \$24 million to \$24.99 million – 20%

b. \$23 million to \$23.99 million – 15%

c. \$22 million to \$22.99 million – 10%

d. \$21 million to \$21.99 million – 5%

The total rebate amount will be allocated among Signatory Airlines according to their pro rata share of Enplaned Passengers for the Fiscal Year and will be structured as a post-year-end check to each Signatory Airline issued by the Commission no later than 240 days following each Fiscal Year, subject to correction following any applicable audit.

Notwithstanding the foregoing, the Commission will have the right to reduce the amount of Revenue Sharing with respect to any Fiscal Year to the extent necessary so that the Net Revenues taking into account the Revenue Sharing for such Fiscal Year will not be less than 1.25x of the total Debt Service for such Fiscal Year. In the event that the Revenue Sharing is reduced in any Fiscal Year by any amount (the “Deferred Revenue Sharing Amount”) as a result of the operation of this paragraph, the Commission will accrue the Deferred Revenue Sharing Amount and credit such amount to the Signatory Airlines in the subsequent Fiscal Year (or, if such amount may not be credited in accordance with the Airline Lease Agreement in such subsequent Fiscal Year, then such amount will be credited in the next succeeding Fiscal Year in which such credit may be issued in accordance with the Airline Lease Agreements; and

The rights of any Signatory Airline to any payment, credit or application of Revenue Sharing to or for the benefit of such Signatory Airline is a contract right, in existence and effective as of January 1, 2006 (subject to the provisions of the Airline Lease Agreements), and any such payment, credit or application actually made is proceeds thereof.

## **Reversion to Pre-Third Amendment to Airline Lease Agreement Rate Structure**

In the event a Signatory Airline is not in compliance with any payment obligation under any agreement with the Commission, during the period following any applicable notice and cure period, the Commission will have the right to have such Signatory Airline’s payment obligations under the Airline Lease Agreement during the payment default period revert to the rates and charges structure in effect prior to the effective date of the Third Amendment to the Airline Lease Agreement (which included direct and indirect depreciation and imputed interest on net Capital Costs in Recoverable Costs instead of Debt Service) and apply any accrued but unpaid Revenue Sharing credits otherwise due to the Signatory Airline for the payment default period against any amounts owed by the Signatory Airline to the Commission.

## Capital Expenditures

**General.** Subject to the provisions of the subsections entitled “Capital Projects Subject to MII Review” and “2010 Plan Airfield Programs” below, the Commission may incur costs to plan, design, and construct Capital Projects to preserve, protect, enhance, expand, or otherwise improve the Airport System, or parts thereof, at such time or times as it deems appropriate, and may recover through airline rents, fees, and charges the costs of such Capital Projects.

Subject to the provisions of this Section, the Commission may pay the Capital Cost associated with any Capital Project using funds lawfully available for such purposes as it deems appropriate, and may issue Airport Bonds in amounts sufficient to finance any Capital Project.

The Commission will use its best efforts to obtain and maximize: (a) federal and state grants, including MNDOT and AIP grants; (b) \$186,000,000 in federal letter of intent (“LOI”) and side agreements; and (c) \$50,000,000 in additional entitlement/discretionary money for a total of \$236,000,000.

The Airline Lease Agreement will not be interpreted: (a) to impair the authority of the Commission to impose a Passenger Facility Fee or to use the Passenger Facility revenue as required by the PFC Act or PFC Regulations; (b) to restrict the Commission from financing, developing or assigning new capacity at the Airport with Passenger Facility revenue if and to the extent such restriction would violate the PFC Act or PFC Regulations; (c) to preclude the Commission from funding, developing, or assigning new capacity at the Airport with PFC revenue in any manner required by the PFC Act or the PFC Regulations; or (d) to prevent the Commission from exercising any other right it is required to retain by the PFC Act or PFC Regulations if and to the extent it is so required to be retained by the PFC Act or PFC Regulations. Subject to these provisions, however, the Commission and a Signatory Airline have agreed as follows:

(a) A Signatory Airline and the Commission have agreed that the Commission may impose a PFC throughout the Term.

(b) The Commission will use all PFC revenue, including PFCs attributable to increases in the PFC collection rate, collected during the Term to pay the Capital Costs of the 2010 Plan, as the same may be amended pursuant to the terms of the Airline Lease Agreement, and any associated debt service, except that to the extent that PFC’s are not legally authorized to be used for such purpose under applicable law, they may be expended for the purposes for which they are legally authorized.

