PRELIMINARY OFFICIAL STATEMENT DATED APRIL 13, 2012

NEW ISSUE - BOOK ENTRY ONLY
CUSIP PREFIX:

RATINGS: Moody's: Baa1
S&P: A-
Fitch: BBB+

In the opinion of Buchanan Ingersoll & Rooney PC, Bond Counsel, under existing law: (1) (a) interest on the 2012A-1 Bonds is excludable from gross income for federal income tax purposes except for any period a 2012A-1 Bond is held by a person who, within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is a "substantial user" or a "related person" to a "substantial user" of the facilities financed with the proceeds of the 2012A-1 Bonds, and (b) the 2012A-1 Bonds are "private activity bonds" under the Code and, as such, interest on the 2012A-1 Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations; and (2)(a) interest on the 2012B Bonds is excludable from gross income for federal income tax purposes; and (b) the 2012B Bonds are not "private activity bonds" under the Code, and, as such, interest on the 2012B Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described herein in the discussion regarding the adjusted current earnings adjustment for corporations. Under the existing laws of the Commonwealth of Pennsylvania, the 2012 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2012 Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax. See "Tax Matters" herein.

ALLEGHENY COUNTY AIRPORT AUTHORITY
$21,965,000* Airport Revenue Bonds, Series 2012A-1 (AMT)
$13,185,000* Airport Revenue Bonds, Series 2012B (Non-AMT)
(Pittsburgh International Airport)

Dated: Date of Delivery

Due: January 1, as shown on the reverse side hereof

Interest on the 2012 Bonds will be paid on each January 1 and July 1 commencing July 1, 2012. The 2012 Bonds will be issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the 2012 Bonds. Purchases of beneficial interests in the 2012 Bonds will be made in book-entry only form (without certificates) in the denominations of $5,000 or any multiple thereof within the applicable maturity. So long as Cede & Co. is the registered owner of the 2012 Bonds, principal of, premium, if any, and interest on the 2012 Bonds will be payable by Wells Fargo Bank, N.A., as Trustee (the "Trustee"), to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the 2012 Bonds, as more fully described herein.

The 2012 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein. See "DESCRIPTION OF THE 2012 BONDS-Redemption Provisions."

The 2012 Bonds will be issued pursuant to a Trust Indenture dated as of December 1, 1999 (the "Indenture") between The Allegheny County Airport Authority (the "Authority") and the Trustee, as amended and supplemented by, among others, a Sixth Supplemental Indenture dated as of May 1, 2012. As more fully described herein, the proceeds of the 2012 Bonds, together with investment income thereon and other funds, will be used to (1) pay all or a portion of the costs of certain capital improvements undertaken by the Authority at Pittsburgh International Airport, (2) fund capitalized interest on and a debt service reserve fund for the 2012 Bonds, and (3) pay the costs of issuance of the 2012 Bonds. See, "THE PLAN OF FINANCE" herein.

The 2012 Bonds will be secured on a parity basis under the Indenture with certain bonds of the Authority as described herein. See "SECURITY FOR THE 2012 BONDS" herein.

THE 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE PRINCIPAL OF, INTEREST ON AND PREMIUM, IF ANY, ON THE 2012 BONDS ARE PAYABLE BY THE AUTHORITY ONLY OUT OF NET REVENUES (AS DEFINED IN THE INDENTURE) AND FROM SUCH OTHER MONEYS AS MAY BE AVAILABLE FOR SUCH PURPOSE. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE COUNTY OF ALLEGHENY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2012 BONDS. THE 2012 BONDS SHALL NOT BE OR BE DEEMED A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COUNTY OF ALLEGHENY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER. SEE "SECURITY FOR THE 2012 BONDS."

The 2012 Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters subject to the approving legal opinion of Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Schnader Harrison Segal & Lewis LLP, Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the Underwriters by their counsel, Campbell & Levine, LLC, Pittsburgh, Pennsylvania. It is expected that delivery of the 2012 Bonds will be made in New York, New York through the facilities of DTC on or about May __, 2012 against payment therefor.

Jefferies

Piper Jaffray & Co. **PNC Capital Markets LLC** **Siebert Brandford Shank & Co., L.L.C.**

The date of this Official Statement is April __, 2012.

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* Preliminary, subject to change

$21,965,000*
ALLEGHENY COUNTY AIRPORT AUTHORITY
Airport Revenue Bonds, Series 2012A-1 (AMT)
(Pittsburgh International Airport)

MATURITIES (January 1)	PRINCIPAL AMOUNTS	INTEREST RATE	YIELDS

$13,185,000*
ALLEGHENY COUNTY AIRPORT AUTHORITY
Airport Revenue Bonds, Series 2012B (Non-AMT)
(Pittsburgh International Airport)

MATURITIES (January 1)	PRINCIPAL AMOUNTS	INTEREST RATE	YIELDS

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* Preliminary, subject to change

This Official Statement is provided in connection with the issuance of the 2012 Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Authority and other sources which are believed to be reliable. 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 law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Authority deems this Official Statement to be final for purposes of SEC Rule 15c2-12(b)(3).

No dealer, broker, salesman or other person has been authorized by the Authority, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. 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 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the 2012 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.FLYPITTSBURGH.COM AND WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITES.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2012 BONDS AT A LEVEL ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Allegheny County Airport Authority

$21,965,000*
Airport Revenue Bonds Series 2012A-1 (AMT)
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Airport Revenue Bonds Series 2012B (Non-AMT)
(Pittsburgh International Airport)

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, is furnished in connection with the offering by The Allegheny County Airport Authority (the "Authority") of $21,965,000* aggregate principal amount of Airport Revenue Bonds, Series 2012A-1 (AMT) (Pittsburgh International Airport) (the "2012A-1 Bonds") and $13,185,000* aggregate principal amount of Airport Revenue Bonds, Series 2012B (Non-AMT) (Pittsburgh International Airport) (the "2012B Bonds", and together with the 2012A-1 Bonds, the "2012 Bonds").

The Authority is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") pursuant to the Municipality Authorities Act, Act 22 of 2001, as amended (53 Pa. C.S.A. § 5601 et seq.) (the "Act"), having been duly organized by the County of Allegheny, Pennsylvania (the "County") on June 17, 1999. See "THE AUTHORITY" herein.

The Authority presently leases and operates two airports, the Pittsburgh International Airport (the "Airport") and the Allegheny County Airport (the Airport and the Allegheny County Airport are collectively referred to herein as the "Airport System"). On November 15, 1999, pursuant to an Airport Operation, Management and Transfer Agreement and Lease between the County and the Authority, as amended (the "Transfer Agreement"), the County transferred and leased the Airport System to the Authority for a term of 25 years with two 25-year extension options exercisable at the option of the Authority (such transfer and lease is referred to herein as the "Transfer"). See "TRANSFER OF THE AIRPORT SYSTEM TO THE AUTHORITY" herein.

In connection with the Transfer, the Authority has assumed the obligations of the County with respect to certain general obligation and airport revenue bonds previously issued by the County to finance construction and development of the Airport. The only currently outstanding debt which existed prior to the transfer consists of $52,440,000 in principal amount of the County's Airport Revenue Refunding Bonds, Series 1997A (AMT) and $59,816 in principal amount of the County's General Obligation Refunding Bonds, Series C-56. See "OUTSTANDING DEBT OF THE AUTHORITY" herein.

The proceeds of the 2012 Bonds, together with investment income thereon and other funds, will be used to pay (a) a portion of the costs of certain capital projects at the Airport described below under "THE PLAN OF FINANCE" (the "2012 Capital Projects"), (b) the costs of funding capitalized interest on and a debt service reserve fund for the 2012 Bonds, and (c) the costs of issuance of the 2012 Bonds. In order to provide additional funds toward the 2012 Capital Projects, contemporaneously with the issuance of the 2012 Bonds, the Authority is issuing its Airport Revenue Bond Series 2012A-2 (AMT) in the principal amount of $14,085,000* (the "2012A-2 Bond"). **The 2012A-2 Bond is not being offered pursuant to this Official Statement.** See "THE PLAN OF FINANCE" herein.

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* Preliminary, subject to change

The 2012 Bonds will be issued pursuant to a Trust Indenture dated as of December 1, 1999 (the "Original Indenture"), as amended and supplemented by the First Supplemental Indenture dated as of July 1, 2001, by the Second Supplemental Indenture dated as of July 15, 2001, by the Third Supplemental and Amending Indenture dated as of August 1, 2002, as amended and restated by the Amending and Restating Third Supplemental Indenture dated as of November 1, 2006, and as further amended and supplemented by the Fourth Supplemental Indenture dated as of October 1, 2007, by the Fifth Supplemental Trust Indenture, dated as of September 1, 2010, and by the Sixth Supplemental Trust Indenture, dated as of May 1, 2012, each between the Authority and Wells Fargo Bank, N.A., as successor to National City Bank of Pennsylvania, as trustee (the "Trustee"). The Original Indenture, as so amended and supplemented, is herein called the "Indenture." The 2012 Bonds will be secured by a pledge of Net Revenues (as defined in the Indenture). See "SECURITY FOR THE 2012 BONDS."

The 2012 Bonds are limited obligations of the Authority. The principal of, interest on and premium, if any, on the 2012 Bonds are payable by the Authority only out of Net Revenues and from such other moneys as may be available for such purpose. Neither the general credit of the Authority nor the credit or taxing power of the County, the Commonwealth or any political subdivision thereof is pledged for the payment of the 2012 Bonds. The 2012 Bonds shall not be or be deemed a general obligation of the Authority or an obligation of the County, the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

Capitalized terms used in this Official Statement which are defined in the Indenture shall have the meanings ascribed to them in the Indenture. Certain such capitalized terms are accompanied by abbreviated definitions herein and reference is hereby made to the Indenture for complete definitions of such terms. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions of Certain Terms."

THE PLAN OF FINANCE

Proceeds from the sale of the 2012 Bonds, together with proceeds from the sale of the 2012A-2 Bond, will be applied by the Authority to pay (i) a portion of the costs of the 2012 Capital Projects, (ii) the costs of funding capitalized interest on and a debt service reserve account for the 2012 Bonds, and (iii) the costs of issuing the 2012 Bonds.

The 2012 Capital Projects are part of the Authority's long term capital improvement plan described below under "FUTURE AIRPORT DEVELOPMENT PLANS". The most significant of the 2012 Capital Projects include (i) approximately \$12 million for completion of a parking garage rehabilitation project, (ii) approximately \$20 million for rehabilitation and improvements to the Airport terminal, including roof replacement and interior maintenance and upgrades, (iii) approximately \$8 million for rehabilitation and/or replacement of people mover cars for the Airport's internal transit system, and (iv) approximately \$5 million for energy savings projects such as electrical and mechanical system improvements. See APPENDIX B – REPORT OF THE AIRPORT CONSULTANT for additional information about the 2012 Capital Projects and the Authority's Capital Improvement Program.

Contemporaneously with the issuance of the 2012 Bonds, the Authority is also issuing its Airport Revenue Bond, Series 2012A-2 (AMT) in the principal amount of \$14,085,000* (the "2012A-2 Bond"). The 2012A-2 Bond will be issued pursuant to the Indenture as a Senior Lien Bond (as defined in the Indenture), on parity with the 2012 Bonds and all other Senior Lien Bonds issued by the Authority. Proceeds of the 2012A-2 Bond will be applied to costs of the 2012 Capital Projects. **THE 2012A-2 BOND IS NOT BEING OFFERED PURSUANT TO THIS OFFICIAL STATEMENT.** The Authority is entering into a purchase contract with PNC Bank, National Association ("PNC"), pursuant to which PNC has agreed to purchase the 2012A-2 Bond when and as issued by the Authority.

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* Preliminary, subject to change

SOURCES AND USES OF FUNDS

The sources and uses of funds are as follows:

Sources of Funds	**2012A-1 Bonds**	**2012-B Bonds**	**Total**
Par Amount of Bonds	$	$	
Premium/(Discount)			
Total Sources of Funds	**$**	**$**	**$**
Uses of Funds			
2012 Capital Projects	$	$	$
Issuance Costs			
Capitalized Interest			
Debt Service Reserve Fund			
Underwriters' Discount			
Miscellaneous			
Total Uses of Funds	**$**	**$**	**$**

DESCRIPTION OF THE 2012 BONDS

General

The 2012 Bonds will be issued as fully registered bonds in denominations of $5,000 or any multiple thereof within the applicable maturity. The 2012 Bonds shall be dated the date of delivery thereof, shall bear interest (computed on the basis of a 360 day year comprised of twelve months of 30 days) on the unpaid principal at the rates and shall mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the 2012 Bonds shall be payable semi-annually on January 1 and July 1 of each year commencing July 1, 2012 (each, an "Interest Payment Date"). Interest on each 2012 Bond shall accrue from the Interest Payment Date which immediately precedes its date of authentication unless (1) such 2012 Bond is authenticated on an Interest Payment Date to which interest has been paid, in which event it will bear interest from the date of authentication; (2) such 2012 Bond is authenticated on or prior to July 1, 2012, in which event interest shall accrue from the Date of Delivery; (3) such 2012 Bond is authenticated after a Regular Record Date (hereinafter defined) but before an Interest Payment Date, in which case such 2012 Bond shall bear interest from the Interest Payment Date which immediately succeeds the date of authentication; or (4) interest on the 2012 Bonds shall be in default, in which case interest shall accrue from the date on which interest on the 2012 Bonds was last provided for or paid to the date of Maturity.

The principal of, interest and premium, if any, on the 2012 Bonds shall be payable at the designated corporate trust office of the Trustee in Philadelphia, Pennsylvania, or such other designated office, in such coin or currency of the United States of America as at the time and place of payment is legal tender for public and private debts, provided that interest may be paid by checks drawn upon the Trustee mailed to the persons who are the Registered Owners on the Regular Record Date immediately preceding the relevant Interest Payment Date at the address shown on the registration records for the 2012 Bonds (the "Bond Register") kept by the Trustee.

The 2012 Bonds will be initially available in book-entry form only. Purchasers of the 2012 Bonds will not receive certificates representing their interests in the 2012 Bonds. Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), will be the Registered Owner. So long as Cede & Co. is the Registered Owner of the 2012 Bonds payments of the principal of, and premium, if any, and interest on the 2012 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants and indirect participants. See "DTC and the Book Entry-Only System" in APPENDIX F attached hereto.

Interest payable on the 2012 Bonds on any Interest Payment Date will be paid to the Registered Owners in whose names the applicable 2012 Bonds are registered at the close of business on the June 15 or December 15 (each, a "Regular Record Date") immediately preceding the relevant Interest Payment Date. In the event of any default in payment of interest due with respect to a 2012 Bond on an Interest Payment Date, such defaulted interest shall be payable to the person in whose name such 2012 Bond is registered at the close of business on a special record date for the payment of such defaulted interest, which shall be not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. Notice of such special record date and payment date shall be mailed by the Trustee to the registered owners of the 2012 Bonds not less than ten (10) days preceding such special record date, which shall be not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of notice from the Authority of the proposed payment.

Any 2012 Bond may be transferred if endorsed for such transfer by the holder thereof and surrendered by such holder or his duly appointed attorney at the office of the Trustee, whereupon the Trustee shall authenticate and deliver to the transferee a new 2012 Bond or 2012 Bonds of the same series and maturity and in the same denomination as the 2012 Bond surrendered for transfer or in other authorized denominations of the same maturity equal in the aggregate to the principal amount of the surrendered 2012 Bond. The ownership of each 2012 Bond shall be recorded in the registration books of the Authority, which books shall be kept by the Trustee at its office and shall contain such information as is necessary for the proper discharge of the Trustee's duties under the Indenture as Trustee, registrar, paying agent and transfer agent. No service charge shall be made for any transfer or exchange of any 2012 Bond, but the Authority may require payment of any tax or other governmental charge that may be imposed in connection with any transfer or exchange of the 2012 Bonds.

Neither the Authority nor the Trustee shall be required to register the transfer or exchange of any 2012 Bond during the period commencing on a Record Date and ending on the corresponding Interest Payment Date.

Wells Fargo Bank, N.A., as Trustee and Paying Agent, will pay principal of and interest on the 2012 Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2012 Bonds, such payments will be made directly to Cede & Co. as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The interest on each Bond shall be payable by check or draft mailed or delivered by the Paying Agent, provided however, that interest shall be payable to any registered owner of at least $1,000,000 of any Series of Bonds, by wire transfer in immediately available funds to an account designated by such registered owner if written or telephonic notice of any such election and designate account is given to the Paying Agent at least five (5) days prior to the Interest Payment Date as to which such election shall be effective.

Redemption Provisions

Optional Redemption. The 2012 Bonds maturing on and after January 1, 20__ are subject to optional redemption prior to maturity, in whole or in part, on January 1, 20__ or any date thereafter at a redemption price equal to ___ percent of the principal amount redeemed, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2012A-1 Bonds maturing on January 1, 20__ are subject to mandatory sinking fund redemption prior to maturity in part by lot, as selected by the Trustee, on January 1 of each year commencing on January 1, 20__, as set forth below, in the respective principal amounts listed opposite each such year, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption.

2012A-1 Bonds Maturing January 1, 20__

Year (January 1)	Principal

The 2012B Bonds maturing on January 1, 20__ are subject to mandatory sinking fund redemption prior to maturity in part by lot, as selected by the Trustee, on January 1 of each year commencing on January 1, 20__, as set forth below, in the respective principal amounts listed opposite each such year, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption.

2012B Bonds Maturing January 1, 20__

Year (January 1)	Principal

Notice of Redemption. Any redemption of 2012 Bonds shall be upon notice effected by depositing a copy of the redemption notice in first class mail, addressed to the Registered Owners of Bonds to be redeemed, not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption, at the addresses shown on the registration books kept by the Trustee; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given, and provided, further, that the notice of redemption may indicate that the redemption is conditioned upon the deposit of funds with the Trustee.

If the redemption date for any 2012 Bonds shall not be a Business Day, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding

Business Day, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

SECURITY FOR THE 2012 BONDS

The 2012 Bonds are limited obligations of the Authority. The principal of, interest on and premium, if any, on the 2012 Bonds are payable by the Authority only out of Net Revenues and from such other moneys as may be available under the Indenture for such purpose. Neither the general credit of the Authority nor the credit or taxing power of the County, the Commonwealth or any political subdivision thereof is pledged for the payment of the 2012 Bonds. The 2012 Bonds shall not be or be deemed a general obligation of the Authority or an obligation of the County, the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

Pledge of Net Revenues and Certain Funds

The 2012 Bonds will be Senior Lien Bonds, issued pursuant to the Indenture on parity with the 2012A-2 Bond all other previously and hereafter issued Senior Lien Bonds, and prior in security and right of payment to any Subordinate Lien Bonds (as defined in the Indenture). As used in this Official Statement and as defined in the Indenture, the term "Bonds" means all bonds, notes or other debt obligations issued, authenticated, delivered and Outstanding under the Indenture, including without limitation the 2012 Bonds, all other Senior Lien Bonds and all Subordinate Lien Bonds. As provided in the Indenture, the principal of and interest on the 2012 Bonds are payable solely from and are secured by the Net Revenues and certain funds held or set aside under the Indenture. "Net Revenues" are, generally, revenues, payments, rents, proceeds, fees, charges and other income of any nature (including investment income and proceeds of business interruption insurance) derived by or for the Authority from the Included Cost Centers, plus certain revenues from Excluded Cost Centers (but only to the extent such revenues are credited to the Signatory Airlines' obligations under the Airline Operating Agreements), minus the Operation and Maintenance Expenses of the Included Cost Centers. "Included Cost Centers" consist of the Landing Area, the Terminal Complex Area, the Parking and Rental Car Area, the Hangar and Field Support Area, the Military Facilities and the Terminal Ramp Area, as each of the foregoing areas may be modified in accordance with the Airline Operating Agreements, and any other Included Cost Centers which may be added to the foregoing pursuant to the Airline Operating Agreements.

Pursuant to the Sixth Supplemental Indenture, the definition of the terms "Revenues" and provisions regarding the Rate Covenant (as defined below) have been strengthened for certain purposes. See "SECURITY FOR THE 2012 BONDS – Indenture Amendments" and "SECURITY FOR THE 2012 BONDS – Rate Covenant" below.

Airline rates and charges are set based on a "cost center residual" methodology whereby airline rates are set for each of several cost centers after taking into account the amount of revenue projected to be received in each cost center from sources other than the airlines (such as parking, concessions, etc.). The airlines are then obligated to pay the additional amount required to enable the Authority to meet the financial requirements of the Included Cost Centers, including Operation and Maintenance Expenses, debt service on all Bonds and Subordinate Lien Bonds and various fund deposit requirements. The amounts unpaid by any Signatory Airline which are deemed uncollectible by the Authority are included in the rates and charges of the other Signatory Airlines. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for complete definitions of the terms "Included Cost Centers," "Net Revenues," "Operation and Maintenance Expenses," "Revenues" and "Signatory Airlines".

Rate Covenant

Pursuant to the Indenture, as long as any of the 2012 Bonds remain Outstanding, the Authority is required to maintain, charge and collect, rates, rentals and other charges for use of the Included Cost Centers, which, together with Other Available Funds, are sufficient to provide, annually, both of the following amounts, tested separately: (1) Revenues equal to 125% of the total of the amounts required by the Indenture to be deposited in the then current Fiscal Year to the Debt Service Fund, the G.O. Bond Fund, the Debt Service Reserve Fund, the Rebate Fund, the Operation and Maintenance Reserve Fund, and the Subordinate Lien Revenue Fund; and (2) Net Revenues which are projected to equal at least 125% of the Debt Service Requirements on all Outstanding Bonds during the then current Fiscal Year. The covenant described in the immediately preceding sentence is referred to hereinafter as the "Rate Covenant".

The Indenture permits the Authority, in its discretion, to include certain PFC revenues, grants, and CFC revenues deposited to the Revenue Fund as "Revenues" when determining compliance with the Rate Covenant. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Rate Covenant".

If the audited financial statements for any Fiscal Year indicate that the Authority has not complied with the Rate Covenant, then the Authority must either: (1) review the reasons for such failure and make such revisions to its rates, charges or methods of operations as it deems necessary to comply with the Rate Covenant; or (2) employ an Airport Consultant to review and analyze the financial status and operations of the Included Cost Centers and make recommendations that will enable the Authority to comply with the Rate Covenant. Following the receipt of such recommendations from the Airport Consultant, the Authority shall, after giving due consideration to the recommendations, revise its rates, fees and charges and alter its methods of operations, which revisions or alterations need not comply with the Airport Consultant's recommendations, but which are projected to cause the Authority to comply with the Rate Covenant.

Indenture Amendments

The 2012 Bonds are being issued pursuant to the Original Indenture, as heretofore amended and supplemented, and the Sixth Supplemental Indenture. The Sixth Supplemental Indenture provides for additional security for the 2012 Bonds and other Outstanding Bonds and, subject to consent from Credit Enhancers in certain cases, permits the future amendment of certain provisions of the Indenture. The purchasers of the 2012 Bonds, by purchasing the 2012 Bonds, are consenting to such amendments. Among other things, the Sixth Supplemental Indenture strengthens certain aspects of the Rate Covenant as heretofore in effect and provides for future amendments of the Indenture related to possible termination of the Airline Operating Agreements. Certain of the amendments will not become effective until the date on which no Senior Lien Bonds previously issued by the Authority pursuant to the Indenture (other than the 2012 Bonds, the 2012A-2 Bond and any bonds issued subsequent to the issuance of the 2012 Bonds) remain outstanding. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – AMENDMENTS TO THE INDENTURE - Certain Indenture Amendments Permitted After Prior Bonds Defeasance Date and Post Airline Operating Agreement Expiration".

Application of Revenues

The Authority shall deposit to the Revenue Fund all Revenues. On the next to last Business Day of each month, the Authority shall transfer to the Operation and Maintenance Fund an amount equal to the estimated Operation and Maintenance Expenses for the next ensuing month as set forth in the Airport

System Budget with respect to the Included Cost Centers. After said deposit is made, the Authority shall make the following deposits in the following priority:

(1) To the Debt Service Fund, on or before the next to last Business Day of each calendar month, the amounts required to be deposited by the Indenture so as to cause the amounts in the respective interest and principal accounts of the Debt Service Fund to be sufficient to pay the interest on and the principal and mandatory redemption amounts of the Outstanding Bonds when due;

(2) To the G.O. Bond Fund, two to five Business Days prior to the date on which any payment of interest, premium or principal is due on any G.O. Bonds, the amount of such interest, premium or principal due on such date;

(3) To the Operation and Maintenance Reserve Fund, on the next to last Business Day of each month, any amount required to be deposited therein pursuant to the Indenture;

(4) To the Debt Service Reserve Fund, on the next to last Business Day of each month, such amounts as may be necessary to cure within a two year period any deficiencies therein resulting from a withdrawal or a decline in the accumulated value of the investments therein;

(5) To the Renewal and Replacement Fund, on the next to last Business Day of each month, any amounts required to be deposited therein pursuant to the Indenture; and

(6) To the Subordinate Lien Revenue Fund, one to five Business Days prior to the date on which any payment of interest, premium or principal is due on any Subordinate Lien Bonds, the amount of such interest, premium or principal due on such date.

After the foregoing requirements have been met, the Authority may: (1) on May 31 of each year, pay to any Signatory Airline any amount by which such Signatory Airline's payments in the immediately preceding Fiscal Year exceed the amount which such Signatory Airline was required to pay (as recalculated based on actual amounts); and (2) make deposits to certain other funds established under the Airline Operating Agreements.

Debt Service Reserve Fund

The Trustee shall establish under the Indenture the 2012 Bonds Reserve Account within the Debt Service Reserve Fund, which account will be held exclusively for the benefit of the holders of the 2012 Bonds and may be funded with cash, investments, a letter of credit, surety bond or a bond insurance policy (or any combination thereof) in an amount equal to the Debt Service Reserve Requirement (as defined in the Indenture) for the 2012 Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – 2012 Bonds Reserve Account". On the date of issuance and delivery of the 2012 Bonds, the Authority will deposit $____________ in the 2012 Bonds Reserve Account, thereby satisfying the Debt Service Reserve Requirement for the 2012 Bonds.

The Trustee, without any direction from the Authority, shall transfer moneys from the 2012 Bonds Reserve Account to the 2012 Bonds Account in the Debt Service Fund to the extent that the moneys in such account in the Debt Service Fund may on any Interest Payment Date or Principal Payment Date be insufficient to make the payments due on the 2012 Bonds, as the same shall become due. In the final year of maturity of the 2012 Bonds, the Trustee shall apply all amounts on deposit in the

2012 Bonds Reserve Account to the payment of principal of and interest on the 2012 Bonds and the deposits otherwise required on such maturity date shall be reduced by such payment.

Additional Bonds

The Authority may issue one or more additional series of Senior Lien Bonds under the Indenture on a parity with the Outstanding Bonds with respect to the pledge of Net Revenues (any such additional Senior Lien Bonds are referred to hereinafter as "Additional Parity Bonds") for the purposes specified in the Indenture, including construction of Capital Additions, completion of Capital Additions and refunding of Outstanding Bonds, in each case if certain requirements set forth in the Indenture are met. A condition precedent to the issuance of Additional Parity Bonds is the delivery of a certificate by the Authority to the effect that no event of default exists under the Airline Operating Agreements. In addition, the Indenture permits the Authority to issue Short Term Bonds, obligations not directly or indirectly secured by or payable from Revenues, or obligations which are subordinate in right of payment to Outstanding Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds - General Provisions".

Other Resources or Revenues of the Authority Not Pledged For Payment of Bonds

PFC Financing

Pursuant to authority granted by the FAA in a Record of Decision ("ROD") issued in October of 2001, the Authority implemented Passenger Facility Charges ("PFCs") at the Airport of $3.00 per enplaned passenger. Subsequent amendments to the ROD allowed the PFC to be increased in 2005 to $4.50 per emplaned passenger. The proceeds of the PFCs as well as any other similar charges which may be levied by the Authority in the future are excluded from the definition of Net Revenues in the Indenture, except to the extent deposited to the credit of the Revenue Fund by the Authority in any fiscal year, and are not, unless so deposited, pledged to payment of debt service on the Bonds. The PFC proceeds have historically been utilized by the Authority for payment of the costs of capital projects delineated in the Authority's application for approval to levy the PFCs, payment of certain PFC-backed debt service costs, and credit to airline rates and charges. The Authority expects to continue to deposit portions of its PFC Revenues to the Revenue Fund where they will be available for payment of Debt Service Requirements on the Bonds. Such deposited portions of PFC Revenues will be treated as "Revenues" for purposes of the Indenture. The Indenture permits the Authority to pledge all or a portion of the proceeds of PFCs toward the payment of debt service on a separate issue of obligations secured solely by PFCs, on one or more future series of separately secured Bonds or on subordinate obligations issued under the Indenture. In 2005, the Authority issued a revolving credit note in the principal amount of $40,000,000, secured by a pledge of PFC revenues. This PFC revenue note was paid in full by the Authority in 2011. As of the date hereof, there are no outstanding Authority obligations secured exclusively by a pledge of PFC revenues. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE".

Pennsylvania Race Horse Development and Gaming Act – Gaming Revenue

The Authority is a designated funding recipient under the Pennsylvania Race Horse Development and Gaming Act adopted by the Commonwealth in 2000 (the "Gaming Act"). The Gaming Act legalized slot machine parlors and table games in race tracks and stand alone facilities. Under the Gaming Act, the Authority has been allocated a total amount of up to $150,000,000 of gaming revenues (the "Gaming Revenues"), over a ten (10) year period. Of that amount, $42,500,000 was paid directly by the Commonwealth to the County from 2007 to 2009 to reimburse the County for its investment in the construction of the Midfield Terminal at the Airport.

The Authority received payments of \$2.2 million in 2009 (representing the balance due after payment of the County's share), \$12.4 million in 2010, and \$12.4 million in 2011. It is anticipated that the balance of the \$107.5 million due to the Authority (\$80.5 million from 2012 forward) will be received in annual installments of \$12,400,000 through 2017, with a final payment in 2018. In 2009, the Authority issued a \$20,000,000 Gaming Revenue Anticipation Note to PNC Bank, National Association, which note was paid in full and terminated in January 2012.

Gaming Revenues, like PFCs and CFCs, are excluded from the definition of Net Revenues in the Indenture, except to the extent deposited by the Authority in any Fiscal Year to the Revenue Fund, and unless so deposited, are not pledged to pay debt service on the Bonds. In the past, the Authority has deposited a portion of the annual Gaming Revenues in the Revenue Fund as a credit to the airline rates and charges and expects to continue to do so in the future. The amount of this credit is included as Revenues for purposes of determining compliance with the Rate Covenant. See "OUTSTANDING DEBT OF THE AUTHORITY – LONG TERM DEBT – Other Long Term Debt – Financings Related to Certain Airport Development Projects" herein.

OUTSTANDING DEBT OF THE AUTHORITY

LONG TERM DEBT

As of April 1, 2012, long-term debt of (or assumed by) the Authority consisted of the following:

Senior Lien Debt:	**As of 4/1/2012**
Airport Revenue Refunding Bonds, Series 2010A	$26,255,000
Airport Revenue Refunding Bonds, Series 2007 A	53,445,000
Airport Revenue Refunding Bonds, Series 2007 B	100,375,000
Airport Revenue Refunding Bonds, Series 2002 A	15,260,000
Airport Revenue Refunding Bonds, Series 2002 B	50,075,000
Airport Revenue Refunding Bonds, Series A 2001	17,585,000
Airport Revenue Refunding Bonds, Series B 2001	45,500,000
Airport Revenue Refunding Bonds, Series 1997 A-1	52,440,000
Total outstanding Senior Lien Debt	$360,935,000
Subordinate Debt:	
Airport Revenue Bonds, Subordinate Lien Series A 2001	2,445,000
Airport Revenue Bonds, Subordinate Lien Series B 2001	5,990,000
Total outstanding Subordinate Debt	$8,435,000
Other Long-Term Debt:	
Hanger Loan, variable interest rate	1,040,000
Energy Savings Loan	6,780,974
General Obligation Refunding Bonds, Series C-56, County of Allegheny	59,816
Total Other Long Term Debt	$8,630,790
Total Long-Term Debt	**$378,000,790**

For more detail on the Authority's outstanding debt, please see APPENDIX A - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR FISCAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010.

Debt Service Coverage

The Authority has calculated the annual debt service coverage ratio on its Bonds for the years 2006 through 2011. Such ratio is calculated for each year in accordance with the requirements of the Indenture. The Authority is required to maintain, charge and collect, in each fiscal year, rates, rentals and other charges sufficient to provide Net Revenues equal to not less than the Debt Service Requirements with respect to such fiscal year. Historic debt service coverage ratios were calculated by including certain PFC revenues and Gaming Revenues to pay debt service in particular years. For additional information regarding the debt service coverage ratio, see APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR FISCAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010. See also APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – General Covenants".

The debt service coverage ratios as calculated for fiscal years 2007 through 2011 are presented in the table below.

Debt Service Coverage Ratio[(1)]
2007-2011

Year	Debt Service Coverage Ratio
2007	1.41
2008	1.45
2009	1.39
2010	1.41
2011	1.41

Source: Allegheny County Airport Authority

(1) Calculated by including certain PFC Revenues and Gaming Revenues for payment of debt service.

Subordinate Lien Debt

The Indenture permits the Authority to issue Subordinate Lien Bonds secured by liens on the Authority's Revenues that are subordinate to the liens provided to holders of the Authority's other Bonds, including the 2012 Bonds. The only currently Outstanding Subordinate Lien Bonds are the Authority's Subordinate Lien Bonds, Series 2001 A and B, in the aggregate outstanding principal amount of $9,820,000.

Other Long Term Debt

Allegheny County Airport Hangar Loan

On January 11, 2008, the Authority entered into a loan agreement with Citizens Bank to provide a $1,300,000 loan for the purpose of constructing 18 new T-hangars and certain taxilane improvements. Terms of this loan are 40 equal consecutive quarterly payments of $16,250, which commenced in April 2008, and one final payment of all outstanding balances of principal and interest accrued. The interest rate on this loan was increased to 30-day LIBOR +2.50% effective January 1, 2009. A second amendment to the loan agreement was executed on November 19, 2010 reducing the interest rate to 12-month LIBOR, plus 1.50%. The Authority repaid $65,000 in both 2010 and 2009.

Energy Savings Loan

In July 2011, the Authority entered into an Equipment Lease Purchase Agreement (the "Energy Savings Loan") with Grant Capital Management, Inc. for $7,000,000. The Authority used the net proceeds to acquire certain energy saving equipment. Grant Capital Management retains a security interest constituting a first lien on the equipment financed by the Energy Savings Loan. The Authority is obligated to pay Grant Capital Management monthly rental payments of $93,934.52 from January 1, 2012 to December 31, 2018. The rental payment of the Energy Savings Loan is subordinate to the Debt Service Requirements of the Bonds.

Interest Rate Management Agreements

The Authority terminated its only previously outstanding basis swap agreement during 2011, and as a result, the Authority no longer has any interest rate swaps, derivatives or interest rate management agreements in place.

Financings Related to Certain Airport Development Projects

The Authority has entered into several loans and financings for projects related to the development of the real estate in proximity to the Airport. Net Revenues, which secure the 2012 Bonds, do not secure these various loans or financings.

Certain project financings not secured by Net Revenues include: (i) extension of Industry Drive to permit further development in the Airport area; (ii) completing the South Ramp Taxilanes Relocation and Hangar Redevelopment Project at the Allegheny County Airport; (iii) undertaking a Tax Increment Financing (TIF) for the development and financing of the Clinton Industrial Park Project, which includes certain substantial public on-site and off-site improvements; (iv) completing development of the Cherrington Parkway Extension; (v) undertaking a second TIF for the development of the Northfield site located on the north side of the airfield to fund certain on-site and off-site public infrastructure and improvements; and (vi) removing contaminated soil, relocating sanitary sewer lines, and removing the former terminal foundations on approximately 15 acres of property where the former terminal and ramp was located to facilitate the construction of the tree aircraft hangars and one single story office building on this site. These loans are not secured by or paid from Revenues, but rather, such loans are secured by revenues generated by facilities built on the respective sites, all of which are all within the Commercial/Industrial Cost Center, an Excluded Cost Center.

Debt Service Schedule

	Total Outstanding Debt Service[1]			2012 Bonds		Total New Debt Service		
Year (calendar year)	Principal	Interest	Total	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2012	$0	$9,344,189	$9,344,189					
2013	43,355,000	17,527,250	60,882,250					
2014	45,565,000	15,159,692	60,724,692					
2015	47,565,000	12,798,555	60,363,555					
2016	49,120,000	10,405,599	59,525,599					
2017	51,940,000	7,864,075	59,804,075					
2018	50,120,000	5,323,025	55,443,025					
2019	48,035,000	2,884,375	50,919,375					
2020	9,670,000	1,441,750	11,111,750					
2021	10,105,000	947,375	11,052,375					
2022	10,460,000	433,250	10,893,250					
2023	3,435,000	85,875	3,520,875					
	$369,370,000	**$84,215,009**	**$453,585,009**					

1 As of January 2, 2012; excludes Authority debt that is not secured by Net Revenues.

THE AUTHORITY

The Authority is a public body, corporate and politic, duly organized and existing under the laws of the Commonwealth. The 2012 Bonds were authorized and issued by the Authority pursuant to the provisions of the Constitution and statutes of the Commonwealth, particularly the Act. Resolutions authorizing the issuance of the 2012 Bonds have been adopted by the Board of the Authority.

The present officers and board members of the Authority and their respective principal occupations and terms of office are as follows:

Name and Title	Occupation	Term Expires (Dec. 31)
David W. Minnotte, Chairman	President/CEO Minnotte Manufacturing	2013
Richard Stanizzo, Vice Chairman	Business Manager Pittsburgh Building and Construction Trades Council	2015
Dennis Davin	Director, Allegheny County Department of Economic Development	2014
Glenn Mahone, Esquire	Partner, ReedSmith	2012
Cynthia D. Shapira	Community Volunteer	2015
Honorable Matthew Smith, Esq.	Pennsylvania State Representative	2014
Ashley Henry Shook	Government Affairs Manager, GSP Consulting	2017
Honorable Jan Rea	Allegheny County Councilwoman	2017
Robert Lewis	President, Orbital Engineers	2017

Board members are appointed by the County Executive of the County, subject to confirmation by a majority of the County Council, and serve until their successors are appointed and qualified.

Management of the Authority

The Airport System is managed by the Authority. The Executive Director of the Authority, Bradley D. Penrod, A.A.E., is responsible for the operation of the Authority. The Authority currently employs 434 persons full-time at the Airport and 14 persons full-time at the Allegheny County Airport. In addition, 75 police officers from the County police department are currently assigned to the Airport on a full-time basis.

Airport Systems operations are conducted under the supervision of the following members of the Authority staff:

Bradley D. Penrod, A.A.E., Executive Director. Mr. Penrod has been with the Department and/or the Authority for over 30 years and held several positions within the Operations, Safety/Security, Noise Abatement and Allegheny County Airport sections, including serving as Acting Director of Aviation in 1998 and Chief Operating Officer for an eight-year period. Additionally, Mr. Penrod is an Accredited Airport Executive member of the American Association of Airport Executives and has completed the ACI World AELP Program. He is a Federal Aviation Administration ("FAA") licensed pilot and has served as a commissioned officer in the United States Air Force Reserve. Mr. Penrod holds a Bachelor of Science Degree in Aviation Management from Embry-Riddle Aeronautical University and a Masters Degree from Duquesne University. Mr. Penrod has represented airports on the FAA's Aviation Rule Making Advisory Committee for Airport Rescue and Firefighting matters, was a member of the US DOT Tarmac Delay Task Force and has represented the airport industry in testimony to the US Congress. Mr. Penrod is a member of the AAAE Policy Review Committee and the ACI-NA Board of Directors.

James R. Gill, CPA, A.A.E. – Chief Financial and Administrative Officer (CFO & CAO). Mr. Gill's responsibilities include overseeing the Authority's Finance, Business and Administration, Human Resources, Information Technology and Procurement functions. He has overall responsibility for developing and implementing strategic financial plans for the organization and ensuring compliance with federal, state, local and Authority financial rules, regulations and reporting. Throughout his aviation management career, Mr. Gill has overseen the issuance of over $1.1 billion in debt related to capital improvements at Pittsburgh International Airport and Raleigh-Durham International Airport as well as implementing PFC programs for both organizations. Mr. Gill rejoined the Authority in 2007 and has over 18 years of airport management experience, 17 of those years at senior-level positions. Mr. Gill is a licensed Certified Public Accountant in the Pennsylvania and North Carolina and is a member of the American Institute of Certified Public Accountants (AICPA), the Pennsylvania Institute of Certified Public Accounts (PICPA), the North Carolina Association of Certified Public Accountants (NCACPA). Mr. Gill is an Accredited Airport Executive member of the American Association of Airport Executives. He holds numerous professional memberships and actively serves on the Airports Council International-North America (ACI-NA) Economic Committee Steering Group and the American Association of Airport Executives (AAAE) Finance and Administration Committee. He holds a Masters Degree in Business Administration (MBA) with concentrations in Finance and Management Information Systems and a Bachelor of Science Degree in Accounting, both from Duquesne University in Pittsburgh, PA.

Stephanie L. Saracco A.A.E. - Chief Operating Officer. Mrs. Saracco has worked for the Allegheny County Department of Aviation/Airport Authority for over 25 years. She has held positions in the Operations Department at PIT and served as Director of the Allegheny County Airport. Mrs. Saracco earned a Federal Aviation Administration (FAA) Private Pilot Certificate and is an Accredited Airport Executive member of the American Association of Airport Executives. She serves on various committees with AAAE and ACI and sits on the board of the Aviation Council of Pennsylvania. Mrs. Saracco holds an Associate Degree in airport management and a Bachelors Degree in management from Salem College and a Masters Degree in organizational leadership from Geneva College.

TRANSFER OF AIRPORT SYSTEM TO THE AUTHORITY

Pursuant to the Transfer Agreement, the Authority leases the land, buildings, fixtures and improvements constituting the Airport System from the County for an initial term of 25 years beginning in 1999, subject to two consecutive 25-year extensions exercisable at the option of the Authority. The County has also transferred to the Authority all of the County's right, title and interest in and to the equipment, materials, furnishings and other personal property owned and utilized by the County in connection with the administration, maintenance, management, regulation, operation, improvement, development and use of the Airport System. The assets constituting the Airport System transferred or leased to the Authority pursuant to the Transfer Agreement are sometimes referred to as the "Airport Assets."

In connection with the Transfer, the County also transferred to the Authority its right, title and interest in all licenses, permits, approvals, awards or decisions related to the Airport System, including grant agreements, the right to receive any amounts payable to the County in connection with the Airport System (including without limitation the Net Revenues) and all benefits of contracts and agreements. The Authority also assumed all of the County's obligations and liabilities pertaining to the Airport System, including without limitation (i) the obligation to make payments on the bonds issued by the County and specifically assumed by the Authority in connection with the Transfer (the "County Airport Revenue Bonds"), and (ii) liabilities with respect to outstanding litigation against the County related to operation of the Airport System. The Authority assumed the County's obligations under various series of Airport Revenue Bonds then issued by the County. See "OUTSTANDING DEBT OF THE AUTHORITY" herein and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

In the event of an Event of Default by the Authority under the Transfer Agreement, the County, upon 30 days written notice to the Authority and the Authority's failure to cure said default, has the right to terminate the Transfer Agreement, in which event all right, title and interest in the Airport Assets shall revert to the County. Events of Default under the Transfer Agreement include failure by the Authority to pay any sum required to be paid to the County at the time specified in the Transfer Agreement after reasonable notice and demand by the County; failure by the Authority to observe or perform any material covenant, condition or agreement to be performed or observed under the Transfer Agreement (subject to the Authority's right to cure the failure and to force majeure); an event of bankruptcy or insolvency involving the Authority; abandonment of the Airport Assets by the Authority; or a default which would constitute an event of default under the County Ordinance (as defined in the Transfer Agreement). The Transfer Agreement required the Authority to qualify for FAA airport operation permits and licenses before retaking sole possession, ownership and control of the Airport System and to accept and fully perform all obligations theretofore lawfully incurred by the County with respect to the Airport System, including without limitation the County Airport Revenue Bonds.

THE AIRPORT

Pittsburgh International Airport is classified as a medium air traffic hub by the Federal Aviation Administration (the "FAA"), which ranked the Airport 46th among U.S. airports in 2010 in terms of total enplaned passengers. In 2005, US Airways, the airline which had utilized the Airport as a "hub" reoriented its routing system and, in the process redirected a significant number of its connecting traffic to other metropolitan airports serving as "hub" airports in the US Airways system. Pittsburgh was redefined as a "focus city", which would serve some connecting traffic, but would be largely supported by the origination and destination ("O&D") travelers; that is, passengers whose flight begins or ends in Pittsburgh. As a result of this redesignation, the number of daily departures of US Airways operations dropped dramatically and the operations of most of the other air carriers operating at the Airport increased. Likewise, the Airport attracted a number of new carriers including Southwest and JetBlue, which are defined as low cost carriers. Therefore, while the connecting traffic has decreased at the Airport, as reflected in the decreased enplanement counts, the O&D traffic has substantially increased and the Airport continues to experience increases in such traffic. See APPENDIX B – REPORT OF THE AIRPORT CONSULTANT – "Airport Overview".

Air Trade Area

The Airport is located in Southwestern Pennsylvania approximately 15 miles west of downtown Pittsburgh near Interstate 376. The air trade area served by the Airport consists of the Pittsburgh

Metropolitan Statistical Area ("MSA"), Western Ohio, Northern West Virginia and Northwest Maryland. The Airport currently is the only medium hub airport serving the Pittsburgh MSA. The closest commercial airports are Cleveland Hopkins Airport (approximately 100 miles away) and Akron Canton Regional Airport (approximately 80 miles away). The 2010 population of the Pittsburgh MSA was estimated by the U.S. Department of Commerce, Bureau of the Census at approximately 2.4 million. An estimated 5 million people live within a two hour drive of the Airport.

According to the U.S. Department of Labor, Bureau of Labor Statistics, as of March 2011 total non-farm employment in the Pittsburgh MSA was approximately 1,120,900 comprised of the following:

Sector	**Employment (1,000s)**
Education and Health Services	241.2
Trade, Transportation and Utilities	211.9
Professional and Business Services	157.0
Government	130.2
Leisure and Hospitality	103.8
Manufacturing	88.1
Financial Activities	68.6
Mining, Logging and Construction	51.9
Other Services	50.4
Information	17.8

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

Allegheny County is currently the location of several Fortune 500 corporate headquarters including United States Steel (ranked 148), PNC Financial Services (ranked 151), PPG Industries (ranked 181), H.J. Heinz (ranked 232), Mylan (ranked 418), Consol Energy (ranked 428), Wesco International (ranked 443), and Dick's Sporting Goods (ranked 464). The County and surrounding area has undergone an economic transformation spanning more than three decades with a shift from the manufacturing industry to the service and trade industries. Specifically, the new focus industries have been high technology, health care, education and finance. This shift is represented in the employment base shown below.

The largest employers in the Pittsburgh area are shown below:

Rank	**Name of Business**	**Number of Employees**
1	University of Pittsburgh Medical Center	38,700
2	U. S. Government	18,570
3	Commonwealth of Pennsylvania	13,610
4	University of Pittsburgh	12,215
5	Giant Eagle Inc.	11,087
6	West Penn Allegheny Health System	9,981
7	Bank of New York Mellon Corp.	7,550

Source: Pittsburgh Business Times, "Top 7: Largest Pittsburgh Area Employers", *March, 2011*

The Pittsburgh MSA is located atop part of the Marcellus Shale formation, a subterranean geologic deposit extending from West Virginia, through western Pennsylvania and eastern Ohio, into southern New York. Recent advances in technology have allowed extraction of the natural gas trapped in the Marcellus Shale. According to a Penn State University study, the Marcellus Shale in Pennsylvania created an estimated 98,000 new jobs and injected approximately $14.2 billion into the state's economy in

2010. This newly expanding industry holds the potential to add substantially to the economic base of the Airport's service area.

Facilities at the Airport

Airfield. The Airport has approximately 8,800 acres of land. The Airport has four runways, consisting of three parallel runways and one crosswind runway. The crosswind runway, known as Runway 14/32, is oriented northwest to southeast and the three parallel runways, known as Runways 10R/28L, 10C/28C, and 10L/28R are oriented east to west. All of the Airport's runways can accommodate air carrier aircraft. Runway 10R/28L is the Airport's longest runway, at 11,500 feet long. Runways 10L/28R, 10C/28C, and 14/32 are 10,500 feet, 9,700 feet and 8,100 feet long, respectively. Precision instrument approach capability is provided to Runways 10R, 10L, 28R, 28L, and 32. Additionally, Runways 10R and 10L have the ability to handle Category II/III instrument landing systems (ILS).