(c) Actual PFC revenue from the lesser of 90% of Originating Passengers or 45% of Enplaned Passengers for the period from 2011 to 2030 will be applied to fund Capital Costs associated with the 2010 Plan before being applied in any other manner. A portion (as defined below) of the PFC’s expected to be collected for the period from 2011 to 2030 will be used to structure a bond issue to fund Capital Costs associated with the 2010 Plan. Such Capital Costs will not be charged to airline cost centers, however debt service not actually paid with PFC’s may be recovered from the Airlines through a special charge to the appropriate airline cost center. This “portion” shall be determined by the Commission, after consultation with its financial advisors in conjunction with the issuance of debt associated with the 2010 Plan, based upon its projections of the amount of PFC revenue which will be generated from the lesser of 90% of the projected Originating Passengers or 45% of the projected Enplaned Passengers for the period from 2011 to 2030, based upon the Commission’s forecasts of passenger growth and an assumed \$5.00 per passenger PFC collection rate.

The Commission has agreed to structure debt so that the Commission’s construction fund balance will not exceed \$125,000,000 on December 31, 2010. Any excess beyond this amount will be applied to reduce debt.

**Capital Projects Subject to MII Review.** The Commission may not recover through airline rents, fees, or charges the Capital Costs, including the Off-Airport Aircraft Noise Costs, of any Capital Project in the Airfield Cost Center whose gross project costs exceed \$1,000,000 without the prior approval of a Majority-In-Interest of Signatory Airlines.

Notwithstanding the foregoing and subject to the limitations described below, the 2010 Plan Airfield Programs shall be deemed to be Approved by a Majority-in-Interest of Signatory Airlines.

***Capital Projects Not Subject to MII Review.*** Without the prior approval of a Majority-In-Interest of Signatory Airlines, the Commission may incur costs to plan, design, and construct at such time or times as it deems appropriate, and may recover through airline rents, fees, and charges the costs of the following Capital Projects:

(a) Any Capital Project that is not in the Airfield Cost Center except as set forth in the subsection entitled “2010 Plan Airfield Programs” below. The Commission plans to undertake a program of improvements to the Airport System known as the 2010 Plan. The 2010 Plan, which is described in the Airline Lease Agreement, includes Capital Projects that are not in the Airfield Cost Center as well as the 2010 Plan Airfield Programs.

(b) Any Capital Project in the Airfield Cost Center that is necessary to comply with a rule, regulation, or order of any governmental agency, other than an ordinance of the Commission, that has jurisdiction over the operation of the Airport.

(c) Any Capital Project in the Airfield Cost Center that is necessary to satisfy a final judgment against the Commission rendered by a court of competent jurisdiction.

(d) Any Capital Project in the Airfield Cost Center that is necessary to repair casualty damage, the cost of which exceeds the proceeds of applicable insurance; provided that the Commission may recover the Capital Cost of such repair only to the extent that the cost of reconstruction or replacement exceeds the insurance proceeds available for such purposes.

***2010 Plan Airfield Programs.*** Subject to the limitations described below, the Commission has the right to incur costs to plan, design, and construct at such time or times as it deems appropriate and to recover through airline rents, fees, and charges the costs of the 2010 Plan Airfield Programs.

The Commission may add, delete, or otherwise modify components of the 2010 Plan Airfield Programs; provided, however, that no such modifications may materially change the scope of any of the 2010 Plan Airfield Programs without the prior approval of a Majority-In-Interest of Signatory Airlines.

The Airline Lease Agreements present an Original Cost Estimate of each 2010 Plan Airfield Program, which the Commission may revise from time to time to reflect material scope changes approved by the Commission and by a Majority-In-Interest of the Signatory Airlines; annually to adjust for inflation; and to reflect increases in the cost of the Noise Mitigation Program caused by increases in the size of the approved 65 DNL noise contour, as documented in the FAR Part 150 Program.

In the event the Current Cost Estimate of any of the 2010 Plan Airfield Programs exceeds the Original Cost Estimate, as revised, for such Program, then the Commission at its sole discretion shall do one or more of the following: (a) after consultation with Airlines, modify or defer until after 2010 a sufficient number of projects contained in such Program so that the Current Cost Estimate does not exceed the Original Cost Estimate, as revised; or (b) fund the amount of the excess and exclude depreciation and interest on such amount from the calculation of rents, fees, and charges; or (c) obtain approval for additional costs from a Majority-In-Interest of Signatory Airlines, which approval is required only on the portion of the Current Cost Estimate that exceeds the Original Cost Estimate, as revised.