Midfield Terminal. The Midfield Terminal opened on October 1, 1992, on which date all commercial passenger activities were relocated from the former terminal complex to the Midfield Terminal. The Midfield Terminal consists of a four-level landside terminal, a four-level airside terminal connected to the landside terminal by an automated underground people-mover system and a two-level central services building and commuter terminal. The landside terminal provides for the ticketing of passengers, collecting and sorting baggage, baggage claim and security screening of passengers. The landside terminal is designed to be expanded to the north and south as additional facilities are required. The "X-shaped" airside terminal has two major elements – a central "core" and four concourses. A fully operational automated baggage system conveys inbound and outbound baggage between the landside terminal and the airside terminal. In 2006, the Authority upgraded the baggage system and assumed all baggage system operations including those previously handled by US Airways. The Midfield Terminal has 75 jet gates. In addition, a commuter terminal had 25 commuter aircraft parking positions. As a result of the decision by US Airways to cease using the Airport as a hub, in January 2008 the Authority temporarily decommissioned portions of the A and B Concourses, including 26 of the 75 jet gates, as a cost savings measure. Also due to the reduction in connecting traffic and the cessation of service to many of the smaller communities, the commuter terminal was closed for operations and currently serves as an alternative security check point. In 2011, the Authority removed the commuter aircraft apron from the air operations area and relocated airport employee parking to this area. Currently there are 49 jet gates in use and 26 are closed, but available for future expansion and use.

Parking and Rental Car Facilities. The three-level parking garage contains approximately 2,100 public parking spaces, a rental car facility with 799 ready and return spaces and 145 leased parking spaces for a total of approximately 3,044 parking spaces and is connected to the landside terminal by enclosed moving walkways. The garage is designed to be expanded to the south to provide approximately 850 additional spaces.

In addition, 10,000 public parking spaces and 2,000 employee parking spaces are provided in a long-term, extended-term, and employee surface parking lots. Moving walkways link the long-term surface parking lot to the landside terminal with a maximum walking distance of 800 feet to the moving walkways. During 2006, the Authority undertook a major expansion of the parking servicing the airport, adding an additional 1,100 spaces, in an effort to accommodate the increased demand resulting from the upturn in O&D traffic.

Terminal Roadways. The entrance to the Midfield Terminal consists of a four lane, two-level roadway serving both sides of the landside terminal. One level serves the ticketing level and the other level serves the baggage claim level. Curb frontage on one side of the landside terminal is for private automobiles and curb frontage on the other side of the landside terminal is for commercial vehicles and ground transportation services.

Commercial/Industrial Area. There are approximately 3,500 acres of land at the Airport available to the Authority for non-aviation development of which approximately 52% are developable. In addition, approximately 5,000 acres of land at the Airport are designated as a "Foreign Trade Zone". Significant development activities have been undertaken by the Authority in order to provide "pad ready" development sites. Construction has been commenced on the development of an approximately 100 acre parcel as an industrial park including the construction of the first building. Additional development activities include the construction of a major corporate headquarters, construction of infrastructure, including roadways and installation of utility services to develop further commercial office and industrial uses. Revenues from the various developers and land tenants are utilized by the Authority for further investment in development activities. See "FUTURE AIRPORT DEVELOPMENT PLANS – Other Development Projects on Airport Property."

Other Facilities. An above-ground aircraft fuel farm supplies fuel to the aircraft hydrant fueling system which serves all 75 jet gates (with 49 currently in use) and a fueling rack at the commuter gates. An automotive fuel storage facility is located adjacent to the fuel farm. US Airways leases aircraft maintenance and parts facilities which encompass 473,529 square feet at the Airport and a Flight Operations Control Center encompassing approximately 13 acres. US Airways also leases a special services building at the Airport. LSG Sky Chefs leases a catering/food preparation facility containing 80,000 square feet that serves as its North American frozen food kitchen and freezing facility. In addition, the Authority constructed a wide body deicing facility at the Airport which is being managed by a third party company. That company also operates the Airport's main deicing pads which are boom operated and utilize hot air technology. Republic Airways operates aircraft maintenance facilities on the Airport in two hangers containing 83,000 square feet. The Authority also owns and leases three corporate hangers that contain 114,000 square feet. H.J. Heinz leases 153,331 square feet of land from the Authority on which it constructed a new hangar and flight facility. The Authority is in negotiations to lease its jet engine test cell facility consisting of 14,985 square feet and prep room consisting of 12,400 square feet. Also located at the Airport is a full-service fixed base operator (FBO), Atlantic Aviation, which operates from the Business Aviation Center, and a limited FBO, Corporate Air, LLC, which operates from a corporate hangar facility.

The Authority operates an aircraft rescue and fire fighting training center at the Airport, which includes a fire training simulator as well as classrooms, a management center, a vehicle bay, trainee/equipment support areas and a visitors center. Also located at the Airport are two fixed base operator facilities and other cargo buildings, associated ramp and aviation support facilities.

Concession Program

The Airport was one of the first airports in the United States to adopt a shopping mall-type approach for its various retail activities. In general, the Airport attempts to provide the atmosphere and selection of a shopping mall, including various brand-name outlets, while maintaining "street" pricing. As of December 31, 2011, there were 40 operators in 70 locations in the Midfield Terminal, including 23 food and beverage locations, 34 retail locations, 4 service locations and 9 news and gift locations.

The various retail activities in the Midfield Terminal are managed by Airmall USA, Inc., previously known as BAA Pittsburgh, Inc. ("Airmall") pursuant to the terms of a Master Lease Development and Concession Agreement (the "Airmall Agreement") between the Authority and Airmall. The Airmall Agreement extends through December 31, 2017.

Airmall acts as the Authority's master lessee. As such, Airmall is responsible for developing concession and retail activities at the Midfield Terminal for the Authority. Under the Airmall Agreement, Airmall has the exclusive rights to all terminal concessions (except public pay telephones), including merchandising, retail, food and beverage, and advertising services. The Authority receives 100% of revenues from electronic media, such as the Internet, flight information systems, and the wireless airport system. Airmall is not authorized to operate terminal concessions except in the case of a vacancy. The Authority receives 59% of the revenues received by Airmall from the various concessionaires, and Airmall receives 41%. Airmall also contributes to a repair and replacement fund to cover certain repair and replacement costs.

Revenues generated from the concession program have declined as a result of the change in the Airport's security policy in the wake of the events of September 11, 2001. Prior to the change in security policy, passengers and non-passengers alike were able to travel to the Midfield Terminal. Access is now limited to ticketed passengers, a policy which has resulted in a decrease in potential customers for the Midfield Terminal shopping facilities. Future impacts of these restrictions on access are not expected to have a significant impact on the Authority's concession revenues.

Environmental Matters

In January of 1998, the Pennsylvania Department of Environmental Protection (the "DEP") issued an Administrative Order to the County alleging violations of a January, 1994 Consent Order and Adjudication (the "Consent Order") and violations of the Pennsylvania Clean Streams Law at the Airport. The Consent Order cited several concerns, all of which have been resolved, except for issues relating to stormwater discharge. The Authority continues to negotiate with DEP to reach a resolution of the matter. In connection with these negotiations, the Authority agreed in principle to construct a stormwater deicing treatment facility (the "Treatment Facility"), and has made application to the DEP for the permit needed to authorize discharges from the Treatment Facility when it is constructed. DEP has issued a permit in draft form and published notice of the issuance in the Pennsylvania Bulletin for public comment. The Authority has submitted extensive comments which the DEP is now considering, however, as of the date of this Official Statement, DEP has not issued a final permit for the Treatment Facility. The Authority continues to address the deicing issue and continues to budget for the significant capital funding that is required to resolve the deicing situation.

Enplaned Passengers at the Airport

The following table presents the total enplaned passengers at the Airport from 2007 through 2011:

Pittsburgh International Airport
Airline Traffic Activity
2007 – 2011

	Passenger Enplanements						
Year	Scheduled domestic airlines[1]	Foreign flag airlines	Commuter/ Regional carriers	Non-Scheduled	Total	Percent increase (decrease)	Annual aircraft landings
2007	3,089,344	18,209	1,785,195	18,209	4,910,957	(1.6%)	85,808
2008	2,747,340	20,925	1,567,173	19,554	4,354,992	(11.3%)	65,749
2009	2,483,091	15,944	1,499,662	18,240	4,016,937	(7.8%)	56,243
2010	2,712,130	19,595	1,350,980	15,706	4,098,384	2.0%	55,948
2011	2,772,332	22,508	1,348,940	16,244	4,160,024	1.5%	57,738

(1) Major and national air carriers as classified by the U.S. Department of Transportation ("DOT"). The DOT classifies a "major" air carrier as one with annual operating revenues of greater than $1 billion and a "national" air carrier as one with annual operating revenues between $100 million and $1 billion.

Source: Allegheny County Airport Authority

Air Service at the Airport

The Airport is currently served by nine scheduled domestic airlines, twenty commuter airlines and two foreign flag airlines. Such airlines provide approximately 144 direct flights per day to 34 cities. The Airport is also served by six all-cargo carriers and by various charter airlines. The airlines currently serving the Airport, other than charter airlines, are listed below.

Scheduled Domestic Airlines	**Commuter/Regional Airlines**	**Foreign Flag Airline**
AirTran Airways(1)**	US Airways Express(2)	Air Canada
American Airlines(1)(3)	Mesa(2)	
United/Continental Airlines(1)*	Chautauqua Airlines(1)	
Delta Air Lines(1)	Colgan Air(2)	
US Airways(1)	Piedmont Airlines(2)	
Southwest Airlines(1)**	PSA Airlines(1)	**Cargo Carriers**
JetBlue Airways(1)	Republic Airlines	Federal Express
Republic Airlines(1)	Trans States Airlines	United Parcel Service
Frontier Airlines	Air Wisconsin(2)	
	American Eagle (American)	
	Colgan (Continental, United)	
	Comair (Delta Connection)	
	Commut Air (Continental)	
	Continental Express	
	Compass Air (Delta Connection)	
	Mesaba Airlines (Delta Connection)	
	Express Jet (United Express)	
	Mesa Airlines (United)(1)	
	Pinnacle Airlines (Delta Connection)	
	Shuttle America (Delta, United, Continental)	
	Atlantic Southeast Airlines (Delta, United)	
	Chautaugua Airlines (Delta)	
	Skywest Airlines (Delta, United, Continental)	

(1) Signatory to an Airline Operating Agreement.

(2) All of the US Airways Express commuter airlines are affiliated with US Airways. Allegheny Airlines, Piedmont Airlines and PSA Airlines are wholly owned subsidiaries of US Airways Group, Inc., the parent of US Airways, Inc.

(3) AMR Corporation, the parent company for American Airlines and American Eagle, filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code on November 28, 2011.

* Continental Airlines and United Airlines merged on November 30, 2011.

** Southwest Airlines and AirTran Airways were issued a single operating certificate on March 1, 2012.

Source: Allegheny County Airport Authority.

Airline Market Shares

The comparative market share information for airlines based on enplaned passengers for the years ended December 31, 2007 through 2011 is shown in the following table.

Pittsburgh International Airport
Airline Market Shares
(based on enplaned passengers)

Scheduled domestic airlines	2007	2008	2009	2010	2011
US Airways	25.9%	18.9%	14.8%	13.32%	13.34%
American Airlines[1]	-		1.3	3.05	3.93
Continental Airlines	1.9	1.9	2.1	2.17	2.81
Delta Air Lines	5.2	6.4	6.1	8.80	9.02
Northwest Airlines	2.5	2.3	1.4	.05	- [2]
United Airlines	4.4	6.1	5.6	6.17	5.16
Air Tran	4.1	6.1	8.2	10.39	9.53
	-				
USA 3000	1.7	2.1	1.4	0.23	0.37
	-				
Southwest Airlines	14.2	16.9	18.9	18.38	19.05
JetBlue	2.7	2.3	2.2	2.98	3.08
Myrtle Beach Direct	0.2	0.3	0.4	0.44	0.49
Midwest Connect	1.1	0.9	0.9	0.88	0.61
Total Scheduled Domestic	64.2	64.4	63.3	66.86	67.39
Foreign Flag Airlines	0.40	0.5	0.4	0.48	0.54
Commuter/Regional Airlines					
US Airways Express	17.6	14.2	13.9	12.67	11.71
Others	17.6	20.0	22.4	19.99	20.36
Total Commuter/Regional	35.2	34.7	36.4	32.66	32.07
Total					100%

[1] From 2006 through 2008 American only operated American Eagle, a regional carrier, at the Airport. In 2009 American Airlines mainline service returned to the Airport.
[2] 2011 information included with Delta Airlines.

Source: Allegheny County Airport Authority

Connector Service Initiatives

The Pennsylvania Air Service Committee, which represents the Pennsylvania Bureau of Aviation and the state's commercial airports, is hiring an aviation consultant to look at potential passenger numbers, schedules, costs and fares for commuter service between the Airport and 14 smaller airports in the state (Erie, Allentown, Altoona, Bradford, DuBois, Franklin, Harrisburg, Johnstown, Lancaster, Latrobe, Scranton, State College, Wilkes-Barre and Williamsport). The initiative is the latest in an ongoing effort to restore air service among Pennsylvania cities. The Authority has explored strategies in the past several years to recapture flights after US Airways dismantled its Pittsburgh hub.

FINANCIAL INFORMATION

The Authority accounts for the activities of the Airport System on the accrual basis of accounting according to accounting principles generally accepted in the United States of America. The financial statements of the Airport System are prepared and audited each year for the Authority. The Fiscal Year of the Airport System commences on January 1 and ends December 31. Deloitte & Touche LLP has been the Authority's auditor since 2001. The Authority's audited financial statements for the years ended December 31, 2011 and 2010 are attached hereto as APPENDIX A.

The following table sets forth the historical operating results of the Airport System for fiscal years 2007 through 2011, based on the audited financial statements of the Authority for such fiscal years ending on December 31.

The Allegheny County Airport Authority
Statements of Revenues and Expenses and Changes in Retained Earnings/Deficit
(in Thousands)

	2007	2008	2009	2010	2011
OPERATING REVENUES:					
Aviation – primarily landing fees	$40,614	$38,835	$41,021	$41,702	$42,242
Rentals	49,614	41,818	44,730	43,708	46,017
Concession and parking fees	42,510	41,695	39,723	41,583	43,270
Other	10,707	9,574	10,380	10,273	10,958
Total Operating Revenues	143,445	131,922	135,854	137,266	142,487
OPERATING EXPENSES:					
Salaries, wages & related expenses	33,422	32,565	33,422	35,410	35,664
Utilities	13,120	13,417	12,658	12,929	12,402
Cleaning and maintenance services	14,036	14,174	14,111	14,332	14,629
Professional services	14,302	16,466	15,470	16,128	16,622
Depreciation and amortization	69,159	66,411	68,988	69,157	67,679
Other	7,467	8,409	8,459	7,777	7,412
Total Operating Expenses	151,506	151,442	153,108	155,733	154,409
INCOME (LOSS) FROM OPERATIONS	(8,061)	(19,520)	(17,254)	18,467	11,922
NONOPERATING INCOME (EXPENSE)					
Interest expense	(30,742)	(28,259)	(26,572)	(25,073)	(22,509)
Other interest income	9,845	5,494	4,298	2,788	1,001
Customer Facility Charges					3,041
Passenger facility charges	20,519	17,680	16,530	16,999	16,921
Grants from governmental agencies	19,180	19,180	23,455	23,590	9,763
Swap Termination Costs	0	0	0	5,075	860
Gaming Revenue				14,600	12,400
Gain (loss) on disposal of capital assets	150	(436)	(4)	(252)	(1,527)
Miscellaneous, net	197	539	(279)	1,074	4,819
Net increase (decrease) in fair value of investments	(29)	(52)	22	(492)	420
Total non-operating expense – net	19,886	14,146	17,450	38,309	25,189
INCREASE (DECREASE) IN NET ASSETS	11,825	(5,375)	196	19,842	13,268
NET ASSETS – beginning of year	359,920	371,745	366,370	366,566	386,408
NET ASSETS – end of year	$371,745	$366,370	$366,566	$386,408	$399,676

Management's Discussion of Recent Financial Results

The Authority employs a "cost center residual" methodology for setting airline rates and charges at the Airport. Under this approach, airline rates are set for each of several cost centers after taking into account the amount of revenue projected to be received in each cost center from sources other than the airlines (such as parking, concessions, etc.). The airlines are then obligated to pay the additional amount required to enable the Authority to pay all of the financial requirements of the Included Cost Centers, including operating expenses, debt service on all Bonds and various fund deposit requirements.

Management continues to adopt various methods and means to reduce the costs of operating the Airport. Refunding of existing debt and the potential use of derivatives to manage interest rate risk are two of the financial strategies that are reviewed on a regular basis. With less than seven years of significant debt service payments remaining on the Authority's outstanding GARBS, the Airport is positioned to significantly lower its costs.

The Authority's plan for the next seven years is to achieve a low cost environment for the airlines that operate from the Airport. In 2011 through 2017 management expects to apply $15 million annually of PFC revenues to reduce the annual debt service payments. Furthermore, pursuant to the Gaming Act, the Authority has been allocated up to $107,500,000 of the Gaming Revenues (after payments to the County by the Commonwealth of $42,500,000), at the rate of at least $12,400,000 on an annual basis for the first ten (10) years. (See "SECURITY FOR THE 2012 BONDS – *Pennsylvania* Race Horse Development and Gaming Act" above.)

Management Discussion and Analysis of Financial Information

2011 versus 2010. Change in net assets for the fiscal year ended December 31, 2011 was an increase of $13,268,167 as compared to an increase in net assets of $19,842,140 for the fiscal year ended December 31, 2010. For fiscal year ended December 31, 2011, the Authority's operating revenues experienced an increase of approximately $5.2 million, or approximately 3.8%, with the increase principally resulting from increased rental revenue ($2.3 million) and concession and parking fees ($1.7 million).

Operating expenses (excluding depreciation) for the fiscal year ended December 31, 2011 increased by approximately 0.02%, or $0.1 million, relative to the prior year. This increase was primarily due to increases in salaries, wages and benefits of $0.1 million, cleaning and maintenance services of $0.3 million and professional services of $0.5 million. Offsetting these increases were utilities of ($0.5 million) and other operating expense of ($0.4 million). Depreciation expense decreased approximately ($1.5 million) or (2.1%). The combined effect of the above items was an increase in net operating revenues before depreciation of approximately $5.1 million relative to the prior year.

Total net non-operating income (expense) decreased by approximately $13.1 million from 2010 to 2011 because of several factors. Grants from governmental agencies decreased approximately $13.8 million compared to the prior year due to completion of some major projects in 2010. Bond interest expense decreased approximately $2.5 million because of the continued amortization of outstanding principal amount of bonds. Customer Facility Charges (CFC) revenue increased approximately $3.0 million due to enacting a rental day fee on rental car customers in June 2011. An increase in enplanements compared to the prior year. Lastly, investment income declined approximately $1.5 million because of declining interest rates.

2010 versus 2009. Change in net assets for the fiscal year ended December 31, 2010 was an increase of $19,842,140, as compared to an increase in net assets of $196,000 for the fiscal year ended December 31, 2009. For the fiscal year ended December 31, 2010, the Authority's operating revenues increased by approximately $1.4 million, or 1%, with the increase resulting primarily from increased Airfield revenues ($0.7 million) and increased concession and parking fees ($1.8 million). Offsetting these increases were decreased rentals and other revenues ($1.1 million) compared to the prior year.

Operating expenses (excluding depreciation) increased by approximately 2.9%, or $2.5 million, for the fiscal year ended December 31, 2010 relative to the prior year. This increase was primarily due to increases in salaries, wages and related expenses of $2.0 million and professional services of $0.7 million. Depreciation expense increased by approximately $0.2 million (or 0.24%) The combined effect of the above items was a decrease in net operating revenues before depreciation of approximately $1.0 million relative to the prior year.

Total net non-operating income (expense) increased by approximately $20.8 million compared to the prior year, as a result of several factors. Swap termination proceeds netted $5.1 million and gaming grant revenues totaled $14.6 million. Grants from governmental agencies increased approximately $0.1 million compared to the prior year. Bond interest expense decreased approximately $1.5 million because of the continued amortization of outstanding principal amount of bonds. Passenger Facility Charges (PFC) revenue increased approximately $0.5 million due to an increase in enplanements compared to the prior year. Lastly, investment income declined approximately $1.5 million because of declining interest rates.

Non-Airline Revenues

The Airport generates revenues from a number of sources other than the airlines serving the Airport. The principal sources of such revenue are parking, rental cars, Airmall (in its capacity as the Master Lessee/developer for the Midfield Terminal concession program), various leases of property and buildings outside the terminal area, and investment income. With the exception of parking and investment income, the amounts received by the Authority from such sources are based on agreements with various other parties. Parking rates are set by the Authority and can be changed from time to time by the Executive Director, subject to approval by the Authority's board of directors. Parking revenues totaled approximately $25.8 million in 2010 and $27.1 million in 2011. The Authority's investment income is dependent upon market conditions and the balances held in various funds and accounts available for investment. The Authority has also embarked on a number of new initiatives to further develop non-airline revenues. In 2010 the Authority entered into an agreement with JBT Technologies to provide jetway rehabilitation services for a fee per jetway, with the agreement providing the Authority certain geographical exclusivity. The Authority also provides fee based consulting services to other airports and real estate companies. Additionally, the Authority expects to earn revenues in the future from exploitation of natural resources at the Airport. The amount of such revenues to be realized by the Authority in the future, if any, cannot be estimated at this time, however.

AGREEMENTS WITH THE AIRLINES

The Airline Operating Agreements

The Authority is a party to Airline Operating Agreements and Terminal Building Leases relating to the use of the Airport and the establishment of Airline Fees and Charges (the "Airline Operating Agreements") with AirTran, American Airlines, British Airways (which no longer serves the airport but remains a Signatory Airline), Chautauqua Airlines, Delta Airlines, JetBlue Airways, Mesa Airlines, Republic Airlines, Southwest Airlines, United Airlines, US Airways and approximately 18 commuter airlines, most of which are subsidiaries or affiliates of the carriers referred to above. The airlines which have executed and delivered an Airline Operating Agreement are referred to as the "Signatory Airlines." The Airline Operating Agreements are substantially identical except for: (1) certain amendments to US Airways' Airline Operating Agreement; (2) provisions relating to the Leased Premises and assigned aircraft parking positions for each Signatory Airline; and (3) the description of certain other agreements of each Signatory Airline relating to certain other facilities at the Airport. Pursuant to the Airline Operating Agreements, as amended as described below, Signatory Airlines lease 49 of the 75 jet gates at the Airport's Midfield Terminal. The Airline Operating Agreements expire (unless sooner terminated pursuant to their terms) on May 8, 2018, and provide that the aggregate of Airline Fees and Charges payable by the Signatory Airlines, together with other revenues required to be deposited by the Authority into the Revenue Fund (including Non-Airline Revenues) for each Fiscal Year, shall be sufficient to pay the Airport Operating Requirement of the Included Cost Centers for such Fiscal Year, including the satisfaction of all of the Authority's obligations to make all deposits and payments required under the Indenture through such date. The terms "Airline Fees and Charges," "Non-Airline Revenues" and "Airport Operating Requirement" are defined in the Airline Operating Agreements. See APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE OPERATING AGREEMENTS."

FUTURE AIRPORT DEVELOPMENT PLANS

The Airport's Capital Improvement Program

The Authority has developed a 2012 Capital Budget and a 2009-2016 Capital Plan (collectively referred to as the "Capital Improvement Program" or "CIP") for the Airport System. The CIP is updated annually. The current 2009-2016 CIP for the Airport is estimated to cost approximately $294 million. Such amount includes the estimated costs of various projects, including a continuous airport planning program, National Environmental Policy Act (NEPA) compliance, parking expansion, airfield improvements, terminal improvements and environmental remediation projects. The 2012 Bonds are being issued to finance a portion of the costs of certain capital projects included in the CIP. See, APPENDIX B – REPORT OF THE AIRPORT CONSULTANT – "Capital Improvement Plan".

Other Development Projects on Airport Property

Construction of a hotel/conference center connected to the Midfield Terminal was completed in June 2001. The facility contains 331 hotel rooms and approximately 21,000 square feet of convention space. The hotel provides a restaurant, bar/lounge and an indoor pool/health club facility. The center is located adjacent to the parking garage by the landside terminal building. Total construction costs were approximately $31.5 million. The facility was financed by bonds issued by the Dauphin County General Authority, which owns the facility and leases the site from the Authority pursuant to a lease with a term of 49 years. Hyatt Hotel Corp. is the operator of the hotel/conference center. The Authority receives 4% of room revenues generated by the hotel and 90% of all surplus revenues (which include all revenues of the hotel other than room revenues less hotel operating expenses and certain other allowable expenses).

Atlantic Aviation operates a fixed base operation, containing a terminal building, two hangars, a fuel farm and an equipment maintenance building.

There are approximately 3,500 acres of land surrounding the Airport available to the Authority for non-aviation development, approximately 52% of which are developable. The Authority has been actively engaged in the development of its property to stimulate the economies of the region as well as stimulating activity in the Airport corridor.

The Airport has several active developments in process. The Airside Business Park is located on the site of the former airport terminal. Currently, there are five buildings totaling over 350,000 square feet completed and substantially occupied. Clinton Commerce Park is a 100-acre bulk warehouse park on the northwest side of the Airport. Construction of a 100,000 square foot build-to-suit facility for a printing company was completed in 2008 and is currently occupied. Additionally, a 400,000 square foot building designed for bulk warehousing was completed and leased in 2009. A 225,000 square foot facility for a solar panel manufacturer was also completed in 2009. Site work for the Cherrington Commerce Park, a 160-acre business park, was completed in 2008. In 2010 site work was completed on a 90 acre park called the PIT International Logistics Center. These sites are currently being marketed.

Dick's Sporting Goods relocated its world corporate headquarters on Airport property in 2009. The company currently leases 116 acres of airport property and has constructed a 661,000 square foot office complex and a 70,000 square foot corporate hangar. The company took occupancy of the facilities in February, 2010.

Sunoco, Inc. opened an automobile gas station and convenience store on 2.5 acres located at the northwestern corner of the Airport parking lots. The operation provides 24-hour self fueling.

AIRLINE INFORMATION

Certain airlines operating at the Airport (or their respective parent corporations), including certain of the Signatory Airlines, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and file reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information, as of particular dates is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, DC 20549, and copies of those reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. The SEC also maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, each airline operating at the Airport is required to file periodic reports of financial and operating statistics with the United States Department of Transportation ("DOT"). Those reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, DC 20590, and copies of those reports can be obtained from the DOT at prescribed rates.

The Authority undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of any information appearing on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of such information or links to other Internet sites accessed through the SEC's website.

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.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant (the "Report") dated April 13, 2012 has been prepared by LeighFisher (the "Airport Consultant") in connection with the 2012 Bonds and is reproduced in APPENDIX B to this Official Statement. References made herein to the Report are made to the entire

Report, which should be read in its entirety and which contains material information, forecasts, findings, assumptions, and conclusions concerning the Airport System.

The Report presents certain airline traffic and financial forecasts for Fiscal Years 2012 through 2017 and sets forth the assumptions upon which the forecasts are based. The financial forecasts are based on certain assumptions that were provided by, or reviewed and agreed to by, Authority management. In the opinion of the Airport Consultant, the assumptions set forth in the Report provide a reasonable basis for all forecasts.

The following table, which has been extracted from the Report, shows forecast Net Revenues, Other Available Funds, Debt Service Requirements on Bonds and Subordinate Lien Bonds, and debt service coverage on Bonds and total indebtedness. The forecast indicates compliance with the rate covenant for each Fiscal Year of the forecast period.

FORECAST RATE COVENANT COMPLIANCE
Pittsburgh International Airport
(in thousands, except coverage)
(for the 12 months ending December 31)

	Forecast 2012	2013	2014	2015	2016	2017
Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Requirement per Indenture Section 7.08(a)(i)						
Senior Lien Bonds Debt Service	$ 60,032	$ 64,083	$ 65,430	$ 64,676	$ 65,011	$ 57,558
Subordinate Lien Debt Service	3,138	3,141	3,140	3,141	3,142	1,127
Other Requirements	10,001	10,561	11,181	11,072	11,490	11,696
Total Requirements per Indenture Section 7.08(a)(i)	$ 73,172	$ 77,785	$ 79,751	$ 78,890	$ 79,644	$ 70,381
Required Ratio (MUST BE NO LESS THAN 125%)	220.9%	218.7%	223.2%	228.9%	232.2%	254.8%
Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Operation & Maintenance Expenses	(88,477)	(92,328)	(98,279)	(101,719)	(105,279)	(108,963)
Net Revenues	$ 73,172	$ 77,785	$ 79,751	$ 78,890	$ 79,644	$ 70,381
Other Available Funds	16,358	16,358	16,358	16,358	16,358	14,389
Total Available	$ 89,529	$ 94,142	$ 96,108	$ 95,248	$ 96,001	$ 84,770
Debt Service Coverage						
Senior Lien Bonds - 125% Required per Section 7.08(a)(ii)	1.49	1.47	1.47	1.47	1.48	1.47
Senior & Subordinate Lien Debts	1.42	1.40	1.40	1.40	1.41	1.44

Source: Debt Service: Allegheny County Airport Authority and Raymond James | Morgan Keegan.
Net Revenues and Coverage: LeighFisher.

Notes: Includes actual debt service on all Outstanding Bonds (through Series 2010), and estimated debt service on the 2012 Bonds (as provided by Raymond James | Morgan Keegan) and the Future Bonds (as estimated by Raymond James | Morgan Keegan for financial forecast purposes only), all net of capitalized interest. Debt service in 2017 includes a release of certain funds from the Debt Service Reserve Fund.

CERTAIN INVESTMENT CONSIDERATIONS

The 2012 Bonds may not be suitable for all investors. Prospective purchasers of the 2012 Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

Factors Affecting the Airline Industry

General

The Authority's ability to derive Revenues from its operation of the Airport depends upon many factors, many of which are not subject to the control of the Authority. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airport Agreements. The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. Financial results of most airlines reflected substantial net losses. Recent years of airline mergers, takeovers, asset transfers and bankruptcies have resulted, and may continue to result, in a consolidation of the industry. The impact of further consolidation within the U.S. airline industry cannot be predicted at this time. Historically, the airline industry's results have correlated with the performance of the economy. Further bankruptcy filings, liquidations or major restructurings by members of the airline industry remain possible.

The Authority's ability to generate Net Revenues, PFCs and CFCs depends on sufficient levels of aviation activity and passenger traffic at the Airport. The achievement of increased passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand.

The Authority's ability to derive Net Revenues from its operation of the Airport depends upon many factors which affect the airlines' operations at the Airport, many of which are not subject to the control of the Authority, including the economy, domestic and international affairs, air transportation disruptions, the threat of terrorism and international conflict, health crises, cost structure of the airlines, including the cost of aviation fuel, and labor issues. The Authority cannot assess the impact that these factors will have on the airline industry and, in turn, on the Net Revenues.

In addition, many factors have combined to create structural changes in the travel market that have altered consumer travel patterns. The threat of terrorism against the United States remains. 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 extraordinary 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. 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.

Faced with the growth of lower-cost airlines and evolving business technology, legacy airlines (United, Delta, American and US Airways) have been forced to change their business practices, including reducing or eliminating service on unprofitable routes, reducing their work forces, implementing pay cuts, reducing fares to compete with low-cost carriers, deferring aircraft deliveries, streamlining operations and significantly increasing the use of smaller, regional jets.

The aviation industry is cyclical and subject to intense competition and variable demand. Further, airline debt levels remain high, many airlines have large unfunded pension obligations and many airlines have an aging aircraft fleet and/or aging computer systems. The airlines are vulnerable to fuel price spikes, labor activity, recession and external shocks (such as terrorism, pandemics, military conflicts and natural disasters). As a result, financial performance can fluctuate dramatically from one reporting period to the next.

The Authority makes no representation with respect to the continued viability of any of the carriers serving the Airport, airline service patterns, or the impact of any airline failures on the Net Revenues and PFC or CFC collections. Additionally, no assurance can be given that adverse events similar to the terrorist attacks on September 11, 2001 and related subsequent events will not happen in the future.

Air Transportation Industry Factors

The revenues of the Authority are affected substantially by the economic health of the air transportation industry and the airlines serving the Airport. Historically, the financial performance of the air transportation industry generally has correlated with the strength of the national economy. Certain factors that may materially affect the Airport and the airlines include, but are not limited to, growth of population and the economic health of the region and the nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks. As a result of these and other factors, many airlines have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, the legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, consolidating connecting activity and replacing mainline jets with regional jets.

Cost of Aviation Fuel

Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, the ("ATA") fuel, along with labor costs, is the largest cost component of airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant price increases for fuel.

Any unhedged increase in the fuel prices causes an increase in airline operating costs. According to the ATA, a one-dollar per barrel increase in the price of crude oil equates to approximately $445 million in annual additional expense for U.S. airlines. Fuel prices continue to be susceptible to, among other factors, political unrest, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by rapid growth of economies such as China and India, fuel inventory maintained by certain industries, reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has risen sharply in response both to political instability abroad as well as increased demand for petroleum products around the world.

Oil prices reached an all-time record high of approximately $145 per barrel in July 2008, but have since declined. As of April 12, 2012, the price of a barrel of crude oil was approximately $103. Significant fluctuations and prolonged increases in the cost of aviation fuel have adversely affected air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel and to increase airfares and institute fuel, checked baggage, and other extra surcharges, all of which may decrease demand for air travel.

Geopolitical Risks

The terrorist attacks of September 11, 2001, the conflicts in Iraq and Afghanistan and the threat of more terrorist attacks generally decreased passenger traffic levels at the Airport and nationally in the years immediately after 2001. The Authority cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans traveling abroad. Should new attacks occur against the air transportation industry, the travel industry, cities, utilities, infrastructure, office buildings or manufacturing plants, the effects on travel demand could be substantial.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in 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 current outbreak of H1N1 influenza ("swine flu"), 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.

International Conflict and the Threat of Terrorism

The conflicts in Iraq and Afghanistan have had a negative effect on air travel domestically and internationally. As a result of the conflicts and related terrorist threats, airlines significantly reduced the number of transatlantic flights and airline revenues and cash flow were adversely affected. Uncertainty associated with the hostilities and the increased threats of future terrorist attacks may continue to have an adverse impact on air travel in the foreseeable future.

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 teleconferencing and video-conferencing.

Travel Substitutes

Teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings. Events such as the terrorist attacks of September 11, 2001 may have accelerated this trend. While the effects cannot be quantified, it is possible that business travel to and from the Airport may be more susceptible to such travel substitutes than many other domestic airports.

Effect of Bankruptcy on Airline Operating Agreements

In the event of bankruptcy proceedings involving one or more of the Signatory Airlines the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Operating Agreements. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant agreements. Rejection of a lease or executory contract by any of the Signatory Airlines would give rise to an unsecured claim of the Authority for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code. However, the amounts unpaid as a result of a rejection of an Airline Operating Agreement by a Signatory Airline in bankruptcy would be passed on to the remaining Signatory Airlines under their Airline Operating Agreements. All Signatory Airlines are current on their payments to the Authority under the Airline Operating Agreements.

American Airlines Bankruptcy

On November 29, 2011, American Airlines, together with its parent, AMR Corporation and American Eagle (collectively "AMR"), filed for bankruptcy protection under Chapter 11 of the Federal Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. According to AMR, the Chapter 11 filing permits AMR to continue operations while developing a plan of reorganization to address existing debt and cost structures. AMR has notified the Authority that it intends to reject its Airline Operating Agreement with the Authority effective April 30, 2012 and negotiate a new Airline Operating Agreement that would provide for a reduction in the number of gates leased by AMR from four to two. In light of the bankruptcy filings, the Authority directs potential purchasers of the 2012 Bonds to review AMR's filings with the SEC at www.sec.gov, its press releases at www.aa.com and other information regarding the bankruptcy proceedings. The Authority does not make any representation as to AMR and future plans generally, or with regard to the Airport in particular. The Authority was not involved in the preparation of and does not in any manner endorse the information provided by the links. No assurances can be given as to whether AMR's efforts to reorganize will be successful, or with regard to AMR's future level of activity at the Airport. In 2011, American Airlines accounted for 7.3% of the enplaned passengers at the Airport.

United and Continental Airlines Merger

On May 3, 2010, United Airlines and Continental Airlines announced their intent to merge into the world's largest airline by passenger volume. The U.S. Department of Justice approved the merger on August 27, 2010. The shareholders of both airlines approved the transaction on September 20, 2010 and the transaction closed on October 1, 2010. The new combined airline has retained United's name and headquarters. Neither the Authority nor the Underwriters can predict at this time the financial impact, if any, of the merger on the Airport. However, through the expiration of the Airline Operating Agreement in 2018, neither airline is permitted to reduce its facilities.

Southwest Airlines Acquisition of AirTran Airlines

On May 2, 2011, Southwest Airlines announced the closing of its acquisition of AirTran Holdings, Inc. Southwest and AirTran are currently operating separately, but the combined airline received a single operating certificate on March 1, 2012. Neither the Authority nor the Underwriters can predict at this time the financial impact, if any, of the acquisition on the Airport. However, through the expiration of the Airline Operating Agreement in 2018, neither airline is permitted to reduce its facilities. Prospective purchasers of the 2012 Bonds are encouraged to review the information concerning the proposed acquisition that is available from the SEC. Neither the Authority, the Underwriters nor the Financial Advisor undertake any responsibility for the correctness or completeness of such information.

Southwest and AirTran file annual reports on Form 10 K, quarterly reports on Form 10 Q, current reports on Form 8 K and certain other reports and information with the SEC. Copies of the reports and other information filed with the SEC can be obtained in electronic form on the SEC website at http://www/sec.gov/edgar.shtml. In addition, copies of SEC records can be obtained using the following methods to contact the Office of Investor Education and Advocacy: (a) submit the online form on the SEC website, (b) send an email to publicinfo@sec.gov, (c) send a fax to (202)772-9295, or (d) submit a written request to U.S. Securities and Exchange Commission, Office of Investor Education and Advocacy, 100 F Street N.E., Washington DC 20549-0213.

Non-Renewal of Airline Operating Agreements

The existing Airline Operating Agreements are scheduled to expire May 8, 2018, prior to the final maturity of the 2012 Bonds. There can be no assurance that the Authority will be able to negotiate extensions or renewals of the existing Airline Operating Agreements, or replacement agreements for existing Airline Operating Agreements that are not extended or renewed. In addition, there can be no assurance that extended, renewed or new airline operating agreements would include residual payment methodologies, as do the current Airline Operating Agreements or, if based on compensatory calculations, that the Authority will be able to negotiate sufficient payments from the signatory airlines to meet its obligations under the Indenture and otherwise.

Availability of Funding For Future Airport Development Plans

Government Grants-in-Aid

As described herein under "FUTURE AIRPORT DEVELOPMENT PLANS – The Authority's Capital Improvement Program," the Authority expects to undertake projects in the CIP which may be financed in part by government grants. The grants are primarily derived from the FAA's Airport Improvement Program ("AIP"). For the period 2006-2010, the Authority had government grant revenue ranging from $19.18 million to $27.82 million annually. Grant revenue is not earned until the work has been performed and the expense paid, so the annual amount of revenue fluctuates depending upon the projects that are initiated and the actual expenses that are incurred each year.

In 2010, new government grants were awarded totaling approximately $8.52 million and government grant revenue was approximately $23.59 million. The difference is due to the timing of the eligible work and expenses for which both current year and past year grants have been awarded. In the event that AIP grants to the Authority are lower than those made in recent years, the Authority would elect either to delay or not undertake certain projects or seek alternative sources of funding including PFCs (for PFC eligible projects) and/or the possible issuance of additional debt.

The FAA administers the AIP and grants are made to airport operators in the form of entitlement funds and discretionary funds. The majority of the grant funds received by the Authority are AIP grants. The AIP authorization was recently extended through September 30, 2015.

Transportation Security Administration Grants

The Authority has received grants from the Transportation Security Administration ("TSA") for various TSA approved projects consisting of (i) Security Check Points, (ii) North Inline Explosive Detection System, (iii) Electronic Gate Lock, Law Enforcement Officer programs and (iv) K-9 operations. The total TSA grants for these projects between 2006 and 2010 were $1,181,111, $1,046,297, $2,712,600, $616,209 and $103,662 respectively.

Passenger Facility Charges

On October 1, 2001, the airlines began collecting PFCs on qualifying enplaning passengers at the Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, fund noise mitigation at the airport, or furnish opportunities for enhanced competition between or among air carriers. Recent regulations have been promulgated by the FAA that enhances the eligibility of PFC usage to include, among other things, debt service payments. Both the fee imposed and intended uses must be reviewed and approved by the FAA.

PFC revenues for 2006-2011 were $20,854,453, $20,518,454, $17,679,620, $16,530,149 and $16,999,264, and $17,357,369 respectively. A steady decrease in enplaned passengers resulted in a decrease in PFC income over the 2006-2010 period. The Authority applied for and received approval from the FAA to increase the PFC to $4.50 per enplanement effective December 1, 2004. PFC revenues do not secure the 2012 Bonds or any other Bonds unless deposited to the Revenue Fund by the Authority, at its discretion.

The PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted to commingle PFC collections with other revenues. Airlines that have filed for Chapter 7 or 11 bankruptcy protection, however, are required to segregate PFC revenue in a separate account for the benefit of the airport and cannot grant a third party any security or other interest in PFC revenue. The airlines are entitled to retain interest earned on PFC collections until such PFC collections are remitted. The Authority cannot predict whether an airline that files for bankruptcy protection will properly account for the PFCs or whether the bankruptcy estate will have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. The Authority has recovered all of its PFCs from each of the airlines that filed for Chapter 11 bankruptcy protection in the past. PFCs are not pledged to the repayment of the Bonds, unless so designated by the Authority.

FAA Reauthorization and Level of Federal Airport Grant Funding

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the "FAA Modernization and Reform Act of 2012", which was signed into law by the President on February 14, 2012. This is the first long-term FAA authorization since the last one expired in 2007. Since that time, there have been 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in the summer of 2011. The final FAA reauthorization keeps the federal cap on PFCs at $4.50 and authorizes $3.35 billion per year for the Airport Improvement Program ("AIP") through Fiscal Year 2015, which is $150 million per year less than the funding level for the past five years. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). The President's budget proposal for federal Fiscal Year 2013, published on February 13, 2012, proposes to reduce AIP funding to $2.4 billion (from the $3.35 billion authorized) and eliminate "guaranteed" AIP funding for large and medium hub airports, including the Airport. The Administration's budget also proposes an increase in the PFC cap for large and medium hub airports. Over the next several months, Congress will hold a series of hearings to evaluate the President's budget request and develop their own proposals for federal funding through the annual appropriations process. The Authority is unable to predict the level of AIP funding at this time. If there is a reduction in the amount of AIP grants awarded to the Authority for the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Authority would need to fund from other sources (including operating revenues and borrowings), (2) result in decreases to the amounts to be provided for capital projects under the CIP, or (3) extend the timing required by the Authority to complete certain projects. The Authority receives approximately $2.3 million per year in entitlement AIP funding.

Payment of Senior Lien Bonds Under Airline Operating Agreements

The Authority's ability to derive Net Revenues from the operation of the Airport depends upon various factors, many of which are not within the control of the Authority. The primary source of Net Revenues is the Airline Operating Agreements between the Authority and the Signatory Airlines. US Airways is the primary airline operating at the Airport, directly accounting for approximately 29.9% and 30.7% of the total operating revenues of the Airport in 2011 and 2010, respectively. The Airline Operating Agreements establish the landing fees, terminal rentals, and ramp fees to be charged to the airlines. Signatory Airlines are also obligated to pay costs associated with aircraft support systems and tenant improvements, and US Airways is obligated to pay costs associated with certain exclusive-use systems and facilities.

At any point in time, the U.S. economy, excess airline capacity, and industry wide competition through airfare discounting may create significant constraints on the operations of the airlines. Due to these factors, the financial results of airports generally are largely dependent upon conditions in the national economy and the U.S. airline industry, and the financial condition of carriers, which provide significant levels of service at the Airport.

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.

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 Authority'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 Authority's independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Authority's independent auditors assume no responsibility for its content.

THE TRUSTEE

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties which are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2012 Bonds, the security therefor, the adequacy of the provision for payment thereof or the tax status of the interest on the 2012 Bonds, nor has the Trustee independently verified any information contained in this Official Statement. The Trustee may resign or be removed or replaced as provided in the Indenture.

LITIGATION

On the date of issuance and delivery of the 2012 Bonds, counsel to the Authority will deliver an opinion to the effect that, to its knowledge, among other things, there is no litigation or proceeding, pending or threatened, in any way affecting the existence of the Authority, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2012 Bonds or the right of the Authority to collect Revenues and other moneys pledged or to be pledged to pay the principal of and interest on the 2012 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2012 Bonds, the Indenture or the Airline Operating Agreements, or contesting in any way the completeness or accuracy of the Official Statement or the Official Statement, or contesting the powers of the Authority or its authority with respect to the 2012 Bonds or the Indenture. In addition, on such date the Authority will deliver a certificate to the effect that, there is no litigation pending, or to the knowledge of the Authority, threatened, seeking to restrain or enjoin the issuance or delivery of the 2012 Bonds or the Airline Operating Agreements or questioning or affecting the legality of the 2012 Bonds, the proceedings and authority under which the 2012 Bonds are being issued or the validity of the Airline Operating Agreements, and that there is no litigation pending, or to the knowledge of the Authority, threatened, which in any manner, questions the right of the Authority to lease or operate the Airport System in accordance with the provisions of the Indenture or which, if decided adversely to the Authority, would materially adversely affect its ability to pay debt service on the 2012 Bonds. As of the date of this Official Statement, there are no pending uninsured claims that are or would be deemed material by the Authority.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") have assigned their ratings of "Baa1" (Positive), "A-" (Stable) and "BBB+" (Stable), respectively, to the 2012 Bonds.

The ratings assigned to the 2012 Bonds by such rating agencies reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York, 10007; Standard & Poor's, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 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. There is no assurance that any 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 agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2012 Bonds.

TAX MATTERS

Tax Exemption

In the opinion of Buchanan Ingersoll & Rooney, P.C., Bond Counsel, under existing law: (1) (a) interest on the 2012A-1 Bonds is excludable from gross income for federal income tax purposes except for any period a 2012A-1 Bond is held by a person who, within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is a "substantial user" or a "related person" to a "substantial user" of the facilities financed with the proceeds of the 2012A-1 Bonds, and (b) the 2012A-1 Bonds are "private activity bonds" under the Code and, as such, interest on the 2012A-1 Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations; and (2)(a) interest on the 2012B Bonds is excludable from gross income for federal income tax purposes; and (b) the 2012B Bonds are not "private activity bonds" under the Code, and, as such, interest on the 2012B Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2012 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of the bond financed project, limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report (the "Information Report") with the Internal Revenue Service (the "Service"). The Authority has covenanted in the Indenture that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture pertaining to those sections of the Code that affect the exclusion from gross income of interest on the 2012 Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority's Financial Advisor and the Managing Underwriter with respect to matters solely within the knowledge of the Authority, the Authority's Financial Advisor and the Managing Underwriter, respectively, which Bond Counsel have not independently verified. If the Authority fails to comply with the covenants in the Indenture or if the foregoing representations or the Information Report are determined to be inaccurate or incomplete, interest on the 2012 Bonds could become includable in gross income from the date of original delivery of each issue of the 2012 Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, acquisition, ownership or disposition of, the 2012 Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon their review of existing law and in reliance upon the representations and covenants referenced above that they deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the

2012 Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Authority as the taxpayer and the owners may not have a right to participate in such audit. Public awareness of any future audit of any issue of the 2012 Bonds could adversely affect the value and liquidity of such issue of the 2012 Bonds regardless of the ultimate outcome of the audit.

Additional Description of Certain Federal Income Tax Considerations

Alternative Minimum Tax Consequences

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds" issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the 2012A-1 Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

In addition, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations that are not "private activity bonds," such as the 2012B Bonds, is included in a corporation's "adjusted current earnings," ownership of the 2012B Bonds could subject a corporation to alternative minimum tax consequences.

Collateral Tax Consequences

Prospective purchasers of the 2012 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the 2012 Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the 2012 Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the 2012 Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of each issue of the 2012A-1 Bonds and the 2012B Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such 2012 Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of all or a portion of each issue of the 2012A-1 Bonds and the 2012B Bonds may be less than the stated redemption price payable at maturity of such 2012 Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the 2012 Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the 2012 Bonds under the captions "TAX MATTERS - Tax Exemption" and "TAX MATTERS - Additional Federal Income Tax Considerations - Collateral Tax Consequences" generally applies and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the 2012 Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Authority nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the 2012 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less, (ii) the amounts payable as current interest during such accrual period on such 2012 Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel under the existing laws of the Commonwealth of Pennsylvania as presently enacted and construed, the 2012 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2012 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the 2012 Bonds are subject to the receipt of approving legal opinions from Buchanan Ingersoll & Rooney, PC, Pittsburgh, Pennsylvania. The form of the approving opinion of Bond Counsel is included as Appendix E hereto. Certain legal matters will be passed upon for the Authority by its counsel, Schnader Harrison Segal & Lewis LLP, Pittsburgh, Pennsylvania. Certain other legal matters will be passed upon for the Underwriters by their counsel, Campbell & Levine, LLC, Pittsburgh, Pennsylvania.

INDEPENDENT AUDITORS

The financial statements of the Authority included in APPENDIX A - “FINANCIAL STATEMENTS OF THE AUTHORITY FOR FISCAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010” to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the periods indicated in their report.

UNDERWRITING

The 2012 Bonds are being purchased from the Authority by Jefferies & Company, Inc., as representative of the Underwriters listed on the cover of this Official Statement (collectively, the “Underwriters”). The Underwriters have agreed to purchase the 2012 Bonds from the Authority at a price of $______________ (which is equal to the par amount of the 2012 Bonds, plus an original issue premium of $______________, less an original issue discount of $______________, less an underwriters’ discount of $______________), subject to the terms of a bond purchase agreement (the “Bond Purchase Agreement”), between the Underwriters and the Authority. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2012 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 Underwriters intend to offer the 2012 Bonds to the public at the initial offering price or prices set forth on the inside cover page of this Official Statement. The Underwriters may allow concessions from the initial public offering prices to certain dealers, banks and others. After the initial public offering, the public offering prices may be varied from time to time by the Underwriters, without prior notice.