### **Indemnity and Liability Insurance**

The Airline Lease Agreements require each Signatory Airline to indemnify, defend, save and hold harmless the Commission and its Commissioners, officers, and employees (collectively, “Indemnitees”) from and against any and all liabilities, losses, damages, suits, actions, claims, judgments, settlements, fines or demands of any person other than an Indemnatee arising by reason of injury or death of any person, or damage to any property, including all reasonable costs for investigation and defense thereof (including but not limited to attorneys’ fees, court costs, and

expert fees), of any nature whatsoever arising out of or incident to (a) the use or occupancy of, or operations of a Signatory Airline at or about the Airport, or (b) the acts or omissions of a Signatory Airline's officers, agents, employees, contractors, subcontractors, licensees, or invitees, regardless of where the injury, death or damage may occur, unless such injury, death or damage is caused by (i) the negligent act or omission of an Indemnitee whether separate or concurrent with negligence of others, including a Signatory Airline or (ii) the breach by an Indemnitee of the Airline Lease Agreement. The Airline Lease Agreements further provide for indemnification by each Signatory Airline for certain environmental liabilities.

The Airline Lease Agreements require each Signatory Airline to provide, without cost or expense to the Commission, and maintain in force throughout the full Term the following insurance coverages as appropriate, insuring a Signatory Airline and the Commission against the liabilities set forth in:

(a) Aircraft liability insurance and comprehensive general public liability insurance for claims of property damage, bodily injury, or death allegedly resulting from a Signatory Airline's activities into, on, and leaving any part of the Airport, in an amount not less than \$300,000,000 per occurrence for Airlines operating aircraft over 100 seats, and not less than \$200,000,000 for Airlines operating aircraft with 99 or fewer seats, and not less than \$100,000,000 for Airlines operating aircraft with 59 or fewer seats. For purposes of this Section, the number of seats is determined based upon the largest aircraft in a Signatory Airline's fleet.

(b) Liquor liability insurance for any facility of a Signatory Airline serving alcoholic beverages on the Airport in an amount not less than \$10,000,000.

(c) Hangarkeepers liability insurance in an amount adequate to cover any non-owned property in the care, custody and control of a Signatory Airline on the Airport, but in any event in an amount not less than \$5,000,000.

(d) Automobile liability insurance in an amount adequate to cover vehicles operating on the Airport in an amount not less than \$5,000,000 combined single limit.

The Commission may allow the insurance coverage required in the Airline Lease Agreement to be provided through a self-insurance plan established by a Signatory Airline. The self-insurance plan may consist of a combination of primary, excess umbrella insurance and self-insurance protection and must be no less than the limits stated above.

The Commission, in operating the Airport, will carry and maintain comprehensive general liability insurance in such amounts as would normally be maintained by public bodies engaged in carrying on similar activities.

#### **Events of Default; Remedies**

***Events of Default.*** The occurrence and continuation of any one or more of the following shall constitute an event of default under the Airline Lease Agreements:

(a) a Signatory Airline fails to make payment in full when due of any rents, fees, charges or any other amount payable under the Airline Lease Agreement within five business days after notice thereof from the Commission;

(b) a Signatory Airline shall fail to make any PFC remittance to the Commission in a timely fashion, or shall fail to timely comply with its PFC reporting requirements to the Commission, or any other entity, in connection with PFCs collected on behalf of the Commission;

(c) a Signatory Airline fails to submit a Monthly Activity Report to the Commission on or before the tenth day of each month;

(d) a Signatory Airline shall make or permit any unauthorized assignment or transfer of the Airline Lease Agreement, or any interest therein, or of the right to use or possession of the Premises, or any part thereof;

(e) any insurance required by the terms of the Airline Lease Agreement shall at any time not be in full force or effect;

(f) failure of a Signatory Airline to perform, comply with, or observe, in any material respect, any other term, condition or covenant of the Airline Lease Agreement not identified elsewhere in subsections (a) through (k) of this section within 30 days after receipt of notice from the Commission of such failure, or for such longer period of time as may be reasonably necessary to cure the event of default, but only for such longer period if: (i) a Signatory Airline is reasonably capable of curing the event of default and (ii) a Signatory Airline promptly and continuously undertakes to cure and diligently pursues the curing of the event of default at all times until such event of default is cured;

(g) any representation or warranty of a material fact made by a Signatory Airline in the Airline Lease Agreement or in any certificate or statement furnished to the Commission pursuant to or in connection with the Airline Lease Agreement proves untrue in any material respect as of the date of issuance or making thereof;

(h) (i) a Signatory Airline shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to a Signatory Airline, or seeking to adjudicate a Signatory Airline a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, composition or other relief with respect to a Signatory Airline or any of its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for a Signatory Airline or for all or any substantial part of any of its property; or (ii) a Signatory Airline shall make a general assignment for the benefit of its creditors; or (iii) there shall be commenced against a Signatory Airline any case, proceeding or other action of nature referred to in clause (i) above or seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of any of its property, which case, proceeding or other action results in the entry of an order for relief or remains undismissed, unvacated, undischarged and unbonded for a period of 60 days; or (iv) a Signatory Airline shall take any action consenting to or approving of any of the acts set forth in clause (i) or (ii) above; or (v) a Signatory Airline shall generally not, or shall be unable to, pay its debts as they become due or shall admit in writing its inability generally to pay its debts as they become due;

(i) any money judgment, writ or warrant of attachment or similar process, or any combination thereof, involving an amount in excess of \$25,000,000 shall be entered or filed against a Signatory Airline or any of its assets and shall remain undischarged, unvacated, unbonded and unstayed for a period of 60 days or in any event later than five days prior to the date of any proposed sale or execution thereunder;

(j) any act occurs that deprives a Signatory Airline permanently of any material right, power or privilege necessary for the conduct and operation of its Air Transportation Business; or

(k) if a Signatory Airline ceases to provide scheduled air service at the Airport for a period of 30 consecutive days or abandons or fails to use its Exclusive Use Space for a period of 30 consecutive days, except when such cessation or abandonment is due to the default of the Commission or the circumstances described in the Airline Lease Agreement relating to an event of force majeure.

**Remedies.** If an event of default occurs under the Airline Lease Agreement, the Commission, at its option, may at any time thereafter, do one or more of the following as the Commission in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

- (a) Declare all rents, fees and other charges payable under the Airline Lease Agreement, whether currently or thereafter accruing, to be immediately due and payable;
- (b) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by a Signatory Airline of the applicable covenants and terms of the Airline Lease Agreement or to recover damages for the breach thereof;
- (c) Enter and take possession of the Premises and/or the rights of a Signatory Airline under the Airline Lease Agreement without such re-entry terminating a Signatory Airline's obligations for the full Term thereof, which remedy shall be in addition to all other remedies at law or in equity, including action for forcible entry and lawful detainer, for ejectment or for injunction;
- (d) Terminate all rights of a Signatory Airline under the Airline Lease Agreement (without terminating the continuing obligation of a Signatory Airline to fulfill its past and future obligation under the Airline Lease Agreement) and in such case a Signatory Airline further agrees to indemnify and hold harmless the Commission against all loss in rents, fees, and charges and other damages which the Commission shall incur by reason of such termination, including, without limitation, costs of restoring and repairing the Premises and putting the same in rentable condition, costs of reletting the Premises to another Airline (including without limitation a Signatory Airline improvement costs and related fees), loss or diminution of rents and other damage which the Commission incurs by reason of such termination, and all reasonable attorneys' fees and expenses incurred in enforcing the terms of the Airline Lease Agreement;
- (e) In the event of any default under the Airline Lease Agreement, a Signatory Airline shall reimburse the Commission for all reasonable fees and costs incurred by the Commission, including reasonable attorneys' fees, relating to such default and/or the enforcement of the Commission's rights under the Airline Lease Agreement; and
- (f) Apply all Contract Security granted by a Signatory Airline to any unpaid obligations of a Signatory Airline under the Airline Lease Agreement.

## **Termination**

***Termination by the Commission.*** An Airline Lease Agreement may be terminated by the Commission pursuant to the provisions regarding default above and as otherwise specified in the Airline Lease Agreement.