FINANCIAL ADVISOR

Raymond James | Morgan Keegan (the "Financial Advisor") serves as financial advisor to the Authority. Although the Financial Advisor assisted the Authority in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2012 Bonds and provided other advice, the Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information or statements contained in this Official Statement or the appendices hereto. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the 2012 Bonds.

AIRPORT CONSULTANT

LeighFisher, Burlingame, California, has served as the Airport Consultant to the Authority. See "REPORT OF THE AIRPORT CONSULTANT" herein and attached hereto as APPENDIX B. References to and excerpts from such report contained in this Official Statement do not purport to be an adequate summary of such report or complete in all respects. Such report is an integral part of this Official Statement and should be read in its entirety for complete information with respect to the subjects discussed herein.

SECONDARY MARKET

No assurance can be given concerning the existence of any secondary market in the 2012 Bonds or the creation or maintenance of any such secondary market by the Underwriters. Thus, purchasers of 2012 Bonds should be prepared, if necessary, to hold their 2012 Bonds until their respective maturity dates.

CONTINUING DISCLOSURE

Pursuant to Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), the Authority has entered into a Continuing Disclosure Agreement (the "Disclosure Agreement") which includes an undertaking (the "Undertaking") for the benefit of the holders of its outstanding 2012 Bonds to provide certain financial information and operating data on an annual basis (the "Annual Report") and to provide notice of certain enumerated events if such events are determined to be material under the federal securities laws.

The Annual Report will be filed not later than 270 days after the end of the Airport System's fiscal year with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA") for municipal securities disclosure on through and other electronic format or system prescribed by the MSRB for purposes of Section (b)(5) of the Rule. Notices of material events will be filed with the MSRB through EMMA.

Annual Information. The Annual Information concerning the Authority shall consist of (1) audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and (2) the financial and operating data regarding the Airport

System substantially of the type included in the tables appearing under the following headings and subheadings of this Official Statement entitled "THE AIRPORT - Financial Information" (to the extent not included in audited financial statements); "Debt Service Coverage"; "Enplaned Passengers at the Airport"; "Air Service at the Airport"; and "Airline Market Shares."

Notice of Material Events. The notices to be provided under the Rule, which the Authority will undertake to provide as described above, within ten business days, written notice of the occurrence of any of the following events with respect to the 2012 Bonds:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions or events affecting the tax-exempt status of the 2012 Bonds;
(vii) Modifications to rights of holders of the 2012 Bonds, if material;
(viii) Bond calls (other than mandatory sinking fund redemptions);
(ix) Defeasances;
(x) Release, substitution or sale of property securing repayment of the 2012 Bonds, if material;
(xi) Rating changes;
(xii) Bankruptcy, insolvency or receivership of the Authority;
(xiii) Consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business; and
(xiv) Appointment of a successor or additional trustee or the change of name of the Trustee, if material.

Amendments. The Undertaking may be amended without the consent of the holders of the 2012 Bonds, but only upon the Authority obtaining an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of the Undertaking with the Rule; provided that the Authority shall have provided notice of such delivery and of the amendment to the MSRB through EMMA.

Termination. The continuing obligation of the Authority and each other Obligated Person to provide Annual Information and Material Event Notices shall terminate immediately once the 2012 Bonds no longer are Outstanding. In addition, the Undertaking, or any provision thereof, shall be null and void in the event that the Authority obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the 2012 Bonds, provided that the Authority shall have provided notice of such delivery and the cancellation of the Undertaking to the Trustee and to the MSRB through EMMA.

The Authority is current with regard to all continuing disclosure filing requirements with respect to its outstanding obligations.

MISCELLANEOUS

The references herein to the Act, the Indenture (including the Sixth Supplemental Indenture) and the Airline Operating Agreements are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such documents and the Act for full and complete statements of their provisions. Copies of these documents and the Act are available for inspection at the designated corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

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This Official Statement has been duly executed and delivered on behalf of the Authority by its Executive Director.

THE ALLEGHENY COUNTY AIRPORT AUTHORITY

By: ________________________________
Bradley D. Penrod, Executive Director

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR FISCAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

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Allegheny County Airport Authority

(A Component Unit of County of Allegheny, Pennsylvania)

Financial Statements as of and for the Years Ended December 31, 2011 and 2010, and Independent Auditors' Report

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Allegheny County Airport Authority:

We have audited the accompanying statements of net assets of the Allegheny County Airport Authority (the "Authority"), a component unit of County of Allegheny, Pennsylvania, as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 2 to 11, which is the responsibility of the Authority's management, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

March 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Allegheny County Airport Authority's (the "Authority") discussion and analysis is presented to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position. Management encourages the reader to consider Management's Discussion and Analysis (MD&A) of the Authority's financial performance in conjunction with the information contained in the Authority's financial statements.

THE AIRLINE OPERATING AGREEMENT

Pittsburgh International Airport (PIT or the "Airport") is operated by the Authority pursuant to the Airline Operating Agreement and the Amended and Restated Airline Operating Agreement (collectively, the AOA). The AOA is structured as a residual agreement and has been signed by Air Tran, American Airlines, British Airways, Chautauqua Airlines, Continental Air, Delta Airlines, JetBlue Airways, Mesa Airlines, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways.

Airline revenue at PIT is based upon a residual arrangement as determined in the AOA. Airlines that sign this agreement ("Signatory Airlines") agree to pay for the operations of the Airport based upon a Rates and Charges calculation that takes into account all revenues, expenses, and debt service at PIT, as well as creating certain funds to be used for capital expenditures. The AOA is designed to minimize the landing fee, terminal rent, and ramp fee costs to the Signatory Airlines, while assuring the payment of all net operating costs and debt service related to PIT. The importance of this ratemaking methodology is critical to protect the Authority against the financial impact of airline bankruptcies, especially in consideration of the filings during recent years by US Airways, Independence Air (now liquidated), Delta Airlines, Northwest Airlines, and United Airlines and, most recently, American Airlines and its parent company, AMR, which filed for bankruptcy protection on November 29, 2011, under the United States Bankruptcy Code. These bankruptcy filings also underscore the continued uncertainty and the absence of consistent profitability in the airline industry. Note that US Airways emerged from bankruptcy on September 29, 2005, and United Airlines emerged from bankruptcy on February 1, 2006. Delta Airlines and Northwest Airlines, both of which began 2007 under bankruptcy protection, emerged from this protection in the spring of 2007, since 2008, have merged, and operate as Delta Airlines. On November 30, 2011, Continental and United Airlines began operating under one certificate with the FAA although operations had not merged as of yearend 2011 at PIT. Southwest and AirTran Airlines merged on March 1, 2012. Since both mergers include the same number of leased areas and signatory gates post-merger we do not anticipate any loss of revenue resulting from these business transactions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. Revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are recorded in land, building, and equipment accounts and are depreciated over their useful lives (except land). See notes to financial statements for a summary of the Authority's organization and significant financial policies.

The Authority is responsible for the operation of the facilities at PIT and the Allegheny County Airport.

Following this discussion and analysis are the basic financial statements of the Authority, including the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's financial position and activities.

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

The Statements of Revenues, Expenses, and Changes in Net Assets present information showing the change in the Authority's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The Statements of Cash Flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. Reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

SIGNIFICANT EVENTS/FINANCIAL HIGHLIGHTS

Enplaned passengers at the Airport increased 1.5% as compared to 2010. While significant changes to passenger levels in previous years were primarily driven by the mergers of US Airways/America West and Delta/Northwest at PIT, 2011 was marked by continued increased frequencies to leisure and business markets indicating a stabilization of the Airport traffic and passenger levels following the downsizing of US Airways' hub operation. The Airport has maintained a diversified portfolio of airlines with 13 carriers providing regularly scheduled service to over 36 nonstop destinations. A number of carriers experienced passenger increases at the Airport in 2011. Of the 13 carriers, eight airlines showed increased passenger levels compared to 2010 and five of these carriers experienced growth rates in excess of 10%. Carriers accounting for the increase in passengers versus 2010 include USA 300 at 54.8%, American at 25.6%, Air Canada at 17.3%, Direct Air at 13.3%, Continental at 12.4%, Southwest at 5.3%, Delta at 5.2%, and JetBlue at 4.2%. SkyWest, Frontier, United, AirTran, and US Airways showed passenger level decreases in 2011 by 41.2%, 30.1%, 11.8%, 7.2%, and 2.6%, respectively. Management is pleased to see another positive growth in passenger levels and the increase in origin and destination traffic (nonconnecting passengers who begin or end their trip at Pittsburgh International). Management continues to attribute the strong performance in passenger levels to lower fares charged by the low-cost carriers operating at PIT that have succeeded in attracting more travelers. PIT's average one-way fare of $169 continues to be below the national average of $180 (per Bureau of Transportation Statistics for the third quarter of 2011) as a result of increased competition. Similar-sized airport cities, such as Cleveland (average fare $212) and Cincinnati (average fare $244) reflect dominant carrier pricing. In addition, passengers that flew from PIT are, as a result of the lower fares, coming from a broader geographic area.

Pursuant to Federal Aviation Administration (FAA) approval received, the Authority continued to apply Passenger Facility Charges (PFC) revenue to reduce debt service costs, resulting in decreased airline rates and charges. The total amount of PFCs allocated to debt service in 2011 and 2010 was $8.8 million and $15.0 million, respectively. As done in 2010 and 2011 and in accordance with the approved PFC program, the Authority anticipates future applications of PFC revenues predominantly be used for eligible debt service costs.

Through the end of 2011, the Authority was designated as a recipient of revenues generated from casinos and racinos authorized to operate pursuant to the Pennsylvania Race Horse Development and Gaming Act (the "Gaming Act"). Originally, the Gaming Act legalized slot machine parlors in race tracks and stand-alone facilities. In 2010, the Gaming Act was amended to allow table games. The Authority is eligible to receive up to 5% of the annual net revenues, on an annual basis not to exceed $150 million for up to a 12-year period, generated from gaming operations in Pennsylvania. The County, the prior recipient of the funds, received $42.5 million of these revenues prior to the close of 2009 to complete the repayment of the $42.5 million capital contribution that the County made toward the original construction of the Airport, which the County funded with the issuance of its General Obligation Bonds. The Authority received $2.2 million of these funds in June 2010 representing the State's fiscal year 2009-2010 allotment remaining after the repayment of the $42.5 million referenced above. In addition, the Authority received its State's fiscal year 2010-2011 allotment of $12.4 million in December 2010 and its State's fiscal year 2011-2012 allotment of $12.4 million in October 2011. The balance of the amounts due to the Authority of $80.5 million ("Gaming Revenues") is payable to the Authority over the next eight years. In June 2009, the Authority executed a grant anticipation loan (the "Grant Anticipation Loan") with PNC Bank, N.A. in the amount of $20 million. The proceeds of this transaction were used to reimburse the Authority for $6.5 million utilized to reduce rates and charges in 2008 and to apply $4.6 million to reduce airline rates and charges in 2009. The Grant Anticipation Loan was secured by a pledge of the future installments of the Gaming Revenues to be received. The Authority repaid $5 million of the Grant Anticipation Loan in January 2010, which was in excess of, and in advance of, the first installment of $4 million due on January 15, 2011. Additionally in January 2011, the Authority repaid $8 million of principal against the loan. In January 2012, the Authority repaid the remaining $7 million of principal remaining and defeased the Gaming Anticipation Loan. The Authority anticipates applying the remaining $80.5 million to (i) reduce debt service payments on the Authority's General Airport Revenue Bonds (GARBs), thereby reducing the costs charged to the airlines operating from PIT; and (ii) for other purposes permitted under the Gaming Act.

In June 2010, the Authority terminated the next three years of its constant maturity swap with Bank of America Merrill Lynch. In exchange for the termination, the Authority received $5.187 million. The swap was scheduled to reinitiate January 1, 2014, with an effective termination date of January 1, 2023. In May 2011, the Authority terminated its interest in the remaining term of the constant maturity swap in exchange for a payment to the Authority of $920,000. The Authority has no further rights or obligations pursuant to the constant maturity swap with Bank of America Merrill Lynch.

The parking operation at PIT is the largest nonaviation revenue generator for the Airport. There was $27 million of parking revenue included in the results of the Airport for 2011. Management expects net parking revenues to remain level in 2012 because of necessary capital improvements that will have a short-term impact on space availability. Although a rate adjustment is planned for 2012, local parking taxes imposed by Findlay Township and West Allegheny School District, which were increased in 2011 by both entities, will absorb the majority of the increased gross revenues. The Airport currently has approximately 2,100 short-term parking spaces, 3,100 long-term parking spaces, and 8,000 extended-term parking spaces.

As a result of US Airways' reduction in operations at the Airport and to mitigate the costs of operating the terminal facilities, the Authority decided in January 2008 to decommission a portion of the A and B Concourses that were not expected to be needed for current airline activity levels. These areas are the extensions of the A and B Concourses and consist of 26 gates and approximately 97,500 square feet. The annual savings from reduced utilities, custodial costs, and contracted maintenance and repair on the moving sidewalks was approximately $950,000. These areas continue to be maintained with necessary heating and cooling to preserve facility conditions and either, or both, areas on the two concourses could be reactivated and ready for occupancy in several days if needed for future operational expansion. In addition, in November 2011 the Authority completed the relocation of the employee parking facilities to the former commuter terminal ramp area. This $4.8 million project reutilized a ramp area that was no longer in service and eliminated the need to provide shuttle busing for employees resulting in annual anticipated savings in excess of $1 million.

In addition to the annual application of approximately $10 million in Gaming Act revenues, the Authority plans to continue to apply a majority of its collected PFC's toward Airport debt service. Consistent with the AOA, the net cost of operating the Airport is passed through on to signatory air carriers through airline rates and charges. This reduction in fees directly benefited carriers' level of profitability at the Airport. The Authority intends to continue the application of these funds throughout the duration of the receipt of Gaming Act revenues and the PFC authorization applicable to the use of PFC funds. Management is actively monitoring and adjusting the operation of the Airport to match the activity of the airline tenants. Operating costs have been reduced wherever possible, nonairline revenues enhanced, and innovative ideas that improve the efficiency of the Airport implemented.

On October 14, 2011, the Authority Board adopted a resolution approving the issuance of up $50 million in additional debt. These proceeds are authorized for various Airport projects including parking garage rehabilitation, terminal improvements, people mover car rehabilitation/replacement and energy saving initiatives.

On December 16, 2011, the Authority repaid the balance of the Citizens Bank revolving line of credit of $27 million and terminated the facility.

The following represents the Authority's summary of changes in net assets (in thousands):

	2011	**2010**	**2009**	**% Change 2011/2010**
Operating revenue	$ 142,487	$ 137,266	$ 135,854	3.8 %
Operating expenses	86,728	86,575	84,120	0.2 %
Operating income before depreciation	55,759	50,691	51,734	10.0 %
Depreciation and amortization	67,680	69,158	68,988	(2.1)%
Operating loss	(11,921)	(18,467)	(17,254)	(35.4)%
Nonoperating income	49,225	64,126	44,305	(23.2)%
Nonoperating expenses	(24,036)	(25,817)	(26,855)	(6.9)%
Increase in net assets	13,268	19,842	196	(33.1)%
Net assets — beginning of year	386,408	366,566	366,370	5.4 %
Net assets — end of year	$ 399,676	$ 386,408	$ 366,566	3.4 %

REVENUES

A summary of revenues for the years ended December 31, 2011, 2010, and 2009, is as follows (in thousands):

Operating Revenue	**2011**	**2010**	**2009**	**% Change 2011/2010**
Landing fees	$ 19,201	$ 18,343	$ 15,798	4.7 %
Terminal area airline fees	60,387	58,522	60,004	3.2 %
Other aeronautical revenue	8,089	8,415	9,912	(3.9)%
Parking revenues	27,094	25,753	23,960	5.2 %
Rent-a-car revenues	11,019	10,685	10,391	3.1 %
Terminal concessions	6,668	6,516	6,773	2.3 %
Other nonaeronautical revenue	7,096	6,025	6,495	17.8 %
AGC revenues	2,933	3,007	2,521	(2.5)%
Total Operating Revenue	$ 142,487	$ 137,266	$ 135,854	3.8 %

Operating Expense	**2011**	**2010**	**2009**	**% Change 2011/2010**
Salaries, wages, and benefits	$ 34,317	$ 34,108	$ 32,162	0.6 %
Utilities	11,953	12,398	12,211	(3.6)%
Cleaning and maintenance services	14,598	14,288	14,077	2.2 %
Professional services	16,027	15,541	14,925	3.1 %
Other	7,175	7,513	8,215	(4.5)%
Pittsburgh International Airport expenses	84,070	83,848	81,590	0.3 %
Allegheny County Airport expenses	2,658	2,727	2,530	(2.5)%
Depreciation and amortization	67,680	69,158	68,988	(2.1)%
Total Operating Expense	$ 154,408	$ 155,733	$ 153,108	(0.9)%

Nonoperating Revenue (Expense)	**2011**	**2010**	**2009**	**% Change 2011/2010**
Interest expense	$ (22,509)	$ (25,073)	$ (26,572)	(10.2)%
Interest income	1,001	2,788	4,298	(64.1)%
Customer facility charge income	3,041			N/A
Passenger facility charge income	16,921	16,999	16,530	(0.5)%
Grants from governmental agencies	9,763	23,590	23,455	(58.6)%
(Loss) gain on disposal of assets	(1,527)	(252)	(4)	506.0 %
Swap termination proceeds	860	5,075		(83.1)%
Gaming revenues	12,400	14,600		(15.1)%
Miscellaneous income (expense)	4,819	1,074	(279)	348.7 %
Other	420	(492)	22	185.4 %
Total nonoperating revenue	$ 25,189	$ 38,309	$ 17,450	(34.2)%

2011

Total operating revenues finished the year $5.2 million, or 3.8%, higher compared to 2010. Changes in landing and terminal fees were primarily a result of airline rate changes between 2011 and 2010 as well as from changes in airline operations. Parking and rent-a-car revenues finished the year $1.7 million higher than 2010. These were due, in part, to rate adjustments in the long-term parking and increased passenger activity levels.

Total operating expenses were $1.3 million, or 0.9%, less in 2011 as compared to 2010. The largest drivers for this decrease are utilities, other operating expenses, and depreciation. Utilities contributed $445,000 favorably due to lower usage and fixed-rate contracts for natural gas and electric. Other operating expenses contributed $337,000 favorably and this is attributed principally to cost containment. Depreciation, while a noncash expense, is $1.5 million less than 2010 due primarily to certain capital assets reaching the end of their useful lives.

Nonoperating revenue was $13.1 million less in 2011 as compared to 2010, or 34.2%. Interest income in 2011 decreased by $1.8 million over 2010 due to declining investment rates. Interest expense was $2.6 million lower reflecting the amortization of long-term debt and lower interest payments required on short-term, variable-rate instruments. Customer facility charge income of $3 million is reflective of a $3 per rental day fee enacted June 1, 2011, on customers renting vehicles from Pittsburgh International Airport. Grant income was $13.8 million less in 2011 and this is attributed to completing some major projects in 2010. The constant maturity swap was fully terminated in June 2011 and this action generated net proceeds of $860,000. Additionally, $12.4 million of gaming revenue was recognized as revenue relating to the Commonwealth of Pennsylvania's 2012 fiscal year. Miscellaneous income was $4.8 million or $3.7 million higher in 2011 as compared to 2010 principally due to an insurance environmental claim net proceeds of $2.2 million.

2010

Total operating revenues finished the year $1.4 million, or 1%, higher compared to 2009. Changes in landing and terminal fees were primarily a result of airline rate changes between 2010 and 2009 as well as from changes in airline operations. Parking and rent-a-car revenues finished the year $2.1 million higher than 2009. These were due, in part, to rate adjustments in the long-term and short-term parking and increased passenger activity levels.

Total operating expenses were $2.6 million more in 2010 as compared to 2009, or 1.7%. The largest driver of the increase is related to salaries, wages, and benefits at $1.9 million. Wages and overtime expense were the two largest components equating to $851,000 and this is attributed to the Federal Emergency Management Agency recognized snow disaster occurring in February. Benefits of $409,000 and sick pay buyback of $331,000 are the remaining significant factors of the total variance. Additionally professional services contributed $616,000 of the variance with contracted services and police costs being the largest drivers.

Nonoperating revenue was $20.8 million higher than 2009. Interest income in 2010 decreased by $1.5 million over 2009 due to declining investment rates. Interest expense was $1.5 million lower reflecting the amortization of long-term debt and lower interest payments required on short-term, variable-rate instruments. PFC revenues increased $469,000 due to the increase in enplaned passengers as compared to the previous year. The constant maturity swap was terminated through December 31, 2013, generating $5.1 million of proceeds. Additionally, $14.6 million of gaming revenues were recognized as revenue relating to the Commonwealth of Pennsylvania's 2010 and 2011 fiscal years. The Commonwealth of Pennsylvania also provided the Authority with a special allocation of $2,500,000 for delivery to the Allegheny Conference on Community Development in order to assist the Conference in fulfilling its revenue guarantee to Delta

Airlines, Inc., pursuant to the Air Service Development Agreement entered into by and between the Conference and Delta Airlines. The Authority acted as a conduit for the $2.5 million.

FINANCIAL POSITION

The following represents the Authority's financial position at December 31, 2011, 2010, and 2009:

Assets	2011	2010	2009	% Change 2011/2010
Current assets — unrestricted	$ 26,210	$ 20,881	$ 26,114	25.5 %
Restricted assets	132,179	160,299	145,121	(17.5)%
Net property and equipment	695,205	725,986	764,131	(4.2)%
Other assets	3,699	4,374	4,441	(15.4)%
Total assets	$ 857,293	$ 911,540	$ 939,807	(6.0)%

Liabilities	2011	2010	2009	% Change 2011/2010
Current payables from unrestricted assets	$ 18,132	$ 16,596	$ 15,570	9.3 %
Current payables from restricted assets	63,342	83,453	81,740	(24.1)%
Long-term liabilities	376,143	425,083	475,931	(11.5)%
Total liabilities	$ 457,617	$ 525,132	$ 573,241	(12.9)%

Net Assets	2011	2010	2009	% Change 2011/2010
Invested in capital assets — net of related Debt	$ 335,751	$ 327,531	$ 329,379	2.5 %
Restricted net assets	76,406	83,915	66,024	(8.9)%
Unrestricted net deficit	(12,481)	(25,038)	(28,837)	(50.2)%
Total net assets	$ 399,676	$ 386,408	$ 366,566	3.4 %

Net assets continue to moderately fluctuate each year as a result of the reduction of long-term liabilities from year to year as well as benefiting from Customer Facility Charges (CFCs), PFCs, and grant income. The unrestricted net assets deficit at December 31, 2011, was principally a result of borrowings on the Gaming Anticipation Loan.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets — The Authority's capital assets at cost, net of depreciation as of December 31, 2011 and 2010, amounted to $695,205,307 and $725,986,090, respectively. The capital assets include land and land improvements (including runways and taxiways); buildings and building improvements; equipment, furniture, and fixtures; as well as construction in progress. The total increase in the Authority's capital assets before accumulated depreciation for 2011 and 2010 was 1.5% for both years.

Major capital projects in progress and expenditures incurred during 2011 included the following:

• Garage and parking lots	$11,574,693
• Rehabilitation of taxiways and runways	8,626,277
• Terminal enhancements	3,944,056
• Roadways	1,949,248

Major capital projects in progress and expenditures incurred during 2010 included the following:

• Rehabilitation of taxiways and runways	$19,346,969
• Terminal enhancements	3,046,160
• Nonairfield property development	2,145,053
• Snow removal and deicing facilities	4,132,819

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method.

Acquisitions are funded using a variety of financing techniques, including federal grants, state grants, PFC's, debt issuance, and airline rates and charges. Further detailed information can be found in the Note 5 to the financial statements.

Debt Administration — As of December 31, 2011 and 2010, the Authority's long-term debt outstanding totaled $398,120,825 and $439,229,492, respectively. Principal payments of $49,499,251 were made in 2011. Principal payments of $41,140,972, not including $35,660,000 of debt refundings, were made in 2010.

Detailed information regarding the Authority's long-term debt can be found in the Note 8 to the financial statements.

ECONOMIC FORECAST

Economic conditions expected for 2012 indicate that the Pittsburgh region will continue to see the economic recovery it has experienced. The Pittsburgh region did not experience the magnitude of recession-related troubles, such as significant unemployment, personal income declines, and speculative housing prices as compared to other parts of the nation and is poised to continue forward with steady growth. While the nation suffered an average unemployment rate in 2011 of 9.0%, unemployment in the Pittsburgh region, according to preliminary figures, was only 7.2%. In addition, forecasted unemployment figures continue to show the region faring better than the nation in general for the 2012 forecast period indicating unemployment levels at 1.6% below expected national rates. Much of the stability in the region can be attributed to the presence of respected educational and health care institutions. As pointed out by PNC Bank, N.A. in its 4th Quarter Pittsburgh Market Outlook, these industries continue to provide the region with steady income and employment. With a substantial student base in the region, the supply of skilled workers is abundant and will continue to serve the employment demands of the technology (as evidenced by the regional employment growth of Westinghouse), health care and financial industries. PNC Bank, N.A. also points out that the continued declines in population in the region may be in the early stages of a turnaround with 2010 being the first year in recent history that had positive year-over-year population growth. Although modest at less than 0.5%, this growth is also forecasted to continue at least through the end of 2012, the end of the forecast period. Steady employment in the above industries, combined with the opportunities presented by regional gas drilling in the Marcellus Shale formation by companies such as Chesapeake Energy and Shell, is expected to support growth in the regional workforce. The region experienced growth in employment in 2010, growing 0.2% over 2009, and this increase in jobs is forecasted to continue through the 2012 forecast period. It is also anticipated that 2011 and 2012 year-end numbers will indicate employment growth, year over year, at 1.0% and 0.8%, respectively. The bottom line is that the Pittsburgh region has remained more stable than other areas and did not experience as many negative impacts because of lethargic national economic conditions and is well positioned to capitalize on the economic rebound it has begun to experience. It is anticipated that the region will experience modest and steady growth in employment throughout 2012.

Statistics for 2011 indicate that domestic air travel increased modestly as compared to 2010. Total enplanements at PIT were 4.1 million in 2011, a slight increase of 1.5% compared to 2010. Several airlines added service at the Airport in 2011, increasing their capacity and enplanements. Southwest began nonstop service from Pittsburgh to Denver in June 2011, Delta instituted three daily Boston flights from April until November, American Airlines increased daily service to Dallas-Fort Worth to four flights year-round, and Direct Air increased peak season flying to 10 flights per week. Delta continued its nonstop service to Paris (CDG) that began in June 2009 and extended flying beyond its two-year commitment period in June with daily flights to Paris. In 2011, US Airways carried the most passengers at the Airport with 25.2% of the total passenger traffic. Southwest and Delta Airlines are the next most active carriers handling 19.0% and 17.5%, respectively, of 2011's total passengers.

Looking forward to 2012, the Federal Aviation Administration expects a decline in domestic passengers of 0.2% in 2012, with a CAGR, (compounded annual growth rate), of +2.5% annually from 2011–2021. This is welcomed news and confirms the stabilization and rebound of passenger levels for several years to come. However, as the economy continues to recover and airline mergers progress at major airlines, medium-size airports continue to feel the bulk of airline cutbacks. In January 2012, Southwest ended service to Philadelphia and Frontier suspended service to Milwaukee resulting in the loss of six daily flights at PIT. Even through the decline in air service in January, air carriers have announced new flights at PIT into 2012 with Delta beginning six daily flights to New York LaGuardia in July 2012 and continuing to offer nonstop service to Paris (CDG) starting again in March 2012. Southwest is also increasing daily flights to Phoenix to twice daily starting in June 2012.

Strategically, the Authority is committed to maintaining and enhancing PIT's cost-competitive environment while maintaining its high-quality services and customer focus. Management believes that this goal will be achieved by limiting new debt, diligently managing expenditures for both operating and capital items, and maximizing nonairline revenues. Through these management practices, the Authority has been able to lower airline rates and charges at PIT by 3.5% for 2012. It is expected that the Authority will make continued extensive use of PFCs to fund capital projects. The use of PFCs will be critical to performing the routine capital repair and replacement projects that can be expected of a facility that is now 20 years old. Planning for these capital expenditures now is a key to managing the projects on a cost-effective basis. Additional expansion of PFC funding levels will assist the Authority in achieving these goals. The Authority, consistent with the practice of most commercial airport sponsors, has relied upon federal grant funding for various capital projects at the Airports.

In June 2011, the Authority implemented a Customer Facility Charge (CFC) in the amount of $3 per rental car transaction day assessed on all customers renting a vehicle from Pittsburgh International the Airport. In addition to amounts already collected from rental car operators, the CFC revenues will be utilized for direct and indirect capital, operating, and maintenance costs of facilities and assets utilized in rental car operations. A full year of CFC's in 2012 will result in approximately $5,000,000 of increased revenues.

The Authority is very fortunate to have approximately 8,800 acres of land surrounding the Airport, of which approximately 1,300 acres are developable for landside commercial development. The Authority has been actively engaged in the development of its property to stimulate regional economic growth and to develop additional Airport revenues from all sources. The main areas of development include:

- Clinton Industrial Park: The infrastructure for the 100-acre industrial park was completed in 2007. Construction of a build-to-suit facility for a printing company was completed in 2008 and is currently occupied. Additionally, a 200,000 square foot building designed for bulk warehousing was completed in 2008. The majority of the 200,000 square feet is now leased and the developer has expanded the building to 400,000 square feet total. The expanded portion of the building is fully leased. An additional building totaling 225,000 square feet was completed in 2009. This building is fully occupied by a solar panel manufacturer. Land preparation work is starting in 2012 for the next phase of expansion.

- Cherrington Commerce Park: The infrastructure for the 160-acre business park was completed in 2008. The Authority entered into an agreement with two land developers in January 2012 to begin constructing multiple office buildings.

- Northfield Development: Phase I is a 100-acre warehouse and cargo business park which began in 2008 and for which the earthwork and infrastructure improvements were substantially complete in late 2009. The lead developer for this project is also in conversations with a tenant who would be the lead tenant for the first building. Dick's Sporting Goods relocated its world corporate headquarters in Phase II of the Northfield development. Dick's, through its developer, currently leases 116 acres of airport property and has constructed a 661,000 square foot office complex and a 70,000 square foot corporate hangar. Dick's took occupancy of the facilities in February 2010.

The rental income from both Clinton and Northfield Phase I is required to be used 75% to repay the development debts and 25% to be recognized as nonoperating revenue. Additionally both developments are participants in Tax Increment Financing arrangements where 75% of real estate taxes are being used to repay the development debts.

The Authority's plan for the next seven years is to maintain a cost-competitive environment for the airlines that operate from PIT. Through 2018, management expects to apply the majority of its PFC revenues and gaming revenues to reduce the annual debt service payments and, therefore, reduce the cost for airlines operating out of the Airport.

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,108,645	$ 11,977,822
Accounts receivable — trade — net of allowance for doubtful accounts of $184,950 and $71,519 in 2011 and 2010, respectively	5,091,876	5,301,870
Inventory	1,983,508	1,880,557
Other unrestricted assets	2,025,601	1,720,441
Total current assets	26,209,630	20,880,690
RESTRICTED ASSETS:		
Cash and cash equivalents	128,440,333	147,489,196
Short-term investments		4,177,958
Grants receivable from governmental agencies	2,423,686	6,931,831
Accrued interest receivable	1,544	3,993
Other receivables	1,313,173	1,695,787
Total restricted assets	132,178,736	160,298,765
CASH AND CASH EQUIVALENTS — designated for noncurrent uses	1,069,811	971,180
CAPITAL ASSETS — at cost — net of accumulated depreciation	695,205,307	725,986,090
DEFERRED FINANCING COSTS	2,629,904	3,403,201
TOTAL	$ 857,293,388	$ 911,539,926

(Continued)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES — Payable from unrestricted assets:		
Accounts payable	$ 7,602,556	$ 5,326,791
Due to County of Allegheny	1,856,976	1,492,082
Accrued liabilities	4,253,575	4,810,090
Amounts due to airlines	707,278	936,049
Deferred revenue	3,712,051	4,031,429
Total current liabilities — payable from unrestricted assets	18,132,436	16,596,441
CURRENT LIABILITIES — Payable from restricted assets:		
Revolving line of credit		27,000,000
Accounts payable	2,983,199	5,926,701
Accrued liabilities	5,187,633	1,222,006
Retainage payable	1,290,177	936,462
Accrued interest payable	100,070	198,575
Other liabilities	1,149,254	1,508,656
Deferred revenue	1,059,749	1,089,749
Current maturities of long-term debt and loans repayable on demand	51,571,675	45,570,356
Total current liabilities — payable from restricted assets	63,341,757	83,452,505
Total current liabilities	81,474,193	100,048,946
LONG-TERM LIABILITIES:		
Long-term debt — net — less current maturities	337,423,497	384,574,464
Advance airline fundings	32,913,050	32,502,826
Accrued postemployment benefits	103,341	102,171
Deferred revenue	5,550,764	6,580,514
Other long-term liabilities	152,376	1,322,975
Total long-term liabilities	376,143,028	425,082,950
Total liabilities	457,617,221	525,131,896
NET ASSETS:		
Invested in capital assets — net of related debt	335,751,365	330,934,058
Restricted net assets (expendable):		
Capital	17,988,319	26,950,089
Debt service	58,418,174	56,965,251
Total restricted net assets (expendable)	76,406,493	83,915,340
Unrestricted net deficit	(12,481,691)	(28,441,368)
Total net assets	399,676,167	386,408,030
TOTAL	$ 857,293,388	$ 911,539,926

See notes to financial statements. (Concluded)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Landing fees	$ 19,201,040	$ 18,342,746
Terminal area airline fees	60,386,937	58,522,518
Other aeronautical revenue	8,088,975	8,414,687
Parking revenues	27,093,789	25,752,667
Rent-a-car revenues	11,019,172	10,685,157
Terminal concessions	6,667,693	6,515,999
Other nonaeronautical revenue	7,096,012	6,025,208
Total Pittsburgh International Airport revenues	139,553,618	134,258,982
Allegheny County Airport revenues	2,933,006	3,007,121
Total operating revenues	142,486,624	137,266,103
OPERATING EXPENSES:		
Salaries, wages, and related expenses	34,316,615	34,108,583
Utilities	11,953,353	12,398,369
Cleaning and maintenance services	14,598,330	14,287,536
Professional services	16,026,779	15,541,273
Other	7,174,810	7,512,679
Pittsburgh International Airport expenses	84,069,887	83,848,440
Allegheny County Airport expenses	2,658,304	2,726,922
Depreciation and amortization	67,679,727	69,157,568
Total operating expenses	154,407,918	155,732,930
LOSS FROM OPERATIONS	(11,921,294)	(18,466,827)
NONOPERATING INCOME (EXPENSE):		
Interest expense	(22,509,254)	(25,072,692)
Investment income	1,000,877	2,787,975
Customer facility charge income	3,040,737	
Passenger facility charge income	16,920,897	16,999,264
Grants from governmental agencies	9,763,031	23,589,746
Loss on disposal of capital assets	(1,526,932)	(252,331)
Swap termination gain — net	860,000	5,075,000
Gaming act revenues	12,400,000	14,600,000
Miscellaneous income — net	4,819,801	1,073,551
Net increase (decrease) in fair value of investments	420,274	(491,546)
Total nonoperating income	25,189,431	38,308,967
INCREASE IN NET ASSETS	13,268,137	19,842,140
NET ASSETS — Beginning of year	386,408,030	366,565,890
NET ASSETS — End of year	$ 399,676,167	$ 386,408,030

See notes to financial statements.

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 86,586,635	$ 84,397,509
Concession and parking receipts	44,086,922	44,526,313
Payments to and on behalf of employees	(34,301,954)	(33,656,076)
Payments for utilities and maintenance	(26,004,728)	(26,699,433)
Professional services	(15,125,285)	(15,208,045)
Other receipts (payments) — net	1,348,424	(2,804,947)
Net cash provided by operating activities	56,590,014	50,555,321
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	17,356,953	16,701,854
Receipt of customer facility charges	2,971,095	
Additions to capital assets	(38,557,208)	(35,490,961)
Litigation/insurance proceeds	3,878,712	
Proceeds from borrowings	8,390,585	31,339,503
Passenger facility charges line of credit pay off	(27,000,000)	
Interest paid on long-term debt	(21,800,300)	(24,069,355)
Principal payments of long-term debt	(49,499,251)	(76,800,972)
Gaming Act receipts	12,400,000	17,100,000
Gaming Act special allocation disbursements		(2,500,000)
Capital grants received	14,271,176	29,890,378
Miscellaneous nonoperating receipts	1,569,147	645,306
Net cash used in capital and related financing activities	(76,019,091)	(43,184,247)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of investment securities	83,892,609	91,648,109
Purchases of investment securities	(79,668,972)	(87,483,480)
Constant maturity swap termination proceeds	920,000	5,187,000
Constant maturity swap termination expenditures	(60,000)	(112,000)
Proceeds from swaption		2,472,814
Interest received on investments	526,031	620,573
Net cash provided by investing activities	5,609,668	12,333,016
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,819,409)	19,704,090
CASH AND CASH EQUIVALENTS — Beginning of year	160,438,198	140,734,108
CASH AND CASH EQUIVALENTS — End of year	$ 146,618,789	$ 160,438,198
CASH AND CASH EQUIVALENTS — End of year consist of:		
Unrestricted cash and cash equivalents	$ 17,108,645	$ 11,977,822
Restricted cash and cash equivalents	128,440,333	147,489,196
Cash and cash equivalents designated for noncurrent uses	1,069,811	971,180
	$ 146,618,789	$ 160,438,198

(Continued)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
NONCASH TRANSACTIONS FROM CAPITAL AND RELATED FINANCING ACTIVITIES — Decrease in additions to capital assets included in accounts payable	$ (131,328)	$ (4,225,592)
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Loss from operations	$ (11,921,294)	$ (18,466,827)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation and amortization	67,679,727	69,157,568
Bad debt expense (recovery)	113,431	(56,752)
Changes in asset and liabilities:		
Decrease (increase) in accounts receivable — trade	112,763	(1,070,048)
Increase in inventories	(102,951)	(157,166)
Increase in other unrestricted assets	(305,147)	(176,794)
Increase in due to County of Allegheny	355,030	100,618
Increase in other current liabilities	1,181,086	750,725
Decrease in deferred operating revenues	(138,018)	(153,017)
Increase in deferred funding reserve	410,224	339,160
(Decrease) increase in accrued vested sick benefits	(763,292)	324,763
Decrease in other long-term liabilities	(31,545)	(36,909)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 56,590,014	$ 50,555,321

See notes to financial statements.

(Concluded)

1. ORGANIZATION

Organization — The Allegheny County Airport Authority (the "Authority") presently leases and operates the Pittsburgh International Airport (PIT) and the Allegheny County Airport (AGC) (collectively, the "Airport System"). The Authority's activities are commercial in nature and are intended to be self-sustaining. The Authority is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania pursuant to the Municipality Authorities Act of 1945, approved May 2, 1945, P.L. 382, subsequently amended by the Municipal Authority Act, Act 22 of 2001. The Authority was organized by the County of Allegheny, Pennsylvania (the "County") on June 17, 1999. On September 16, 1999, pursuant to an Airport Operation, Management and Transfer Agreement, and Lease between the County and the Authority (the "Transfer Agreement"), as amended, the County transferred and leased the Airport System to the Authority, for an initial term of 25 years with two 25-year extension options exercisable at the option of the Authority. In connection with the Transfer Agreement, the County transferred to the Authority all of the County's rights, title, and interest in the property utilized by the County in connection with the Airport System. In addition, all contractual rights, obligations, and liabilities pertaining to the Airport System, including revenue and general obligation bonds issued by the County to finance construction and development of PIT, were transferred to the Authority by the County. Prior to the organization of the Authority, the operations were included in the County's Department of Aviation.

Board members of the Authority are appointed by the County Executive subject to confirmation by a majority of County Council. The Authority's financial statements are presented as a component unit in the County's General Purpose Financial Statements and Comprehensive Annual Financial Report. Given the relationship of the parties to the Transfer Agreement, no adjustments were made to the historical carrying values of the Airport System's assets and liabilities and equity. The accompanying financial statements reflect the financial position and results of operations of the Authority as of and for the years ended December 31, 2011 and 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements — The Authority follows all Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected to apply the FASB statements and interpretations issued after November 30, 1989, which do not conflict with or contradict GASB statements to its financial statements.

Financial Statement Presentation — GASB statements establishes standards for external financial reporting for state and local governments and components thereof. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of Authority obligations. The Authority's net assets are classified as follows:

Invested in Capital Assets — Net of Related Debt — This represents the Authority's total investment in capital assets — net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets — net of related debt.

Restricted Net Assets — Expendable — This includes resources in which the Authority is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets — Nonexpendable — This includes endowment and similar-type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable net assets as of December 31, 2011 or 2010.

Unrestricted Net Assets — Unrestricted net assets represent resources derived from operations that may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Basis of Accounting — The Authority's financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related obligations are incurred. The Authority is accounted for as an enterprise fund since its operations are financed and operated in a manner similar to private business. Authority transactions are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time the liability is incurred. All inter-fund accounts and transactions have been eliminated.

Recognition of Revenue, Receivables, and Deferred Revenue — Aviation and terminal building lease rental revenues include amounts computed in accordance with the AOA, the term of which will expire no earlier than May 8, 2018, or when all of the debt service requirements have been funded, between the Authority and those airlines that sign this agreement ("Signatory Airlines") serving PIT. Such revenues are also realized from certain fixed fees for nonscheduled airlines and private users of AGC. US Airways, one of the Signatory Airlines, which together with its affiliated commuter airlines, accounted for approximately 25% and 26% of total enplaned passengers at PIT in 2011 and 2010, respectively. The US Airways revenue represents 29.9% and 30.7% of operating revenue in 2011 and 2010, respectively. No other airline represents more than 10% of operating revenue. The AOA provides that the aggregate of airline fees and charges together with other revenues, including nonairline revenues, for each fiscal year should be sufficient to pay the operating expenses of the cost centers included in the AOA and to make all deposits and payments under bond ordinances and indentures issued in connection with financings of capital projects for the Authority.

Concession and rental car fees are generally based on a fixed percentage of tenant revenues subject to certain minimum monthly fees. Concessions are operated under a Master Lease Development and Concession Agreement (the "Master Lease"). During 2002, the Master Lease was extended through December 31, 2017. As part of the extension, the lessee had agreed to provide $10,000,000 in future years to inure to the benefit of both parties. During 2005, the agreement was amended to reduce the up-front fee paid to the Authority from $10,000,000 to $6,666,667 (received $3,333,333 in 2003 and $3,333,333 in 2004) and the percentage of net revenues to be received by the Authority increased effective April 1, 2006. The deferred amount is being amortized over the term of the Master Lease.

Parking fees are revenues, less operating expenses and a management fee, which is based on a fixed percentage of net revenues.

The Authority began imposing Passenger Facility Charges (PFC) on October 1, 2001. PFC revenues are classified as nonoperating in the statements of revenues, expenses, and changes in net assets, as the amounts are restricted for capital improvements, debt service, and certain other uses approved by the Federal Aviation Administration (FAA).

The Authority began collecting Customer Facility Charges (CFC) on June 1, 2011. CFC revenues are classified as nonoperating in the statements of revenues, expenses, and changes in net assets, as the amounts are restricted for operating and maintenance expense, capital improvements, and debt service related to the rental car operation at the Airport.

Transactions that are capital, financing, or investing related are reported as nonoperating revenues. Grants from governmental agencies for eligible construction projects are recognized as nonoperating revenue as the related expenditures are made.

Current unrestricted deferred revenue consists of prepayments made by the airlines and concessionaires for aviation and rental revenues for the following year.

Current and noncurrent restricted revenue consists of deferred interest income being amortized into income over the term of forward delivery agreements entered into by the Authority in connection with certain bond finance transactions.

Noncurrent deferred revenue also includes amounts funded by tenants of the Authority for certain capital assets. The deferred revenue amounts are being amortized using the straight-line method over the depreciable lives of the related assets through credits to current rents payable.

The prior year statement of net assets included restricted assets in a subtotal of current assets. The restricted assets are not for current operations. The previous year presentation has been corrected.

Cash and Cash Equivalents — Unrestricted and restricted equity in pooled cash and cash equivalents represents the accounts maintained by the Authority. Unrestricted current cash can be used for discretionary future projects and obligations. Restricted cash must be used in accordance with the terms and agreements of the Authority.

Short-Term Investments — Investments were carried at fair value, based on quoted market prices.

Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

Inventories — Inventories are stated at the lower of cost or market (net realizable value). Cost is determined using the weighted-average method of accounting. Inventories are comprised of construction-related materials and parts used for maintenance of the facilities and equipment.

Capital Assets — Land, buildings, and equipment are stated at historical cost. Capitalized interest costs, net of interest income, are recognized during the construction stage on all projects, except for those financed with grants in aid or funds restricted through agreements with scheduled airlines serving PIT. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Grants receivable from governmental agencies that are included in restricted assets in the accompanying statements of net assets represent earned but uncollected grants that are restricted for use in the qualifying construction projects. Gains or losses on the retirement or disposal of land, buildings, and equipment are reflected in the statements of revenues, expenses, and changes in net assets in the year of retirement or disposal. Repair and maintenance costs are expensed when incurred.

Deferred Issuance Costs — Costs incurred in connection with the issuance of all long-term debt of the Authority are deferred and amortized using the interest method. Unamortized costs are shown in the statements of net assets as noncurrent deferred financing costs.

Advance Airline Fundings — The AOA provides for advance airline fundings (which are primarily maintained in the restricted cash funding reserve account) to cover capital, operating, and debt service amounts as approved by the airlines and as defined in the AOA.

Vested Sick Benefits — Certain firefighters employed by the Authority earn vested sick benefits that are paid at termination or retirement based upon current rates of compensation. Liabilities for such benefits are accrued at current rates of compensation.

Statements of Cash Flows — For purposes of the accompanying statements of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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.

Recently Adopted GASB Statements — The Authority has adopted GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. There was no financial impact as a result of the adoption of this statement as of or for the year ended December 31, 2011.

Recent Statements Issued by GASB — The GASB has also issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for fiscal years beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The Authority has not yet determined the effect, in any, that the adoption of this statement may have on its financial statements.

The GASB has also issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*, which is effective for fiscal years beginning after June 15, 2012. This Statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The Authority has not yet determined the effect, in any, that the adoption of this statement may have on its financial statements.

The GASB has also issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for fiscal years beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance included in the FASB and American Institute of Certified Public Accountants pronouncements issued on or before November 30, 1989. This Statement will improve financial reporting by contribution to the

GASB's efforts to codify all sources of accounting principles generally accepted in the United States of America for state and local governments so that they derive from a single source. The Authority has not yet determined the effect, in any, that the adoption of this statement may have on its financial statements.

The GASB also issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which is effective for fiscal years beginning after December 15, 2011. Earlier implementation is encouraged. This Statement provides guidance on financial reporting of deferred inflows and outflows of resources. Under Statement No. 63, entities report deferred outflows and inflows of resources separately from assets and liabilities in a new statement of position format. GASB Statement No. 63 also amends GASB Statement No. 34 and other existing standards "to reflect the residual measure in the statement of financial position as net position, rather than net assets." The Authority has not yet determined the effect, if any, that the adoption of this statement may have on its financial statements.

The GASB has also issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — a amendment of GASB Statement No. 53*, which is effective for fiscal years beginning after June 15, 2011. This Statement clarifies that hedge accounting should continue to apply after the replacement of a swap counterparty or a swap counterparty's credit support provider when certain criteria are met. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 64 may have on its financial statements.

3. CASH AND INVESTMENTS

Cash and Deposits — The following is a summary of the Authority's cash deposits and time deposits, which are insured by the Federal Depository Insurance Company or which were not insured or collateralized in the Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name:

	2011	2010
Cash and deposits — in bank	$ 100,996,234	$ 103,464,679
Outstanding checks	(392,798)	(140,771)
Petty cash	100	100
Total cash and deposits	100,603,536	103,324,008
Cash equivalents	46,015,253	57,114,190
Book balance	$ 146,618,789	$ 160,438,198

Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents of the Authority include the following:

	2011	2010
Current unrestricted	$ 17,108,645	$ 11,977,822
Current restricted	128,440,333	147,489,196
Noncurrent unrestricted	1,069,811	971,180
Total cash and cash equivalents	146,618,789	160,438,198
Noncurrent restricted investments		4,177,958
	$ 146,618,789	$ 164,616,156

As of December 31, 2011 and 2010, the Authority had the following cash equivalents and investments:

2011	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
CASH EQUIVALENTS:					
PNC Investments — Blackrock Federal Trust Fund	$ 5,013,227	10.9 %	< 90 days	AAAm	Aaa
US Bank Investments — First American Governmental Obligation Fund	1,470,715	3.2	< 90 days	AAAm	Aaa-mf
Wells Fargo Investments — Wells Fargo Advantage Government Fund	417,394	0.9	< 90 days	AAAm	Aaa-mf
Deutsche Bank Investments — Goldman Sachs Financial Square Treasury Fund	7,000,164	15.2	< 90 days	AAAm	Aaa-mf
Mellon Investments — Morgan Stanley Government Institutional Fund 89302	32,113,753	69.8	< 90 days	AAAm	Aaa-mf
Total cash equivalents	46,015,253				
INVESTMENTS:					
TOTAL INVESTED	$ 46,015,253	100.0 %			

2010	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
CASH EQUIVALENTS:					
PNC Investments — Blackrock Federal Trust Fund	$ 5,012,595	8.2 %	< 90 days	AAAm	Aaa
Mellon Investments — Goldman Sachs Financial SQ Government	52,101,595	85	< 90 days	AAAm	Aaa
Total cash equivalents	57,114,190				
INVESTMENTS:					
Wells Fargo — Federal Home Loan Bank CUSIP 313384AM1	4,177,958	6.8	1/12/2011	AAA	
TOTAL INVESTED	$ 61,292,148	100.0 %			

Restricted cash equivalents and investments of the Authority at December 31, 2011and 2010 are as follows:

	2011	2010
Restricted cash and equivalents	$ 128,440,333	$ 147,489,196
Restricted investments		4,177,958
	$ 128,440,333	$ 151,667,154

There are various limitations and restrictions contained in the Authority's various Bond Indentures, the AOA, and other agreements. The following are the restricted cash and investment accounts as of December 31, 2011 and 2010:

	2011	2010
Bond Indenture accounts:		
Capital	$ 3,171,717	$ 3,171,367
Debt service	3,695,154	3,179,340
Debt service reserve	57,372,979	57,413,641
	64,239,850	63,764,348
Prefunding reserve account	32,913,050	32,502,826
Gaming loan account	7,119,096	8,198,575
Energy savings project account	7,000,164	
PFC account	6,653,224	16,774,157
Other	10,514,949	30,427,248
	$ 128,440,333	$ 151,667,154

The Bond Indenture accounts were funded with bond proceeds and must be spent for capital or debt service. The debt service reserve accounts are restricted to the payment of debt service in the event that the balances in the debt service accounts are insufficient, through the final debt service payments.

The Prefunding Reserve account may only be spent in accordance with the terms of the AOA, which are established pursuant to the Bond Indenture and include amounts withheld to cover debt service, operating and maintenance, and capital asset renewal costs that cannot be paid via the normal operations of the Authority. Use of these funds is not anticipated unless a major business interruption event occurs.

The Gaming Loan account represents receipts placed in a restricted cash account to repay the Gaming Grant Anticipation Loan, which was repaid in total in January 2012.

The Energy Operating Agreement account was funded by a loan and is restricted to the purchase of energy saving equipment.

The Passenger Facility Charge account is restricted to fund eligible, approved PFC projects. As of December 31, 2011 and December 31, 2010, there were $0 and $338,096, respectively of the cash that was not due to the operating fund.

Other accounts are primarily for various capital projects and agreements.

Interest Rate Risk — The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk — The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. Statutes do not prescribe regulations related to demand deposits; however, they do allow pooling of governmental funds for investment. The Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Authority adheres to state statutes, related trust indentures, and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the statutes or the policy of the Authority.

Concentration of Credit Risk — The Authority places no limit on the amount the Authority may invest in any one issuer.

Custodial Risk — As of December 31, 2011 and 2010, the Authority's investments summarized below are categorized by the level of custodial risk assumed at year-end. Category 1 includes investments that are insured or registered or the securities held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered, with the securities held by the broker-dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker-dealer, or by its trust department or agent, but not in the Authority's name.

	Total Category 1	Total Category 3	Bank Balance
Cash and deposits — December 31, 2011	$1,250,000	$145,761,486	$147,011,486
Cash and deposits — December 31, 2010	$1,250,000	$159,328,869	$160,578,869

In 2002, the Authority entered into Forward Delivery Agreements with financial institutions for the continuous investment of the Series 1997 A-1 and 1997 A-2 principal and interest investments through December 2015; Series 1997 B principal and interest investments through November 2018; and Series A and B of 2002 principal and interest investments through January 2022. The future investment earnings under these contracts, discounted at the financial institution's cost of funds on the contract date, were received by the Authority up-front in lump-sum payments totaling $6,978,000. The amount of the up-front payments is recorded as deferred interest income and is being amortized into income over the term of the agreements. The unearned amounts at December 31, 2011 and 2010, were $2,551,433 and $3,028,726, respectively.

4. DERIVATIVE FINANCIAL INSTRUMENTS

On November 14, 2006, the Authority entered into a Constant Maturity Swap (CMS) for the purpose of reducing debt service by taking advantage of the flat interest rate curves that were in effect at the time of the remarketing of the Series 2001 and Series 2002 Bonds. The transaction was effective beginning July 1, 2007, and was to continue to January 1, 2023. The CMS was structured so that the Authority received funds quarterly at the rate of 67% of the USD-ISDA-Swap Rate, minus 0.11% times a notional amount that was initially $182,000,000 and which decreased annually as debt payments were made on the Series 2001 and Series 2002 bonds, and the Authority paid the counterparty quarterly at the USD-BMA-Municipal Swap Index rate times the notional amount as described above. On June 15, 2010, the

Authority amended the swap, suspending accruals and payments from and including July 1, 2010, to but excluding January 1, 2014. Upon the amendment, the Authority received a net termination payment of $5,075,000. The fair value of the CMS as of December 31, 2010, was $(374,592) with a notational amount of $102,635,000. On June 6, 2011, the CMS was fully terminated and the Authority received net proceeds of $860,000.

5. CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2011 and 2010, is as follows:

	2011					
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	Useful Lives
Capital assets:						
Land and site development	$ 138,344,068	$ -	$ -	$ 14,499,055	$ 152,843,123	
Facilities and equipment:						
Terminal buildings	695,429,565		(4,407,472)	2,592,549	693,614,642	10–30 years
Airfield (runways/ taxiways)	485,644,206		(1,492,920)	8,927,620	493,078,906	20 years
Parking garage/lots/etc.	83,594,809			13,947,678	97,542,487	15–40 years
Hangars	42,613,251			181,617	42,794,868	5–30 years
Other structures	155,281,662		(3,741,237)		151,540,425	10–30 years
Roadways	61,870,678			916,678	62,787,356	10–20 years
Mobile and other equipment	51,094,965		(126,954)	1,290,374	52,258,385	10–20 years
Computer/security equipment and systems	50,709,173			370,816	51,079,989	5–20 years
Utilities	46,322,826			212,622	46,535,448	10–40 years
Other assets	20,878,764			29,898	20,908,662	10–30 years
Construction in progress	44,512,788	38,434,554		(42,968,907)	39,978,435	
Total capital assets	1,876,296,755	38,434,554	(9,768,583)	-	1,904,962,726	
Less accumulated depreciation	(1,150,310,665)	(67,682,727)	8,235,973		(1,209,757,419)	
Net capital assets	$ 725,986,090	$ (29,248,173)	$ (1,532,610)	$ -	$ 695,205,307	
Capital assets summary:						
Capital assets not being depreciated	$ 114,278,561	$ 38,434,554	$ -	$ (28,469,852)	$ 124,243,263	
Capital assets being depreciated	1,762,018,194		(9,768,583)	28,469,852	1,780,719,463	
Total cost of capital assets	1,876,296,755	38,434,554	(9,768,583)	-	1,904,962,726	
Less accumulated depreciation	(1,150,310,665)	(67,682,727)	8,235,973		(1,209,757,419)	
Net capital assets	$ 725,986,090	$ (29,248,173)	$ (1,532,610)	$ -	$ 695,205,307	

	2010					
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	Useful Lives
Capital assets:						
Land and site development	$ 137,124,992	$ -	$ -	$ 1,219,076	$ 138,344,068	
Facilities and equipment:						
Terminal buildings	694,428,620			1,000,945	695,429,565	10–30 years
Airfield (runways/ taxiways)	467,870,425		(2,862,829)	20,636,610	485,644,206	20 years
Parking garage/lots/etc.	83,071,348			523,461	83,594,809	15–40 years
Hangars	42,525,578			87,673	42,613,251	5–30 years
Other structures	155,258,250			23,412	155,281,662	10–30 years
Roadways	61,858,486			12,192	61,870,678	10–20 years
Mobile and other equipment	50,985,741		(472,706)	581,930	51,094,965	10–20 years
Computer/security equipment and systems	50,149,668			559,505	50,709,173	5–20 years
Utilities	46,322,826				46,322,826	10–40 years
Other assets	20,829,996			48,768	20,878,764	10–30 years
Construction in progress	37,887,453	31,318,907		(24,693,572)	44,512,788	
Total capital assets	1,848,313,383	31,318,907	(3,335,535)	-	1,876,296,755	
Less accumulated depreciation	(1,084,182,462)	(69,156,568)	3,028,365		(1,150,310,665)	
Net capital assets	$ 764,130,921	$ (37,837,661)	$ (307,170)	$ -	$ 725,986,090	
Capital assets summary:						
Capital assets not being depreciated	$ 106,434,149	$ 31,318,907	$ -	$ (23,474,495)	$ 114,278,560	
Capital assets being depreciated	1,741,879,234		(3,335,535)	23,474,495	1,762,018,195	
Total cost of capital assets	1,848,313,383	31,318,907	(3,335,535)	-	1,876,296,755	
Less accumulated depreciation	(1,084,182,462)	(69,156,568)	3,028,365		(1,150,310,665)	
Net capital assets	$ 764,130,921	$ (37,837,661)	$ (307,170)	$ -	$ 725,986,090	

As of December 31, 2011 and 2010, construction in progress related primarily to runway and taxiway rehabilitation, garage and parking lots, terminal enhancements and nonairfield property development.

As of December 31, 2011, the Authority had equipment purchase and construction commitments of approximately $27 million.

The Authority maintains various collections of inexhaustible assets to which no value can be determined. Such collections could include contributed works of art, historical treasures, literature, etc., that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

6. REVOLVING LINE OF CREDIT

The Authority had entered into a credit agreement with Citizens Bank of Pennsylvania for the borrowing of aggregate principal not to exceed $35,000,000. This credit facility was a revolving line of credit (RLOC) and was used to finance projects for which use of PFC revenue had been approved by the FAA pursuant to the PFC Statute and/or the PFC Regulations. The interest rate on this RLOC was 12-month London InterBank Offered Rate (LIBOR), plus 1.5%. The Authority repaid the RLOC and terminated the credit facility on December 16, 2011.

7. CHANGES IN LONG-TERM LIABILITIES

Long-term obligation activity for the Authority for the years ended December 31, 2011 and 2010, is as follows:

2011	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$401,626,602	$ -	$(41,322,439)	$360,304,163	$43,366,960
Industry drive loan	1,309,667		(55,460)	1,254,207	58,123
PA Department of Transportation loan	718,948		(94,321)	624,627	98,287
Clinton tax increment financing	4,596,718			4,596,718	
Business-in-our-sites program loan	2,000,000			2,000,000	45,851
Hangar loan	1,105,000		(65,000)	1,040,000	65,000
Northfield tax increment financing	3,787,885	387,585		4,175,470	
Ewing road loan		1,003,000	(20,503)	982,497	84,090
Energy savings loan		7,000,000		7,000,000	835,874
Gaming grant anticipation loan	15,000,000		(7,982,510)	7,017,490	7,017,490
Subtotal	430,144,820	8,390,585	(49,540,233)	388,995,172	$51,571,675
Constant maturity swap	374,592		(374,592)		
Other long-term liabilities	948,383		(796,007)	152,376	
Advance airline fundings	32,502,826	410,224		32,913,050	
Accrued postemployment benefits	102,171	1,170		103,341	
Deferred revenues	7,670,263		(1,059,750)	6,610,513	$ 1,059,749
	$471,743,055	$8,801,979	$(51,770,582)	$428,774,452	

2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$441,544,935	$30,310,000	$(70,228,333)	$401,626,602	$41,281,457
Industry drive loan	1,362,585		(52,918)	1,309,667	55,460
PA Department of Transportation loan	809,465		(90,517)	718,948	94,322
Clinton tax increment financing	4,596,718			4,596,718	
Business-in-our-sites program loan	2,000,000			2,000,000	74,117
Moon Township Municipal Authority loan	400,000		(400,000)		
Hangar loan	1,170,000		(65,000)	1,105,000	65,000
Northfield tax increment financing	2,709,883	1,078,002		3,787,885	
Gaming grant anticipation loan	20,000,000		(5,000,000)	15,000,000	4,000,000
Subtotal	474,593,586	31,388,002	(75,836,768)	430,144,820	$45,570,356
Constant maturity swap		374,592		374,592	
Other long-term liabilities	861,347	87,036		948,383	
Advance airline fundings	32,163,666	339,160		32,502,826	
Accrued postemployment benefits	77,097	25,074		102,171	
Deferred revenues	8,745,012		(1,074,749)	7,670,263	$ 1,089,749
	$516,440,708	$32,213,864	$(76,911,517)	$471,743,055	

8. LONG-TERM DEBT

At December 31, 2011 and 2010, long-term debt consisted of the following:

	2011	2010
Airport Revenue Refunding Bonds, Series 2010 A, interest rate of 5%, due through 2018	$ 26,255,000	$ 30,310,000
Airport Revenue Refunding Bonds, Series 2007 A, interest rate of 5%, due through 2016	53,445,000	53,445,000
Airport Revenue Refunding Bonds, Series 2007 B, interest rate of 5%, due through 2019	100,375,000	100,375,000
Airport Revenue Refunding Bonds, Series 2002 A, interest rates of 4%–4.50%, due through 2015	15,260,000	21,715,000
Airport Revenue Refunding Bonds, Series 2002 B, interest rates of 4.5%–5%, due through 2023	50,075,000	50,075,000
Airport Revenue Refunding Bonds, Series A 2001, interest rates of 4%–4.5%, due through 2016	17,585,000	22,870,000
Airport Revenue Refunding Bonds, Series B 2001, interest rates of 5%, due through 2022	45,500,000	45,500,000
Airport Revenue Bonds, Subordinate Lien Series A 2001, interest rate of 5.5%, due through 2017	2,445,000	2,445,000
Airport Revenue Bonds, Subordinate Lien Series B 2001, interest rates of 6.63%–6.73%, due through 2017	5,990,000	7,375,000
Airport Revenue Refunding Bonds, Series 1997 A-1, interest rates of 5.75%, due through 2014	52,440,000	76,530,000
General Obligation Refunding Bonds, Series C-56, County of Allegheny, interest rates of 1.25%–5%, due through 2016	59,816	71,273
Deferred amount on refundings	(17,633,154)	(19,783,678)
Plus net unamortized premium	8,507,501	10,699,006
Total net bonds outstanding	360,304,163	401,626,601
Hangar loan, variable interest rate, due through 2028	1,040,000	1,105,000
Commonwealth of PA Department of Transportation Infrastructure Bank Aviation Loan, interest rate of 4.125%, due through 2017	624,627	718,949
Total Airport Authority general obligations	361,968,790	403,450,550
Industry Drive loan, interest rate of 4.7%, due through 2028	1,254,207	1,309,667
Clinton tax increment financing, interest rate of 5.75%, due through 2025	4,596,718	4,596,718
Business-in-our-sites program loan, interest rate of 3%, due through 2027	2,000,000	2,000,000
Northfield tax increment financing, interest rate of 6.0%, due through 2028	4,175,470	3,787,885
Gaming grant anticipation loan, variable interest rate, due through 2015	7,017,490	15,000,000
Redevelopment Authority Ewing Road loan, interest rate of 4%, due through 2021	982,497	
Energy savings equipment lease purchase loan, interest rate of 3.101%, due through 2018	7,000,000	
Total other debt	27,026,382	26,694,270
Total long-term debt	388,995,172	430,144,820
Less current maturities	(51,571,675)	(45,570,356)
	$ 337,423,497	$ 384,574,464

The scheduled debt service requirements of long-term debt for years subsequent to December 31, 2011, assuming the current interest rates remain the same for the term of the debt are as follows:

	Principal**	Interest *	Total
2012	$ 51,571,675	$ 19,809,194	$ 71,380,869
2013	47,175,281	17,287,196	64,462,477
2014	49,499,811	14,813,973	64,313,784
2015	51,133,972	12,427,301	63,561,273
2016	54,024,205	9,870,155	63,894,360
2017–2021	135,934,691	16,616,199	152,550,890
2022–2026	8,550,266	1,123,826	9,674,092
2027–2030	230,924	21,221	252,145
	$ 398,120,825	$ 91,969,065	$ 490,089,890

* The interest payments have been estimated as noted above, such estimated values are subject to uncertainty and, therefore, may differ from the values that will be paid in future and such differences could be material.

** Principal includes the bonds due January 1 of the succeeding years, as the Authority has paid January 1, 2012, in December 2011 and plans to continue that practice.

Airport Revenue Bonds — On October 6, 1997, the County issued Airport Revenue Refunding Bonds: Series 1997A-1 (AMT), 1997A-2 (AMT), and 1997B (Non-AMT) (the “1997 Bonds”) in the amounts of $337,530,000, $10,015,000, and $103,045,000, respectively. The proceeds of the Series 1997A-1 and Series 1997A-2 bonds have been used to redeem the remaining Series 1988 Revenue Bonds not refunded by the 1993 Bonds. The Series 1997B bonds were issued to advance refund a portion of the 1990 Bonds and 1992 Bonds. The total amount of the bonds refunded was $457,505,000, consisting of $433,020,000 of the 1998 Bonds, $5,340,000 of the 1990 Bonds, and $19,145,000 of the 1992 Bonds. Included in the 1997 Bonds were escrowed funds to advance refund $6,790,000 of the 1992 Series A bonds (the “NonDefeased Bonds”). The 1997 Bonds are secured by a pledge of certain net revenues of the Authority and are also guaranteed by various third-party insurers and guarantors.

The proceeds from the sale of the 1997 Bonds are being held in escrow under an escrow refunding agreement and have been invested in U.S. Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. The NonDefeased Bonds are included in the financial statements along with the respective portion of the trust account assets. As a result of the refunding, the Authority will experience a reduction in the future cash outflows of $181,986,253 and an economic gain of $97,247,836. Based upon the requirements of GASB, the Authority recorded a deferred amount on refunding of $21,095,769. This amount is being amortized over the life of the 1997 Bonds. The deferred amount is recorded as a component of long-term debt in the accompanying statements of net assets. Effective January 1, 2002, the defeased bonds were fully refunded.

On December 1, 1999, the Authority issued Airport Revenue Refunding Bonds, Series 1999 (the "1999 Bonds"), in the amount of $63,130,000. The proceeds of the bonds, together with investment income thereon and other funds, were used (1) to pay a portion of the costs of currently refunding $61,350,000 of the outstanding 1990 Bonds and (2) to pay the costs of issuance of the 1999 Bonds. The refunding of the 1990 Bonds resulted in a loss of defeasance of $2,615,341. The amount was being amortized over the life of the 1999 Bonds. The 1999 Bonds were paid off in 2010. See following disclosure on the 2010 refunding.

On July 1, 2001, the Authority issued Subordinate Lien Airport Revenue Bonds, Series A 2001 (Pittsburgh International Airport Energy System Project) (the "Series A Bonds"), in the amount of $2,445,000, and the Subordinate Lien Airport Revenue Bonds, Series B Bonds (Taxable) (Pittsburgh International Airport Energy System Project) (the "Series B Bonds"), in the amount of $16,670,000. The Series A Bonds and Series B Bonds are referred to together as the "2001 Bonds." The proceeds of the 2001 Bonds were used to (1) acquire the equipment constituting the Energy Service Facility (the "Facility") located at PIT and (2) pay the costs of issuance of the 2001 Bonds. The 2001 Bonds are subordinated and limited obligations of the Authority; the principal of, interest on, and premium, if any, on the 2001 Bonds are payable by the Authority only out of net revenues and from such other monies as may be available for such purpose. The general credit of the Authority is not pledged for the payment of the 2001 Bonds; accordingly, the 2001 Bonds shall not be deemed a general obligation of the Authority.

On October 1, 2001, the Authority issued the Airport Revenue Bonds, Refunding Series A of 2001, in the amount of $52,600,000, and the Airport Revenue Bonds, Refunding Series B of 2001, in the amount of $52,575,000 (individually, the "Series A 2001 Refunding Bonds" and the "Series B 2001 Refunding Bonds," and collectively, the "2001 Refunding Bonds"). The proceeds of the 2001 Refunding Bonds were used to (1) pay a portion of the cost of refunding the Authority's Airport Revenue Notes, Series 1999A (PIT) outstanding under the Trust Indenture dated as of December 1, 1999, by and between the Authority and National City Bank of Pennsylvania, as Trustee, and the concomitant refunding of the County of Allegheny Airport Revenue Bonds Series A and B of 1992 outstanding under the Certain Resolution of the County of Allegheny dated July 22, 1988, as supplemented and amended (collectively, the "2001 Refunded Bonds") and (2) pay the cost of issuance of the 2001 Refunded Bonds. The Authority recorded a deferred amount on refunding of $8,035,439, which is being amortized over the life of the 2001 Bonds.

On October 1, 2002, the Authority issued Airport Revenue Bonds, Refunding Series A of 2002, in the amount of $57,250,000 and Airport Revenue Bonds, Refunding Series B of 2002, in the amount of $57,250,000 (individually, the "Series A Refunding Bonds" and the "Series B Refunding Bonds", and collectively, the "2002 Refunding Bonds"). The proceeds of the 2002 Refunding Bonds were used to refund the outstanding principal balance of the County of Allegheny Airport Revenue Bonds Series 1993 A, B, and C, which are equal to and represented by the outstanding principal balance of the Authority's Airport Revenue Note, Series 1999 B. The Authority recorded a deferred amount on refunding of $8,208,615, which is being amortized over the life of the 2002 bonds.

On November 30, 2006, the Authority remarketed the 2001 Airport Revenue Bonds, Series A and Series B, and the 2002 Airport Revenue Bonds, Series A and Series B, for the purpose of changing the nature of the bonds from variable rate auction bonds to fixed-rate serial bonds. The remarketed bonds have substantially the same repayment terms, except for the interest rate. The Authority recorded a deferred amount on the remarketing of $8,335,129, which is being amortized over the life of the 2001 and 2002 bonds.

On October 3, 2007, the Authority issued Airport Revenue Bonds, Refunding Series A of 2007, in the amount of $53,445,000, and Airport Revenue Bonds, Refunding Series B of 2007, in the amount of

$100,375,000 (the “2007 Refunding Bonds”). The proceeds of the 2007 Refunding Bonds together with investment income were used to (1) refund the County of Allegheny Airport Revenue Bonds Series 1997 A-1 (AMT) ($54,130,000) and 1997 Series B ($103,045,000) and (2) pay the cost of issuance of the 2007 Refunding Bonds. The Authority recorded a deferred loss on refunding of $1,657,212, which is being amortized over the life of the 2007 Bonds. Proceeds of the 2007 A and B Bonds were placed in escrow and with interest earned were used to redeem the refunded bonds on January 1, 2008. In accordance with the Trust Indenture, all funds related to the 1997 A-1 and B Bonds were held in their existing accounts until the bonds were redeemed on January 1, 2008. Upon the redemption of the 1997 A-1 and B Bonds, all remaining funds related to the 2007 A and B Bonds will be transferred over to the new accounts.

On September 15, 2010, the Authority issued Airport Revenue Bonds, Refunding Series 2010A, in the amount of $30,310,000 (the “2010 Refunding Bonds”). The proceeds of the 2010 Refunding Bonds together with investment income were used to (1) refund the County of Allegheny Airport Revenue Bonds Series 1999 (the “Refunded Bonds”), (2) pay the bond insurance premium, and (3) pay the cost of issuance of the 2010 Refunding Bonds. The Authority recorded a deferred loss on refunding of $518,548 that is being amortized over the life of the 2010 Bonds. The Series 2010A Bonds currently refunded $32,055,000 principal amount of the Refunded Bonds maturing on or after January 1, 2012, at a redemption price of 101% plus interest to the redemption date on or about September 17, 2010. The Series 1999 Bonds maturing on January 1, 2011 were redeemed using funds already in the Debt Service Fund and the Debt Service Reserve Fund.

The 2010 Refunding Bonds carry fixed rates of interest. The coupons ranged from 4% to 5% with an average coupon of 4.68%. The arbitrage yield was 3.65% and the individual yields ranged from 2.26% in 2012 to 4.11% in 2018. The Series 2010A Bonds are not subject to optional redemption prior to the respective maturities. There was an economic net present value savings of $1,671,648 and an approximate annual savings of $200,000 through 2018 applicable to the refunding.

The 2010 Refunding Bonds are limited obligations of the Authority. The principal, interest, and premium, if any, on the 2010 Refunding Bonds are payable by the Authority solely from net revenues (defined as operating and other revenues after certain adjustments, minus the operation and maintenance expenses) and proceeds held or set aside under the indenture. Neither the general credit of the Authority nor the credit or taxing power of the County, the Commonwealth, or any political subdivision thereof is pledged for the payment of the 2010 Refunding Bonds.

On October 14, 2011, the Authority Board adopted a resolution approving the issuance of up $50 million in additional debt. These proceeds are authorized for various Airport projects including parking garage rehabilitation, terminal improvements, people mover car rehabilitation/replacement and energy saving initiatives.

Airport Revenue Bond obligations (the “Revenue Bonds”) of the Authority totaled $369,370,000 and $410,640,000 at December 31, 2011 and 2010, respectively. The principal, interest, and redemption premiums, if any, related to the Revenue Bonds are payable by the Authority only out of net revenues as defined and from such other monies as may be available for such purposes (“Debt Service Reserve Funds”). Certain bonds are subject to redemption, at the option of the Authority, as a whole or in part, from time to time. The Revenue Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the Authority’s properties, including PIT, or upon any of its income or receipts of revenues, except as noted above. The holders of the Revenue Bonds have no claim upon the taxing power or tax revenues of the County.

Payment of Airport Revenue Bonds under Operating Agreements — The Authority's ability to derive net revenues from the operation of PIT depends upon various factors, many of which are not within the control of the Authority. The primary source of net revenues is the AOA between the Authority and the Signatory Airlines, of which US Airways is the primary airline, directly accounting for approximately 29.9% and 30.7% of the total operating revenues of PIT in 2011 and 2010, respectively. The AOA provides for the landing fees, terminal rentals, and ramp fees to be charged to the airlines. In addition, the Signatory Airlines are also obligated to pay costs associated with aircraft support systems and tenant improvements, and US Airways is obligated to pay costs associated with certain exclusive-use systems and facilities.

At any point in time, the U.S. economy, excess airline capacity, and industry-wide competition through airfare discounting may create significant constraints on the operations of the airlines. Due to these factors, the financial results of PIT are largely dependent upon conditions in the national economy and the U.S. airline industry, and the financial condition of carriers, such as US Airways, which provide significant levels of service at PIT.

The scheduled payments of principal and interest on the Revenue Bonds when due are guaranteed by various third-party insurers and guarantors. Payment of the principal and interest on the Series 1997 and Series 2001 Bonds is insured by MBIA. Payment of the principal and interest on the Series 2002 Bonds is insured by FGIC. Payments of the principal and interest on the Series 2007 Bonds are insured by FSA, Inc. Payment of the principal and interest on the Series 2010 Bonds is insured by Assured Guaranty Municipal Corporation. The ultimate ability of such insurers and guarantors to meet their obligations with respect to the Revenue Bonds will be predicated on their future financial condition.

Allegheny County Airport Hangar Loan — On January 11, 2008, the Authority entered into a loan agreement with Citizens Bank to provide a $1,300,000 loan for the purpose of constructing 18 new T-hangars and certain taxilane improvements. Terms of this loan are 40 equal consecutive quarterly payments of $16,250, which commenced in April 2008, and one final payment of all outstanding balances of principal and interest accrued. The interest rate was increased to 30-day LIBOR, plus 2.5% effective January 1, 2009. A second amendment to the loan agreement was executed on November 19, 2010, reducing the interest rate to 12-month LIBOR, plus 1.5%.

Commonwealth of Pennsylvania Department of Transportation Loan — On September 12, 2007, the Authority entered into a loan agreement with the Commonwealth of Pennsylvania, Department of Transportation, to provide a portion of funding necessary to complete the Authority's South Ramp Taxilanes Relocation and Hangar Redevelopment Project at the Allegheny County Airport. The estimated project cost was $4,100,000, of which the Department of Transportation agreed to loan the Authority $1,000,000 at an annual interest rate of 4.125%. The term of the loan is 120 months and requires monthly payments of $10,184. The remaining project costs were funded through Authority funds, FAA grants, Pennsylvania Department of Transportation grants, and an additional $1,300,000 10-year term loan. The Authority has the ability to prepay this loan, in $1,000 increments, without penalty.

Industry Drive Loan — On March 26, 2003, the Authority entered into an agreement with the Redevelopment Authority of Allegheny County (RAAC), an authority organized by the County of Allegheny, Pennsylvania, under the Urban Redevelopment Law of Pennsylvania, the Act of May 24, 1945, P.L. 991, et seq., as amended. This agreement provides funding for the construction of an extension of the existing public road known as Industry Drive to permit further development of the undeveloped land lying mostly to the north of the Industry Drive Extension right-of-way between the right-of-way and the Pennsylvania Route 60 Bypass. RAAC had agreed to lend $4,000,000 at an annual interest rate of 4.7% to the Authority for this project and the Authority had agreed to contribute $2,800,000. Total disbursements from RAAC toward the Industry Drive Project at both December 31, 2011 and 2010, was $1,484,629. The repayment terms are $9,652 per month on a 20-year term expiring in 2027.

Clinton Tax Increment Financing — On November 1, 2005, the Authority entered into an agreement with the RAAC. This agreement provides Tax Increment Financing (TIF) for the development and financing of the Clinton Industrial Park Project, which includes certain substantial public on-site and off-site improvements. RAAC has issued a series of TIF notes in an aggregate principal of $5,000,000 to fund public improvements relating to Phase I of the Clinton Industrial Park Project with another $500,000 unissued notes. At both December 31, 2011 and 2010, the amounts borrowed are $4,596,718 for construction fund deposit, debt service reserve fund, and financing fees and expenses. Interest-only payments were required through December 1, 2010. Semiannual principal and interest would have commenced June 1, 2011, if the $500,000 was drawn down. Semiannual principal and interest commence June 1, 2013 or sooner if the $500,000 is issued. The source of repayment of this TIF is the tax revenues and lease rental income, generated by the project as defined in the agreements. Repayment terms are through June 1, 2025, at 5.75% interest rate.

Commonwealth Financing Authority Business-in-Our-Sites Program — On January 18, 2007, the Authority entered into a loan agreement with the Commonwealth Finance Authority to provide a $2,000,000 loan for the purpose of completing the Cherrington Parkway Extension. Terms of this loan are 20 years with a 3% interest rate. All principal and interest payments will be deferred, and interest will not accrue, until one of the following occurs: sale of the property, property is leased, or if five years have passed since completion of the site development work.

Northfield Tax Increment Financing — On May 1, 2008, the Authority entered into an agreement with RAAC for a second TIF for the development of the Northfield site located on the north side of the airfield. The TIF proceeds will fund certain on-site and off-site public infrastructure and improvements. RAAC issued a TIF note in the amount of $5,000,000 to fund the improvements related to the Northfield site. As of December 31, 2011 and 2010, the amount borrowed was $4,175,470 and $3,787,885, respectively, for construction fund deposit, debt service reserve fund, and financing fees and expenses. Monthly interest-only payments are required through the fifth anniversary of the first draw by the Authority. Semiannual principal and interest payments commence June 30, 2014. The source of repayment of this TIF is the tax revenues and lease rental income, generated by the project, as defined in the agreements. Repayment terms are through April 1, 2028, at 6.0% interest rate.

Gaming Grant Anticipation Loan — On June 22, 2009, the Authority entered into a loan agreement with PNC Bank, N.A., to provide a $20,000,000 loan for anticipated gaming revenue grants to finance projects authorized by Section 3(2)(I)(e) of Act 53 in advance of the receipt of Airport Development Grants from the Gaming Fund. Terms of this loan include principal payments commencing on January 15, 2011, with consecutive annual payments of $4,000,000 through January 15, 2015. The interest rate will be LIBOR, plus 2%. The Authority paid an advance of $5,000,000 during 2010. The Authority also repaid an additional $8,000,000 in January 2011. In January 2012, the Authority repaid fully the outstanding balance of the loan. Management planned to repay this loan in January 2012 and restricted funds for payoff at December 31, 2011.

Ewing Road Loan — On March 13, 2009, the Authority entered into a loan agreement with the Redevelopment Authority of Allegheny County to provide a $1,003,000 loan for the construction of roadway improvements at the intersection of Ewing Road and Hookstown Grade Road and Business Route 60 to promote the development of US Airways Operations Control Center and the further development of the Cherrington office complex, both located in Moon Township. While the loan document was executed in 2009, the proceeds were not distributed and the repayment schedule did not begin until September 2011. The term of the loan is 10 years and the interest rate is 4%.

Energy Savings Equipment Lease Purchase Agreement — On July 12, 2011, the Authority entered into a lease purchase agreement with Grant Capital Management to provide a $7,000,000 loan for energy savings projects at Pittsburgh International Airport. Grant Capital Management assigned this lease purchase agreement to Capital One Public Funding on July 14, 2011. Deutsche Bank National Trust Company was named as the servicing agent on behalf of Capital One and holds the loan proceeds in escrow to be remitted to the Authority upon approval by Capital One. Terms of the loan include an interest rate of 3.101% with repayment schedule beginning January 1, 2012 through December 1, 2018. Capital One Public Funding has a secured interest in the equipment purchased under this agreement with no revenues pledged as security. The loan is collateralized by the unexpended cash and capital assets with a net book value of approximately $2,200,000, as of December 31, 2011.

The LIBOR interest at December 31, 2011 and 2010, was 0.79% and 0.82%, respectively.

9. UNRESTRICTED NET ASSETS (DEFICIT)

Unrestricted net assets (deficit) as of December 31, 2011 and 2010, are as follows:

	2011	2010
Unrestricted net assets available for operations	$ 7,159,550	$ (2,807,514)
Restricted deficit net — PFC funds	(19,641,241)	(25,633,854)
Unrestricted net assets (deficit) per statements of net assets	$ (12,481,691)	$ (28,441,368)

The Authority has made PFC reimbursable expenditures in excess of PFC revenues as of December 31, 2011 and 2010. The PFC deficits result in the reductions of the unrestricted net assets as set forth above.

10. PASSENGER FACILITY CHARGES

On October 1, 2001, the airlines began collecting PFCs on qualifying enplaning passengers at PIT on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system; fund noise mitigation at the airport; or furnish opportunities for enhanced competition between or among air carriers. Recent regulations have been promulgated by the FAA that enhance the eligibility of PFC usage to include, among other things, debt service payments. Both the fee imposed and the intended uses must be reviewed and approved by the FAA.

The Authority chose to establish and received approval to impose and use a $3 PFC. Effective December 1, 2004, the FAA approved an increase to the PFC, allowing the Authority to collect at the current maximum rate of $4.5. The project summary was approved by the FAA in its Record of Decision, dated July 2001, and subsequently amended through November 16, 2007, as follows:

Reimbursement for preapplication projects (to be applied to debt service)	$ 215,055,143
Safety- and security-related projects	174,503,105
Environmental-related projects	86,395,101
Terminal development projects	50,819,327
	$ 526,772,676

The Authority has disbursed $214,622,784 on these projects through December 31, 2011.

11. TRANSACTIONS WITH THE COUNTY OF ALLEGHENY

The Authority has entered into intergovernmental agreements with the County that provide for, among other things, contractual services for County police services and certain Office of Management and Budget *Circular A-133* accounting and professional services. Expenses relating to these services are included in professional services for the years ended December 31, 2011 and 2010, in the accompanying statements of revenues, expenses, and changes in net assets and amounted to $9,518,495 and $9,528,458, respectively.

12. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters. The Authority carries commercial insurance to cover these risks of loss. The commercial insurance coverage is on a guaranteed-cost basis covering any expense of the Authority. Claims on this coverage have not exceeded commercial premiums.

At the time the Authority was created and the Airport System transferred from the County, workers' compensation claims of Airport personnel were transferred to the Authority. Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The liability for reported claims and claims incurred, but not reported, an estimate of which is based on historical experience and management projections, is reflected as a long-term liability due to the County in the financial statements and is no longer part of the County program. As such, no new claims can occur under this plan.

Changes in the estimated claims payable liability for the years ended December 31, 2011 and 2010, are as follows:

	2011	2010
Balance — beginning of year	$ 183,921	$ 220,830
Claim payments	(40,415)	(37,109)
Increase in reserve liability	8,870	200
Balance — end of year	$ 152,376	$ 183,921

13. RETIREMENT BENEFITS

Retirement Plan Description — The County sponsors the Allegheny County Retirement System (the "Retirement System"), a single-employer, defined benefit, contributory retirement plan covering substantially all employees. Employees contribute to the Retirement System through payroll withholdings based on a contracted rate.

The Retirement System membership as of January 1, 2011 and 2010, consisted of the following:

	2011	2010
Participants:		
Retirees and beneficiaries receiving benefits	4,414	4,428
Terminated employees entitled to benefits, but not yet receiving them	179	174
	4,593	4,602
Current employees:		
Vested:		
Nonuniform	4,326	4,234
Police and fire	152	155
Nonvested:		
Nonuniform	3,163	2,998
Police and fire	98	92
	7,739	7,479
Total	12,332	12,081

Benefit and contribution provisions for the Retirement System are determined under statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Retirement Board, pursuant to express statutory authority, has the right to increase the employee contributions in the event it is actuarially determined that a contribution increase is required in order for the Retirement Board to meet its funding requirements. Any increase in employee contributions imposes a statutory requirement upon the County to match the employee contributions. Also, the obligation of the fund to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Retirement Board's obligation to make monthly benefit payments to retirees.

Monthly benefit payments are determined for each individual according to the retirement option selected and the age and length of service at retirement. Under normal retirement (attainment of age 50 with 20 years of service for police and firefighters; age 55 with 20 years of service for jail guards, deputy sheriffs, and probation officers; and age 60 with 20 years of service for nonuniformed employees), the retirement benefit is equal to 50% of final average salary plus 1% of final average salary for each full year of service between 20 and 40 years. Final average salary is the monthly average of the 24 highest months of compensation in the last 48 months of employment preceding retirement.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to:

Allegheny County Retirement Board
106 County Office Building
542 Forbes Avenue
Pittsburgh, PA 15219

Funding Policy, Annual Pension Cost, and Schedule of Funding — Effective January 1, 2011, employees were required to contribute 7% of covered compensation. Whereas January 1, 2003 through December 31, 2010, employees were required to contribute 6% of covered compensation. For the period January 1, 2002 through December 31, 2002, employees were required to contribute 5% of covered compensation. For the period January 1, 2000 through December 31, 2001, employees were required to contribute 3.8% of covered compensation. For the period February 1, 1998 through December 31, 1999, employees were required to contribute 6% of covered compensation. Prior to February 1, 1998, employees were required to contribute 7.5%. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code, and deposited in the Pension Trust Fund. Employees with at least 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions plus interest thereon. Interest earned for 2010 was at 2.4% per annum on contributions. Employees with less than 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions only.

The annual required contribution for the current year was determined as part of an actuarial valuation as of January 1, 2011, using the entry-age normal actuarial cost method. Significant actuarial assumptions and amortization methods used include (1) a level dollar amortization method with an open, 15-year amortization period; (2) a rate of return on the investment of present and future assets of 7.75% per year compounded annually; (3) projected salary increases ranging from 3.5% per year to 6% per year according to age, compounded annually, attributable to inflation and seniority/merit; (4) noninvestment expenses are assumed to be the same as in the prior year; and (5) the actuarial value of the assets is the fair market value of plan assets.

The annual pension cost for the Retirement System is as follows:

Fiscal Years Ending December 31	Annual Pension Cost (APT)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 59,489,789	39.3 %	$ 148,265,257
2010	60,759,799	33.1	112,181,848
2009	62,952,238	30.6	71,537,960

The schedule of funding progress for the Retirement System is as follows (amounts are in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
January 1, 2011	$ 699,302	$ 1,191,102	$ (491,800)	58.7 %	$ 357,290	137.6 %
January 1, 2010	652,643	1,119,326	(466,683)	58.3	340,879	136.9
January 1, 2009	582,099	1,067,015	(484,916)	54.6	326,803	148.4

Pension expense of the Authority for the three years ended December 31, 2011, 2010, and 2009, was $1,707,191, $1,463,827, and $1,405,711, respectively.

Other Postemployment Benefits

Postemployment Medical Benefits — The Authority Postemployment Medical Benefits Plan is a single-employer defined benefit health care plan administered by the Authority. There is no separate audit requirement. The plan provides reimbursement for medical benefits to eligible firefighter retirees hired before May 1, 2005, and their spouses. Benefits are provided according to the retiree’s date of retirement and the benefits allotted as of the plan benefits at that date. The retiree is responsible for any premium cost in excess of the provided benefit. Payments to the retirees are made on a reimbursement basis. The Authority does not have a funding policy for post employee benefits at this time.

The Authority's annual other postemployment benefit (OPEB) cost (expense) 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, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. An actuarial valuation was performed for 2009 and the following table shows the components of the Authority's annual OPEB cost for the year, the amount actuarially contributed to the plan, and the changes in the net OPEB obligation:

	2011	**2010**
Annual required contribution	$ 105,647	$ 105,647
Interest on net OPEB obligation	1,841	1,841
Adjustment to annual required contribution	(2,662)	(3,445)
Annual OPEB cost	104,826	104,043
Contributions made	103,656	78,969
Increase in net OPEB obligation	1,170	25,074
Net OPEB obligation — beginning of year	102,171	77,097
Net OPEB obligation — end of year	$ 103,341	$ 102,171

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 are as follows (dollar amounts in thousands):

Fiscal Year Ended	**Annual OPEB Costs**	**Percentage of Annual OPEB Cost Contributed**
December 31, 2011	$ 104,826	98.9 %
December 31, 2010	104,043	75.9
December 31, 2009	101,381	69.4

As of January 1, 2009, the date of the most recent actuarial valuation date, the actuarial accrued liability for benefits was $991,481, all of which was unfunded. The contributions were made on a pay-as-you-go basis. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. There is no schedule of funding progress, presented as required supplementary information following the notes to the financial statements, which would present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits, since 2007 was the initial year of calculation, and there is no funding as of December 31, 2011.

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

In the January 1, 2009, actuarial valuation, the following actuarial assumptions were used:

Actuarial cost method	Projected unit credit
Interest rate	4% compounded annually
Amortization method	Level dollar
Amortization period	30 years

14. PURCHASE COMMITMENTS

Natural Gas — The Authority has entered into a contract with a natural gas provider for the purchase of approximately 200,000 dth of natural gas each year. A Blend and Extend Agreement was executed in December 2011 reducing the rate to $0.373 per dth beginning January 1, 2012 through December 31, 2017. The Authority will pay the provider at the New York Mercantile Exchange rate, plus $0.373 per dth during this period. The Authority is responsible for the nominations under the contract and can adjust the monthly nominations of the natural gas purchases up to 20% each year. The Authority anticipates using the full amount of the commitment.

Electricity — The Authority has entered into a contract with an electricity provider for the purchase of electricity for specific meters at a rate of $6.94/kWh. The contract was to be in effect until December 1, 2011. An extension of the contract was executed in May 2010 reducing the rates to $5.74/kWh effective for the period December 1, 2011 through December 1, 2013. The commitment includes most of the Authority's forecasted electricity usage.

15. CONTINGENCIES

Deicing — The Pennsylvania Department of Environmental Protection (DEP) issued an Administrative Order dated January 26, 1998, to the County, which alleges violations of a January 1994 Consent Order and Adjudication and violations of the Pennsylvania Clean Streams Law at the Pittsburgh International Airport. The Administrative Order cited several areas, all of which have been resolved, except for the deicing. The Authority has withdrawn a previous appeal without prejudice and continues to negotiate with the DEP to reach a resolution of the matter. The Authority continues to address the deicing issues and has spent, and continues to budget for, significant capital funding in an attempt to resolve the deicing issue.

Financial Assistance — The Authority receives significant financial assistance from federal and Commonwealth of Pennsylvania governmental agencies in the form of grants and other entitlements primarily for capital improvement projects. The disbursement of resources received under such programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. The Authority's management believes disallowances, if any, will be immaterial.

Other — In the ordinary course of the Authority's operations, there have been various legal proceedings brought against the Authority. Authority management is of the opinion that these matters will not have a materially adverse effect on the Authority's financial position or results of operations.

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Allegheny County Airport Authority

(A Component Unit of County of Allegheny, Pennsylvania)

Financial Statements as of and for the Years Ended December 31, 2010 and 2009, and Independent Auditors' Report

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Allegheny County Airport Authority:

We have audited the accompanying statements of net assets of the Allegheny County Airport Authority (the "Authority"), a component unit of County of Allegheny, Pennsylvania, as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 2 to 10, which is the responsibility of the Authority's management, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

March 30, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Allegheny County Airport Authority’s (the “Authority”) discussion and analysis is presented to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, and (c) identify changes in the Authority’s financial position. Management encourages the reader to consider Management’s Discussion and Analysis (“MD&A”) of the Authority’s financial performance in conjunction with the information contained in the Authority’s financial statements.

THE AIRLINE OPERATING AGREEMENT

Pittsburgh International Airport (PIT or the “Airport”) is operated by the Authority pursuant to the Airline Operating Agreement and the Amended and Restated Airline Operating Agreement (collectively, the AOA). The AOA is structured as a residual agreement and has been signed by: Air Tran, American Airlines, British Airways, Chautauqua Airlines, Continental Air, Delta Airlines, JetBlue Airways, Mesa Airlines, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways.

Airline revenue at PIT is based upon a residual arrangement as determined in the AOA. Airlines that sign this agreement (“Signatory Airlines”) agree to pay for the operations of the Airport based upon a Rates and Charges calculation that takes into account all revenues, expenses, and debt service at PIT, as well as creating certain funds to be used for capital expenditures. The AOA is designed to minimize the landing fee, terminal rent, and ramp fee costs to the Signatory Airlines, while assuring the payment of all net operating costs and debt service related to PIT. The importance of this ratemaking methodology is critical to protect the Authority against the financial impact of airline bankruptcies, especially in consideration of the filings during recent years by US Airways, Independence Air (now liquidated), Delta Airlines, Northwest Airlines, and United Airlines under the United States Bankruptcy Code. These bankruptcy filings also underscore the continued uncertainty and the absence of consistent profitability in the airline industry. Note that US Airways emerged from bankruptcy on September 29, 2005, and United Airlines emerged from bankruptcy on February 1, 2006. Delta Airlines and Northwest Airlines, both of which began 2007 under bankruptcy protection, emerged from this protection in the spring of 2007 and, since 2008, have merged and operate as Delta Airlines.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. Revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are recorded in Land, Building and Equipment accounts and are depreciated over their useful lives (except land). See notes to the financial statements for a summary of the Authority’s Organization and significant financial policies.

The Authority is responsible for the operation of the facilities at PIT and the Allegheny County Airport (AGC).

Following this discussion and analysis are the basic financial statements of the Authority, including the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority’s basic financial statements are designed to provide readers with a broad overview of the Authority’s financial position and activities.

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

The Statements of Revenues, Expenses, and Changes in Net Assets present information showing the change in the Authority's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The Statements of Cash Flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. Reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

SIGNIFICANT EVENTS/FINANCIAL HIGHLIGHTS

Enplaned passengers at the Airport increased 2.1% as compared to 2009. While significant changes to passenger levels in previous years were primarily driven by the "de-hubbing" of US Airways at PIT, 2010 was marked by increased frequencies to leisure and business markets indicating a stabilization of the Airport traffic and passenger levels following the downsizing of US Airways' hub operation. A number of carriers experienced passenger increases at the Airport. 9 of the 14 carriers providing regularly scheduled service at the Airport showed increased passenger levels compared to 2009 and six of these carriers experienced growth rates in excess of 10%. Carriers accounting for the greatest increase in passengers versus 2009 include SkyWest at 1034.2%, JetBlue at 36.9%, AirTran at 29.1%, Air Canada at 22.9%, Myrtle Beach Direct Air at 14.3%, and American at 11.3%. US Airways, Continental, and Southwest showed passenger level decreases in 2010 by 6.9%, 1.9%, and 1.1%, respectively. Management is pleased to see the positive growth in passenger levels and the increase in origin and destination traffic (nonconnecting passengers who begin or end their trip at Pittsburgh International). Management continues to attribute the strong performance in passenger levels to lower fares charged by the low-cost carriers operating at PIT that have succeeded in attracting more travelers. PIT's average fare of $174 continues to be below the national average of $180 (per Aviation Data Group third quarter 2010) as a result of increased competition. Similar-sized airport cities such as Cleveland (average fare $200) and Cincinnati (average fare $226) reflect dominant carrier pricing. In addition, passengers that flew from PIT are, as a result of the lower fares, coming from a broader geographic area.

Pursuant to Federal Aviation Administration (FAA) approval received, the Authority continued to apply Passenger Facility Charges (PFC) revenue to reduce debt service costs, resulting in decreased airline rates and charges. The total amount of PFC's allocated to debt service in 2010 and 2009 was $15.0 million and $13.2 million, respectively. In accordance with the approved PFC program, the Authority anticipates future application of PFC revenues in a similar fashion.