***Termination by a Signatory Airline.*** A Signatory Airline is allowed to terminate its obligations under the Airline Lease Agreement if any of the following events occur:

- (a) If the Commission shall fail to perform, comply with, or observe, in any material respect, any term, condition or covenant of the Airline Lease Agreement within 30 days after receipt of notice from a Signatory Airline of such failure, or for such longer period of time as may be reasonably necessary to cure the event of default but only for such longer period if: (i) the Commission is reasonably capable of curing the event of default and (ii) the Commission promptly and continuously undertakes to cure and diligently pursues the curing of the event of default at all times until such event of default is cured, then a Signatory Airline, if not then in default, may, without limiting any of its other rights and remedies against the Commission, at its option cancel the Airline Lease Agreement and thereby terminate the Airline Lease Agreement.
- (b) It is further understood and agreed that, at any time when a Signatory Airline is not then in default, it may cancel the Airline Lease Agreement on 60 days' notice in writing to the Commission upon the happening of any one of the following events:
  - (i) Issuance by any court of competent jurisdiction of an injunction in any way preventing or restraining the use of the Airport or any part thereof essential for a Signatory

Airline's operations under the Airline Lease Agreement and the remaining in force of such injunction for a period of at least 90 days.

(ii) Inability of a Signatory Airline to use the Airport or any part thereof essential for a Signatory Airline's operations under the Airline Lease Agreement for a period of not less than 90 days because of fire, explosion, earthquake, or other casualty or acts of God or the public enemy, unless within 60 days of the casualty, the Commission gave a Signatory Airline written notice of its intention to repair or reconstruct, as provided in the Airline Lease Agreement.

(iii) The lawful assumption by the United States of America or any authorized agency thereof of the operation, control, or use of the Airport and the facilities thereon or any substantial part or parts thereof, in such manner as substantially to restrict a Signatory Airline for a period of not less than 90 days from operating thereon for the carrying of passengers, cargo, express, property, and United States mail.

(iv) Termination or the suspension or substantial modification for a period of not less than 90 days of the operating authority of a Signatory Airline to serve the Minneapolis-St. Paul metropolitan area through the Airport by final order of the DOT or other governmental agency, federal or state, having jurisdiction over a Signatory Airline.

(c) If any of the foregoing continues for a period of less than 90 days, a Signatory Airline shall have the right upon written notice to the Commission to abatement of rents, fees and charges to the extent and for the period that a Signatory Airline is unable to carry on its operations under the Airline Lease Agreement.

***Termination by Government Taking.*** In the event the Premises shall be taken by governmental authority through exercise of its power of eminent domain or other authority justifying such taking, the Airline Lease Agreement shall terminate and the rents, fees and charges in respect to said premises shall cease as of the date possession is taken by the taking authority, and the Commission shall be entitled to all damages payable by reason of taking, subject to the claim of a Signatory Airline for the value of its leasehold, which claim or claims as to validity and amount shall be a matter for determination between a Signatory Airline and the Commission, and if a Signatory Airline and the Commission cannot reach a determination, then by the court having jurisdiction of such proceeding, provided that nothing contained in the Airline Lease Agreement shall preclude a Signatory Airline from asserting any claims or rights it may have against such governmental authority as to its separate property, leasehold improvements, and trade fixtures.

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## APPENDIX D

### PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Metropolitan Airports Commission  
Minneapolis, Minnesota

\$52,015,000  
Minneapolis St. Paul Metropolitan Airports Commission  
Subordinate Airport Revenue Refunding Bonds  
Series 2011A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Metropolitan Airports Commission (the "Commission") in connection with the issuance and sale by the Commission of \$52,015,000 aggregate principal amount of its Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A (the "Subordinate Series 2011A Bonds"). The Subordinate Series 2011A Bonds are being issued to (a) advance refund and defease \$54,435,000 aggregate principal amount of the Commission's outstanding Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2003A (the "Refunded Bonds"), and (b) pay the costs of issuance of the Subordinate Series 2011A Bonds, all as described in the hereinafter defined Ninth Supplemental Subordinate Indenture.

The Subordinate Series 2011A Bonds are being issued pursuant to Section 473.601 et seq. of the Minnesota Statutes (the "Act"), the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended (the "Master Subordinate Indenture"), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), as trustee (the "Subordinate Trustee"), and a Ninth Supplemental Subordinate Trust Indenture, dated as of November 1, 2011 (the "Ninth Supplemental Subordinate Indenture"), by and between the Commission and the Subordinate Trustee. Issuance of the Subordinate Series 2011A Bonds has been authorized by Resolution No. 2162, adopted by the Commission on September 19, 2011 (the "Resolution").

The Subordinate Series 2011A Bonds are revenue obligations of the Commission payable from the Net Pledged Revenues (as defined in the Master Subordinate Indenture). Neither the faith and credit nor the taxing power of the Commission, the Cities of Minneapolis and St. Paul, Minnesota, the State of Minnesota or any public agency of the State of Minnesota, other than the Commission, to the extent of the Net Pledged Revenues, is pledged to the payment of the principal of or interest on the Subordinate Series 2011A Bonds.