Through the end of 2010, the Authority was designated as a recipient of revenues generated from casinos and racinos authorized to operate pursuant to the Pennsylvania Race Horse Development and Gaming Act (the "Gaming Act"). Originally the Gaming Act legalized slot machine parlors in race tracks and stand-alone facilities. In 2010, the Gaming Act was amended to allow table games. The Authority is eligible to receive up to 5% of the annual net revenues, on an annual basis not to exceed $150 million for up to a 12-year period, generated from gaming operations in Pennsylvania. The County, the prior recipient of the funds, received $42.5 million of these revenues prior to the close of 2009 to complete the repayment of the $42.5 million capital contribution that the County made toward the original construction of the Airport, which the County funded with the issuance of its General Obligation Bonds. The Authority received $2.2 million of these funds in June of 2010 representing the fiscal year 2009-2010 allotment remaining after the repayment of the $42.5 million referenced above. In addition, the Authority received its fiscal year 2010-2011 allotment of $12.4 million in December of 2010. The balance of the amounts due to the Authority of $92.9 million ("Gaming Revenues") is payable to the Authority over the next nine years. In June 2009, the Authority executed a grant anticipation loan (the "Grant Anticipation Loan") with PNC Bank, N.A. in the amount of $20 million. The proceeds of this transaction were used to reimburse the Authority for $6.5 million utilized to reduce rates and charges in 2008 and to apply \$4.6 million to reduce airline rates and charges in 2009. The Grant Anticipation Loan was secured by a pledge of the future installments of the Gaming Revenues to be received throughout the remaining 10-year period. The Authority repaid \$5 million of the Grant Anticipation Loan in January 2010, which was in excess of, and in advance of, the first installment of \$4 million due on January 15, 2011. Additionally in January 2011, the Authority repaid \$8.0 million of principal against the loan leaving the current outstanding principal balance at \$7.0 million. The \$8.0 million represents the original \$4.0 million due, plus an additional advance payment of \$4.0 million. The Authority anticipates applying the remaining \$92.9 million to: (i) repay the Grant Anticipation Loan; (ii) reduce debt service payments on the Authority's General Airport Revenue Bonds ("GARBs"), thereby reducing the costs charged to the airlines operating from PIT; and (iii) for other purposes permitted under the Gaming Act.

In June 2010, the Authority terminated the next three years of its constant maturity swap with Bank of America Merrill Lynch. In exchange for the termination, the Authority received \$5.187 million. The swap will reinitiate January 1, 2014 with an effective termination date of January 1, 2023.

The parking operation at PIT is the largest nonaviation revenue generator for the Airport. Almost \$26 million of parking revenue was included in the results of the Airport for 2010. Management expects net parking revenues to remain level in 2011 because of necessary capital improvements that will have a short-term impact on space availability. Although a rate adjustment is planned for 2011, local parking taxes imposed by Findlay Township and West Allegheny School District will absorb the majority of the increased gross revenues. The Airport currently has approximately 2,100 short-term parking spaces, 3,100 long-term parking spaces, and 8,000 extended-term parking spaces.

As a result of US Airways' reduction in operations at the Airport and to mitigate the costs of operating the terminal facilities, the Authority decided in January 2008 to decommission a portion of the A and B Concourses that were not expected to be needed for current airline activity levels. These areas are the extensions of the A and B Concourses and consist of 26 gates and approximately 97,500 square feet. The annual savings from reduced utilities, custodial costs, and contracted maintenance and repair on the moving sidewalks was approximately \$950,000. These areas continue to be maintained with necessary heating and cooling to preserve facility conditions and either, or both, areas on the two concourses could be reactivated and ready for occupancy in several days if needed for future operational expansion.

In addition to the annual application of approximately \$10 million in Gaming Act revenues, the Authority plans on continuing to apply \$15 million per year of collected PFC's towards Airport debt service. Consistent with the AOA, the net cost of operating the Airport is passed through on to signatory air carriers through airline rates and charges. This reduction in fees directly benefited carriers' level of profitability at the Airport. The Authority intends to continue the application of these funds throughout the duration of the receipt of Gaming Act revenues and the PFC authorization applicable to the use of PFC funds. Management is actively monitoring and adjusting the operation of the Airport to match the activity of the airline tenants. Operating costs have been reduced wherever possible, nonairline revenues enhanced, and innovative ideas that improve the efficiency of the Airport implemented.

The following represents the Authority's summary of changes in net assets (in thousands):

	2010	2009	2008	% Change 2010/2009
Operating revenue	$ 137,266	$ 135,854	$ 131,922	1.0 %
Operating expenses	86,575	84,120	85,031	2.9 %
Operating income before depreciation	50,691	51,734	46,891	(2.0)%
Depreciation and amortization	69,158	68,988	66,411	0.2 %
Operating loss	(18,467)	(17,254)	(19,520)	7.0 %
Nonoperating income	64,126	44,305	42,891	44.7 %
Nonoperating expenses	(25,817)	(26,855)	(28,746)	(3.9)%
Increase (decrease) in net assets	19,842	196	(5,375)	10023.5%
Net assets — beginning of year	366,566	366,370	371,745	0.1 %
Net assets — end of year	$ 386,408	$ 366,566	$ 366,370	5.4 %

REVENUES

A summary of revenues for the years ended December 31, 2010, 2009, and 2008 is as follows (in thousands):

Operating Revenue	2010	2009	2008	% Change 2010/2009
Landing fees	$ 18,343	$ 15,798	$ 16,241	16.1 %
Terminal area airline fees	58,522	60,004	53,134	(2.5)%
Other aeronautical revenue	8,415	9,912	8,063	(15.1)%
Parking revenues	25,753	23,960	24,488	7.5 %
Rent-a-car revenues	10,685	10,391	11,141	2.8 %
Terminal concessions	6,516	6,773	10,465	(3.8)%
Other nonaeronautical revenue	6,025	6,495	6,118	(7.2)%
AGC revenues	3,007	2,521	2,272	19.3 %
Total Operating Revenue	$ 137,266	$ 135,854	$ 131,922	1.0 %

Operating Expense	2010	2009	2008	% Change 2010/2009
Salaries, wages, and benefits	$ 34,108	$ 32,162	$ 31,326	6.1 %
Utilities	12,398	12,211	12,886	1.5 %
Cleaning and maintenance services	14,288	14,077	14,125	1.5 %
Professional services	15,541	14,925	15,818	4.1 %
Other	7,513	8,215	7,962	(8.5)%
Pittsburgh International Airport expenses	83,848	81,590	82,117	
Allegheny County Airport expenses	2,727	2,530	2,913	7.8 %
Depreciation and amortization	69,158	68,988	66,412	
Total Operating Expense	$ 155,733	$ 153,108	$ 151,442	1.7 %

Nonoperating Revenue (Expense)	2010	2009	2008	% Change 2010/2009
Interest expense	$ (25,073)	$ (26,572)	$ (28,259)	(5.6)%
Interest income	2,788	4,298	5,494	(35.1)%
Passenger facility charge income	16,999	16,530	17,680	2.8 %
Grants from governmental agencies	23,590	23,455	19,180	0.6 %
(Loss) gain on disposal of assets	(252)	(4)	(436)	6200.0 %
Swap termination proceeds	5,075			
Gaming revenues	14,600			
Miscellaneous income (expense)	1,074	(279)	539	(484.9)%
Other	(492)	22	(52)	(2336.4)%
Total nonoperating revenue	$ 38,309	$ 17,450	$ 14,146	119.5 %

2010

Total operating revenues finished the year $1.4 million, or 1%, higher compared to 2009. Changes in landing and terminal fees were primarily a result of airline rate changes between 2010 and 2009 as well as from changes in airline operations. Parking and rent-a-car revenues finished the year $2.1 million higher than 2009. These were due, in part, to rate adjustments in the long-term and short-term parking and increased passenger activity levels.

Total operating expenses were $2.6 million more in 2010 as compared to 2009, or 1.7%. The largest driver of the increase is related to salaries, wages, and benefits at $1.9 million. Wages and overtime expense were the two largest components equating to $851,000 and this is attributed to the Federal Emergency Management Agency recognized snow disaster occurring in February. Benefits of $409,000 and sick pay buy back of $331,000 are the remaining significant factors of the total variance. Additionally professional services contributed $616,000 of the variance with contracted services and police costs being the largest drivers.

Nonoperating revenue (expense) was $20.8 million higher than 2009. Interest income in 2010 decreased by $1.5 million over 2009 due to declining investment rates. Interest expense was $1.5 million lower reflecting the amortization of long-term debt and lower interest payments required on short-term, variable-rate instruments. PFC revenues increased $469,000 due to the increase in enplaned passengers as compared to the previous year. The constant maturity swap was terminated through December 31, 2013 generating $5.1 million of proceeds. Additionally, $14.6 million of gaming revenues were recognized as revenue relating to the Commonwealth’s FY2010 and FY2011 fiscal years. The Commonwealth also provided the Authority with a special allocation of $2,500,000 for delivery to the Allegheny Conference on Community Development in order to assist the Conference in fulfilling its revenue guarantee to Delta Airlines, Inc. pursuant to the Air Service Development Agreement entered into by and between the Conference and Delta Airlines. The Authority acted as a conduit for the $2.5 million.

2009

Total operating revenues finished the year $3.9 million, or 3%, higher compared to 2008. Changes in landing and terminal fees were primarily a result of airline rate changes between 2008 and 2009 as well as from changes in airline operations. Parking and rent-a-car revenues finished the year $1.28 million lower than 2008. These were due, in part, to the temporary closure of some parking spaces during repair activities, changes in passenger activity levels, and industry/national economic conditions.

Total operating expenses were $1.67 million more in 2009 as compared to 2008. This amount is directly related to the increase in depreciation and amortization of $2.1 million as compared to 2008. This noncash expense does not factor into the Authority's airline rate calculation and does not impact airline user fees. The Authority has remained diligent in containing operating costs. Excluding depreciation and amortization, the Authority's operating expenses decreased $446,000 compared to 2008.

Driven by sliding investment rates, interest income in 2009 was $1.2 million less than 2008. Interest expense was $1.69 million lower reflecting the amortization of long-term debt and lower interest payments required on short-term, variable-rate instruments. PFC revenues decreased $1.15 million due to fewer enplaned passengers as compared to the previous year. Government grants were $4.28 million higher and included federal government stimulus funds from the American Recovery and Reinvestment Act of 2009 (ARRA) of approximately $766,000. The total amount awarded under ARRA is $11.5 million. The Authority was the first in the nation to receive such funds for Pittsburgh International and County Airport.

FINANCIAL POSITION

The following represents the Authority's financial position at December 31, 2010, 2009, and 2008:

Assets	2010	2009	2008	% Change 2010/2009
Current assets — unrestricted	$ 20,881	$ 26,114	$ 24,047	(20.0)%
Current assets — restricted	160,299	145,121	124,085	10.5 %
Net property and equipment	725,986	764,131	792,390	(5.0)%
Other assets	4,374	4,441	5,212	(1.5)%
Total assets	$ 911,540	$ 939,807	$ 945,734	(3.0)%

Liabilities	2010	2009	2008	% Change 2010/2009
Current payable from unrestricted assets	$ 16,596	$ 15,570	$ 16,865	6.6 %
Current payable from restricted assets	83,453	81,740	68,599	2.1 %
Long-term liabilities	425,083	475,931	493,899	(10.7)%
Total liabilities	$ 525,132	$ 573,241	$ 579,363	(8.4)%

Net Assets	2010	2009	2008	% Change 2010/2009
Invested in capital assets — net of related Debt	$ 327,531	$ 329,379	$ 316,592	(0.6)%
Restricted net assets	83,915	66,024	74,007	27.1 %
Unrestricted net deficit	(25,038)	(28,837)	(24,229)	(13.2)%
Total net assets	$ 386,408	$ 366,566	$ 366,370	5.4 %

The increase in current assets — restricted is due to the increase in cash and cash equivalents and investments attributable to receipt of the gaming revenues and swap termination proceeds. Net assets continue to moderately fluctuate each year as a result of the reduction of long-term liabilities from year to year as well as benefiting from PFC's and grant income. The unrestricted net assets deficit at December 31, 2010 was principally a result of borrowings on the revolving line of credit and the Grant Anticipation Loan.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets — The Authority's capital assets at cost, net of depreciation as of December 31, 2010 and 2009, amounted to $725,986,088 and $764,130,921, respectively. The capital assets include land and land improvements (including runways and taxiways); buildings and building improvements; equipment, furniture and fixtures; as well as construction in progress. The total increase in the Authority's capital assets before accumulated depreciation for 2010 and 2009 was 1.5% and 2.2%, respectively.

Major capital projects in progress and expenditures incurred during 2010 included the following:

• Rehabilitation of taxiways and runways	$19,346,969
• Terminal enhancements	3,046,160
• Nonairfield property development	2,145,053
• Snow removal and deicing facilities	4,132,819

Major capital projects in progress and expenditures incurred during 2009 included the following:

• Rehabilitation of taxiways and runways	$11,760,717
• Security system enhancements	481,565
• Terminal enhancements	4,019,129
• Nonairfield property development	10,920,317
• Snow removal and deicing facilities	9,901,224

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method.

Acquisitions are funded using a variety of financing techniques, including Federal grants, State grants, PFC's, debt issuance, and airline rates and charges. Further detailed information can be found in the notes to the financial statements.

Debt Administration — As of December 31, 2010 and 2009, the Authority's long-term debt outstanding totaled $439,229,492 and $484,642,459, respectively. Principal payments of $41,140,972, not including $35,660,000 of debt refundings, were made in 2010. Principal payments of $37,487,277 were made in 2009.

Detailed information regarding the Authority's long-term debt can be found in the notes to the financial statements.

BUDGETARY HIGHLIGHTS

The Authority is required to prepare an estimate of the Signatory Airlines Annual Rates and Charges to be submitted to the Signatory Airlines for review and comment. In order to prepare the estimated Annual Rates and Charges calculation, the Authority prepares an operating budget for all revenues, expenses, and capital items. The budget is prepared in accordance with the covenants contained in bond indentures and the AOA. The Authority is not required to demonstrate statutory compliance with its operating budget. Accordingly, budgetary data is not included in the basic financial statements. Unexpended operating appropriations lapse at fiscal year end.

ECONOMIC FORECAST

Economic conditions expected for 2011 are essentially highlighted by the continued demonstrated stability of the region. The Pittsburgh region has not experienced the magnitude of recession-related troubles such as significant unemployment, personal income declines, and speculative housing prices as compared to other parts of the nation. Much of the stability in the region can be attributed to the presence of respected educational and health care institutions. Housing prices remained steady throughout the economic downturn and unemployment levels stayed below the national average. The bottom line is that the Pittsburgh region has remained more stable than other areas and did not experience as many negative impacts as a result of the lethargic national economic conditions and is well positioned to capitalize on an economic rebound. It is anticipated that the region will experience modest and steady growth in employment as a result of its educational institutions and health care employers. In addition, the Pittsburgh region is poised for growth in light of more recent trends related to Marcellus Shale Formation gas drilling and the expansion of energy industry and high-tech employers, such as Westinghouse.

Statistics for 2010 indicate that domestic air travel increased modestly as compared to 2009. Looking forward to 2011, the Federal Aviation Administration expects national passenger growth to increase by 3% and this rate is anticipated to rise 2.5% annually over the next 20 years. This is welcome news and confirms the stabilization and rebound of passenger levels after suffering declines over the last several years. Total enplanements at PIT were 4.1 million in 2010, an increase of 2.1% compared to 2009. Several airlines added service at the Airport in 2010, increasing their capacity and enplanements. AirTran Airways expanded flights to Fort Lauderdale and Fort Meyers, Florida, from seasonal to year-round operation. Air Canada increased service to Toronto to 3 flights year-round with an additional frequency during peak summer travel months and JetBlue Airways added two additional frequencies to Boston. Delta continues its nonstop service to Paris (CDG) that began in June 2009. In 2010, US Airways carried the most passengers at the Airport with 26.2% of the total passenger traffic. Southwest and Delta Airlines are the next most active carriers handling 18.3% and 16.9% of 2010's total passengers.

Strategically, the Authority is committed to making PIT a low-cost airport while maintaining its high-quality services and customer focus. Management believes that this goal will be achieved by limiting incurring of new debt, diligently managing expenditures for both operating and capital items, and maximizing nonairline revenues. It is expected that the Authority will make continued extensive use of PFC's to fund capital projects. The use of PFC's will be critical to performing the routine capital repair and replacement projects that can be expected of a facility that is now 19 years old. Planning for these capital expenditures now is a key to managing the projects on a cost-effective basis. Additional expansion of PFC funding levels will assist the Authority in achieving these goals. The Authority, consistent with the practice of most commercial airport sponsors, has relied upon federal grant funding for various capital projects at the Airports.

On March 11, 2011, subsequent to the end of the 2010 fiscal year, the Authority Board adopted a resolution authorizing the implementation of a Customer Facility Charge (CFC) in the amount of $3 per rental car transaction day to be assessed on all customers renting a vehicle from Pittsburgh International Airport. In addition to amounts already collected from rental car operators, the CFC revenues will be utilized for direct and indirect capital, operating and maintenance costs of facilities and assets utilized in rental car operations. The Authority expects to begin receiving CFC revenues by mid-2011 and estimates annual CFC revenues of approximately $3.75 million.

The Authority is very fortunate to have approximately 8,800 acres of land surrounding the Airport, of which approximately 1,300 acres are developable for landside commercial development. The Authority has been actively engaged in the development of its property to stimulate regional economic growth and to develop additional Airport revenues from all sources. The main areas of development include:

- Clinton Industrial Park: The infrastructure for the 100-acre industrial park was completed in 2007. Construction of a build-to-suit facility for a printing company was completed in 2008 and is currently occupied. Additionally, a 200,000 square foot building designed for bulk warehousing was completed in 2008. The majority of the 200,000 square feet is now leased and the developer has expanded the building to 400,000 square feet total. The expanded portion of the building is fully leased. An additional building totaling 225,000 square feet was completed in 2009. This building is fully occupied by a solar panel manufacturer.

- Cherrington Commerce Park: The infrastructure for the 160-acre business park was completed in 2008. The Authority is actively marketing the site to local developers.

- Northfield Development: Phase I is a 100-acre warehouse and cargo business park which began in 2008 and for which the earthwork and infrastructure improvements were substantially complete in late 2009. The lead developer for this project is also in conversations with a tenant who would be the lead tenant for the first building. Dicks Sporting Goods relocated its world corporate headquarters in Phase II of the Northfield development. Dick's, through its developer, currently leases 116 acres of airport property and has constructed a 661,000 square foot office complex and a 70,000 square foot corporate hangar. Dick's took occupancy of the facilities in February 2010.

The Authority's plan for the next 10 years is to maintain a low-cost environment for the airlines that operate from PIT. Through 2018, management expects to apply $15 million of PFC revenues and $10 million of gaming revenues to reduce the annual debt service payments and, therefore, reduce the cost for airlines operating out of the Airport.

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 11,977,822	$ 18,650,800
Accounts receivable — trade — net of allowance for doubtful accounts of $71,519 and $14,767 in 2010 and 2009, respectively	5,301,870	4,191,270
Inventory	1,880,557	1,723,391
Other unrestricted assets	1,720,441	1,548,345
Total unrestricted assets	20,880,690	26,113,806
Restricted assets:		
Cash and cash equivalents	147,489,196	121,265,143
Short-term investments	4,177,958	8,459,534
Grants receivable from governmental agencies	6,931,831	13,232,463
Accrued interest receivable	3,993	781,965
Other receivables	1,695,787	1,382,177
Total restricted assets	160,298,765	145,121,282
Total current assets	181,179,455	171,235,088
NONCURRENT ASSETS:		
Cash and cash equivalents	971,180	818,165
Capital assets — at cost — net of accumulated depreciation	725,986,090	764,130,921
Deferred financing costs	3,403,201	3,622,458
Total noncurrent assets	730,360,471	768,571,544
TOTAL	$ 911,539,926	$ 939,806,632

(Continued)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES — Payable from unrestricted assets:		
Accounts payable	$ 5,326,791	$ 6,375,766
Due to County of Allegheny	1,492,082	1,400,463
Accrued liabilities	4,810,090	3,249,065
Amounts due to airlines	936,049	362,080
Deferred revenue	4,031,429	4,182,424
Total current liabilities — payable from unrestricted assets	16,596,441	15,569,798
CURRENT LIABILITIES — Payable from restricted assets:		
Revolving line of credit	27,000,000	27,000,000
Accounts payable	5,926,701	5,521,998
Accrued liabilities	1,222,006	4,461,875
Retainage payable	936,462	2,064,887
Accrued interest payable	198,575	415,022
Other liabilities	1,508,656	1,766,454
Deferred revenue	1,089,749	1,089,749
Current maturities of long-term debt and loans repayable on demand	45,570,356	39,420,086
Total current liabilities — payable from restricted assets	83,452,505	81,740,071
LONG-TERM LIABILITIES:		
Long-term debt — net — less current maturities	384,574,464	435,173,500
Advance airline fundings	32,502,826	32,163,666
Accrued postemployment benefits	102,171	77,097
Deferred revenue	6,580,514	7,655,263
Other long-term liabilities	1,322,975	861,347
Total long-term liabilities	425,082,950	475,930,873
Total liabilities	525,131,896	573,240,742
NET ASSETS:		
Invested in capital assets — net of related debt	330,934,058	329,378,831
Restricted net assets (expendable):		
Capital	26,950,089	5,624,657
Debt service	56,965,251	60,399,555
Total restricted net assets (expendable)	83,915,340	66,024,212
Unrestricted net deficit	(28,441,368)	(28,837,153)
Total net assets	386,408,030	366,565,890
TOTAL	$ 911,539,926	$ 939,806,632

See notes to financial statements. (Concluded)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Landing fees	$ 18,342,746	$ 15,797,800
Terminal area airline fees	58,522,518	60,003,960
Other aeronautical revenue	8,414,687	9,911,913
Parking revenues	25,752,667	23,960,285
Rent-a-car revenues	10,685,157	10,390,528
Terminal concessions	6,515,999	6,773,408
Other nonaeronautical revenue	6,025,208	6,495,226
Total Pittsburgh International Airport revenues	134,258,982	133,333,120
Allegheny County Airport revenues	3,007,121	2,520,991
Total operating revenues	137,266,103	135,854,111
OPERATING EXPENSES:		
Salaries, wages, and related expenses	34,108,583	32,162,176
Utilities	12,398,369	12,210,573
Cleaning and maintenance services	14,287,536	14,076,866
Professional services	15,541,273	14,925,129
Other	7,512,679	8,215,086
Pittsburgh International Airport expenses	83,848,440	81,589,830
Allegheny County Airport expenses	2,726,922	2,530,068
Depreciation and amortization	69,157,568	68,988,438
Total operating expenses	155,732,930	153,108,336
LOSS FROM OPERATIONS	(18,466,827)	(17,254,225)
NONOPERATING INCOME (EXPENSE):		
Interest expense	(25,072,692)	(26,572,399)
Investment income	2,787,975	4,298,369
Passenger facility charge income	16,999,264	16,530,149
Grants from governmental agencies	23,589,746	23,454,904
Loss on disposal of capital assets	(252,331)	(3,600)
Swap termination gain	5,075,000	
Gaming act revenues	14,600,000	
Miscellaneous income (expense) — net	1,073,551	(279,277)
Net (decrease) increase in fair value of investments	(491,546)	21,930
Total nonoperating income	38,308,967	17,450,076
INCREASE IN NET ASSETS	19,842,140	195,851
NET ASSETS — Beginning of year	366,565,890	366,370,039
NET ASSETS — End of year	$ 386,408,030	$ 366,565,890

See notes to financial statements.

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 84,397,509	$ 85,595,326
Concession and parking receipts	44,526,313	39,142,917
Payments to and on behalf of employees	(33,656,076)	(31,531,648)
Payments for utilities and maintenance	(26,699,433)	(26,426,862)
Professional services	(15,208,045)	(14,358,358)
Other payments — net	(2,804,947)	(1,426,853)
Net cash provided by operating activities	50,555,321	50,994,522
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of Passenger Facility Charges	16,701,854	16,418,255
Additions to capital assets	(35,490,961)	(40,412,270)
Proceeds from revolving line of credit		10,500,000
Proceeds from borrowings	31,339,503	22,709,883
Interest paid on long-term debt	(24,069,355)	(25,544,313)
Principal payments of long-term debt	(76,800,972)	(37,487,277)
Gaming Act receipts	17,100,000	
Gaming Act special allocation disbursements	(2,500,000)	
Capital grants received	29,890,378	18,801,138
Other	645,306	(723,720)
Net cash used in capital and related financing activities	(43,184,247)	(35,738,304)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of investment securities	91,648,109	168,492,049
Purchases of investment securities	(87,483,480)	(166,907,450)
Constant maturity swap termination proceeds	5,187,000	
Proceeds from swaption	2,472,814	2,053,748
Interest received on investments	620,573	1,069,930
Other	(112,000)	.
Net cash provided by investing activities	12,333,016	4,708,277
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,704,090	19,964,495
CASH AND CASH EQUIVALENTS — Beginning of year	140,734,108	120,769,613
CASH AND CASH EQUIVALENTS — End of year	$ 160,438,198	$ 140,734,108
CASH AND CASH EQUIVALENTS — End of year consist of:		
Unrestricted cash and cash equivalents	$ 11,977,822	$ 18,650,800
Restricted cash and cash equivalents	147,489,196	121,265,143
Cash and cash equivalents designated for noncurrent uses	971,180	818,165
	$ 160,438,198	$ 140,734,108

(Continued)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
NONCASH TRANSACTIONS FROM CAPITAL AND RELATED FINANCING ACTIVITIES — Decrease in additions to capital assets included in accounts payable	$ (4,225,592)	$ (315,739)
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss from operations	$ (18,466,827)	$ (17,254,225)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation and amortization	69,157,568	68,988,438
Bad debt recovery	(56,752)	(8,301)
Changes in asset and liabilities:		
(Increase) decrease in accounts receivable	(1,070,048)	772,702
Increase in inventories	(157,166)	(37,274)
(Increase) decrease in other unrestricted assets	(176,794)	12,055
Increase in due to Allegheny County	100,618	294,660
Increase (decrease) in other current liabilities	750,725	(1,563,869)
Decrease in deferred operating revenues	(153,017)	(168,017)
Increase (decrease) in deferred funding reserve	339,160	(41,077)
Increase (decrease) in accrued vested sick benefits	324,763	(96,754)
(Decrease) increase in other long-term liabilities	(36,909)	96,184
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 50,555,321	$ 50,994,522

See notes to financial statements. (Concluded)

1. ORGANIZATION

Organization — The Allegheny County Airport Authority (the "Authority") presently leases and operates the Pittsburgh International Airport (PIT) and the Allegheny County Airport (AGC), (collectively, the "Airport System"). The Authority's activities are commercial in nature and are intended to be self-sustaining. The Authority is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania pursuant to the Municipality Authorities Act of 1945, approved May 2, 1945, P.L. 382, subsequently amended by the Municipal Authority Act, Act 22 of 2001. The Authority was organized by the County of Allegheny, Pennsylvania (the "County") on June 17, 1999. On September 16, 1999, pursuant to an Airport Operation, Management and Transfer Agreement and Lease between the County and the Authority (the "Transfer Agreement"), as amended the County transferred and leased the Airport System to the Authority, for an initial term of 25 years with two 25-year extension options exercisable at the option of the Authority. In connection with the Transfer Agreement, the County transferred to the Authority all of the County's rights, title, and interest in the property utilized by the County in connection with the Airport System. In addition, all contractual rights and obligations and liabilities pertaining to the Airport System, including revenue and general obligation bonds issued by the County to finance construction and development of PIT, were transferred to the Authority by the County. Prior to the organization of the Authority, the operations were included in the County's Department of Aviation.

Board members of the Authority are appointed by the County Executive subject to confirmation by a majority of County Council. The Authority's financial statements are presented as a component unit in the County's General Purpose Financial Statements and Comprehensive Annual Financial Report. Given the relationship of the parties to the Transfer Agreement, no adjustments were made to the historical carrying values of the Airport System's assets and liabilities and equity. The accompanying financial statements reflect the financial position and results of operations of the Authority as of and for the years ended December 31, 2010 and 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements — In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Authority follows all GASB pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected to apply the FASB statements and interpretations issued after November 30, 1989, which do not conflict with or contradict GASB statements to its financial statements.

Financial Statement Presentation — During fiscal 2002, the Authority adopted GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments;* 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 — These statements establish standards for external financial reporting for state and local governments and components thereof. GASB Statement No. 34 reports equity as “net assets” rather than “fund equity.” Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of Authority obligations. The Authority’s net assets are classified as follows:

Invested in Capital Assets — Net of Related Debt — This represents the Authority’s total investment in capital assets — net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets — net of related debt.

Restricted Net Assets — Expendable — This includes resources in which the Authority is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets — Nonexpendable — This includes endowment and similar-type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable net assets as of December 31, 2010 or 2009.

Unrestricted Net Assets — Unrestricted net assets represent resources derived from operations that may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Basis of Accounting — The Authority’s financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related obligations are incurred. The Authority is accounted for as an enterprise fund since its operations are financed and operated in a manner similar to private business. Authority transactions are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time the liability is incurred.

Recognition of Revenue, Receivables, and Deferred Revenue — Aviation and terminal building lease rental revenues include amounts computed in accordance with the Airline Operating Agreement, as amended and restated (AOA), the term of which will expire no earlier than May 8, 2018, or when all of the debt service requirements have been funded, between the Authority and those airlines that sign this agreement (“Signatory Airlines”) serving PIT. Such revenues are also realized from certain fixed fees for nonscheduled airlines and private users of AGC. US Airways, one of the scheduled airlines, which together with its affiliated commuter airlines, accounted for approximately 26% and 28% of total enplaned passengers at PIT in 2010 and 2009, respectively. The AOA provides that the aggregate of airline fees and charges together with other revenues, including nonairline revenues, for each fiscal year should be sufficient to pay the operating expenses of the cost centers included in the AOA and to make all deposits and payments under bond ordinances and indentures issued in connection with financings of capital projects for the Authority.

Concession and rental car fees are generally based on a fixed percentage of tenant revenues subject to certain minimum monthly fees. Concessions are operated under a Master Lease Development and Concession Agreement (the “Master Lease”). During 2002, the Master Lease was extended through December 31, 2017. As part of the extension, the lessee had agreed to provide $10,000,000 in future years to inure to the benefit of both parties. During 2005, the agreement was amended to reduce the up-front fee paid to the Authority from $10,000,000 to $6,666,667 (received $3,333,333 in 2003 and $3,333,333 in 2004) and the percentage of net revenues to be received by the Authority increased effective April 1, 2006. The deferred amount is being amortized over the term of the Master Lease.

Parking fees are revenues less operating expenses and a management fee, which is based on a fixed percentage of net revenues.

The Authority began imposing Passenger Facility Charges (PFC) on October 1, 2001. PFC revenues are classified as nonoperating in the statements of revenues, expenses, and changes in net assets, as the amounts are restricted for capital improvements, debt service, and certain other uses approved by the Federal Aviation Administration (FAA).

Transactions that are capital, financing, or investing related are reported as nonoperating revenues. Grants from governmental agencies for eligible construction projects are recognized as nonoperating revenue as the related expenditures are made.

Current unrestricted deferred revenue consists of prepayments made by the airlines and concessionaires for aviation and rental revenues for the following year.

Current and noncurrent restricted revenue consists of deferred interest income being amortized into income over the term of forward delivery agreements entered into by the Authority in connection with certain bond finance transactions.

Noncurrent deferred revenue also includes amounts funded by tenants of the Authority for certain capital assets. The deferred revenue amounts are being amortized using the straight-line method over the depreciable lives of the related assets through credits to current rents payable.

Cash and Cash Equivalents — Unrestricted and restricted equity in pooled cash and cash equivalents represents the accounts maintained by the Authority. Airport revenue bond investments are held in trust in accordance with the bond ordinances and/or trust indentures (see Note 7).

Short-Term Investments — Investments are carried at fair value, based on quoted market prices.

Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

Inventories — Inventories are stated at the lower of cost or market (net realizable value). Cost is determined using the weighted-average method of accounting. Inventories comprise of construction-related materials and parts used for maintenance of the facilities and equipment.

Capital Assets — Land, buildings, and equipment are stated at historical cost. Capitalized interest costs, net of interest income, are recognized during the construction stage on all projects, except for those financed with grants in aid or funds restricted through agreements with scheduled airlines serving PIT. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Grants receivable from governmental agencies that are included in restricted assets in the accompanying statements of net assets represent earned but uncollected grants that are restricted for use in the qualifying construction projects. Gains or losses on the retirement or disposal of land, buildings, and equipment are reflected in the statements of revenues, expenses, and changes in net assets in the year of retirement or disposal. Repair and maintenance costs are expensed when incurred.

Deferred Issuance Costs — Costs incurred in connection with the issuance of all long-term debt of the Authority are deferred and amortized using the interest method. Unamortized costs are shown in the statements of net assets as noncurrent deferred financing costs.

Advance Airline Fundings — The AOA provides for advance airline fundings (which are primarily maintained in the restricted cash funding reserve account) to cover capital, operating, and debt service amounts as approved by the airlines and as defined in the AOA.

Vested Sick Benefits — Certain firefighters employed by the Authority earn vested sick benefits that are paid at termination or retirement based upon current rates of compensation. Liabilities for such benefits are accrued at current rates of compensation.

Statements of Cash Flows — For purposes of the accompanying statements of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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.

Recently Adopted GASB Statements — The GASB has issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The Authority adopted GASB Statement No. 51 beginning with the 2010 fiscal year. There was no financial impact as a result of the adoption of this statement as of or for the year ended December 31, 2010.

The GASB has also issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The Authority has adopted GASB Statement No. 53 and has added the additional disclosures beginning in 2010.

The GASB has also issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority has early adopted the statement, and there was no financial impact as a result of the adoption as of or for the year ended December 31, 2010.

Recent Statements Issued by GASB — The GASB has also issued GASB Statement No. 59, *Financial Instruments Omnibus,* which is effective for fiscal years beginning after June 15, 2010. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 59 may have on its financial statements.

The GASB has also issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for fiscal years beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 60 may have on its financial statements.

The GASB has also issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*, which is effective for fiscal years beginning after June 15, 2012. This Statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 61 may have on its financial statements.

The GASB has also issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which is effective for fiscal years beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 62 may have on its financial statements.

Other — Certain reclassifications have been made to long-term liabilities on the 2009 Statement of Revenues, Expenses, and changes in net assets to conform to the current year's presentation. In addition, Proceeds from swaption have been moved from financing activities to investing activities on the Statement of Cash Flows.

3. CASH AND INVESTMENTS

Cash and Deposits — The following is a summary of the Authority's cash deposits and time deposits, which are insured by the Federal Depository Insurance Company or which were not insured or collateralized in the Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name:

	2010	2009
Cash and deposits — in bank	$ 103,464,679	$ 83,838,490
Outstanding checks	(140,771)	(174,977)
Petty cash	100	100
Total cash and deposits	103,324,008	83,663,613
Cash equivalents	57,114,190	57,070,495
Book balance	$ 160,438,198	$ 140,734,108

Cash shown above includes $78,810,185 and $60,871,287 of restricted cash as of December 31, 2010 and 2009, respectively, for use as required by the Authority Trust Indentures.

Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents of the Authority include the following:

Unrestricted — Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents held by the Authority for discretionary future projects and obligations of the Authority are $12,949,002 and $19,468,965 as of December 31, 2010 and 2009, respectively.

Restricted — Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents held by the Authority that are restricted as to their use by terms and agreements of the Authority.

These funds, at fair value and amortized cost, as applicable, as of December 31, 2010 and 2009, consist of the following:

	2010	2009
Revenue bond funds:		
1988 Indenture:		
Rebate — Principal Fund	$ 102,804	$ 102,772
Rebate — Income Fund	1,287,559	1,287,160
1990 Indenture:		
Rebate — Principal Fund	527,342	527,179
Rebate — Income Fund	177,309	177,254
1992 Indenture — Capital Addition Number 2 Project Account	557,474	557,302
1993 Indenture:		
Midfield Completion Construction Fund	615,166	614,975
Midfield Claims Construction Fund	88,968	88,941
1997 Indenture:		
1997 A and B Clearing Fund	140,428	140,384
1997 B Interest Account		
1997 B Principal Account		1
1997 A1 & A2 Interest Account	86	5,706
1997 A1 & A2 Principal Account	44	5,543
1997 A1 & A2 Debt Service Reserve	36,234,840	36,303,129
1997 Capital Projects MII9-97 Construction Fund	349,712	349,603
1997 Capital Projects MII2-98 Construction Fund	515,716	515,557
1997 Parking Garage Construction Fund	1,044,331	1,044,008
1999 Indenture:		
1999 Debt Service Reserve		5,857,468
1999 Debt Service Fund		118,021
2001 Subordinate Lien Indenture — Series A&B 2001 Sub Lien Bond	1	1
2001 Fixed Rate Indenture:		
2001 A & B Debt Service Fund	25	1
2001 A & B Debt Service Reserve Fund	8,731,892	8,838,863
2001 A & B Rebate Fund	845,364	845,103
2001 A & B Principal Fund	2	
2002 Fixed Rate Indenture:		
2002 A & B Clearing Fund	184	183
2002 A & B Debt Service Fund	7	1
2002 A & B Debt Service Reserve Fund	9,274,517	9,286,402
2002 A & B ACAP Clearing Fund	145	145
2007 Indenture:	2	
2007 A & B Debt Service Fund	115	1,571
2007 A & B Clearing Fund	41,759	41,746
2010 Indenture:		
2010 A Debt Service Interest Fund	25,925	
2010 A Debt Service Reserve Fund	3,172,392	
2010 A Debt Clearing Fund	29,830	
2010 A Debt Revenue Fund	409	
Total revenue bond funds	63,764,348	66,709,019

(Continued)

	2010	2009
Capital funds:		
Airport Development Fund	$ 5,041,099	$ 4,058,651
Airport System Capital Fund — Discretionary 1	9,919,110	3,359,740
Airport System Capital Fund — Discretionary 2	11,530,515	5,811,091
Airport System Capital Fund — Restricted 1	8,950,484	4,592,540
Airport System Capital Fund — Restricted 2	12,821,346	7,408,382
Passenger Facility Charge Fund	338,096	980,732
Artwork — Grant	26,923	26,923
Ground Transportation Fund	972,467	1,252,490
Capital Development Funds	917,865	988,010
Equipment and Capital Outlay Fund	3,372,580	1,430,148
Prefunding Reserve Fund	32,502,826	32,163,666
Clinton Tax Increment Financing Reserve Fund	459,395	459,395
Clinton Tax Increment Financing Revenue Fund	563,649	
Clinton Tax Increment Financing Surplus Fund	15,130	
Northfield Tax Increment Financing Reserve Fund	81,760	
Hangar Loan Fund	389,561	483,890
Total capital funds	87,902,806	63,015,658
Total	$ 151,667,154	$ 129,724,677

(Concluded)

As of December 31, 2010 and 2009, the Authority had the following cash equivalents and investments:

2010	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
Wells Fargo — Federal Home Loan Bank CUSIP 313384AM1	$ 4,177,958	6.8 %	1/12/2011	AAA	
PNC Investments — Blackrock — Blackrock Federal Trust Fund	5,012,595	8.2	< 90 days	AAAm	Aaa
Mellon Investments — Goldman Sachs Financial SQ Government	52,101,595	85	< 90 days	AAAm	Aaa
Total cash equivalents	57,114,190				
Total	$ 61,292,148	100 %			

2009	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
Wells Fargo:					
Federal Home Loan MTG Corporation	$ 4,213,579	6 %	3/2/2010	A1+	P-1
Federal Home Loan MTG Corporation	15,989		6/14/2010	A1+	P-1
Irish Permanent Treasury CPDN	4,229,966	7	6/15/2010	BBB+	A2
Total short-term investments	8,459,534				
Blackrock — Blackrock Federal Trust Fund	5,010,690	8	< 90 days	AAAm	
Mellon — Blackrock Federal Fund 30 Institutional 30	52,059,805	79	< 90 days	AAAm	Aaa
Total cash equivalents	57,070,495				
Total	$ 65,530,029	100 %			

Restricted revenue bond cash and investments of the Authority are as follows:

Capital projects ($3,171,367 and $3,170,386 at December 31, 2010 and 2009, respectively) represent remaining proceeds of the Airport revenue bonds restricted for capital projects at PIT.

Debt service ($60,592,980 and $63,538,633 at December 31, 2010 and 2009, respectively) represent funding reserves of the Airport revenue bonds restricted for debt service payments on the Airport revenue bonds.

Interest Rate Risk — The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk — The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. Statutes do not prescribe regulations related to demand deposits; however, they do allow pooling of governmental funds for investment. The Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Authority adheres to state statutes, related trust indentures, and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the statutes or the policy of the Authority.

Concentration of Credit Risk — The Authority places no limit on the amount the Authority may invest in any one issuer.

Custodial Risk- As of December 31, 2010 and 2009, the Authority's investments summarized below are categorized by the level of custodial risk assumed at year-end. Category 1 includes investments that are insured or registered or the securities held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered, with the securities held by the broker-dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker-dealer, or by its trust department or agent, but not in the Authority's name.

	Total Category 1	Total Category 3	Bank Balance
Cash and deposits — December 31, 2010	$ 1,250,000	$ 159,328,869	$ 160,578,869
Cash and deposits — December 31, 2009	$ 1,250,000	$ 139,658,985	$ 140,908,985

In 2002, the Authority entered into Forward Delivery Agreements with financial institutions for the continuous investment of the Series 1997 A-1 and 1997 A-2 principal and interest investments through December 2015; Series 1997 B principal and interest investments through November 2018; and Series A and B of 2002 principal and interest investments through January 2022. The future investment earnings under these contracts, discounted at the financial institution's cost of funds on the contract date, were received by the Authority up front in lump-sum payments totaling $6,978,000. The amount of the up-front payments is recorded as deferred interest income and is being amortized into income over the term of the agreements. The unearned amounts at December 31, 2010 and 2009, were $3,028,726 and $3,506,019, respectively.

4. DERIVATIVE FINANCIAL INSTRUMENTS

On November 14, 2006, the Authority entered into a Constant Maturity Swap (CMS) for the purpose of reducing debt service by taking advantage of the flat interest rate curves that were in effect at the time of the remarketing of the Series 2001 and Series 2002 Bonds. The transaction was effective beginning July 1, 2007, and was to continue to January 1, 2023. The CMS is structured so that the Authority receives funds quarterly at the rate of 67% of the USD-ISDA-Swap Rate, minus 0.11% times a notional amount that is initially $182,000,000 and which decreases annually as debt payments are made on the Series 2001 and Series 2002 bonds, and the Authority pays the counterparty quarterly at the USD-BMA-Municipal Swap Index rate times the notional amount as described above. At December 31, 2009, the USD-SDA-Swap Rate was 3.43% and the USD-BMA-Municipal Swap Index rate was 0.25%. The swap counterparty was rated AAA by Fitch Ratings, AAA by Standard & Poor's, and Aa3 by Moody's Investors Service as of December 31, 2009. The fair value of the CMS as of December 31, 2009 was $6,972,467 with a notational amount of $150,670,000. On June 15, 2010, the Authority amended the swap, suspending accruals and payments from and including July 1, 2010 to but excluding January 1, 2014. Upon the amendment, the Authority received a net termination payment of $5,075,000. The fair value of the CMS as of December 31, 2010 was $(374,592) with a notational amount of $102,635,000. When the swap becomes effective on January 1, 2014, the Authority will continue to pay the SIFMA index and receive 67% of the 10-year CMS minus 11 basis points; the notional amount of the swap will be $102,635,000 on January 1, 2014.

5. CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2010 and 2009, is as follows:

	2010					
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	Useful Lives
Fixed assets:						
Land and site development	$ 137,124,992	$ -	$ -	$ 1,219,076	$ 138,344,068	
Facilities and equipment:						
Terminal buildings	694,428,620			1,000,945	695,429,565	10–30 years
Airfield (runways/ taxiways)	467,870,425		(2,862,829)	20,636,610	485,644,206	20 years
Parking garage/lots/etc.	83,071,348			523,461	83,594,809	15–40 years
Hangars	42,525,578			87,673	42,613,251	5–30 years
Other structures	155,258,250			23,412	155,281,662	10–30 years
Roadways	61,858,486			12,192	61,870,678	10–20 years
Mobile and other equipment	50,985,741		(472,706)	581,930	51,094,965	10–20 years
Computer/security equipment and systems	50,149,668			559,505	50,709,173	5–20 years
Utilities	46,322,826				46,322,826	10–40 years
Other assets	20,829,996			48,768	20,878,764	10–30 years
Construction in progress	37,887,453	31,318,907		(24,693,572)	44,512,788	
Total fixed assets	1,848,313,383	31,318,907	(3,335,535)	-	1,876,296,755	
Less accumulated depreciation	(1,084,182,462)	(69,156,568)	3,028,365		(1,150,310,665)	
Net fixed assets	$ 764,130,921	$ (37,837,661)	$ (307,170)	$ -	$ 725,986,090	

	2009					
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	Useful Lives
Fixed assets:						
Land and site development	$ 129,999,492	$ -	$ -	$ 7,125,500	$ 137,124,992	
Facilities and equipment:						
Terminal buildings	686,757,059		(1,513)	7,673,074	694,428,620	10–30 years
Airfield (runways/ taxiways)	459,093,386		(45,150)	8,822,189	467,870,425	20 years
Parking garage/lots/etc.	80,466,538			2,604,810	83,071,348	15–40 years
Hangars	40,956,484			1,569,094	42,525,578	5–30 years
Other structures	154,331,585		(21,321)	947,986	155,258,250	10–30 years
Roadways	60,562,059		1	1,296,426	61,858,486	10–20 years
Mobile and other equipment	49,454,811		(36,000)	1,566,930	50,985,741	10–20 years
Computer/security equipment and systems	35,572,242		(1,609)	14,579,035	50,149,668	5–20 years
Utilities	46,322,826				46,322,826	10–40 years
Other assets	23,552,424			(2,722,428)	20,829,996	10–30 years
Construction in progress	40,592,588	40,757,481		(43,462,616)	37,887,453	
Total fixed assets	1,807,661,494	40,757,481	(105,592)	-	1,848,313,383	
Less accumulated depreciation	(1,015,271,574)	(68,988,438)	77,550		(1,084,182,462)	
Net fixed assets	$ 792,389,920	$ (28,230,957)	$ (28,042)	$ -	$ 764,130,921	

As of December 31, 2010 and 2009, construction in progress related primarily to runway and taxiway rehabilitation, security system upgrades, and the terminal enhancements and nonairfield property development.

As of December 31, 2010, the Authority had equipment purchase and construction commitments of approximately $23 million.

The Authority maintains various collections of inexhaustible assets to which no value can be determined. Such collections could include contributed works of art, historical treasures, literature, etc., that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

6. REVOLVING LINE OF CREDIT

On November 29, 2005, the Authority entered into a credit agreement with Citizens Bank of Pennsylvania for the borrowing of aggregate principal not to exceed $40,000,000. This credit facility is a revolving line of credit (RLOC) and will be used to finance projects for which use of PFC revenue has been approved by the FAA pursuant to the PFC Statute and/or the PFC Regulations. The interest rate on this RLOC was based on the London InterBank Offered Rate (LIBOR), plus 60 basis points.

On September 29, 2008, the Authority received a Reservation of Rights under Credit Agreement letter from Citizens Bank. This letter advised of an Event of Default due to PFC revenues collected for the four previous quarters ending June 30, 2008, falling below the $20,000,000 level as stipulated in the loan agreement. Citizens Bank elected not to exercise its rights and remedies under the Agreement; however, it seized the opportunity to require an amendment to reset the financial covenant, line of credit, and pricing terms of the agreement. An Administrative Action was approved by the Authority Board in February 2009 allowing an amendment to be entered into with Citizens Bank. The amendment changes the financial covenant requiring the minimum TTM collection level of PFC revenues from $20,000,000 to $16,000,000, commitment amount of the revolving line of credit from $40,000,000 to $35,000,000, and pricing from 30-day LIBOR advantage, plus 0.6%; plus 0.125% unused line fee to 30-day LIBOR advantage, plus 2.5%; plus 0.25% unused line fee. Additionally the amendment modified the terms on the AGC Hangar loan from 30-day LIBOR, plus 0.65% to 30-day LIBOR, plus 2.5%. A second amendment to the loan agreement was executed on November 19, 2010 reducing the interest rate to 12-month LIBOR, plus 1.50% and further reducing the minimum TTM collection levels of PFC revenue to $14,000,000.

Interest rate on this RLOC is 1.76% and 2.73% at December 31, 2010 and 2009 respectively. The amount outstanding at both December 31, 2010 and 2009, was $27,000,000.

7. CHANGES IN LONG-TERM LIABILITIES

Long-term obligation activity for the Authority for the years ended December 31, 2010 and 2009, is as follows:

2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 441,544,935	$30,310,000	$ (70,228,333)	$ 401,626,602	
Industry drive loan	1,362,585		(52,918)	1,309,667	
PA Department of Transportation loan	809,465		(90,517)	718,948	
Clinton tax increment financing	4,596,718			4,596,718	
Business-in-our-sites program loan	2,000,000			2,000,000	
Moon Township Municipal Authority loan	400,000		(400,000)	-	
Hangar loan	1,170,000		(65,000)	1,105,000	
Northfield tax increment financing	2,709,883	1,078,002		3,787,885	
Gaming grant anticipation loan	20,000,000		(5,000,000)	15,000,000	
Subtotal	474,593,586	31,388,002	(75,836,768)	430,144,820	$45,570,356
Constant Maturity Swap		374,592		374,592	
Other long-term liabilities	861,347	87,036		948,383	
Advance airline fundings	32,163,666	339,160		32,502,826	
Accrued postemployment benefits	77,097	25,074		102,171	
Deferred revenues	8,745,012		(1,074,749)	7,670,263	$ 1,089,749
	$ 516,440,708	$32,213,864	$ (76,911,517)	$ 471,743,055	

2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 478,961,632	$ -	$ (37,416,697)	$ 441,544,935	
Industry drive loan	1,408,049	5,029	(50,493)	1,362,585	
PA Department of Transportation loan	896,330		(86,865)	809,465	
Clinton tax increment financing	4,596,718			4,596,718	
Business-in-our-sites program loan	2,000,000			2,000,000	
Moon Township Municipal Authority loan	400,000			400,000	
Hangar loan	1,235,000		(65,000)	1,170,000	
Northfield tax increment financing		2,709,883		2,709,883	
Gaming grant anticipation loan		20,000,000		20,000,000	
Subtotal	489,497,729	22,714,912	(37,619,055)	474,593,586	$39,420,086
Other long-term liabilities	892,990	65,111	(96,754)	861,347	
Advance airline fundings	32,204,743		(41,077)	32,163,666	
Accrued postemployment benefits	46,024	31,073		77,097	
Deferred revenues	9,834,761		(1,089,749)	8,745,012	$ 1,089,749
	$ 532,476,247	$22,811,096	$ (38,846,635)	$ 516,440,708	

8. LONG-TERM DEBT

At December 31, 2010 and 2009, long-term debt consisted of the following:

	2010	2009
Airport Revenue Refunding Bonds, Series 2010 A, interest rate of 5%, due through 2018	$ 30,310,000	$ -
Airport Revenue Refunding Bonds, Series 2007 A, interest rate of 5%, due through 2016	53,445,000	53,445,000
Airport Revenue Refunding Bonds, Series 2007 B, interest rate of 5%, due through 2019	100,375,000	100,375,000
Airport Revenue Refunding Bonds, Series 2002 A, interest rates of 4%–4.50%, due through 2015	21,715,000	27,980,000
Airport Revenue Refunding Bonds, Series 2002 B, interest rates of 4.5%–5%, due through 2023	50,075,000	50,075,000
Airport Revenue Refunding Bonds, Series A 2001, interest rates of 4%–4.5%, due through 2016	22,870,000	27,980,000
Airport Revenue Refunding Bonds, Series B 2001, interest rates of 5%, due through 2022	45,500,000	45,500,000
Airport Revenue Bonds, Subordinate Lien Series A 2001, interest rate of 5.5%, due through 2017	2,445,000	2,445,000
Airport Revenue Bonds, Subordinate Lien Series B 2001, interest rates of 6.03%–6.73%, due through 2017	7,375,000	8,675,000
Airport Revenue Refunding Bonds, Series 1999, interest rates of 4.75%–6.125%		35,660,000
Airport Revenue Refunding Bonds, Series 1997 A-1, interest rates of 5%–5.75%, due through 2016	76,530,000	99,350,000
General Obligation Refunding Bonds, Series C-56, County of Allegheny, interest rates of 1.25%–5%, due through 2016	71,273	108,808
Total bonds outstanding	410,711,273	451,593,808
Industry Drive loan, interest rate of 4.7%, due through 2028	1,309,667	1,362,585
Commonwealth of PA Department of Transportation Infrastructure Bank Aviation Loan, interest rate of 4.125%, due through 2017	718,949	809,465
Clinton tax increment financing, interest rate of 5.75%, due through 2025	4,596,718	4,596,718
Business-in-our-sites program loan, interest rate of 3%, due through 2030	2,000,000	2,000,000
Moon Township Municipal Authority loan, interest rate of 3%		400,000
Hangar loan, variable interest rate, due through 2028	1,105,000	1,170,000
Northfield tax increment financing, interest rate of 6.50%, due through 2019	3,787,885	2,709,883
Gaming grant anticipation loan, variable interest rate, due through 2015	15,000,000	20,000,000
Total long-term debt	439,229,492	484,642,459
Deferred amount on refundings	(19,783,678)	(21,474,508)
Plus net unamortized premium	10,699,006	11,425,635
Less current maturities	(45,570,356)	(39,420,086)
	$ 384,574,464	$ 435,173,500

The scheduled debt service requirements of long-term debt for years subsequent to December 31, 2010 assuming the current interest rates remain the same for the term of the debt are as follows:

	Principal**	Interest *	Total
2011	$ 45,570,356	$ 21,951,857	$ 67,522,213
2012	47,664,741	19,662,933	67,327,674
2013	50,104,571	17,211,811	67,316,382
2014	51,394,644	14,675,404	66,070,048
2015	49,993,232	12,282,462	62,275,694
2016–2020	174,408,260	25,217,436	199,625,696
2021–2025	19,051,851	2,127,906	21,179,757
2026–2030	1,041,837	85,974	1,127,811
	$439,229,492	$113,215,783	$552,445,275

* The interest payments have been estimated as noted above, such estimated values are subject to uncertainty and, therefore, may differ from the values that will be paid in future and such differences could be material.

** Principal includes the Bonds due January 1 of the succeeding years, as the Authority has paid January 1, 2011 in December 2010 and plans to continue that practice.

Airport Revenue Bonds — On October 6, 1997, the County issued Airport Revenue Refunding Bonds, Series 1997A-1 (AMT), 1997A-2 (AMT), and 1997B (Non-AMT) (the “1997 Bonds”), in the amounts of $337,530,000, $10,015,000, and $103,045,000, respectively. The proceeds of the Series 1997A-1 and Series 1997A-2 bonds have been used to redeem the remaining Series 1988 Revenue Bonds not refunded by the 1993 Bonds. The Series 1997B bonds were issued to advance refund a portion of the 1990 Bonds and 1992 Bonds. The total amount of the bonds refunded was $457,505,000, consisting of $433,020,000 of the 1998 Bonds, $5,340,000 of the 1990 Bonds, and $19,145,000 of the 1992 Bonds. Included in the 1997 Bonds were escrowed funds to advance refund $6,790,000 of the 1992 Series A bonds (the “NonDefeased Bonds”). The 1997 Bonds are secured by a pledge of certain net revenues of the Authority and are also guaranteed by various third-party insurers and guarantors.

The proceeds from the sale of the 1997 Bonds are being held in escrow under an escrow refunding agreement and have been invested in U.S. Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. The NonDefeased Bonds are included in the financial statements along with the respective portion of the trust account assets. As a result of the refunding, the Authority will experience a reduction in the future cash outflows of $181,986,253 and an economic gain of $97,247,836. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the Authority recorded a deferred amount on refunding of $21,095,769. This amount is being amortized over the life of the 1997 Bonds. The deferred amount is recorded as a component of long-term debt in the accompanying statements of net assets. Effective January 1, 2002, the defeased bonds were fully refunded.

On December 1, 1999, the Authority issued Airport Revenue Refunding Bonds, Series 1999 (the "1999 Bonds"), in the amount of $63,130,000. The proceeds of the bonds, together with investment income thereon and other funds, were used (1) to pay a portion of the costs of currently refunding $61,350,000 of the outstanding 1990 Bonds and (2) to pay the costs of issuance of the 1999 Bonds. The refunding of the 1990 Bonds resulted in a loss of defeasance of $2,615,341. The amount was being amortized over the life of the 1999 Bonds. The 1999 Bonds were paid off in 2010. See following disclosure on the 2010 refunding.

On July 1, 2001, the Authority issued Subordinate Lien Airport Revenue Bonds, Series A 2001 (Pittsburgh International Airport Energy System Project) (the "Series A Bonds"), in the amount of $2,445,000, and the Subordinate Lien Airport Revenue Bonds, Series B Bonds (Taxable) (Pittsburgh International Airport Energy System Project) (the "Series B Bonds"), in the amount of $16,670,000. The Series A Bonds and Series B Bonds are referred to together as the "2001 Bonds." The proceeds of the 2001 Bonds were used to (1) acquire the equipment constituting the Energy Service Facility (the "Facility") located at PIT and (2) pay the costs of issuance of the 2001 Bonds. The 2001 Bonds are subordinated and limited obligations of the Authority; the principal of, interest on, and premium, if any, on the 2001 Bonds are payable by the Authority only out of net revenues and from such other monies as may be available for such purpose. The general credit of the Authority is not pledged for the payment of the 2001 Bonds; accordingly, the 2001 Bonds shall not be deemed a general obligation of the Authority.

On October 1, 2001, the Authority issued the Airport Revenue Bonds, Refunding Series A of 2001, in the amount of $52,600,000, and the Airport Revenue Bonds, Refunding Series B of 2001, in the amount of $52,575,000 (individually, the "Series A 2001 Refunding Bonds" and the "Series B 2001 Refunding Bonds," and collectively, the "2001 Refunding Bonds"). The proceeds of the 2001 Refunding Bonds were used to (1) pay a portion of the cost of refunding the Authority's Airport Revenue Notes, Series 1999A (PIT) outstanding under the Trust Indenture dated as of December 1, 1999, by and between the Authority and National City Bank of Pennsylvania, as Trustee, and the concomitant refunding of the County of Allegheny Airport Revenue Bonds Series A and B of 1992 outstanding under the Certain Resolution of the County of Allegheny dated July 22, 1988, as supplemented and amended (collectively, the "2001 Refunded Bonds") and (2) pay the cost of issuance of the 2001 Refunded Bonds. The Authority recorded a deferred amount on refunding of $8,035,439, which is being amortized over the life of the 2001 Bonds.

On October 1, 2002, the Authority issued Airport Revenue Bonds, Refunding Series A of 2002, in the amount of $57,250,000 and Airport Revenue Bonds, Refunding Series B of 2002, in the amount of $57,250,000 (individually, the "Series A Refunding Bonds" and the "Series B Refunding Bonds", and collectively, the "2002 Refunding Bonds"). The proceeds of the 2002 Refunding Bonds were used to refund the outstanding principal balance of the County of Allegheny Airport Revenue Bonds Series 1993 A, B, and C, which are equal to and represented by the outstanding principal balance of the Authority's Airport Revenue Note, Series 1999 B. The Authority recorded a deferred amount on refunding of $8,208,615, which is being amortized over the life of the 2002 bonds.

On November 30, 2006, the Authority remarketed the 2001 Airport Revenue Bonds, Series A and Series B, and the 2002 Airport Revenue Bonds, Series A and Series B, for the purpose of changing the nature of the bonds from variable rate auction bonds to fixed-rate serial bonds. The remarketed bonds have substantially the same repayment terms, except for the interest rate. The Authority recorded a deferred amount on the remarketing of $8,335,129, which is being amortized over the life of the 2001 and 2002 bonds.

On October 3, 2007, the Authority issued Airport Revenue Bonds, Refunding Series A of 2007, in the amount of $53,445,000 and Airport Revenue Bonds, Refunding Series B of 2007, in the amount of $100,375,000 (the "2007 Refunding Bonds"). The proceeds of the 2007 Refunding Bonds together with investment income were used to (1) refund the County of Allegheny Airport Revenue Bonds Series 1997 A-1 (AMT) ($54,130,000) and 1997 Series B ($103,045,000) and (2) pay the cost of issuance of the 2007 Refunding Bonds. The Authority recorded a deferred loss on refunding of $1,657,212, which is being amortized over the life of the 2007 Bonds. Proceeds of the 2007 A and B Bonds were placed in escrow and with interest earned were used to redeem the refunded bonds on January 1, 2008. In accordance with the Trust Indenture, all funds related to the 1997 A-1 and B Bonds were held in their existing accounts until the bonds were redeemed on January 1, 2008. Upon the redemption of the 1997 A-1 and B Bonds, all remaining funds related to the 2007 A and B Bonds will be transferred over to the new accounts.

On September 15, 2010, the Authority issued Airport Revenue Bonds, Refunding Series 2010A, in the amount of $30,310,000 (the "2010 Refunding Bonds"). The proceeds of the 2010 Refunding Bonds together with investment income were used to (1) refund the County of Allegheny Airport Revenue Bonds Series 1999 (the "Refunded Bonds"), (2) pay the bond insurance premium, and (3) pay the cost of issuance of the 2010 Refunding Bonds. The Authority recorded a deferred loss on refunding of $518,548 which is being amortized over the life of the 2010 Bonds. The Series 2010A Bonds currently refunded $32,055,000 principal amount of the Refunded Bonds maturing on or after January 1, 2012 at a redemption price of 101% plus interest to the redemption date on or about September 17, 2010. The Series 1999 Bonds maturing on January 1, 2011 were redeemed using funds already in the Debt Service Fund and the Debt Service Reserve Fund.

The 2010 Refunding Bonds carry fixed rates of interest. The coupons ranged from 4.00% to 5.00% with an average coupon of 4.68%. The arbitrage yield was 3.65% and the individual yields ranged from 2.26% in 2012 to 4.11% in 2018. The Series 2010A Bonds are not subject to optional redemption prior to the respective maturities. There was an economic net present value savings of $1,671,648 and an approximate annual savings of $200,000 through 2018 applicable to the refunding.

The 2010 Refunding Bonds are limited obligations of the Authority. The principal, interest, and premium, if any, on the 2010 Refunding Bonds are payable by the Authority solely from net revenue revenues (defined as operating and other revenues after certain adjustments minus the operation and maintenance expenses) and proceeds held or set aside under the indenture. Neither the general credit of the Authority nor the credit or taxing power of the County, the Commonwealth, or any political subdivision thereof is pledged for the payment of the 201 Refunding Bonds.

Airport Revenue Bond obligations (the "Revenue Bonds") of the Authority totaled $410,640,000 and $451,485,000 at December 31, 2010 and 2009, respectively. The principal, interest, and redemption premiums, if any, related to the Revenue Bonds are payable by the Authority only out of net revenues as defined and from such other monies as may be available for such purposes ("Debt Service Reserve Funds"). Certain bonds are subject to redemption, at the option of the Authority, as a whole or in part, from time to time. The Revenue Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the Authority's properties, including PIT, or upon any of its income or receipts of revenues, except as noted above. The holders of the Revenue Bonds have no claim upon the taxing power or tax revenues of the County.

Payment of Airport Revenue Bonds under Operating Agreements — The Authority's ability to derive net revenues from the operation of PIT depends upon various factors, many of which are not within the control of the Authority. The primary source of net revenues is the AOA between the Authority and the Signatory Airlines, of which US Airways is the primary airline, directly accounting for approximately 30.8% and 31.4% of the total operating revenues of PIT in 2010 and 2009, respectively. The AOA provides for the landing fees, terminal rentals, and ramp fees to be charged to the airlines. In addition, the Signatory Airlines are also obligated to pay costs associated with aircraft support systems and tenant improvements, and US Airways is obligated to pay costs associated with certain exclusive-use systems and facilities.

At any point in time, the U.S. economy, excess airline capacity, and industry-wide competition through airfare discounting may create significant constraints on the operations of the airlines. Due to these factors, the financial results of PIT are largely dependent upon conditions in the national economy and the U.S. airline industry, and the financial condition of carriers, such as US Airways, which provide significant levels of service at PIT.

The scheduled payments of principal and interest on the Revenue Bonds when due are guaranteed by various third-party insurers and guarantors. Payment of the principal and interest on the Series 1997 and Series 2001 Bonds is insured by MBIA. Payment of the principal and interest on the Series 2002 Bonds is insured by FGIC. Payments of the principal and interest on the Series 2007 Bonds are insured by FSA, Inc. Payment of the principal and interest on the Series 2010 Bonds is insured by Assured Guaranty Municipal Corporation. The ultimate ability of such insurers and guarantors to meet their obligations with respect to the Revenue Bonds will be predicated on their future financial condition.

Industry Drive Loan — On March 26, 2003, the Authority entered into an agreement with the Redevelopment Authority of Allegheny County (RAAC), an authority organized by the County of Allegheny, Pennsylvania, under the Urban Redevelopment Law of Pennsylvania, the Act of May 24, 1945, P.L. 991, et seq., as amended. This agreement provides funding for the construction of an extension of the existing public road known as Industry Drive to permit further development of the undeveloped land lying mostly to the north of the Industry Drive Extension right-of-way between the right-of-way and the Pennsylvania Route 60 By-Pass. RAAC has agreed to lend $4,000,000 to the Authority for this project and the Authority has agreed to contribute $2,800,000. Total disbursements from RAAC toward the Industry Drive Project at both December 31, 2010 and 2009, was $1,484,629. The Authority repaid $52,918 and $50,493 in 2010 and 2009, respectively. The repayment terms are $9,652 per month on a 20-year term expiring in 2027.

Commonwealth of Pennsylvania Department of Transportation Loan — On September 12, 2007, the Authority entered into a loan agreement with the Commonwealth of Pennsylvania, Department of Transportation, to provide a portion of funding necessary to complete the Authority's South Ramp Taxilanes Relocation and Hangar Redevelopment Project at the Allegheny County Airport. The estimated project cost is $4,100,000, of which the Department of Transportation agreed to loan the Authority $1,000,000 at an annual interest rate of 4.125%. The term of the loan is 120 months and requires monthly payments of $10,184. The remaining project costs are to be funded through Authority funds, FAA grants, Pennsylvania Department of Transportation grants, and an additional $1,300,000 10-year term loan. The Authority repaid $90,516 and $86,865 in 2010 and 2009, respectively. The Authority has the ability to prepay this loan, in $1,000 increments, without penalty.

Clinton Tax Increment Financing — On November 1, 2005, the Authority entered into an agreement with the RAAC. This agreement provides Tax Increment Financing (TIF) for the development and financing of the Clinton Industrial Park Project, which includes certain substantial public on-site and off-site improvements. RAAC has issued a series of TIF notes in an aggregate principal of $5,000,000 to fund public improvements relating to Phase I of the Clinton Industrial Park Project with another $500,000 unissued notes. At both December 31, 2010 and 2009, the amounts borrowed are $4,596,718 for construction fund deposit, debt service reserve fund, and financing fees and expenses. Interest-only payments were required through December 1, 2010. Semiannual principal and interest commence

June 1, 2011 if the $500,000 is drawn down. Otherwise semi-annual principal and interest commence June 1, 2013. The source of repayment of this TIF is the tax revenues and lease rental income, generated by the project.

Commonwealth Financing Authority Business-in-Our-Sites Program — On January 18, 2007, the Authority entered into a loan agreement with the Commonwealth Finance Authority to provide a $2,000,000 loan for the purpose of completing the Cherrington Parkway Extension. Terms of this loan are 20 years with a 3% interest rate. All principal and interest payments will be deferred, and interest will not accrue, until one of the following occurs: sale of the property, property is leased, or if five years have passed since completion of the site development work.

Moon Township Municipal Authority Loan — On September 1, 2007, the Authority entered into a loan agreement with the Moon Township Municipal Authority to provide a $400,000 loan for the purpose of completing the Cherrington Parkway Extension and the related extension of water and sanitary wastewater pipelines. Terms of this loan were five years with interest-only payments ($12,000) due August 1, 2009, 2010, 2011, and 2012. Repayment of principal and final interest payment was scheduled to be due (total $412,000) on August 1, 2013. The loan was repaid in 2010.

Allegheny County Airport Hangar Loan — On January 11, 2008, the Authority entered into a loan agreement with Citizens Bank to provide a $1,300,000 loan for the purpose of constructing 18 new T-hangars and certain taxilane improvements. Terms of this loan are 40 equal consecutive quarterly payments of $16,250, which commenced in April 2008, and one final payment of all outstanding balances of principal and interest accrued. The interest rate was increased to 30-day LIBOR, plus 2.50% effective January 1, 2009. A second amendment to the loan agreement was executed on November 19, 2010 reducing the interest rate to 12-month LIBOR, plus 1.50%. The Authority repaid $65,000 in both 2010 and 2009.

Northfield Tax Increment Financing — On May 1, 2008, the Authority entered into an agreement with RAAC for a second TIF for the development of the Northfield site located on the north side of the airfield. The TIF proceeds will fund certain on-site and off-site public infrastructure and improvements. RAAC issued a TIF note in the amount of $5,000,000 to fund the improvements related to the Northfield site. As of December 31, 2010 the amount borrowed was $3,787,885, respectively, for construction fund deposit, debt service reserve fund, and financing fees and expenses. Monthly interest-only payments are required through the fifth anniversary of the first draw by the Authority. Semiannual principal and interest payments commence June 30, 2014. The source of repayment of this TIF is the tax revenues and lease rental income, generated by the project.

Gaming Grant Anticipation Loan — On June 22, 2009, the Authority entered into a loan agreement with PNC Bank, N.A., to provide a $20,000,000 loan for anticipated gaming revenue grants to finance projects authorized by Section 3(2)(I)(e) of Act 53 in advance of the receipt of Airport Development Grants from the Gaming Fund. Terms of this loan include principal payments commencing on January 15, 2011 with consecutive annual payments of $4,000,000 through January 15, 2015. The interest rate will be LIBOR, plus 2.00%. The interest rate at December 31, 2010 was 2.82%. The Authority advance paid $5,000,000 during 2010. The Authority also repaid an additional $8,000,000 in January 2011.

9. UNRESTRICTED NET ASSETS (DEFICIT)

Unrestricted net assets (deficit) as of December 31, 2010 and 2009, are as follows:

	2010	2009
Unrestricted net assets available for operations	$ (2,807,514)	$ 9,180,880
Restricted deficit net — Gaming funds		(11,190,000)
Restricted deficit net — PFC funds	(25,633,854)	(26,828,033)
Unrestricted net assets (deficit) per statements of net assets	$ (28,441,368)	$ (28,837,153)

The Authority has made PFC reimbursable expenditures in excess of PFC revenues as of December 31, 2010 and 2009. The Authority had also advanced the utilization of gaming revenue that the Authority expects to start receiving in 2010. The receipt of gaming funds in 2010 of $14,600,000 eliminated this deficit. The Gaming and PFC deficits result in the reductions of the unrestricted net assets as set forth above.

10. PASSENGER FACILITY CHARGES

On October 1, 2001, the airlines began collecting PFCs on qualifying enplaning passengers at PIT on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system; fund noise mitigation at the airport; or furnish opportunities for enhanced competition between or among air carriers. Recent regulations have been promulgated by the FAA that enhance the eligibility of PFC usage to include, among other things, debt service payments. Both the fee imposed and the intended uses must be reviewed and approved by the FAA.

The Authority chose to establish and received approval to impose and use a $3 PFC. Effective December 1, 2004, the FAA approved an increase to the PFC, allowing the Authority to collect at the current maximum rate of $4.50. The project summary was approved by the FAA in its Record of Decision, dated July 2001, and subsequently amended through November 16, 2007 as follows:

Reimbursement for preapplication projects (to be applied to debt service)	$ 215,055,143
Safety and security-related projects	174,503,105
Environmental-related projects	86,395,101
Terminal development projects	50,819,327
	$ 526,772,676

The Authority has disbursed $205,358,683 on these projects through December 31, 2010.

11. TRANSACTIONS WITH THE COUNTY OF ALLEGHENY

The Authority has entered into intergovernmental agreements with the County that provide for, among other things, contractual services for County police services and certain A-133 accounting and professional services. Expenses relating to these services are included in professional services for the years ended December 31, 2010 and 2009, in the accompanying statements of revenues, expenses, and changes in net assets and amounted to $9,528,458 and $8,787,745, respectively.

12. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters. The Authority carries commercial insurance to cover these risks of loss. The commercial insurance coverage is on a guaranteed-cost basis covering any expense of the Authority. Claims on this coverage have not exceeded commercial premiums.

At the time the Authority was created and the Airport System transferred from the County, workers' compensation claims of Airport personnel were transferred to the Authority. Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The liability for reported claims and claims incurred, but not reported, an estimate of which is based on historical experience and management projections, is reflected as a long-term liability due to the County in the financial statements and is no longer part of the County program. As such, no new claims can occur under this plan.

Changes in the estimated claims payable liability for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Balance — beginning of year	$ 220,830	$ 140,072
Claim payments	(37,109)	(31,226)
Increase in reserve liability	200	111,984
Balance — end of year	$ 183,921	$ 220,830

13. RETIREMENT BENEFITS

Retirement Plan Description — The County sponsors the Allegheny County Retirement System ("the Retirement System"), a single-employer, defined benefit, contributory retirement plan covering substantially all employees. Employees contribute to the Retirement System through payroll withholdings based on a contracted rate.

The Retirement System membership as of January 1, 2010 and 2009, consisted of the following:

	2010	2009
Participants:		
Retirees and beneficiaries receiving benefits	$ 4,428	$ 4,454
Terminated employees entitled to benefits, but not yet receiving them	174	159
	4,602	4,613
Current employees:		
Vested:		
Nonuniform	4,234	4,062
Police and fire	155	145
Nonvested:		
Nonuniform	2,998	3,033
Police and fire	92	103
	7,479	7,343
Total	$ 12,081	$ 11,956

Benefit and contribution provisions for the Retirement System are determined under statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Retirement Board, pursuant to express statutory authority, has the right to increase the employee contributions in the event it is actuarially determined that a contribution increase is required in order for the Board to meet its funding requirements. Any increase in employee contributions imposes a statutory requirement upon the County to match the employee contributions. Also, the obligation of the fund to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Retirement Board's obligation to make monthly benefit payments to retirees.

Monthly benefit payments are determined for each individual according to the retirement option selected and the age and length of service at retirement. Under normal retirement (attainment of age 50 with 20 years of service for police and firefighters; age 55 with 20 years of service for jail guards, deputy sheriffs, and probation officers; and age 60 with 20 years of service for nonuniformed employees), the retirement benefit is equal to 50% of final average salary plus 1% of final average salary for each full year of service between 20 and 40 years. Final average salary is the monthly average of the 24 highest months of compensation in the last 48 months of employment preceding retirement.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to:

Allegheny County Retirement Board
106 County Office Building
542 Forbes Avenue
Pittsburgh, PA 15219

Funding Policy, Annual Pension Cost, and Schedule of Funding — Effective January 1, 2003 and continuing through December 31, 2010, employees were required to contribute 6% of covered compensation. For the period January 1, 2002 through December 31, 2002, employees were required to contribute 5% of covered compensation. For the period January 1, 2000 through December 31, 2001, employees were required to contribute 3.8% of covered compensation. For the period February 1, 1998 through December 31, 1999, employees were required to contribute 6% of covered compensation. Prior to February 1, 1998, employees were required to contribute 7.5%. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code, and deposited in the Pension Trust Fund. Employees with at least 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions plus interest thereon. Interest earned for 2010 was at 2.4% per annum on contributions. Employees with less than 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions only.

The annual required contribution for the current year was determined as part of an actuarial valuation as of January 1, 2010, using the entry-age normal actuarial cost method. Significant actuarial assumptions and amortization methods used include (1) a level dollar amortization method with an open, 15-year amortization period; (2) a rate of return on the investment of present and future assets of 8% for 2010 and thereafter compounded annually; (3) projected salary increases ranging from 3.5% per year to 6.0% per year according to age, compounded annually, attributable to inflation and seniority/merit; (4) noninvestment expenses equal to 1% of total contributions; and (5) the actuarial value of the assets is the fair market value of plan assets.

The annual pension cost for the Retirement System is as follows:

Fiscal Years Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 60,759,799	33.1 %	$ 112,181,848
2009	62,952,238	30.6	71,537,960
2008	28,662,118	64.8	27,842,515

The schedule of funding progress for the Retirement System is as follows (amounts are in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
January 1, 2010	$ 652,643	$ 1,119,326	$ (466,683)	58.3 %	$ 340,879	136.9 %
January 1, 2009	582,099	1,067,015	(484,916)	54.6	326,803	148.4
January 1, 2008	798,203	979,599	(181,396)	81.5	317,380	57.2

Pension expense of the Authority for the three years ended December 31, 2010, 2009 and 2008, was $1,463,827, $1,405,711, and $1,398,876, respectively.

Other Postemployment Benefits

Postemployment Medical Benefits — The Authority Postemployment Medical Benefits Plan is a single-employer defined benefit health care plan administered by the Authority. There is no separate audit requirement. The plan provides reimbursement for medical benefits to eligible firefighter retirees hired before May 1, 2005, and their spouses. Benefits are provided according to the retiree's date of retirement and the benefits allotted as of the plan benefits at that date. The retiree is responsible for any premium cost in excess of the provided benefit. Payments to the retirees are made on a reimbursement basis. The Authority does not have a funding policy for post employee benefits at this time.

The Authority's annual other postemployment benefit (OPEB) cost (expense) 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, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. An actuarial valuation was performed for 2009 and the following table shows the components of the Authority's annual OPEB cost for the year, the amount actuarially contributed to the plan, and the changes in the net OPEB obligation:

	2010	2009
Annual required contribution	$ 105,647	$ 39,466
Interest on net OPEB obligation	1,841	4,827
Adjustment to annual required contribution	(3,445)	57,088
Annual OPEB cost	104,043	101,381
Contributions made	78,969	70,308
Increase in net OPEB obligation	25,074	31,073
Net OPEB obligation — beginning of year	77,097	46,024
Net OPEB obligation — end of year	$ 102,171	$ 77,097

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 are as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed
December 31, 2010	$ 104,043	75.9%
December 31, 2009	101,381	69.4%
December 31, 2008	101,381	84.8%

As of January 1, 2009, the date of the most recent actuarial valuation date, the actuarial accrued liability for benefits was $991,481, all of which was unfunded. The contributions were made on a pay-as-you-go basis. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. There is no schedule of funding progress, presented as required supplementary information following the notes to the financial statements, which would present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits, since 2007 was the initial year of calculation and there is no funding as of December 31, 2010.

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

In the January 1, 2009, actuarial valuation, the following actuarial assumptions were used:

Actuarial cost method	Projected unit credit
Interest rate	4% compounded annually
Amortization method	Level dollar
Amortization period	30 years

14. PURCHASE COMMITMENTS

Natural Gas — The Authority has entered into a contract with a natural gas provider for the purchase of approximately 200,000 dth of natural gas each year. The Authority will pay the provider at the New York Mercantile Exchange rate, plus $0.535 per dth beginning January 1, 2010 through December 31, 2013. A Blend and Extend Agreement was executed in August 2010 reducing the rate to $.48 per dth beginning May 1, 2011 through December, 31, 2015. The Authority is responsible for the nominations under the contract and can adjust the monthly nominations of the natural gas purchases up to 20% each year. The Authority anticipates using the full amount of the commitment.

Electricity — The Authority has entered into a contract with an electricity provider for the purchase of electricity for specific meters at a rate of $6.94/kWh. The contract was to be in effect until December 1, 2011. An extension of the contract was executed in May 2010 reducing the rates to $5.74/kWh to $5.94/kWh for the period December 1, 2011 through December 1, 2013. The commitment includes most of the Authority's forecasted electricity usage.

15. CONTINGENCIES

Deicing — The Pennsylvania Department of Environmental Protection (DEP) issued an Administrative Order dated January 26, 1998, to the County, which alleges violations of a January 1994 Consent Order and Adjudication and violations of the Pennsylvania Clean Streams Law at the Pittsburgh International Airport. The Administrative Order cited several areas, all of which have been resolved, except for the deicing. The Authority has withdrawn a previous appeal without prejudice and continues to negotiate with the DEP to reach a resolution of the matter. The Authority continues to address the deicing issues and has spent and continues to budget for significant funds in capital projects in the near future to attempt to resolve the deicing problem.

Financial Assistance — The Authority receives significant financial assistance from federal and Commonwealth of Pennsylvania governmental agencies in the form of grants and other entitlements primarily for capital improvement projects. The disbursement of resources received under such programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. The Authority's management believes disallowances, if any, will be immaterial.

Other — In the ordinary course of the Authority's operations, there have been various legal proceedings brought against the Authority. Authority management is of the opinion that these matters will not have a materially adverse effect on the Authority's financial position or results of operations.

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APPENDIX B

REPORT OF THE AIRPORT CONSULTANT DATED APRIL 13, 2012

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Attachment B

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

ALLEGHENY COUNTY AIRPORT AUTHORITY

AIRPORT REVENUE BONDS
Series 2012A-1, Series 2012A-2, and Series 2012B

Prepared for

Allegheny County Airport Authority, Pennsylvania

Prepared by

LeighFisher
Burlingame, California

April 13, 2012

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Leigh|Fisher
Management Consultants

April 13, 2012

Mr. Brad Penrod, A.A.E.
Executive Director/ CEO
Allegheny County Airport Authority
Pittsburgh International Airport
Landside Terminal, 4th Floor Mezzanine
Pittsburgh, PA 15231-0370

Re: **Report of the Airport Consultant, Allegheny County Airport Authority Airport Revenue Bonds (Pittsburgh International Airport), Series 2012A-1, Series A-2, and Series 2012B**

Dear Mr. Penrod:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of the Airport Revenue Bonds, Series 2012A-1, Series 2012A-2,* and Series 2012B (collectively the 2012 Bonds) by the Allegheny County Airport Authority (the Authority) to pay for the costs of certain capital improvements (the 2012 Projects) at Pittsburgh International Airport (the Airport or PIT). This letter and the accompanying attachment and exhibits constitute our report.

The 2012 Bonds are being issued under a Trust Indenture between the Authority and Wells Fargo Bank, N.A., dated as of December 1, 1999, as amended and supplemented from time to time and as specifically supplemented by the Sixth Supplemental Indenture which provides for the issuance of the 2012 Bonds, dated as of May 1, 2012 (collectively the Indenture). The 2012 Bonds are to be secured on parity with all other outstanding Airport Revenue Bonds, and prior in security and right of payment to the Subordinate Lien Bonds issued under the Indenture, by a pledge of Net Revenues (as defined later) and certain funds held or set aside under the Indenture. Bonds Outstanding under the Indenture from time to time which are secured by Net Revenues are classified as Senior Lien Bonds.**

The report presents our forecast of passengers enplaning at Pittsburgh International Airport and evaluates the ability of the Authority to generate Net Revenues sufficient to

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*The Series 2012A-2 Bonds are being issued contemporaneously with the issuance of the Series 2012A-1 and Series 2012B Bonds to provide additional funds toward the 2012 Projects. The Series 2012A-2 Bonds will not be publicly placed bonds and as such are excluded from the term "2012 Bonds" as used in the Preliminary Official Statement for the Series 2012A-1 and 2012B Bonds, but the Series 2012A-2 Bonds are included in the definition of "2012 Bonds" in this report for completeness.

**Capitalized terms in this report and not otherwise defined have the meanings given to such terms in Indenture or the Airline Operating Agreement and Terminal Building Lease.

satisfy the requirements of the Rate Covenant (defined below) for the forecast period 2012 through 2017* taking into account the Outstanding Bonds, the 2012 Bonds, and the Future Bonds (defined below) estimated to be required to allow completion of the Authority's Capital Improvement Program.

The Authority

The Authority was created by the County of Allegheny (the County) as a body corporate and politic under the Municipality Authorities Act of the Commonwealth of Pennsylvania on June 17, 1999. The Airport is owned by the County and is operated by the Authority under the Operation, Management, and Transfer Agreement and Lease that extends to November 15, 2024 with two 25-year extension options exercisable at the option of the Authority. In connection with the transfer, the Authority assumed the obligations of the County for airport revenue bonds previously issued by the County to finance construction and development of the Airport System. If the agreement with the County is not extended beyond 2024, the County is required to assume all obligations of the Authority, including the obligation to pay debt service on outstanding bonds from the revenues of the Airport System.

Airport System

The Authority leases and operates two airports -- Pittsburgh International Airport, the air carrier airport serving the Pittsburgh metropolitan region, and Allegheny County Airport, which serves as the general aviation reliever airport to PIT. The Airport and the Allegheny County Airport are defined under the Indenture as the Airport System.

The Airport ranked 46th among U.S. airports in terms of total domestic revenue enplaned passengers in 2010 and ranked 41st among U.S. airports in terms of domestic origin-destination (O&D) passengers in 2010.

Capital Improvement Plan

The Authority has developed a 2012 Capital Budget and a 2012-2016 Capital Plan (collectively the Capital Improvement Program or CIP) for the Airport System. The current 2012-2016 CIP is estimated to cost approximately $294 million of which $272 million is for PIT and $22 million is for Allegheny County Airport, and is expected to be funded by proceeds of Airport Revenue Bonds, federal grants-in-aid, state grants-in-aid, revenues derived from a passenger facility charge (PFC) paid by airline passengers, revenues derived from a customer facility charge (CFC) paid by Airport rental car customers, internally generated Airport funds, and economic development funds.

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*The Authority's Fiscal Year ends December 31. The forecast period for the Additional Bonds Test in the Indenture extends five full Fiscal Years following the Fiscal Year in which the Bonds are issued. Therefore, the forecast period extends through 2017.

The projects in the CIP, their estimated costs, and the funding plan are described in the attachment and summarized in Table 16 at the end of the report. Cost estimates were provided by the Authority and its consultants and include allowances for design, construction management, contingencies, and escalation.

The current CIP represents to the Authority's best knowledge and belief at this time, all of the significant capital improvements expected to be undertaken through 2016. The Authority reassesses its capital needs at least annually and will modify the CIP as necessary to accommodate traffic activity, security needs, and other factors, which could result in increases or decreases to the CIP, or extend the timing to complete certain projects.

The actual timing of construction or implementation of certain projects in the CIP will depend on the justification of need, the receipt of grants, required environmental and other regulatory mandates and approvals, and, as required by provisions of the Airline Operating Agreement and Terminal Building Lease (Airline Operating Agreement), Majority-in-Interest (MII) airline approval of projects whose costs are to be recovered through airline rentals, fees, and charges. The Authority may elect to defer, or to change the funding plan for, certain of the projects.

The 2012 Projects

The 2012 Projects are part of the Authority's long term CIP. As shown on Exhibit A, the 2012 Projects consist of (1) completion of a parking garage rehabilitation project ($12 million), (2) improvements to the Airport terminal, including roof replacement and interior maintenance and upgrades ($20 million), (3) rehabilitation and/or replacement of people mover cars for the Airport's internal transit system ($8 million), and (4) energy savings projects such as electrical and mechanical system improvements ($5 million). Cost estimates were provided by the Authority and its consultants and include all soft costs and allowances for contingencies. No additional funding is anticipated for the 2012 Projects once the 2012 Bonds are issued.

The Authority received bids on the parking garage rehabilitation project in March 2012 and will begin construction in April 2012 with substantial completion occurring in November 2013. Improvements to the Airport terminal commenced in March 2012 with substantial completion expected to occur in December 2014. The rehabilitation and/or replacement of people mover cars is expected to commence in May 2012 and be substantially complete in December 2014. The energy savings projects started in March 2012 and are expected to be substantially complete in February 2014.

2012 Bonds

Proceeds from the sale of the 2012 Bonds, and certain investment earnings thereon, will be used to (1) pay the costs of the 2012 Projects, (2) fund a debt service reserve fund for the 2012 Bonds, (3) pay capitalized interest on the 2012 Bonds, and (4) pay the costs of issuance of the 2012 Bonds as shown in Exhibit A.

Estimated Debt Service requirements for the proposed 2012 Bonds, which are presented in Exhibit B, were provided by Raymond James | Morgan Keegan, the Authority's financial advisor, on the basis of certain data and information provided by the Authority on the cost of the 2012 Projects. The 2012 Bonds were assumed to be issued at fixed interest rates.

The 2012 Bonds are considered Additional Bonds under the Indenture and will be payable from and secured by a lien on the Net Revenues (Revenues less Operation and Maintenance Expenses) derived from certain areas of the Airport. We will separately provide, by documentation outside of the report, the information needed from the Airport Consultant pursuant to the Indenture, which the Authority will use to demonstrate compliance with the test for the issuance of Additional Bonds.

Proposed Future Bonds

In addition to the 2012 Bonds, the Authority expects to issue Additional Bonds, which are assumed to be issued in January 2013 (the Future Bonds) to fund a stormwater/deicing treatment facility. The stormwater/deicing project is estimated to cost $24 million of which $2 million will be funded from a recently received state grant and the balance from the Future Bonds.

Indenture

The 2012 Bonds are being issued as Senior Lien Bonds under the Indenture. As of January 2, 2012, the principal outstanding on Senior Lien Bonds was $360,935,000. Under the provisions of the Indenture, Senior Lien Bonds are payable from Net Revenues (Revenues less Operation and Maintenance Expenses) and certain funds held or set aside under the Indenture.

Revenues are defined as all income derived from the "Included Cost Centers" together with portions of the net revenues derived from cargo facilities and certain land development areas at the Airport, excluding, except to the extent deposited in the Revenue Fund, (1) passenger facility charges (PFCs), (2) gifts, grants and other funds which are restricted by their terms to purposes inconsistent with the payment of Operation and Maintenance Expenses or payment of Debt Service Requirements, (3) the proceeds from the sale, transfer or other disposition of title to all or any part of the Airport , (4) investment income on certain funds, (5) payments for any Special Facility Revenue Bonds, and (6) customer facility charges, among other things.

Operation and Maintenance Expenses (or O&M Expenses) are defined as all costs of administration, operation, and maintenance of the Included Cost Centers and any Special Facility within the Terminal Complex Area, determined in accordance with generally accepted accounting principles, excluding allowances for depreciation, amortization of Bond discount, and interest on the Bonds and the Subordinate Lien Bonds.

Included Cost Centers consist of the Landing Area, Terminal Complex Area, Parking and Rental Car Area, Hangar and Field Support Area, the Military Facilities, and the Terminal Ramp Area, as they may be modified in accordance with the Airline Operating Agreement.

The net revenues, if any, derived by the Authority from the operation of Allegheny County Airport, together with the remaining portions of the net revenues derived from cargo facilities and the land development areas (referred to collectively as the Excluded Cost Centers) are not pledged to the payment of the Authority's Airport Revenue Bonds. Similarly, the net deficits, if any, incurred in the Excluded Cost Centers (with certain limited exceptions) are not payable from pledged Revenues.

Rate Covenant

In Section 7.08(a) of the Indenture (referred to as the Rate Covenant), the Authority covenants to maintain, charge, and collect rates, rentals and other charges for the use of the Included Cost Centers which, together with Other Available Funds, will be sufficient each Fiscal Year to provide: (1) Revenues equal to 125% of the total of the amounts required to be deposited in the then current Fiscal Year to the Debt Service Fund, G.O. Bond Fund, O&M Reserve Fund, Debt Service Reserve Fund, and Subordinate Lien Revenue Fund, and (2) Net Revenues at least equal to 125% of the Debt Service Requirement with respect to the Outstanding Bonds during the then current Fiscal Year.

Section 7.08(b) provides that for purposes of determining compliance with Section 7.08(a), the Authority may include as Net Revenues deposits to the Revenue Fund of PFCs, grants, and CFCs.

Airline Operating Agreement

The Authority has executed the Airline Operating Agreement with AirTran, American Airlines, British Airways (which no longer serves the airport but remains a Signatory Airline), Chautauqua Airlines, Delta Airlines, JetBlue Airways, Mesa Airlines, Republic Airlines, Southwest Airlines, United/Continental Airlines, and US Airways. Approximately 18 regional airlines, of which most are subsidiaries and affiliates of the carriers named above, also operate at the Airport. Airlines that have executed an Airline Operating Agreement are referred to as the Signatory Airlines. Each Airline Operating Agreement is substantially identical except for provisions relating to the

Leased Premises and assigned aircraft parking positions for each Signatory Airline.* The Signatory Airlines collectively lease 28 of the 49 active jet gates at the Airport's Midfield Terminal.** The remaining 21 gates are available on a common use basis, of which 5 are Authority-controlled international gates.

The Airline Operating Agreement extends to May 8, 2018, and establish procedures for adjusting airline rentals, fees, and charges at the Airport at least twice a year, if necessary, to enable the Authority to meet the requirements of the Rate Covenant.

Under the Airline Operating Agreement, Landing Fees, Terminal Complex Rentals, and Terminal Ramp Fees are calculated according to "cost center residual cost" formulas, under which Non-Airline Revenues are credited against certain defined costs to determine the net cost to be paid by the Signatory Airlines in each cost center. The certain costs defined in the Airline Operating Agreement include Operation and Maintenance Expenses, debt service, and other fund deposit requirements allocable to the Included Cost Centers, and such additional amounts as may be necessary, after all required deposits to the various funds and accounts are made, to fund and maintain on deposit in the Revenue Fund a balance equal to 25% of the annual Debt Service Requirement on the Authority's Airport Revenue Bonds. Under the Indenture, such balance is considered to be Other Available Funds for the purposes of the Rate Covenant.

Signatory Airlines are also obligated to pay certain Additional Airline Charges to recover costs associated with aircraft support systems, tenant equipment and finishes, and apron level space. In addition, US Airways is obligated to pay 100% of the Additional Airline Charges for the Special Automated Baggage System and US Airways Support Facilities.

According to the Airline Operating Agreement, the Authority may issue revenue bonds to fund certain projects, including any capital improvements at the Airport that have been approved by a Majority-In-Interest (MII) of the signatory Airlines.*** All of the 2012 Projects have been approved by an MII of the Signatory Airlines.

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*Since the opening of the Midfield Terminal in 1992, the Airline Operating Agreement has been amended and restated to exclude portions of the agreement that pertain solely to the construction of the Midfield Terminal.

**Of the 75 jet gates in the Midfield Terminal, 26 have been temporarily decommissioned as a cost savings measure after the de-hubbing of the Airport by US Airways.

***Majority-In-Interest means, during any Fiscal Year, either: (1) 40% in number of all Signatory Airlines which, in the aggregate, paid 50% or more of Landing Fees paid by all Signatory Airlines for the preceding Fiscal Year; or (2) all except one of the Signatory Airlines regardless of the amount of Landing Fees paid by such Signatory Airline.

PFC Program

The Authority has received approval from the Federal Aviation Administration (FAA) to collect and use PFCs under three applications for a total of $526.8 million in collection authority. Through September 30, 2011, PFC revenues received by the Authority, including investment earnings, totaled $191.6 million. The Authority is currently authorized to impose a PFC of $4.50 per enplaned passenger at the Airport and has been collecting a PFC since October 2001, which was initially set at $3.00 and increased to $4.50 in December 2004.

PFC revenues are excluded from the definition of Net Revenues in the Indenture, except to the extent deposited by the Authority in any Fiscal Year to the Revenue Fund, and are thus not pledged to pay debt service on the 2012 Bonds unless so deposited. In the past, the Authority has deposited a portion of its PFC revenues in the Revenue Fund as a credit to airline rates and charges and expects to continue to do so in the future. The amount of this credit is treated as Revenues for purposes of determining compliance with the Rate Covenant.

The Indenture also permits the Authority to pledge all or a portion of the proceeds of PFCs toward the payment of debt service on a separate issue of obligations secured by PFCs, on one or more future series of Bonds or on subordinate obligations to be issued under the Indenture. In November 2005, the Authority entered a revolving line of credit agreement with Citizen's Bank under which it pledged PFC revenues to the payment of the line. This line of credit was defeased in December 2011.

Gaming Revenues

The Authority is a designated funding recipient under the Pennsylvania Race Horse Development and Gaming Act adopted by the Commonwealth in 2000 (Gaming Act). The Gaming Act legalizes slot machine parlors in race tracks and stand-alone facilities. Under the Gaming Act, the Authority has been allocated a total amount of up to $150 million of these gaming revenues over a ten year period (Gaming Revenues). Of that amount, $42.5 million was paid directly by the Commonwealth to the County from 2007 to 2009 to reimburse the County for its investment in the construction of the Midfield Terminal at the Airport.* The Gaming Act provides that the Gaming Revenues can be used for debt service, development, and economic development of the Airport.

The Authority received payments of $2.2 million in June 2010 (representing the balance due after payment of the County's share), $12.4 million in December 2010, and $12.4 million in October 2011. It is anticipated that the balance of the $107.5 million due to the Authority will be received in annual installments of $12.4 million through 2017 with the remainder in 2018. In 2009, the Authority issued a Gaming Revenue Anticipation

*The County received $19.9 million in 2007, $12.4 million in 2008, and $10.2 million in 2009, for a total of $42.5 million.

Note to PNC Bank, NA for $20 million, which was paid and terminated on January 16, 2011. These notes had been secured by the Gaming Revenues.

Gaming Revenues, like PFCs, are excluded from the definition of Net Revenues in the Indenture, except to the extent deposited by the Authority in any Fiscal Year to the Revenue Fund, and are thus not pledged to pay debt service on the 2012 Bonds unless so deposited. In the past, the Authority has deposited a portion of the annual Gaming Revenues in the Revenue Fund as a credit against debt service (which is a credit to airline rates and charges) and expects to continue to do so in the future. The amount of this credit is treated as Revenues for purposes of determining compliance with the Rate Covenant.

Scope of Report

The report was prepared to address the ability of the Authority to meet the requirements of the Rate Covenant in the forecast period, FY 2012 through FY 2017, taking into account the Outstanding Bonds, the proposed 2012 Bonds and the Future Bonds.

In preparing the report, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the airport service region; historical trends in airline traffic; recent airline service developments and airfares; and other key factors that will affect future airline traffic.

- The status and estimated costs of the 2012 Projects and the Capital Improvement Plan.

- Estimated sources and uses of funds and associated annual Debt Service requirements of the proposed 2012 Bonds and Future Bonds.

- Historical and forecast PFC revenues, CFC revenues, and Gaming Revenues, and the Authority's intentions and ability to deposit a portion of such revenues to the Revenue Fund.

- Historical relationships among revenues, expenses, and airline traffic at the Airport.

- The facilities expected to be provided, as included in the CIP, and other operational considerations affecting Airport revenues and expenses.

- Audited financial results for the Authority for 2009, 2010, and 2011, and the budget for 2012.