In connection with the issuance of the Subordinate Series 2011A Bonds, we have examined the following:

- (a) a copy of the Act;
- (b) a certified copy of the Resolution;
- (c) an executed counterpart of the Master Subordinate Indenture;
- (d) an executed counterpart of the Ninth Supplemental Subordinate Indenture;
- (e) an executed counterpart of the Master Trust Indenture, dated as of June 1, 1998, as amended (the "Master Senior Indenture"), by and between the Commission and Wells Fargo Bank, National Association

(successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as trustee (the “Senior Trustee”);

(f) an executed counterpart of the Fourth Supplemental Subordinate Trust Indenture, dated as of July 1, 2003, by and between the Commission and the Subordinate Trustee;

(g) certifications of the Commission and others;

(h) an executed copy of a Tax Compliance Certificate dated this date relating to the Subordinate Series 2011A Bonds (the “Tax Certificate”);

(i) an opinion of the Commission’s General Counsel;

(j) an executed counterpart of the Escrow Agreement, dated November 2, 2011, by and between the Commission and the Subordinate Trustee, as trustee and escrow agent, with respect to the Refunded Bonds;

(k) an executed copy of the Verification Report, dated November 2, 2011, by Causey Demgen & Moore Inc.; and

(l) such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Commission validly exists as a public corporation under the laws of the State of Minnesota, with the power to execute the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture and to issue the Subordinate Series 2011A Bonds.

2. The Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the Commission and, assuming due authorization, execution and delivery by the Subordinate Trustee, represent valid and binding agreements of the Commission enforceable in accordance with their terms.

3. The Subordinate Series 2011A Bonds have been validly authorized, executed and issued in accordance with the Act, the Resolution, the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture. The Subordinate Series 2011A Bonds represent valid and binding limited obligations of the Commission payable solely from and secured by an assignment and pledge by the Commission to the Subordinate Trustee of the Net Pledged Revenues and certain funds and accounts created under the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture, and not out of any other fund or money of the Commission, the Cities of Minneapolis or St. Paul or the State of Minnesota. Neither the faith and credit nor the taxing power of the Commission, the Cities of Minneapolis and St. Paul, Minnesota, the State of Minnesota or any public agency of the State of Minnesota, other than the Commission, to the extent of the Net Pledged Revenues, is pledged to the payment of the principal of or interest on the Subordinate Series 2011A Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2011AC Bonds is excluded from gross income for federal income tax purposes. Interest on the Subordinate Series 2011AC Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in the federal alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporation over the federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses) of such corporations.

5. Interest on the Subordinate Series 2011A Bonds is not includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includible in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes.

The opinions set forth in paragraph 4 regarding the exclusion of interest from gross income of the recipient is subject to the accuracy of certain representations and the continuing compliance by the Commission with covenants regarding federal tax law contained in the Master Subordinate Indenture, the Ninth Supplemental Subordinate Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Subordinate Series 2011A Bonds to be included in gross income retroactive to the date of issuance of the Subordinate Series 2011A Bonds. Although we are of the opinion that interest on the Subordinate Series 2011A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Subordinate Series 2011A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The obligations of the Commission and the security provided therefor, as contained in the Subordinate Series 2011A Bonds, the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. As Bond Counsel to the Commission, we have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated October 4, 2011, or any other offering material relating to the Subordinate Series 2011A Bonds and express no opinion relating thereto. Our engagement with respect to the Subordinate Series 2011A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

Very truly yours,

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”) is executed and delivered by the Metropolitan Airports Commission (the “Commission”) in connection with the issuance of its Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A (the “Subordinate Series 2011A Bonds”). The Subordinate Series 2011A Bonds were issued pursuant to the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended (the “Master Subordinate Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), as trustee (the “Subordinate Trustee”), and the Ninth Supplemental Subordinate Trust Indenture, dated as of November 1, 2011 (the “Ninth Supplemental Subordinate Indenture,” and together with the Master Subordinate Indenture, the “Subordinate Indenture”), by and between the Commission and the Subordinate Trustee. Additionally, the Subordinate Series 2011A Bonds have been authorized by Resolution No. 2162 adopted by the Commission on September 19, 2011 (the “Resolution”). The Subordinate Series 2011A Bonds were issued under and in accordance with Minnesota Statutes, Sections 473.601, et seq. (the “Act”).