- Other operational considerations affecting Airport revenues and expenses.

- The Authority's policies and contractual agreements relating to the use and occupancy of airfield, terminal, and other Airport facilities, including the calculation of airline rentals, fees, and charges under the Airline Operating Agreement.

- The Authority's policies and contractual agreements relating to the operation of other Airport services and concessions, including public parking, rental car concessions, and terminal concessions.

We also identified key factors upon which the future financial results of the Airport may depend and formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts presented in the exhibits at the end of this report. Estimates of project costs, financing assumptions, and Debt Service Requirements were provided by the sources noted in the exhibits.

Forecast Debt Service Coverage

Net Revenues are forecast to be at least 1.25 times the Debt Service Requirements on the Outstanding Bonds, the 2012 Bonds, and the Future Bonds, which are collectively identified as "Bonds" in the table. In addition, Revenues are forecast to exceed 125% of the total amounts required to be deposited in each Fiscal Year to the Debt Service Fund, G.O. Bond Fund, O&M Reserve Fund, Debt Service Reserve Fund, and Subordinate Lien Fund. These forecast results indicate compliance with the Rate Covenant during the forecast period.

FORECAST RATE COVENANT COMPLIANCE
Pittsburgh International Airport
(in thousands, except coverage)
(for the 12 months ending December 31)

	Forecast 2012	2013	2014	2015	2016	2017
Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Requirement per Indenture Section 7.08(a)(i)						
Senior Lien Bonds Debt Service	$ 60,032	$ 64,083	$ 65,430	$ 64,676	$ 65,011	$ 57,558
Subordinate Lien Debt Service	3,138	3,141	3,140	3,141	3,142	1,127
Other Requirements	10,001	10,561	11,181	11,072	11,490	11,696
Total Requirements per Indenture Section 7.08(a)(i)	$ 73,172	$ 77,785	$ 79,751	$ 78,890	$ 79,644	$ 70,381
Required Ratio (MUST BE NO LESS THAN 125%)	220.9%	218.7%	223.2%	228.9%	232.2%	254.8%
Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Operation & Maintenance Expenses	(88,477)	(92,328)	(98,279)	(101,719)	(105,279)	(108,963)
Net Revenues	$ 73,172	$ 77,785	$ 79,751	$ 78,890	$ 79,644	$ 70,381
Other Available Funds	16,358	16,358	16,358	16,358	16,358	14,389
Total Available	$ 89,529	$ 94,142	$ 96,108	$ 95,248	$ 96,001	$ 84,770
Debt Service Coverage						
Senior Lien Bonds - 125% Required per Section 7.08(a)(ii)	1.49	1.47	1.47	1.47	1.48	1.47
Senior & Subordinate Lien Debts	1.42	1.40	1.40	1.40	1.41	1.44

Source: Debt service: Allegheny County Airport Authority and Raymond James | Morgan Keegan.
Net Revenues and coverage: LeighFisher.

Notes: Includes actual debt service on all Outstanding Bonds (through Series 2010), and estimated debt service on the 2012 Bonds (as provided by Morgan Keegan), and the Future Bonds (as estimated by Morgan Keegan for financial forecast purposes only), all net of capitalized interest.
Debt service in 2017 includes a release of the Debt Service Reserve Fund.

Assumptions Underlying the Financial Forecasts

The forecasts in this report are based on information and assumptions that were provided by or reviewed with and agreed to by Authority management. The forecasts reflect Authority management's expected course of action during the forecast period through FY 2017 and, in Authority management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

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

* * * * *

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

Respectfully submitted,

LeighFisher

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE
FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

ALLEGHENY COUNTY AIRPORT AUTHORITY

AIRPORT REVENUE BONDS
Series 2012A-1, Series 2012A-2, and Series 2012B

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TABLES

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AIRLINE TRAFFIC ANALYSIS

This section provides a description of the region served by the Airport, a description of the role of the Airport, the economic basis for airline traffic at the Airport, key factors affecting future airline traffic, and forecasts of enplaned passengers and aircraft landed weight. To build a foundation for this airline traffic discussion, the facilities and services provided by the Authority are presented first.

AIRPORT FACILITIES AND SERVICES

Pittsburgh International Airport is located in Southwestern Pennsylvania approximately 15 miles west of downtown Pittsburgh. The Airport occupies approximately 8,800 acres and is situated in Moon and Findlay Townships in Allegheny County. Access to the Airport is provided via Interstate 376.

Airfield

The Airport has four runways, consisting of one crosswind runway (oriented northwest to southeast) and three parallel runways (oriented east to west) of which one is immediately north of the passenger terminal complex and the other two are south of the terminal:

Runway 28L/10R	11,500 feet long, 200 feet wide
Runway 28C/10C	9,700 feet long, 150 feet wide
Runway 28R/10L	10,500 feet long, 150 feet wide
Runway 14/32	8,100 feet long, 150 feet wide

The separation between the runways permits the capability of conducting dual landings and dual takeoffs in all weather conditions. All of the Airport's runways can accommodate air carrier aircraft and are equipped with instrument landing systems, lighting systems, and other air navigation aids, permitting the Airport to operate in virtually all weather conditions. Precision instrument approach capability is provided to Runways 10R, 10L, 28R, 28L, and 32. In addition, Runways 10R and 10L have the ability to handle Category II/III instrument landing systems (ILS).

Passenger Terminal

The Midfield Terminal opened on October 1, 1992, and consists of approximately 1.7 million square feet of enclosed space. The Midfield Terminal consists of a four-level landside terminal, a four-level airside terminal connected to the landside terminal by an automated underground people-mover system, and a two-level central services building and commuter terminal.

The midfield location of the passenger terminal complex between the parallel runways provides for the optimal movement of aircraft between the terminal gates and the runways and has been the model for the design of many other major world airports.

The landside terminal provides for the ticketing of passengers, collecting and sorting baggage, baggage claim and security screening of passengers. The landside terminal is designed to be expanded to the north and south as additional facilities are required. The "X-shaped" airside terminal has two major elements – a central "core" and four concourses. An automated baggage system conveys inbound and outbound baggage between the landside terminal and the airside terminal for US Airways. In 2006, the Authority upgraded the baggage system and assumed responsibility for all baggage system operations, including those previously handled by US Airways.

There are 70 domestic gates and 5 international gates for a total of 75 jet gates equipped with loading bridges, aircraft support systems, and hydrant fueling. The commuter terminal had 25 commuter aircraft parking positions. As a result of US Airways' de-hubbing of the Airport (described later), in January 2008 the Authority temporarily decommissioned portions of the A and B Concourses, including 26 of the 75 jet gates, as a cost savings measure. Also due to the reduction in connecting traffic and the discontinuation of service to many of the smaller communities, the commuter terminal was closed for operations and currently serves as an alternative security checkpoint. In 2011, the Authority removed the commuter aircraft apron from the air operations area and relocated airport employee parking to this area.

Arriving international passengers clear immigration and customs through a Federal Inspection Services (FIS) facility comprising approximately 60,000 square feet, which can accommodate 800 passengers per hour.

Ground Access and Transportation

The Airport can be accessed directly from the north or south via I-376 and Business I-376, which form a loop around the Airport. The Midfield Terminal is served by a four lane, two-level roadway serving both sides of the landside terminal. One level serves the ticketing level and the other level serves the baggage claim level. Curb frontage on one side of the landside terminal is for private automobiles and curb frontage on the other side of the landside terminal is for commercial vehicles and ground transportation services.

A three-level parking garage adjacent to the landside terminal contains 2,100 public parking spaces, a rental car facility with 799 ready and return spaces, and 145 leased parking spaces for a total of 3,044 parking spaces and is connected to the landside terminal by enclosed moving walkways. The garage is designed to be expanded to the south to provide approximately 850 additional spaces.

In addition, 11,100 public parking spaces and 3,975 employee parking spaces are provided in a long-term, extended-term, and employee surface parking lots. Moving walkways link the long-term surface parking lot to the landside terminal with a maximum walking distance of 800 feet to the moving walkways. During 2006, the Authority undertook a major expansion of the parking servicing the airport, adding an additional 1,100 spaces, in an effort to accommodate the increased demand resulting from the upturn in O&D traffic.

Rental car ready/return stalls are located on level 1 of the garage. Hertz operates a quick turnaround area adjacent to the garage at grade level for stacking, cleaning, fueling, washing, and staging cars prior to moving them into the ready car spaces in the garage and the other companies perform these functions on leased space in the vicinity of the landside terminal as part of their service facilities. Currently, seven "companies" representing nine brands of rental car companies operate on-Airport from the garage: (1) Avis, (2) Budget, (3) Dollar/Thrifty, (4) Enterprise, (5) Hertz, (6) Payless, and (7) Vanguard (Alamo and National).

Hotel

A Hyatt Regency Hotel, which opened in June 2001, is located adjacent to the parking garage and adjacent to the landside terminal building and is accessible via the enclosed moving walkways. The facility contains 331 hotel rooms and approximately 21,000 square feet of convention space. The hotel provides a restaurant, bar/lounge, and an indoor pool/health club facility.

Airline Support

The Authority leases land and buildings to airlines and others for activities supporting airline operations. An above-ground aircraft fuel farm supplies fuel to the aircraft hydrant fueling system which serves all 75 jet gates (of which 49 are currently in use) and a fueling rack at the commuter gates. An automotive fuel storage facility is located adjacent to the fuel farm.

US Airways leases aircraft maintenance and parts facilities which encompasses 473,529 square feet at the Airport and a Flight Operations Control Center encompassing approximately 13 acres. US Airways also leases a special services building at the Airport.

LSG Sky Chefs leases a catering/food preparation facility containing 80,000 square feet that serves as its North American frozen food kitchen and freezing facility.

In addition, the Authority constructed a wide-body deicing facility at the Airport which is being managed by a third party company. That company also operates the Airport's main deicing pads which are boom operated and utilize hot air technology.

Air cargo transported by the passenger and all-cargo airlines is processed through four buildings comprising approximately 233,000 square feet and a cargo aircraft apron comprising 721,750 square feet.

Republic Airways operates aircraft maintenance facilities on the Airport in two hangers containing 83,000 square feet. Atlantic Aviation operates a fixed base operation ("FBO"), containing a terminal building, two hangars, a fuel farm, and an equipment maintenance building.

The Authority also owns and leases three corporate hangers that contain 114,000 square feet. H.J. Heinz leases 153,331 square feet of land from the Authority on which they constructed a new hangar and flight facility. The Authority is in negotiations to lease its jet engine test cell facility consisting of 14,985 square feet and prep room consisting of 12,400 square feet.

Also located at the Airport is a full-service fixed base operator (FBO) -- Atlantic Aviation, which operates from the Business Aviation Center, and a limited FBO, Corporate Air, LLC, which operates from a corporate hangar facility.

Commercial/Industrial Property Development

There are approximately 3,500 acres of land at the Airport available to the Authority for non-aviation development of which approximately 52% are developable. There are approximately 5,000 acres designated as a Foreign Trade Zone at the Airport.

The Authority has been actively engaged in the development of its property to stimulate the economies of the region as well as stimulating activity in the airport corridor. The Authority has constructed infrastructure and installed utility services to these areas to provide "pad ready" development sites. Revenues from the various developers and land tenants are used by the Authority for further investment in development activities.

As shown on Figure 1, several active commercial/industrial developments are in process at the Airport, including:

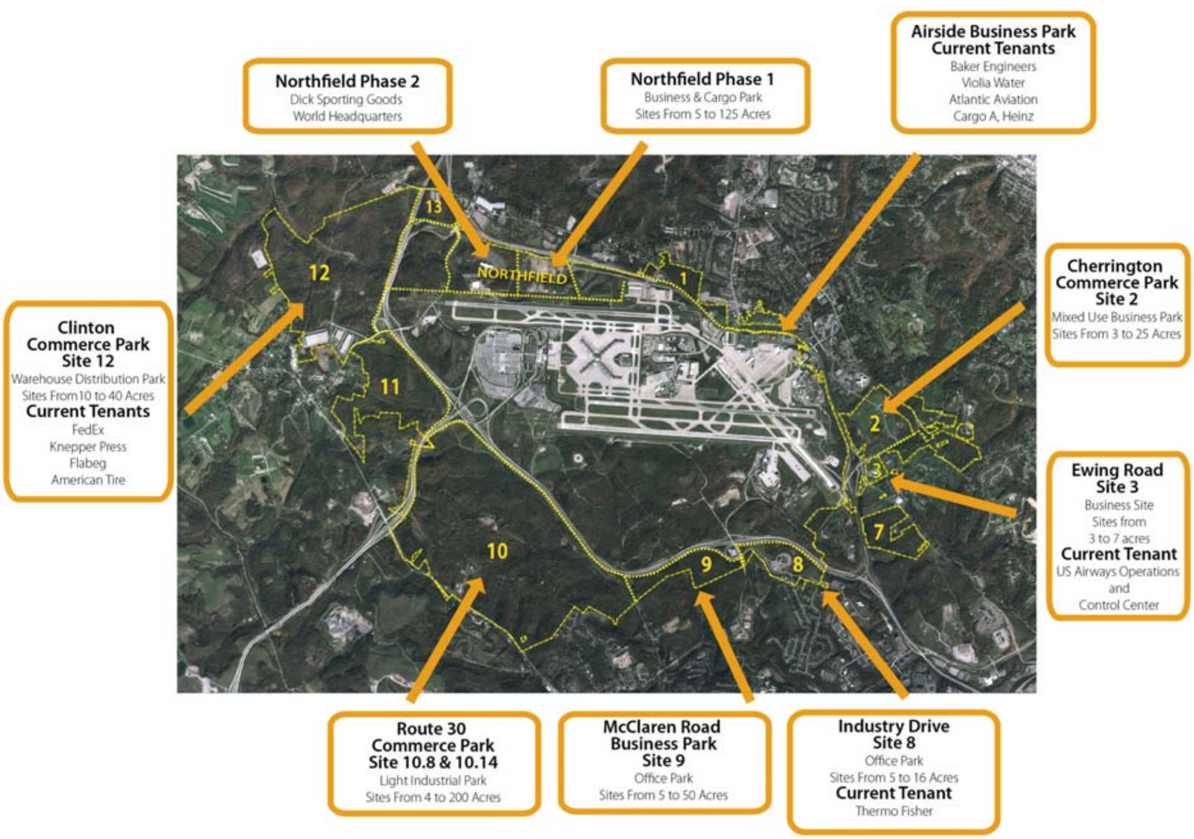
- The Airside Business Park is located on the site of the former airport terminal. Currently, there are five buildings totaling over 350,000 square feet completed and substantially occupied.

- Clinton Commerce Park is a 100-acre bulk warehouse park on the northwest side of the Airport. Construction of a 100,000 square foot, build-to-suit facility for a printing company was completed in 2008 and is currently occupied. In addition, a 400,000 square foot building designed for bulk warehousing was completed and leased in 2009. A 225,000 square foot facility for a solar panel manufacturer was also completed in 2009.

- Cherrington Commerce Park is a 160-acre business park located on the east side of the Airport where site work was completed in 2008. In 2010 site work was completed on a 90 acre park called the PIT International Logistics Center. These sites are currently being marketed.

Dick's Sporting Goods relocated its world corporate headquarters on Airport property in 2009. The company currently leases 116 acres of airport property in the Northfield site and has constructed a 661,000 square foot office complex and a 70,000 square foot corporate hangar. The company took occupancy of the facilities in February, 2010.

Figure 1
COMMERCIAL/INDUSTRIAL DEVELOPMENT PROJECTS
Pittsburgh International Airport



Source: Allegheny County Airport Authority.

Sunoco, Inc. opened an automobile gas station and convenience store on 2.5 acres located at the northwestern corner of the Airport parking lots. The operation provides 24-hour self fueling.

In addition, a regional transportation authority (Moon Transportation Authority), in cooperation with the Pennsylvania Department of Transportation, completed the construction of an interchange along Business Route I-376 in 2003. This interchange opened additional areas of airport property to commercial development.

Other Facilities

Aircraft rescue and fire fighting (ARFF) services are provided from one fire station. The Authority also operates an aircraft rescue and fire fighting training center at the Airport, which includes a fire training simulator as well as classrooms, a management center, a vehicle bay, trainee/equipment support areas and a visitor center.

Also located at the Airport are units of the U.S. Air Force (911th Airlift Wing) and Pennsylvania Air National Guard (171st Air Refueling Wing), which provide aerial refueling, air mobility, and tactical airlift support to the U.S. Air Force and other U.S. Department of Defense activities. In March 2012, the Air Force said it plans to close the 911th Airlift Wing as part of a realignment to eliminate unneeded aircraft, which includes all the C-130s assigned to the Air Force Reserve base at the Airport. The Air Force also said it planned to reduce the number of aircraft at the adjacent Pennsylvania Air National Guard's 171st Air Refueling Wing.

The Airport also accommodates airfield maintenance buildings, an FAA Airport traffic control tower, air navigation aids and guidance systems, and various other support facilities. It also serves as the home of Pittsburgh Air Reserve Station.

AIRPORT SERVICE REGION

The primary region served by Pittsburgh International Airport (the Airport) is the Pittsburgh Metropolitan Statistical Area (the MSA), a large population center in southwestern Pennsylvania. The MSA is a statistical region defined by the U.S. Office of Management and Budget and consists of seven counties: Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland. The MSA has undergone a long-term transformation from a steel manufacturing economy to a more diversified economy with strengths in health care, technology, and higher education. The MSA has also recently been ranked among the country's best places to live due to its good quality of life coupled with relative affordability.*

Figure 2 shows a map of the airport service region. The Airport also serves a 20-county secondary airport service region which extends into northern West Virginia and eastern Ohio. Approximately 5 million people reside within a two-hour drive of the Airport.

The Airport is Pennsylvania's second-largest airport as ranked by passenger boardings reported to the Federal Aviation Administration (FAA), behind Philadelphia International Airport which is located in the southeastern part of the state. The Airport is located approximately 15 miles west of downtown Pittsburgh and lacks nearby competition, being the only commercial service airport located within the MSA. The next closest commercial service airports are Akron-Canton Airport and Cleveland Hopkins International Airport, located approximately 95 and 130 miles from downtown Pittsburgh, respectively.

DEMOGRAPHIC AND ECONOMIC PROFILE

In general, the population and economy of an airport service region are the primary determinants of originating passenger numbers at an airport serving that region. The following sections provide a discussion of the economic basis for originating passenger traffic at the Airport in terms of historical Pittsburgh MSA socioeconomic data, the economic profile of the MSA, and the economic outlook for the U.S. as a whole and the Pittsburgh MSA.

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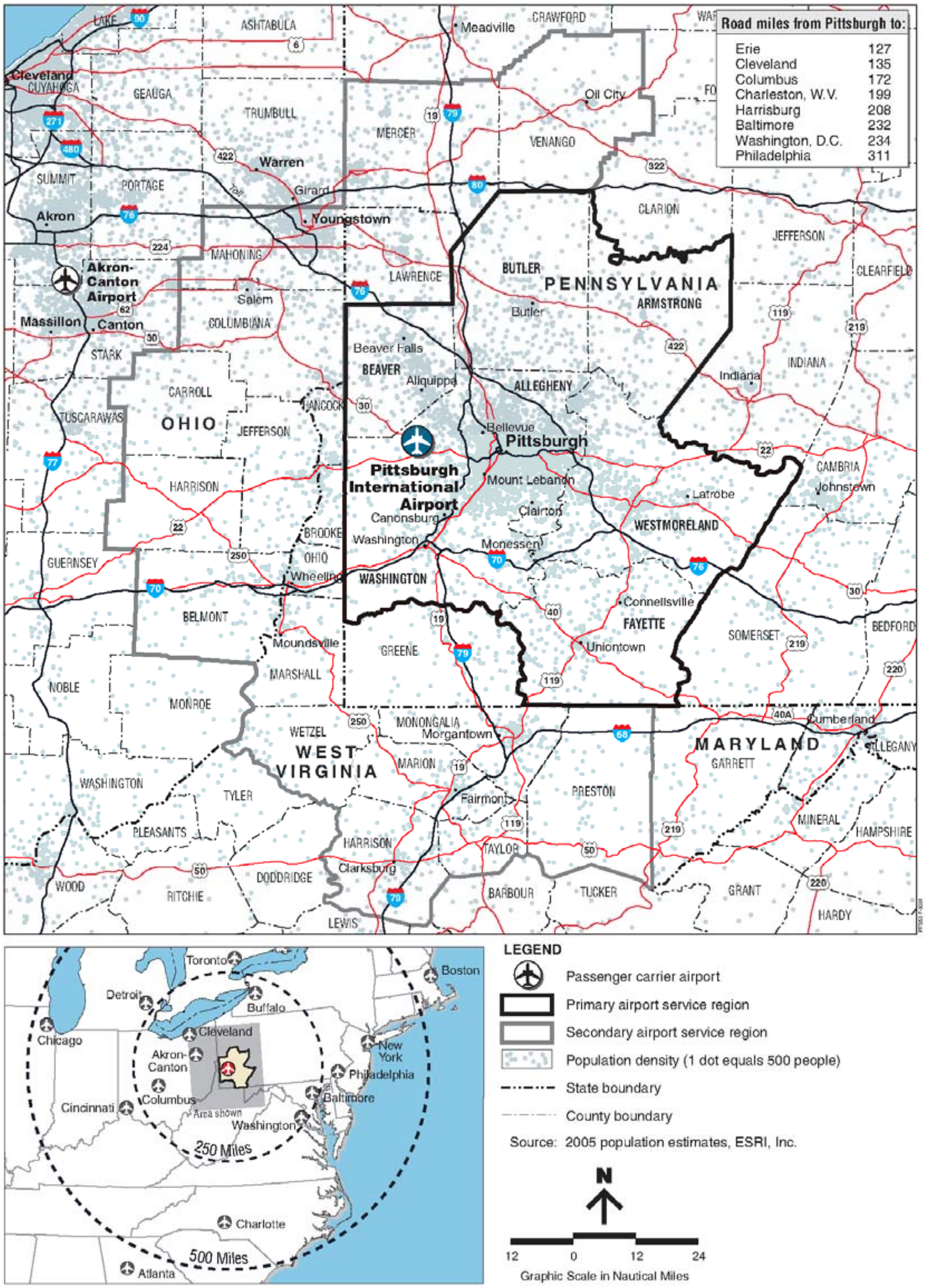
*#1 America's Most Livable City, Economist Intelligence Unit, 2011; #1 Large American City of the Future, fDi Magazine (owned by Financial Times Ltd), 2011; #1 Best City to Relocate to in America, CNBC, 2011.

Figure 2
AIRPORT SERVICE REGION
Pittsburgh International Airport



Population

According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA was nearly 2.4 million in 2010. Allegheny County, which contains both the city of Pittsburgh and the Airport, accounts for 52% of the MSA's population.

Table 1 shows that, between 2000 and 2009, the population of the MSA continued what has been a longer-term decline. The population decline in the MSA is similar to that experienced by many cities in the midwestern and northeastern United States, reflecting the migration of manufacturing facilities to southeastern states, the rise of automation in industrial processes, a reduced need for labor in making steel products, and more liberal foreign trade policies. Since 2007, however, population levels in the MSA have stabilized. Internal migration within the United States slowed during this period as well, as fewer households relocated during the recent economic recession.

Table 1
COMPARATIVE INDEX OF POPULATION TRENDS
(2000 = 100)

	MSA		Pennsylvania		United States	
Year	Population	% Change from prev. year	Population	% Change from prev. year	Population	% Change from prev. year
2000	2,428		12,284		282,162	
2001	2,417	(0.4%)	12,299	0.1%	284,969	1.0%
2002	2,408	(0.4)	12,331	0.3	287,625	0.9
2003	2,401	(0.3)	12,375	0.4	290,108	0.9
2004	2,389	(0.5)	12,411	0.3	292,805	0.9
2005	2,374	(0.6)	12,450	0.3	295,517	0.9
2006	2,364	(0.4)	12,511	0.5	298,380	1.0
2007	2,359	(0.2)	12,564	0.4	301,231	1.0
2008	2,357	(0.1)	12,612	0.4	304,094	1.0
2009	2,355	(0.1)	12,667	0.4	306,772	0.9
2010	2,356	0.0	12,710	0.3	309,350	0.8

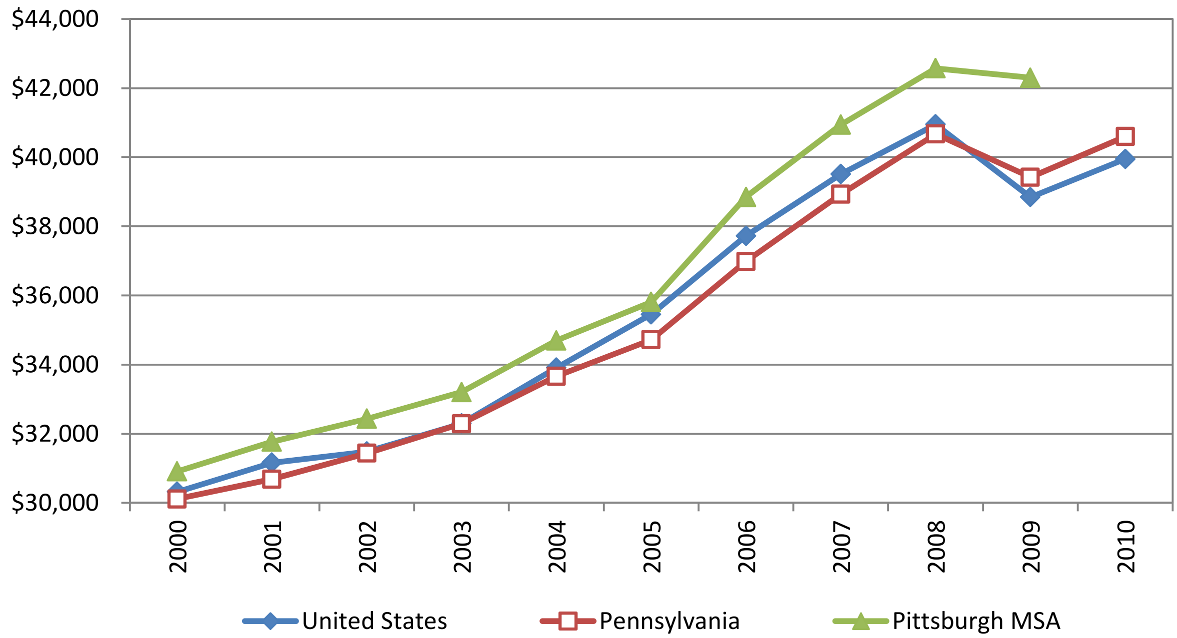
Source: U.S. Department of Commerce, Bureau of the Census website, accessed December 2011.

The Census Bureau population estimates shown in Table 1 reflect a slight increase in MSA population in 2010.

Income

Figure 3 shows that the MSA's per capita personal income in 2009 ($42,300) was higher than both the state average ($39,400) and the national average ($38,800). Since 2000, the pattern of per capita income growth in the MSA has generally mirrored the pattern of nationwide growth.

Figure 3
PER CAPITA PERSONAL INCOME



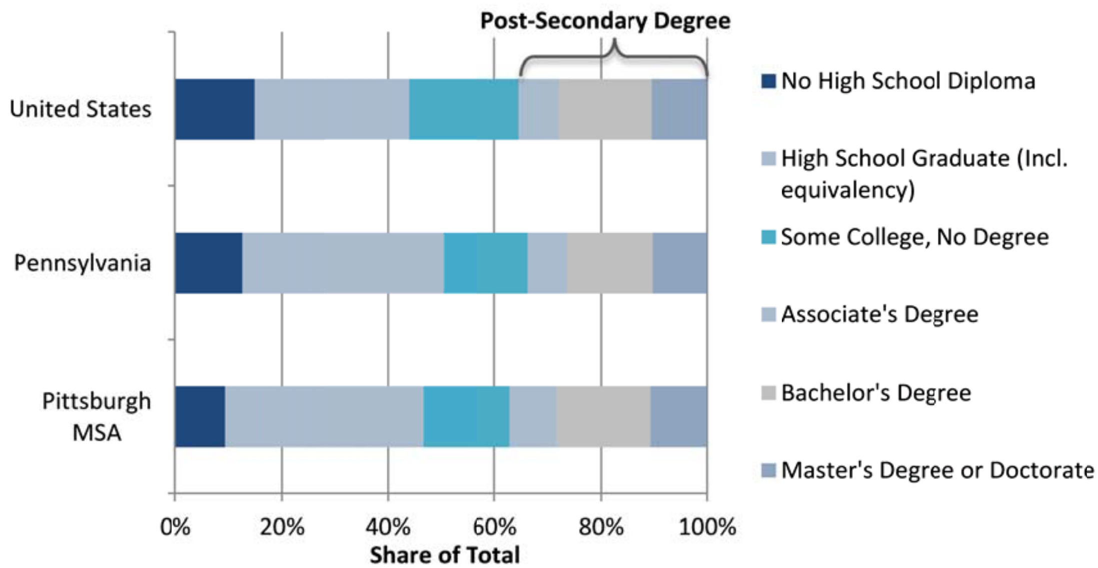
(a) 2010 data for the Pittsburgh MSA is not yet available.

Source: U.S. Department of Commerce, Bureau of the Economic Analysis website, accessed December 2011.

Education

Residents of the MSA have attained modestly higher levels of education relative to Pennsylvania and the nation. Figure 4 shows that, in 2010, 37% of MSA residents over the age of 25 had earned post-secondary degrees, compared to 34% of Pennsylvania residents as a whole and 35% of U.S. residents. Higher levels of educational attainment are associated with higher per capita income, and higher levels of both education and income correlate with a greater propensity to travel by air.

Figure 4
EDUCATIONAL ATTAINMENT



Source: U.S. Department of Commerce, Bureau of the Census website, accessed December 2011.

The MSA is home to numerous public and private institutions of higher education. Table 2 shows student enrollment at the eight largest colleges and universities in the MSA. Collectively, these institutions enroll approximately 75,000 full-time students and an additional 38,000 part-time students.

Table 2
LARGEST COLLEGES AND UNIVERSITIES IN THE MSA
(fall 2010; ranked by total enrollment)

	Enrollment		
Company	Full-time	Part-time	Total
University of Pittsburgh	24,657	4,166	28,823
Community College of Allegheny County	8,957	11,749	20,706
The Art Institute of Pittsburgh	3,069	13,938	17,007
Carnegie Mellon University	10,139	1,201	11,340
Duquesne University	9,218	943	10,161
California University of Pennsylvania	7,739	1,661	9,400
Slippery Rock University of Pennsylvania	7,880	972	8,852
Westmoreland County Community College	3,784	3,599	7,383

Source: U.S. Department of Commerce, Bureau of the Census website, accessed December 2011.

The University of Pittsburgh ranks among the top public research universities in the United States, according to the Center for Measuring University Performance.* Carnegie Mellon University ranked 23rd among all national universities, according to U.S. News & World Report's 2012 college and university rankings.** The University of Pittsburgh and Carnegie Mellon University have been leaders in research of biotechnology, bioengineering, robotics, and Maglev technology. This strong history in research and development dates back to the invention of the Salk vaccine and includes a large health care presence at the University of Pittsburgh Medical Center. The research and training conducted at these institutions contribute to an educated and skilled workforce in the MSA.

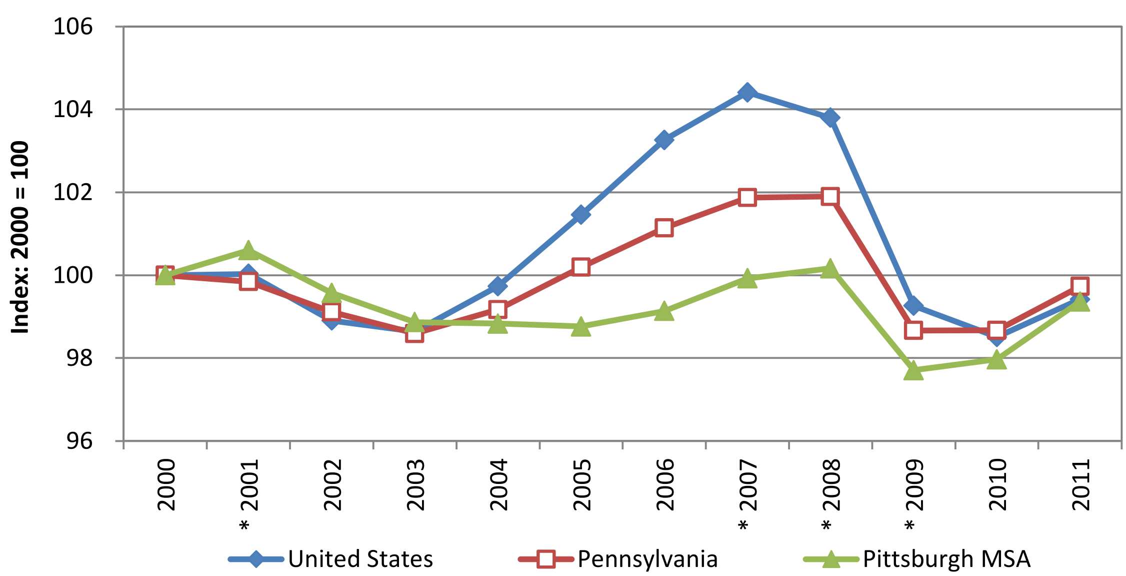
*The Top American Research Universities, 2010 Annual Report, the Center for Measuring University Performance, 2010.

**U.S. News and World Report publishes annual rankings of U.S. post-secondary educational institutions on the basis of several measures of academic quality, including student retention rates, academic selectivity, financial resources, and alumni giving.

Employment

Figure 5 shows that between 2000 and 2010 the MSA, state, and nation experienced no net growth in non-agricultural employment. Although employment in the state and nation increased during the middle years of the past decade, employment in the MSA was far less volatile. Considering the population decline experienced during the past 10 years in the MSA, as described previously, this trend in MSA employment indicates an improved ratio of employment per capita.

Figure 5
COMPARATIVE INDEX OF NON-AGRICULTURAL EMPLOYMENT
(2000 = 100)



Note: * Indicates national recession during all or part of year, according to National Bureau of Economic Research.
The 2011 value represents the average for January-November.

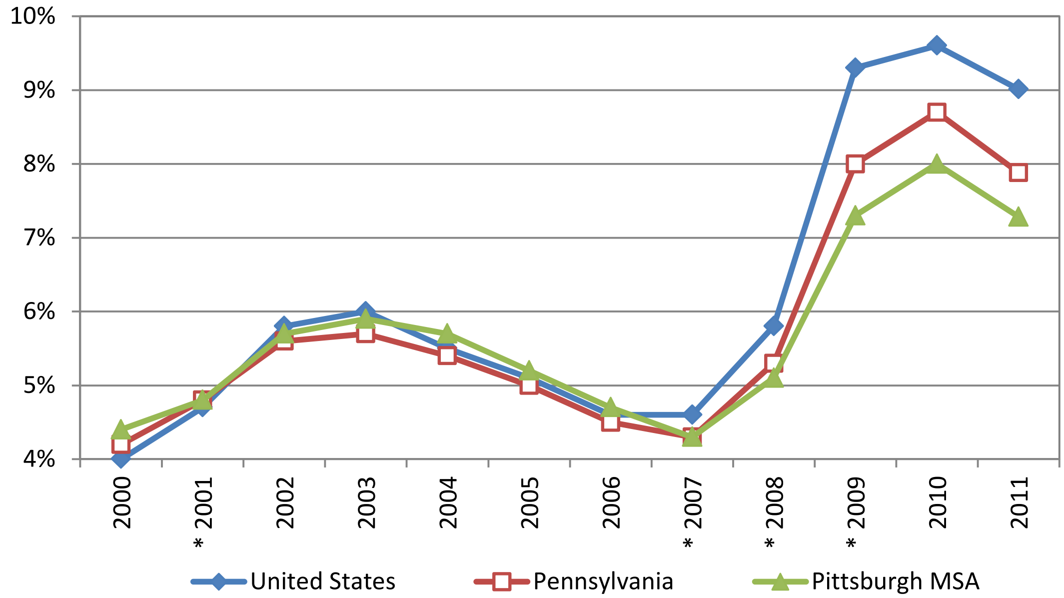
Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed December 2011.

The MSA weathered the recent economic recession somewhat better than the nation as a whole, buoyed by continued job growth in the education/health services and natural resources/mining sectors of the local economy.

Unemployment Rate

Unemployment rates serve as an indicator of a region's economic health. Figure 6 shows that unemployment in the MSA tracked the national and state averages closely from 2000 to 2007. However, the patterns began to diverge in 2008, reflecting the effects of the 2008-2009 recession, and over the past 3 years, unemployment in the MSA has been consistently 1.5-2.0 percentage points below the national average.

Figure 6
CIVILIAN UNEMPLOYMENT RATE



Note: * Indicates national recession during all or part of year, according to National Bureau of Economic Research.
The 2011 values represent the average for January-November for the United States and Pennsylvania, and January-October for the MSA.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed December 2011.

Employment by Sector

Table 3 shows the change in the composition of employment by industry sector over the past 10 years. Between 2000 and 2010, education and health services overtook the trade, transportation, and utilities sector to become the largest component of the MSA's economy, as measured by the number of employees. Professional and business services gained share of the MSA's employment base, as well. Manufacturing employment in the MSA declined substantially, as it did across the country.

Relative to the national average, the education and health services sector is more prominent in the MSA's economy. The government sector, by contrast, has a substantially smaller presence in the MSA relative to the U.S. overall.

Table 3
NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR

	Share of total					
	Pittsburgh MSA		Pennsylvania		United States	
Industry sector	2000	2010	2000	2010	2000	2010
Education & Health Services	17.3%	21.0%	16.1%	20.2%	11.5%	15.1%
Trade, Transportation, Utilities	21.2	19.0	19.8	19.2	19.9	19.0
Professional/Business Services	12.1	14.0	10.8	12.2	12.6	12.9
Government	11.1	11.4	12.7	13.5	15.8	17.3
Leisure & Hospitality	8.5	9.6	7.9	8.9	9.0	10.0
Manufacturing	11.3	7.8	15.2	10.0	13.1	8.9
Financial Activities	5.9	6.1	6.0	5.6	5.8	5.9
Natural Resources, Mining, & Construction	5.5	5.0	4.7	4.3	5.6	4.8
Other Services	4.9	4.6	4.4	4.5	3.9	4.1
Information	2.3	1.6	2.4	1.7	2.8	2.1
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed December 2011.

Major Employers and Key Industries

Table 4 ranks the largest employers in the MSA. The health care and education sector accounts for three of the top seven spots. The top-ranked University of Pittsburgh Medical Center, together with the University of Pittsburgh itself, constitutes by far the largest employer in the MSA.

Eight Fortune 500 companies maintain their corporate headquarters in the MSA. Corporate headquarters are important generators of airline travel demand due to trips to and from field offices and customer locations, as well as visits from vendors and suppliers.

Table 4

LARGEST EMPLOYERS IN THE MSA

TOP EMPLOYERS IN THE PITTSBURGH AREA

Company	Employees	Type of business
University of Pittsburgh Medical Center	38,700	Health care
U.S. Government	18,570	Government
Commonwealth of Pennsylvania	13,610	Government
University of Pittsburgh	12,215	Education
Giant Eagle Inc.	11,087	Retail
West Penn Allegheny Health System	9,981	Health care
Bank of New York Mellon	7,550	Financial services

FORTUNE 500 COMPANIES HEADQUARTERED IN THE PITTSBURGH AREA

Company	Rank	Type of business
United States Steel	148	Metals
PNC Financial Services Group	151	Financial services
PPG Industries	181	Chemicals
H.J. Heinz	232	Food processing
Mylan	418	Pharmaceuticals
Consol Energy	428	Energy
Wesco International	443	Electronics distribution
Dick's Sporting Goods	464	Specialty retail

Sources: Pittsburgh Business Times, “Top 7: Largest Pittsburgh Area Employers”, March 2011; 2011 Fortune 500 list of largest U.S. companies.

Health care and life sciences. The MSA received more than $500 million in National Institutes of Health (NIH) medical research grants in 2011, placing it 10th in the nation in terms of grant funding. The University of Pittsburgh Medical Center is not only the MSA's largest employer, but also was ranked as one of "America's Best Hospitals" by U.S. News & World Report in 2010. The University of Pittsburgh's School of Medicine is similarly highly regarded, as is its Center for Biotechnology and Bioengineering.

Clean/Green Technology. The Brookings Institute recently ranked the MSA as one of the 25 largest metropolitan areas in the country in terms of "clean economy" employment. This segment of the economy includes such fields as solar energy, wind power, and sustainability planning. The MSA is also home to National Energy Technology Laboratory (NETL) and CONSOL Energy facilities, both of which are engaged in "cleaner coal" energy research.

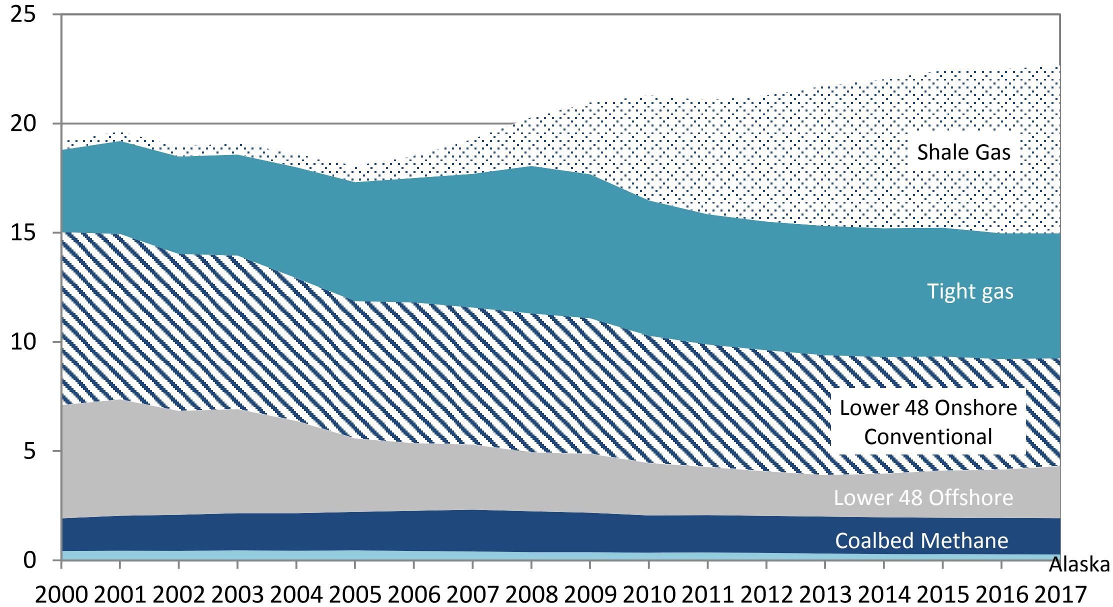
Advanced Manufacturing and Robotics. While steel manufacturing has declined substantially in the MSA, advanced manufacturing (i.e., manufacturing of high-technology products and the use of high-technology processes) has increased according to the Pittsburgh Regional Alliance, a regional economic development and marketing consortium. The MSA is home to 3,000 advanced manufacturing firms, including Bayer, Bombardier, PPG Industries, and Westinghouse Electric, employing nearly 100,000 people. Carnegie Mellon University's Robotics Institute is internationally known and offers one of the country's only Ph.D. programs in robotics.

Marcellus Shale. The MSA is located atop part of the Marcellus Shale formation, a subterranean geologic deposit extending from West Virginia, through western Pennsylvania and eastern Ohio, into southern New York. Layers of rock in the Marcellus Shale trap natural gas, which can be extracted through drilling and hydraulic fracturing. It is estimated to be twice as large as the Barnett Shale in Texas, which produced $8.2 billion in economic output and 83,823 jobs in 2010. According to a Penn State University study, the Marcellus Shale in Pennsylvania created an estimated 98,000 jobs and injected approximately $14.2 billion into the state's economy in 2010. As a result, the Marcellus Shale deposit holds the potential to add substantially to the economic base of the MSA.

In its April 2011 *Annual Energy Outlook*, the U.S. Department of Energy's Energy Information Administration (EIA) projected a positive outlook for the future of shale gas production in the United States. In 2009, shale gas accounted for 16% of the total domestic natural gas market (which, in turn, accounted for approximately 30% of total U.S. energy production). The *Annual Energy Outlook* projects that, by 2017 (the horizon year for this Report), shale gas will account for more than one-third of the U.S. natural gas market.

Figure 7 illustrates the projected growth in the shale gas component of U.S. natural gas production. Natural gas from all non-shale sources, taken together, are projected to decline.

Figure 7
U.S. NATURAL GAS PRODUCTION, BY SOURCE
(in trillion cubic tons)



Source: U.S. Department of Energy, Energy Information Administration, *Annual Energy Outlook*, April 2011.

Despite a generally positive outlook, some uncertainties remain with regard to shale gas production. Estimates of the magnitude of recoverable shale gas reserves vary substantially between the EIA and the U.S. Geological Survey. In addition, recent concerns regarding the environmental implications of hydraulic fracturing waste products could lead to additional future industry regulations or restrictions.

In March 2012, Shell Oil Company announced it would build a major, multibillion-dollar petrochemical refinery on a site 35 miles northwest of Pittsburgh. The petrochemical "cracker" facility will process natural gas compounds being extracted from the Marcellus Shale into plastics and other materials. Construction on the plant is expected to start in 2014, pending studies to analyze the site, assess the local ethane supply, weigh the long-term economic viability of the project, assess the environmental impact, and secure permits. Construction is expected to take about four years. According to Shell, construction of the plant is expected to generate 10,000 jobs, and once it is operational, the operation will require several hundred full-time employees. The Beaver County site was selected over competing sites in Ohio and West Virginia for its access to rivers, rail, and highways.

To the extent that shale gas production leads to population and employment growth in the MSA during the period of this forecast, it can reasonably be considered a net positive with regard to air travel demand at the Airport and at several smaller airports in western Pennsylvania.

Local Attractions and Conventions

Located among scenic hills at the confluence of the Allegheny, Monongahela, and Ohio rivers, Pittsburgh and its surrounding region offer numerous popular attractions and local activities. Andrew Carnegie, a late 19th-century industrialist and steel magnate, endowed several highly renowned museums in the MSA, including the Carnegie Museum of Art, the Carnegie Museum of Natural History, and the Carnegie Science Center. The city is also home to the Andy Warhol Museum—the mid-20th century visual artist was born in Pittsburgh.

In terms of performing arts, the MSA is home to the Pittsburgh Symphony Orchestra, the Pittsburgh Opera, the Pittsburgh Ballet, and several theatres. The University of Pittsburgh and Carnegie Mellon University feature active arts, theater, and musical communities.

With respect to sporting activities, the MSA is home to three major league professional sports teams: (1) Pittsburgh Steelers football team, (2) Pittsburgh Pirates baseball team, and (3) Pittsburgh Penguins hockey team. At the college level, the University of Pittsburgh Panthers compete within the Big East Conference (moving to the Atlantic Coast Conference in 2012) in a number of sports, including football, basketball, baseball, and volleyball.

Conventions and tradeshows are hosted at the David L. Lawrence Convention Center, situated on a former brownfield site near downtown Pittsburgh. Featuring more than 300,000 square feet of exhibition space, 52 meeting rooms, and a 30,000-square foot ballroom, the facility is one of the largest LEED-certified "green" buildings in the world according to the Greater Pittsburgh Convention & Visitors Bureau.*

*Leadership in Energy and Environmental Design (LEED) certification was developed by the U.S. Green Building Council and recognizes sustainable, environmentally friendly construction techniques.

ECONOMIC OUTLOOK

National Economy

The near-term economic outlook for the nation depends on the nature of the recovery from the 2008-2009 recession. The recession began in December 2007, triggered by a contraction in real-estate markets and increases in energy and other commodity prices. As the economy weakened and real-estate values declined, the values of mortgage-backed securities fell. In mid-2008, mortgage-related problems at some large investment and commercial banks triggered a credit crisis in the United States, which quickly affected the economies of other nations and resulted in global economic recession.

Between the fourth quarter of 2007 and the second quarter of 2009, the U.S. economy, as measured by real GDP, contracted 4.1%. National GDP growth resumed in the second half of 2009, but economic growth since then has not been strong enough to replace the jobs lost during the 2008-2009 recession. Recovery from the recession continues to be slow.

Continued economic recovery nationwide will depend on, among other factors, recovery in the real estate sector, the effectiveness of fiscal and monetary stimuli, the health of the financial and credit markets, the strength of the U.S. dollar versus other currencies, stable energy prices, the ability of the federal government to reduce historically high deficits, and inflation remaining within the range targeted by the Federal Reserve.

There is considerable variance in the projected pace of U.S. economic growth among economic forecasters. In November 2011, the Federal Open Market Committee released a forecast envisaging national GDP growth of 2.5-2.9% in 2012, 3.0-3.9% in 2013-2014, and 2.4-2.7% thereafter. In January 2012, the Congressional Budget Office forecast national real GDP to grow 2.2% in 2012, 1.0% in 2013, and 4.0% per year, on average, in the years 2014 through 2017. The only thing economists can agree upon is that is there is considerable uncertainty regarding the prospects for national and global economic growth in the near-term.

In August 2011, Standard & Poor's lowered the U.S. long-term sovereign credit rating from 'AAA' to 'AA+', citing Congressional and administration difficulties in effectively addressing national fiscal imbalances. The credit downgrade contributed to subsequent volatility in stock markets worldwide. As a result of the credit downgrade, debate over the national debt ceiling, and other global economic concerns, including the European debt crisis and a catastrophic earthquake in Japan in March 2011, there was increased discussion of a possible second recession in the U.S. economy.