In consideration of the purchase of the Subordinate Series 2011A Bonds by the Participating Underwriter (as defined below), the Commission covenants and agrees as follows:

**Section 1. Purpose of the Certificate.** This Certificate is being executed and delivered by the Commission for the benefit of the Holders and Beneficial Owners of the Subordinate Series 2011A Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

**Section 2. Definitions.** In addition to the definitions set forth in the Subordinate Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Commission pursuant to, and as described in, Sections 3 and 4 of this Certificate.

“*Beneficial Owner*” means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Subordinate Series 2011A Bonds (including persons holding Subordinate Series 2011A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Subordinate Series 2011A Bonds for federal income tax purposes.

“*Dissemination Agent*” means the Commission, or any successor Dissemination Agent designated in writing by the Commission and which has filed with the Commission a written acceptance of such designation.

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“*Holders*” means either the registered owners of the Subordinate Series 2011A Bonds, or if the Subordinate Series 2011A Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Listed Events*” means any of the events listed in Section 5 of this Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, or any successor thereto.

“*Obligated Person*” means the Commission and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service

as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years of the Commission.

“*Official Statement*” means the Official Statement, dated October 4, 2011, prepared and distributed in connection with the initial sale of the Subordinate Series 2011A Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Subordinate Series 2011A Bonds required to comply with the Rule in connection with the offering of the Subordinate Series 2011A Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State*” means the State of Minnesota.

### **Section 3. Provision of Annual Reports.**

(a) The Commission shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 hereof by not later than 210 days after the end of the Commission’s fiscal year in each fiscal year. The Commission’s first Annual Report shall be due July 28, 2012. Not later than 15 Business Days prior to said date, the Commission shall provide the Annual Report to the Dissemination Agent (if other than the Commission). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate. The audited financial statements of the Commission may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Commission’s fiscal year. If the Commission’s fiscal year changes, the Commission, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Commission) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Commission to determine if the Commission is in compliance with subsection (a).

(c) If the Commission is unable to provide to the MSRB or the Dissemination Agent (if other than the Commission), an Annual Report by the date required in subsection (a), the Commission shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (or the Commission, as applicable) shall confirm in writing to the Commission that the Annual Report has been filed as required hereunder, stating the date filed.

(e) The Commission acknowledges that Delta Air Lines, Inc. (“Delta”) is the only Obligated Person other than the Commission at present and is required by federal law to file annual reports with the Securities and Exchange Commission. The Commission takes no responsibility for the accuracy or completeness of such filings by Delta or by any future Obligated Person. Unless no longer required by the Rule to do so, the Commission agrees to use its reasonable best efforts to cause Delta (to the extent Delta is not otherwise required under federal law to do so), and any future Obligated Person, to make Annual Reports available as contemplated by this Section 3. Any change in Obligated Persons shall be reported by the Commission in connection with the Annual Reports.

#### **Section 4. Content of Annual Reports.**

(a) The Commission's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Subordinate Series 2011A Bonds, unless otherwise noted):

(i) Audited financial statements of the Commission, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Commission's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Commission, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Table 1 — Metropolitan Airports Commission, Irrevocably Committed PFCs (only if such information changes);

(iii) Table 2 — Metropolitan Airports Commission, Senior Bonds;

(iv) Table 3 — Metropolitan Airports Commission, General Obligation Revenue Bonds;

(v) Table 4 — Metropolitan Airports Commission, Prior Subordinate Bonds;

(vi) Table 6 — Metropolitan Airports Commission, Debt Service Coverage (only with regards to historical information);

(vii) Table 11 — Minneapolis-St. Paul International Airport, O&D and Connecting Passengers;

(viii) Table 12 — Minneapolis-St. Paul International Airport, Historical Aircraft Operations;

(ix) Table 13 — Minneapolis-St. Paul International Airport, Trends in Aircraft Landed Weight;

(x) Table 14 — Minneapolis-St. Paul International Airport, Air Carriers Serving the Airport;

(xi) Table 15 — Minneapolis-St. Paul International Airport, Air Carrier Market Share, Total Enplaned Passengers;

(xii) Table 17 — Minneapolis-St. Paul International Airport, Air Carrier Market Share, Total Cargo Handled;

(xiii) Table 23 — Metropolitan Airports Commission, Summary of Statements of Revenues, Expenses and Changes in Net Assets;

(xiv) Table 24 — Minneapolis-St. Paul International Airport, Airline Revenue;

(xv) Table 25 — Metropolitan Airports Commission, Top Ten Operating Revenue Providers;

(xvi) Table 26 — Metropolitan Airports Commission, Top Ten Operating Revenue Sources;

(xvii) Table 33 — Metropolitan Airports Commission, Approved PFC Applications;  
and

(xviii) Table 34 — Metropolitan Airports Commission, Annual Collections of PFCs.

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Commission or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Commission shall clearly identify each such other document so included by reference.

#### **Section 5. Reporting of Significant Events.**

(a) The Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subordinate Series 2011A Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subordinate Series 2011A Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Subordinate Series 2011A Bonds or other material events affecting the tax status of the Subordinate Series 2011A Bonds;

2. Modifications to rights of the Owners of the Subordinate Series 2011A Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Subordinate Series 2011A Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee;

(c) The Commission shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3.

(d) Whenever the Commission obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Commission shall determine if such event would be material under applicable federal securities laws.

(e) If the Commission learns of an occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Commission shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Subordinate Series 2011A Bonds pursuant to the Subordinate Indenture.

**Section 6. Termination of Reporting Obligation.** The Commission's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Subordinate Series 2011A Bonds, or upon delivery to the Dissemination Agent (if other than the Commission) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no

longer required. If such termination occurs prior to the final maturity of the Subordinate Series 2011A Bonds, the Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

**Section 7. Dissemination Agent.** From time to time, the Commission may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Commission) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the Commission) shall not be responsible in any manner for the content of any notice or report prepared by the Commission pursuant to this Certificate.

**Section 8. Amendment Waiver.** Notwithstanding any other provision of this Certificate, the Commission may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Subordinate Series 2011A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Subordinate Series 2011A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Subordinate Series 2011A Bonds in the same manner as provided in the Subordinate Indenture for amendments to the Subordinate Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Subordinate Series 2011A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Commission shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Commission to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Subordinate Series 2011A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission or the Dissemination Agent (if other than the Commission), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Subordinate Indenture and the sole remedy under this Certificate in the event of any failure of the Commission or

the Dissemination Agent (if other than the Commission) to comply with this Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Commission agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Subordinate Indenture. The obligations of the Commission under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Subordinate Series 2011A Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the Commission, the Dissemination Agent, the Participating Underwriter and the Holders and beneficial Owners from time to time of the Subordinate Series 2011A Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this 2<sup>nd</sup> day of November, 2011.

METROPOLITAN AIRPORTS COMMISSION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Metropolitan Airports Commission  
Name of Bond Issue: Minneapolis–St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A  
Date of Issuance: November 2, 2011  
CUSIP: 603827\_\_\_\_

NOTICE IS HEREBY GIVEN that the Metropolitan Airports Commission (the “Commission”) has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated November 2, 2011, executed by the Commission for the benefit of the holders and beneficial owners of the above referenced bonds. The Commission anticipates that the Annual Report will be filed by \_\_\_\_\_, 20\_\_.

Dated: \_\_\_\_\_

METROPOLITAN AIRPORTS COMMISSION

By \_\_\_\_\_  
Authorized Representative

## APPENDIX F

### BOOK-ENTRY-ONLY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The Commission makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Subordinate Series 2011A Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE COMMISSION NOR THE SUBORDINATE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SUBORDINATE SERIES 2011A BONDS UNDER THE SUBORDINATE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SUBORDINATE SERIES 2011A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SUBORDINATE SERIES 2011A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SUBORDINATE SERIES 2011A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

DTC will act as securities depository for the Subordinate Series 2011A Bonds. The Subordinate Series 2011A 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 Subordinate Series 2011A Bond certificate will be issued for each maturity of the Subordinate Series 2011A Bonds, 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Subordinate Series 2011A 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 Subordinate Series 2011A 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 Subordinate Series 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subordinate Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Subordinate Series 2011A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Subordinate Series 2011A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Subordinate Series 2011A Bond documents. For example, Beneficial Owners of Subordinate Series 2011A Bonds may wish to ascertain that the nominee holding the Subordinate Series 2011A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Subordinate Series 2011A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Subordinate Series 2011A Bonds of a maturity 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 Subordinate Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission 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 Subordinate Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Subordinate Series 2011A Bonds at any time by giving reasonable notice to the Commission or the Subordinate Trustee. Under such

circumstances, in the event that a successor depository is not obtained, certificates representing the Subordinate Series 2011A Bonds are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Subordinate Series 2011A Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but neither the Commission nor the Underwriters take any responsibility for the accuracy thereof.

**BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SUBORDINATE SERIES 2011A BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.**

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