MSA Economy

The economy of the MSA seems to have weathered the recent economic recession better than many other regions of the United States. In December 2011, the Pittsburgh Business Times reported that the MSA was one of only five U.S.

metropolitan areas that had more jobs in October 2011 than in October 2001, based on analysis of U.S. Bureau of Labor Statistics data. The other four metropolitan areas were in Texas.

Woods & Poole Economics, a Washington, D.C.-based firm specializing in long-term demographic and economic projections, projects continued growth in population (+0.1% per year) and employment (+0.9% per year) in the MSA during the forecast period, i.e. in the years 2012 through 2017. In its fourth quarter 2011 Pittsburgh Market Outlook publication, PNC Financial Services (which is headquartered in the MSA) cited the MSA's universities as generators of a steady flow of skilled labor into the local economy. PNC also pointed to Marcellus Shale gas drilling operations as a potential positive influence on the future of the region's economy.

The favorable long-term outlook for the MSA economy is based on its competitive advantages: a skilled and educated population, a diverse and stable local economy, attractive and affordable surroundings, and several promising evolving industries, including life sciences, energy, and advanced manufacturing.

AIRPORT OVERVIEW

Through the late 1990s, the Airport served as the primary connecting hub airport in the route system of US Airways. The number of passengers enplaned at the Airport increased from approximately 5.7 million in 1980 to more than 10 million per year during the 1995-1998 peak period, as US Airways increased its level of service and connecting passenger flows. However, in the fall of 2002, US Airways significantly cut back flights at PIT while it started to build up its hubs in Philadelphia and Charlotte. Through its first and second rounds of Chapter 11 bankruptcy and reorganization (August 11, 2002 and September 12, 2004), US Airways gradually dismantled its Pittsburgh hub. Although no legacy airlines abandoned the Pittsburgh market, none of them replaced the lost hubbing activity. As a result, passenger levels decreased markedly as connecting traffic disappeared. In the meantime, low-cost carriers (LCCs) introduced service at the Airport and stimulated O&D traffic, which had been suppressed under the high fares offered to PIT passengers by US Airways during its fortress hub period at the Airport.* By early 2012, the Airport has become a spoke on the route networks of US Airways and other competing airlines.

While the net reduction of airline capacity at the Airport resulting from the dismantling of the US Airways hub was substantial—scheduled departing seats in January 2012 are 74% lower than in January 2001—the Airport is not unique in this respect. The past decade has seen several U.S. airline hubs dismantled, often as part of bankruptcy restructuring or airline mergers. Among them are Delta's dismantling of its Cincinnati hub (January 2012 departing seats 79% lower than in

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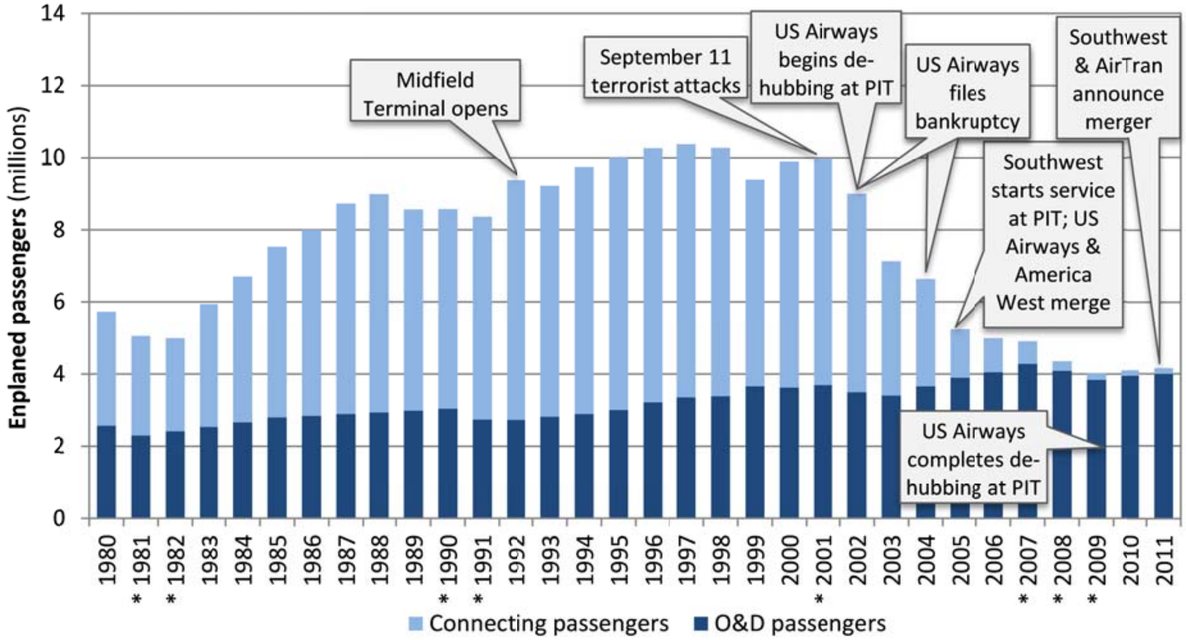
*O&D passengers are those whose flight itineraries originate at, or are destined for, a given airport. Connecting passengers transfer between inbound and outbound flights at the airport.

January 2000), American's dismantling of its St. Louis hub (January 2012 departing seats 67% lower than in January 2001), and Delta's dismantling of its Memphis hub (January 2012 departing seats 52% lower than in January 2001). In many cases, a dismantled hub airport experiences increased airline competition and associated downward pressure on average airfares.

The Airport is classified as a medium hub by the Federal Aviation Administration (FAA)* which ranked the Airport 46th among U.S. airports in 2010 in terms of total enplaned passengers. In terms of 2010 domestic O&D passengers, the Airport ranked 41st in the nation.

Figure 8 illustrates annual enplaned passenger levels at the Airport since 1980.

Figure 8
HISTORICAL ENPLANED PASSENGERS
(calendar years)



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

Source: Allegheny County Airport Authority.

Between 2000 and 2010, while origin-destination (O&D) passengers increased modestly at the Airport, connecting passengers declined from 6.3 million to 155,000. In 2010, the Airport's passenger base was 96% O&D and 4% connecting. Of the

*The FAA defines a medium hub as an airport accounting for at least 0.25%, but less than 1.0%, of total annual passengers enplaned at U.S. airports.

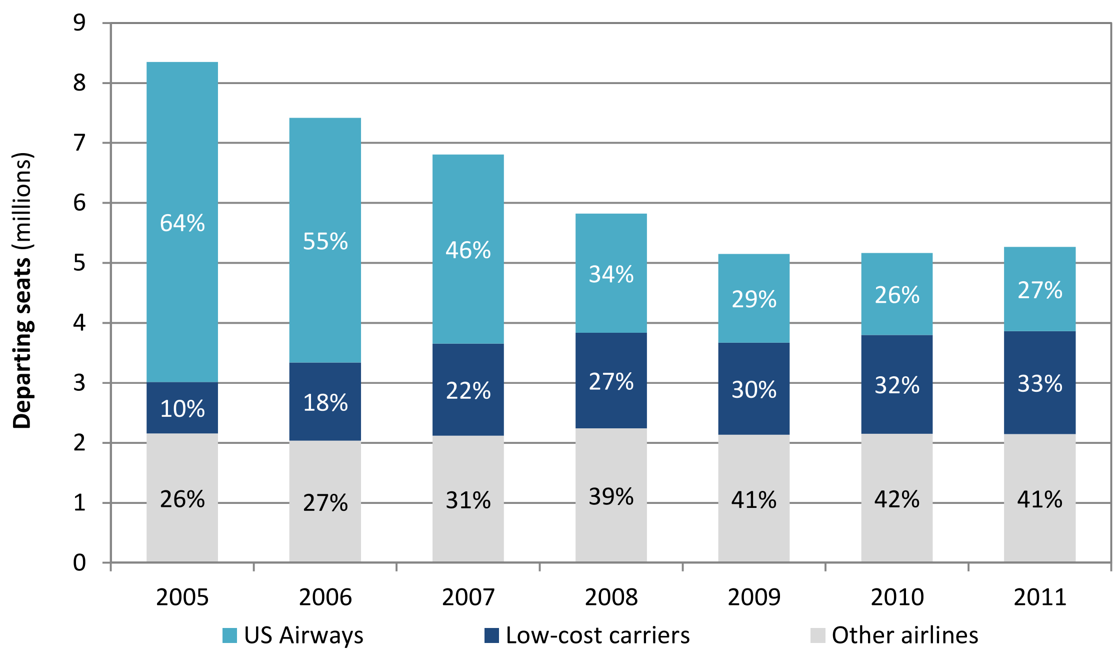
O&D passengers, more than 90% were domestic passengers. International O&D passengers were bound primarily to and from Canada.

Given that the base of passenger traffic at the Airport now consists largely of domestic O&D passengers, the remainder of this section will focus primarily upon domestic O&D passengers.

AIRLINE SERVICE

Figure 9 shows the number of scheduled departing seats at the Airport between 2005 and 2011. Legacy and other airlines, as a group, maintained capacity levels in the range of 1.8 to 2.2 million annual departing seats. LCC growth, namely, the launch of service at the Airport by Southwest in 2005, JetBlue in 2006, and Frontier in 2010, was a significant source of capacity backfill to US Airways service reductions.

Figure 9
SCHEDULED DEPARTING SEATS, BY AIRLINE TYPE
Pittsburgh International Airport
(calendar years)



Source: Official Airline Guide, Inc., accessed December 2011.

The number of seats declined at the Airport between 2005 and 2007 due to the loss of US Airways connecting service. The decline in 2008 and 2009 reflects the global financial crisis and recession, which affected virtually every U.S. airport. Between 2009 and 2011, the number of seats increased 2% at the Airport. The U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) approximately 4% in 2008 and an additional 8% in 2009 before increasing capacity 2% in 2010 and 1% in 2011.

In 2011, 27% of scheduled departing seats at the Airport were offered by US Airways, 33% by LCCs, and 41% by the group of legacy and other airlines.

Domestic

Figure 10 shows the cities served nonstop by scheduled daily flights at the Airport in January 2012. Most of the destination airports are either legacy airline hubs or LCC "focus cities." These hubs and focus cities together account for approximately 90% of scheduled departing seats at the Airport—a service pattern characteristic of many medium hub airports.

On March 5, 2012, charter airline Direct Air, which has served the Airport since 2007, announced its intention to launch three-times-weekly service from the Airport to Lakeland, Florida beginning in May 2012. However, Direct Air abruptly suspended its systemwide operations on March 13 for undisclosed reasons and on March 15 filed for Chapter 11 bankruptcy, with unknown implications for the future of its service at the Airport.

PeoplExpress, a startup discount airline, has announced its intention to serve the Airport with four to six daily flights beginning in August 2012. As of March 2012, however, the airline was still pursuing federal approval to begin flying.

International

In the first quarter of 2012, two international destinations are served nonstop from the Airport: Toronto (Air Canada) and Paris (Delta). USA 3000 (an airline affiliate of Apple Vacations), which had previously served Cancun, Mexico, and the Dominican Republic from the Airport, announced a cessation of all flight operations effective January 30, 2012.

Delta introduced nonstop service between Pittsburgh and Paris in June 2009. The Authority agreed to assist with marketing the flight for up to 2 years while the state and a local business group agreed to cover certain financial losses during the same period. Delta suspended the flight from October 29, 2011 to March 23, 2012 because of low seasonal demand, but is scheduled to resume service with four weekly flights on March 24 without financial guarantees. The Airport is one of only eight medium hubs nationwide with nonstop service to Europe. The Paris flight provides connections with many other cities in Europe, Africa, and the Mideast via Delta's SkyTeam alliance partners.

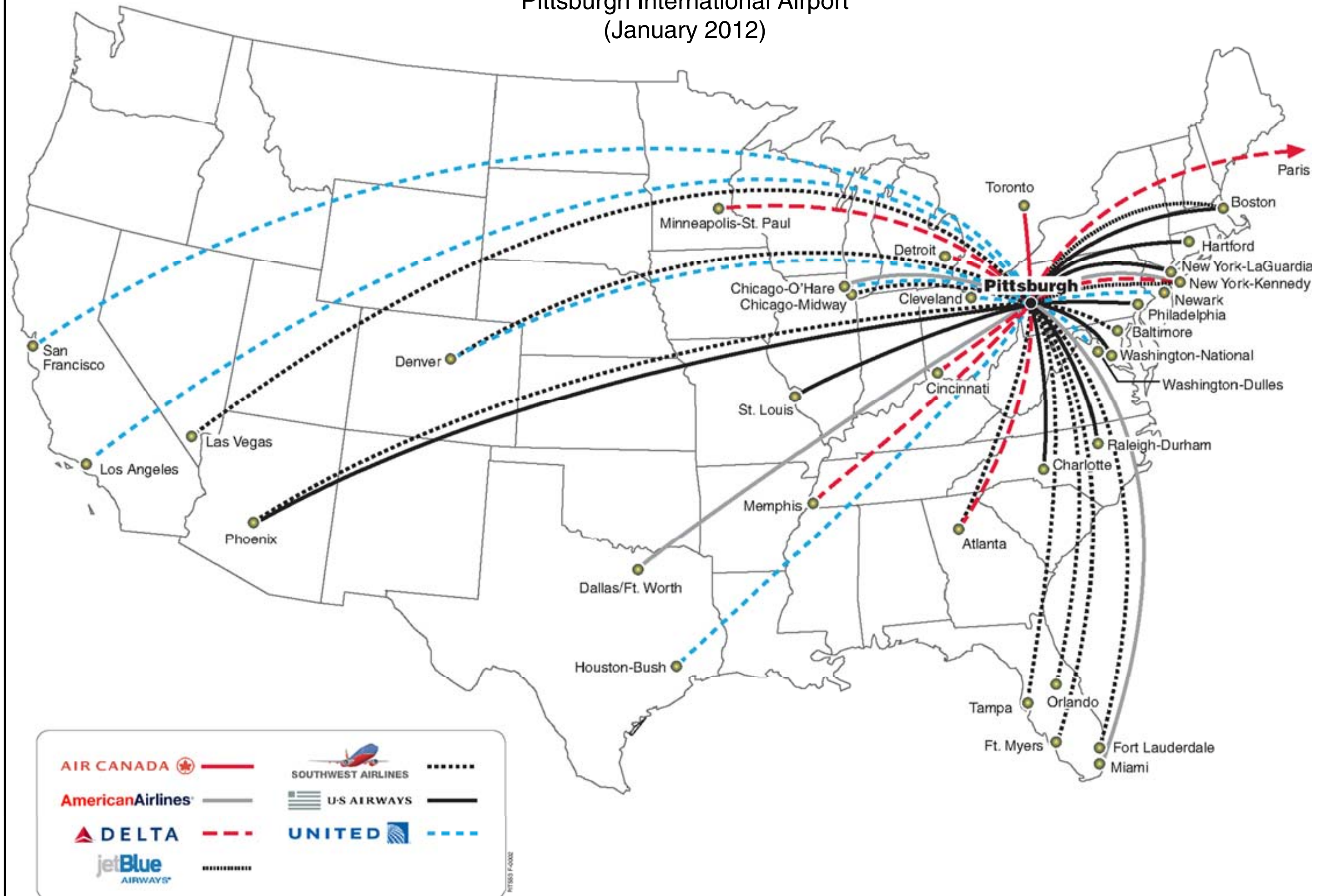
The majority of international travelers depart the Airport on domestic flights, connecting via other U.S. gateway airports with international flights to their foreign destinations. In 2010, international flights at Atlanta, Philadelphia, Charlotte, Chicago, Newark, New York, and Washington, DC were used by more than 75% of all international travelers at the Airport who connected via other U.S. gateways.

Figure 10

U.S. AIRPORTS SERVED BY DAILY SCHEDULED ROUNDTRIP NONSTOP PASSENGER FLIGHTS

Pittsburgh International Airport

(January 2012)



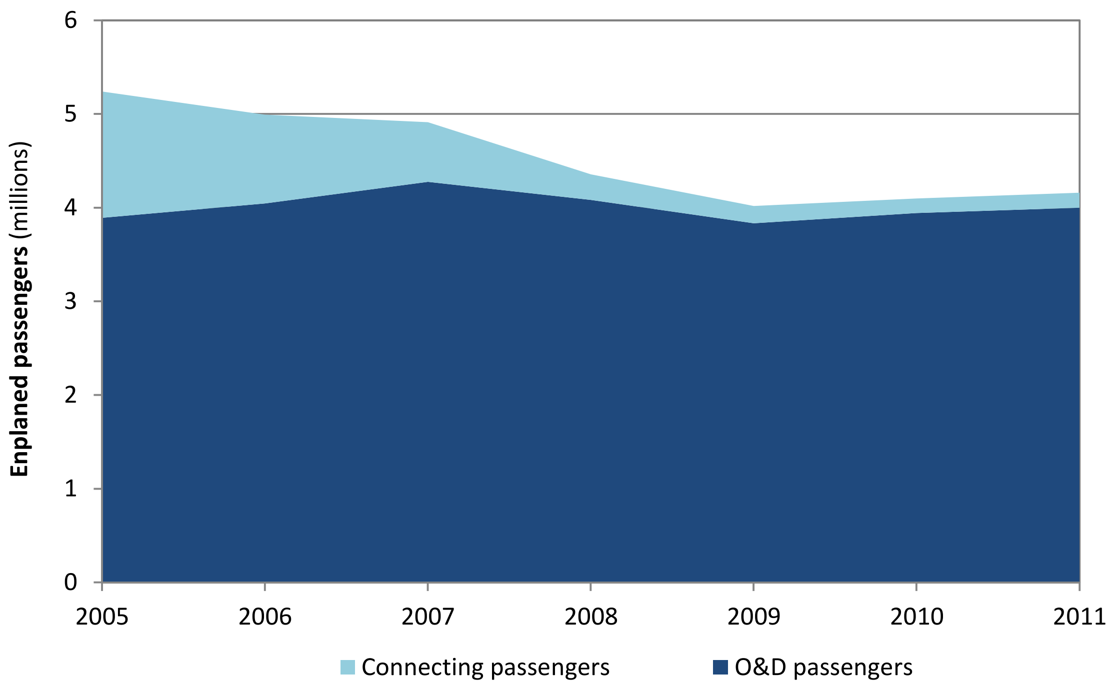
Note: In January 2012, Southwest and Frontier ceased service to Philadelphia and Milwaukee, respectively. AirTran is included with Southwest; Continental is included with United.

Source: Official Airline Guide, Inc., accessed January 2012.

AIRLINE PASSENGER TRENDS

Figure 11 illustrates trends in O&D and connecting passengers at the Airport between 2005 and 2011. While the number of connecting passengers declined (as noted earlier, due to US Airways' decision to focus on its other hubs), O&D passengers increased from 3.9 million in 2005 to an estimated 4.0 million in 2011.

Figure 11
ENPLANED PASSENGERS, BY O&D AND CONNECTING
Pittsburgh International Airport
(calendar years)



Note: The O&D and connecting split for 2011 was estimated.

Sources: Allegheny County Airport Authority; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

The broad O&D and connecting traffic segments can be further subdivided into smaller, more specific categories. Table 5 shows trends since 2005 in these more detailed traffic segments.

Table 5

ENPLANED PASSENGER HISTORY

Pittsburgh International Airport

(calendar years)

	Domestic enplanements											International enplanements			
	Revenue pPassengers on scheduled flights								Non-Rev. psgrs and other adjustments *(a)*	DOMESTIC TOTAL					TOTAL ENPLANED PSGRS.
	Originating				Connections from:										
	Domestic O&D														
Year	Residents	Visitors	Total	O&D psgrs bound for intl. destns.	Domestic flights	Intl. flights	Total domestic connect.	Total scheduled rev. psgrs.			Intl. O&D *(b)*	Connect. from dom. flights	**INT'L. TOTAL**		
2005	2,057,585	1,492,805	3,550,390	246,630	1,294,425	25,680	1,320,105	5,117,125	43,762	5,160,887	51,416	26,410	77,826	**5,238,713**	
2006	2,135,738	1,584,482	3,720,220	250,570	901,890	22,130	924,020	4,894,810	39,618	4,934,428	34,914	21,820	56,734	**4,991,162**	
2007	2,231,867	1,667,893	3,899,760	261,850	612,405	11,640	624,045	4,785,655	55,937	4,841,592	57,415	11,950	69,365	**4,910,957**	
2008	2,099,464	1,565,056	3,664,520	275,200	268,300	2,210	270,510	4,210,230	90,996	4,301,226	50,976	2,790	53,766	**4,354,992**	
2009	1,977,278	1,459,912	3,437,190	255,690	176,950	3,070	180,020	3,872,900	74,889	3,947,789	65,528	3,620	69,148	**4,016,937**	
2010	2,007,257	1,478,263	3,485,520	275,640	145,270	4,900	150,170	3,911,330	114,370	4,025,700	67,464	5,220	72,684	**4,098,384**	
2011A/E	2,041,671	1,497,507	3,539,178	274,680	150,795	4,830	155,625	3,969,483	113,622	4,083,105	71,819	5,100	76,919	**4,160,024**	
	Percent change from previous year														
2005-06	3.8%	6.1%	4.8%	1.6%	(30.3%)	(13.8%)	(30.0%)	(4.3%)	(9.5%)	(4.4%)	(32.1%)	(17.4%)	(27.1%)	(4.7%)	
2006-07	4.5	5.3	4.8	4.5	(32.1)	(47.4)	(32.5)	(2.2)	41.2	(1.9)	64.4	(45.2)	22.3	(1.6)	
2007-08	(5.9)	(6.2)	(6.0)	5.1	(56.2)	(81.0)	(56.7)	(12.0)	62.7	(11.2)	(11.2)	(76.7)	(22.5)	(11.3)	
2008-09	(5.8)	(6.7)	(6.2)	(7.1)	(34.0)	38.9	(33.5)	(8.0)	(17.7)	(8.2)	28.5	29.7	28.6	(7.8)	
2009-10	1.5	1.3	1.4	7.8	(17.9)	59.6	(16.6)	1.0	52.7	2.0	3.0	44.2	5.1	2.0	
2010-11	1.7	1.3	1.5	(0.3)	3.8	(1.4)	3.6	1.5	(0.7)	1.4	6.5	(2.3)	5.8	1.5	

Note: A=Actual; E=Estimated. Domestic, international, and total figures shown for 2011 represent actual values; the segment breakdown was estimated.

(a) Category includes non-revenue passengers and passengers on charter flights. Negative values tend to result from sampling errors in the DOT *Air Passenger Origin-Destination Survey.*

(b) Category includes passengers on international charter flights, non-revenue international passengers, and international-to-international connecting passengers.

Sources: Actual—Allegheny County Airport Authority; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1. Estimated—LeighFisher.

Passenger Traffic by Airline

Table 6 presents the airline shares of enplaned passengers at the Airport in 2005, 2008, 2010, and 2011. Southwest (including its AirTran merger partner) accounted for 29.0% of total enplaned passengers at the Airport in 2011, followed by US Airways and its regional affiliates with 25.0%. In 2005, US Airways and its regional affiliates accounted for 60.3% of the Airport's enplanements.

The number of enplaned passengers increased 1.5% at the Airport in 2011, relative to 2010. This growth was largely attributable to passenger increases for Delta and American that more than offset declines for US Airways, United, and Frontier.

Table 6

AIRLINE SHARES OF ENPLANED PASSENGERS

Pittsburgh International Airport

(calendar years; listed in descending order by 2011)

Published airline	2005	2008	2010	2011
Total	**5,238,713**	**4,354,992**	**4,098,384**	**4,160,024**
Southwest/AirTran	479,848	998,870	1,211,235	1,206,731
Southwest	*286,253*	*734,217*	*750,520*	*789,483*
AirTran	*193,595*	*264,653*	*460,715*	*417,248*
US Airways *(a)*	3,158,709	1,433,463	1,061,111	1,038,200
Delta *(b)*	613,934	746,312	691,169	726,664
United *(c)*	506,259	663,791	673,446	657,588
American	207,700	228,383	241,369	303,736
JetBlue	-	98,851	121,502	127,505
Frontier	-		35,877	25,309
Air Canada	14,514	20,925	19,595	22,508
Myrtle Beach Direct Air	-	13,869	17,865	20,169
Charter flights	19,073	19,554	15,706	16,244
USA 3000	110,653	90,502	9,509	15,370
All Other	128,023	40,472	-	-
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Southwest/AirTran	9.2%	22.9%	29.6%	29.0%
Southwest	*5.5*	*16.9*	*18.3*	*19.0*
AirTran	*3.7*	*6.1*	*11.2*	*10.0*
US Airways *(a)*	60.3	32.9	25.9	25.0
Delta *(b)*	11.7	17.1	16.9	17.5
United *(c)*	9.7	15.2	16.4	15.8
American	4.0	5.2	5.9	7.3
JetBlue	-	2.3	3.0	3.1
Frontier	-	-	0.9	0.6
Air Canada	0.3	0.5	0.5	0.5
Myrtle Beach Direct Air	-	0.3	0.4	0.5
Charter flights	0.4	0.4	0.4	0.4
USA 3000	2.1	2.1	0.2	0.4
All Other	2.4	0.9	-	-

Notes: Passengers reported by regional affiliates have been grouped with their respective code-sharing partners.
Percentages may not add to 100% because of rounding.

(a) America West is included here with US Airways for all years shown, although the merger with US Airways occurred in October 2005.

(b) Northwest Airlines is included here with Delta for all years shown, although the merger with Delta occurred in October 2008.

(c) Continental Airlines is included here with United for all years shown, although the merger with United occurred in May 2010.

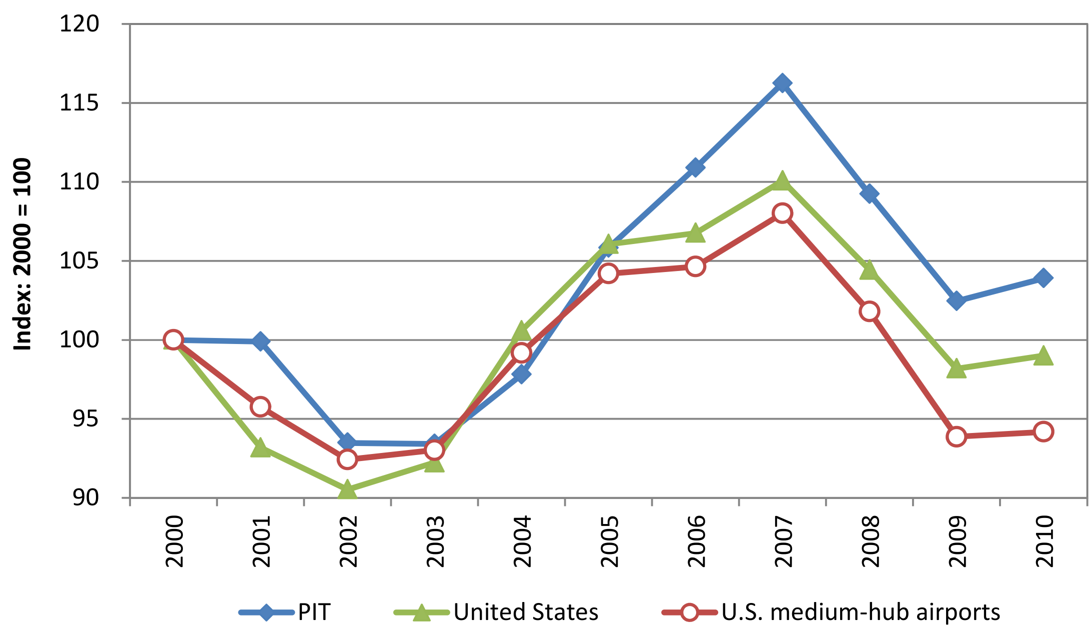
Source: Allegheny County Airport Authority.

Domestic O&D Passengers

In 2011, approximately 88% of enplaned passengers at the Airport were domestic O&D passengers; the remainder was O&D passengers bound for international destinations (8%) and connecting passengers (4%). Figure 12 shows that, since 2000, the trend in domestic O&D passengers at the Airport has broadly mirrored national trends, i.e., a decline following the September 2001 terrorist attacks and 2001 economic recession, strong growth through the middle years of the decade, and another decline during the 2008-2009 economic recession.

Over the past decade, domestic O&D traffic at the Airport has proven more resilient than at its peer airports. In overall terms, domestic O&D passenger growth at the Airport from 2000 to 2010 (+3.9%) outperformed both the national trend (-1.0%) as well as the trend for all U.S. medium hub airports taken together (-5.8%).

Figure 12
COMPARATIVE INDEX OF DOMESTIC O&D PASSENGERS
Pittsburgh International Airport
(calendar years)



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

Table 7 shows passenger trends since 2005 in the Airport's top 20 domestic O&D markets. The Airport's top 20 markets together account for more than two-thirds of total domestic O&D passengers.

A 5% increase in domestic O&D passengers in the first 6 months of 2011, relative to the corresponding period of 2010, was partly attributable to a 28% increase in passengers to and from the Boston market—a competitive route on which JetBlue expanded its service offering.

Nineteen of the Airport's top 20 domestic O&D passenger markets were served nonstop in January 2012. The one top 20 market that did not have nonstop service in January 2012, Milwaukee, will see the return of nonstop service in May 2012 by Frontier. AirTran discontinued is nonstop service to Milwaukee in January 2012 and Frontier temporarily suspended its Milwaukee service the same month. Three of the markets (New York, Chicago, and Washington DC) were served by three or more airlines, while an additional five markets were served by two airlines. Airline competition on a route tends to exert downward pressure on airfares charged.

Table 7

OUTBOUND DOMESTIC O&D PASSENGERS IN THE TOP 20 CITY MARKETS

Pittsburgh International Airport

(ranked on calendar year 2010 O&D passengers)

Rank	City market / *Airport*	Scheduled service *(a)*: Airlines offering nonstop service	Scheduled service *(a)*: Average daily flight departures	Outbound domestic O&D passengers: Calendar years 2005	Calendar years 2010	January-June 2010	January-June 2011
1	New York	AA,B6,DL,UA,US	19	187,360	279,320	130,620	126,810
	LaGuardia	*US*	*8*	*91,760*	*129,780*	*60,370*	*58,860*
	Kennedy	*AA,B6,DL*	*7*	*12,320*	*99,140*	*45,720*	*45,380*
	Newark	*UA*	*4*	*83,280*	*50,400*	*24,530*	*22,570*
2	Orlando	WN	5	254,670	238,180	120,220	126,890
3	Chicago *(b)*	AA,UA,WN	13	231,460	193,090	88,690	87,540
4	Philadelphia	US	10 *(h)*	194,630	173,350	83,110	82,190
5	Boston	B6,US	6	79,540	154,930	62,660	80,410
6	Atlanta	DL,WN	12	159,200	138,890	61,800	66,390
7	Las Vegas	WN	2	146,490	130,940	65,730	67,540
8	Tampa	WN	3	108,520	127,710	64,660	68,720
9	Fort Lauderdale	WN	2	119,420	122,500	63,850	61,830
10	Los Angeles *(c)*	UA	1	129,730	119,960	53,980	58,390
11	Dallas *(d)*	AA	4	86,910	91,360	41,170	50,260
12	San Francisco *(e)*	UA	1	92,630	87,420	39,820	41,620
13	Phoenix	US,WN	3	73,050	85,840	43,270	44,740
14	Houston *(f)*	UA	4	69,340	83,530	37,490	42,580
15	Fort Myers	WN	2	70,190	79,960	42,720	45,430
16	Washington DC *(g)*	UA,US,WN	12	108,500	78,630	38,270	35,970
17	Denver	UA,WN	3	69,630	66,910	30,080	32,170
18	Charlotte	US	7	40,720	50,850	23,570	27,120
19	Minneapolis-St. Paul	DL	4	47,840	50,200	22,780	23,350
20	Milwaukee	-	0 *(h)*	22,710	49,220	23,120	19,690
	Total—top 20 markets		**112**	**2,292,540**	**2,402,790**	**1,137,610**	**1,189,640**
	Other markets		21	1,257,850	1,082,730	501,070	533,690
	Total—all markets		**134**	**3,550,390**	**3,485,520**	**1,638,680**	**1,723,330**

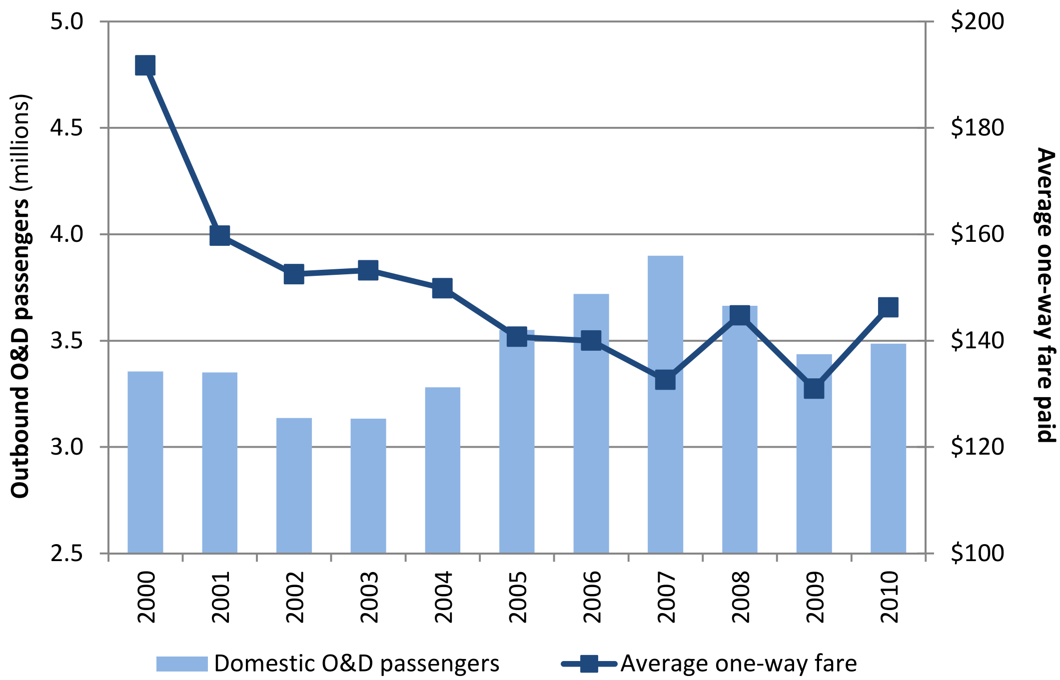
(a) As of January 2012. Carrier legend: AA=American, B6=JetBlue, DL=Delta, UA=United/Continental, US=US Airways, WN=Southwest/AirTran.
(b) Market includes Midway and O'Hare airports.
(c) Market includes Burbank, Long Beach, Los Angeles, Ontario, and Santa Ana airports.
(d) Market includes Dallas/Fort Worth Airport and Love Field.
(e) Market includes Oakland, San Francisco, and San Jose airports.
(f) Market includes Bush and Hobby airports.
(g) Market includes Baltimore, Dulles, and Reagan airports.
(h) In January 2012, Southwest and Frontier ceased service to Philadelphia and Milwaukee, respectively.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; Official Airline Guide, Inc., accessed January 2012.

Domestic Airfares

Figure 13 shows domestic O&D passenger volumes and average level of domestic airfares paid at the Airport in each year from 2000 to 2010.* The average nominal domestic one-way airfare paid at the Airport decreased approximately $45 (24%) over the period. Considering general inflation and the fact that passenger trip distances at the Airport *increased* 18%, on average, between 2000 and 2010, actual consumer savings were even greater. The decline in average fares paid results largely from the loss of US Airways' pricing power coincident with the dismantling of its hubbing operation, and the downward pressure on fares resulting from the expanding presence of LCCs (mostly Southwest) at the Airport.

Figure 13
DOMESTIC O&D PASSENGERS AND AVERAGE FARE PAID
Pittsburgh International Airport
(calendar years)



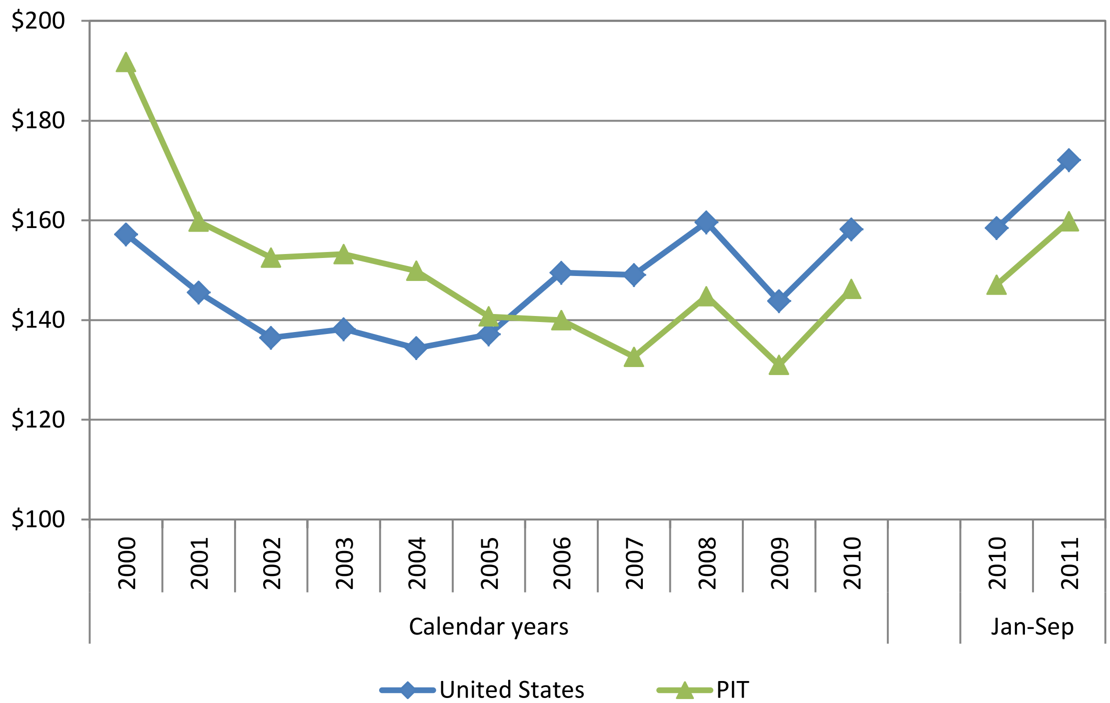
Note: Average one-way fares shown are net of all taxes, fees, and PFCs, and exclude ancillary fees charged by the airlines.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

*The fares that airlines report to the U.S. DOT are exclusive of many ancillary charges (fees for checked baggage and preferred aircraft seating, for example) and, given the rapid rise in such fees beginning in 2008, have increasingly understated the consumer's real cost of airline travel.

Figure 14 compares the trend in average domestic airfares paid at the Airport to the nationwide trend. While Airport and national trends largely mirrored each other between 2000 and 2004, and again between 2007 and the present, they contrasted sharply between 2004 and 2007. During that 3-year period, while average fares paid at the national level increased 11%, driven by rising fuel costs and broad airline capacity restraint, at the Airport they decreased 11%, as US Airways reduced its presence and LCCs added service.

Figure 14
COMPARISON OF AVERAGE ONE-WAY FARE PAID
Pittsburgh International Airport and All U.S. Airports
(calendar years, unless otherwise noted)



Note: Average one-way fares shown are net of all taxes, fees, and PFCs, and exclude ancillary fees charged by the airlines.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Major Airports within 200 Miles

Table 8 shows passenger and airfare statistics for the three major airports within a 200-mile drive of the Airport, namely, Akron-Canton, Cleveland, and Columbus. While Akron-Canton is within a 2-hour drive of Pittsburgh, and average airfares paid there are slightly lower, there is no evidence that Akron-Canton's domestic O&D passenger gain since 2000 came at the Airport's expense. Given Cleveland's closer proximity to Akron-Canton, and the fact that Cleveland's passengers declined between 2000 and 2010, Akron-Canton likely gained at Cleveland's expense.

Table 8
MAJOR AIRPORTS WITHIN A 200-MILE DRIVE
(calendar year 2010)

	Pittsburgh	Akron-Canton	Cleveland	Columbus
Drive distance (miles)	--	86	126	177
Drive time (h:mm)	--	1:52	2:13	3:12
Domestic O&D passengers	**3,485,520**	719,250	2,875,090	2,833,480
% change from 2000	***3.9%***	*92.3%*	*-28.3%*	*-9.3%*
Average one-way fare	**$146**	$134	$170	$145
Average passenger trip (miles)	**1,005**	964	1,010	979
Average one-way yield (cents per mile)	**14.6**	13.9	16.9	14.8

Note: Drive distance and time represent shortest route (in miles) according to Google maps.

Source: Google maps; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Cleveland and Columbus are approximately 2 and 3 hours, respectively, from the Airport. Both airports experienced declines in domestic O&D passengers between 2000 and 2010. The average domestic fare paid at the Airport in 2010 was comparable to, or less than, fares paid, on average, at the two Ohio airports. After having lost passengers to the Cleveland airport in the 1990s due to its lower airfares, it is believed that, with the Airport's decline in average airfares since 2000, the Airport has recaptured most, if not all, of these passengers.

In general, then, the Airport faces little competition for passengers in its airport service region.

CARGO TONNAGE TRENDS

Table 9 shows that air cargo tonnage declined 7.5% at the Airport between 2005 and 2011, better than an estimated 13.5% decline in total North American cargo tonnage over the same period.

In 2011, all-cargo airlines handled 90.7% of the air cargo tonnage at the Airport, with passenger airlines accounting for the remainder.

Table 9
TOTAL AIR CARGO TONNAGE HANDLED
Pittsburgh International Airport
(calendar years; cargo in tons)

Year	Passenger airlines	% of total	All-cargo airlines	% of total	Total	% Change from prev. year
2005	8,411	8.8	86,665	91.2	95,076	
2006	8,392	9.0	84,971	91.0	93,364	(1.8%)
2007	6,204	6.7	86,699	93.3	92,903	(0.5)
2008	7,397	8.1	83,691	91.9	91,089	(2.0)
2009	6,190	7.8	73,159	92.2	79,348	(12.9)
2010	7,278	8.5	77,983	91.5	85,261	7.5
2011	8,216	9.3	79,756	90.7	87,972	3.2

Note: Includes enplaned and deplaned freight and mail.

Source: Allegheny County Airport Authority.

AIRCRAFT LANDED WEIGHT TRENDS

Table 10 shows annual aircraft landed weight at the Airport between 2005 and 2011. Over the 6-year period, landed weight declined by 34%, reflecting the loss of US Airways connecting service and the recession-related decline in cargo activity. In 2011, passenger airlines accounted for 92.7% of total landed weight, while all-cargo carriers accounted for the remaining 7.3%.

Table 10
AIRCRAFT LANDED WEIGHT
Pittsburgh International Airport
(calendar years; landed weight in millions of pounds)

Year	Passenger airlines	% of total	All-cargo airlines	% of total	Total	% Change from prev. year
2005	7,750.8	94.5	452.2	5.5	8,203.0	
2006	6,870.6	93.8	452.4	6.2	7,323.0	(10.7%)
2007	6,280.9	93.0	472.3	7.0	6,753.2	(7.8)
2008	5,458.7	93.1	403.6	6.9	5,862.3	(13.2)
2009	4,856.0	92.7	381.3	7.3	5,237.3	(10.7)
2010	4,852.5	92.3	404.5	7.7	5,257.1	0.4
2011	5,046.2	92.7	398.7	7.3	5,444.9	3.6

Source: Allegheny County Airport Authority.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the economy and demographics of the MSA, discussed earlier, key factors that will affect airline traffic at the Airport include:

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

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger numbers during those years. The 2008-2009 recession and associated unemployment reduced discretionary income and contributed to reduced airline travel demand in those years.

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

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly Southwest and US Airways, to make the necessary investments to continue providing service.

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

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, US Airways, United Airlines, Delta Air Lines, Northwest Airlines, Hawaiian Airlines, ATA Airlines, Aloha Airlines, and Independence Air filed for bankruptcy protection. As noted earlier, US Airways filed twice for bankruptcy protection during this period.

In 2006 and 2007, the U.S. passenger airlines as a whole were profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the airlines experienced a financial crisis. As a result, they grounded older, less fuel-efficient aircraft, adopted fuel-saving operating practices, hedged fuel requirements, reduced scheduled seat capacity, eliminated unprofitable routes, laid off employees, reduced employee compensation, reduced other nonfuel expenses, increased airfares, and imposed ancillary fees and charges. The U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) approximately 4% in 2008 and an additional 8% in 2009 before increasing capacity 2% in 2010 and 1% in 2011.

In 2010, the U.S. passenger airline industry, as a whole, regained profitability by increasing capacity slightly, increasing airfares, achieving record-high load factors, controlling nonfuel operating expenses, and increasing ancillary revenues. In November 2011, however, the parent company of American Airlines filed for bankruptcy, citing high labor, capital, and fleet costs relative to its competitors.

Sustained industry profitability will depend on economic growth to support travel demand, reasonable fuel costs, and continued capacity restraint, among other factors. Any further financial losses could cause additional U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of one or more of the large network airlines could drastically affect airline service, particularly at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

Airline Service and Routes

The Airport serves as a gateway to the Pittsburgh MSA. The number of origin and destination passengers depends on the propensity of its residents to travel by air and the intrinsic attractiveness of the Airport Service Region as a business and leisure destination. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport. Most full-fare mainline airlines have emphasized the development of hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability. The Airport serves almost exclusively O&D passengers, no longer serves as a hub for any airline, and is no longer dependent on connecting passengers.

Airline Competition and Airfares

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

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 14.7 cents per passenger-mile. In 2009, yields again decreased, but in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 14.2 cents per passenger-mile. Beginning in 2006, an array of new "ancillary" charges were introduced by most airlines for services such as checked baggage, in-flight meals, and preferred seating, thereby increasing the effective price of airline travel more than these yield figures indicate.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In September 2005, US Airways and America West merged. In October 2009, Republic Airways Holdings completed purchases of Frontier and Midwest airlines and now operates the combined airline under the Frontier name. In December 2009, Delta and Northwest completed their merger.

United and Continental merged in October 2010 and received a single operating certificate in November 2011, creating the largest airline in the world as measured by domestic and international seat-miles. Southwest and AirTran merged in May 2011 and received a single operating certificate in March 2012, creating the largest U.S. domestic airline as measured by numbers of enplaned passengers. Various other airline merger combinations have been rumored. Any further airline consolidation could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

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

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices fell sharply in the second half of 2008 as demand declined worldwide, but have since increased as global demand has increased and the U.S. dollar has weakened. In 2011, political instability and conflicts in North Africa and the Middle East contributed to further volatility in fuel prices.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to remain high relative to historical levels and to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

Aviation fuel prices will continue to affect airfares, passenger numbers, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

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

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected airline travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In April 2010, airspace and airports in much of Europe were closed for 6 days because of the threat to flight safety of the ash cloud from the eruption of Iceland's Eyjafjallajökull volcano. In March 2011, airline travel to and from Japan decreased following a destructive earthquake and tsunami.

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

Capacity of the National Air Traffic Control System

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

Capacity of the Airport

Given that the Airport accommodated substantially more flight operations and passenger traffic than it currently does at the peak of US Airways' hubbing operation approximately 10 years ago, traffic growth will not be constrained by the Airport's capacity during the forecast period.

TRAFFIC FORECASTS

Forecasts of airline traffic at the Airport through 2017 were developed taking into account analyses of the demographic and economic basis for airline traffic, trends in historical traffic, and key factors likely to affect future traffic, all as discussed in earlier sections.

Underlying Assumptions

The passenger forecast is predicated upon several assumptions, including:

- O&D passenger levels at the Airport will increase as a function of: (1) increases in population, employment, and income in the MSA, (2) growth in visitor (business and leisure) demand for the MSA, and (3) the general economic health of the MSA and the nation, more broadly.

- The U.S. economy will recover from the recession and experience growth in gross domestic product, accelerating from 2.2% to 4.0% per year in the years 2012 through 2017, in line with projections developed by the Congressional Budget Office.

- The economy of the MSA will grow in line with national growth rates, benefited by continued growth in the fields of education, health care, technology, and natural resources (i.e., Marcellus Shale gas production).

- The airlines currently serving the Airport will be financially viable and, together with those airlines that may introduce service in the future, will provide the seat capacity required to accommodate additional demand at the Airport.

- Any airline consolidation that may occur during the forecast period will not have a material impact on the level of passenger activity at the Airport.

- No major airline will establish a hub at the Airport during the forecast period, and connecting passengers will continue to represent a small share of the Airport's total passenger traffic.

- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares.

- The Airport will not lose share of passengers to other regional airports (e.g., Akron-Canton, Cleveland, Columbus) over the forecast period.

- Aviation safety and security at U.S. airports will be maintained by enhanced passenger and baggage screening procedures and other precautions without imposing unreasonable inconveniences that would result in a reduced number of airline travelers using the Airport.

- There will be no major disruption of airline service or traveler behavior at U.S. airports as a result of international political instabilities, hostilities, or terrorist acts or threats.

- Airline service at the Airport will not be constrained by the availability of aviation fuel, airline fleet capacity, the capacity of the air traffic control system or the Airport itself, charges for the use of aviation facilities, or government policies or actions.

Capacity Outlook

An important consideration in the development of the near-term passenger forecast is advance flight schedules published by the airlines. While advance schedules are subject to change, particularly beyond 6 months, and rising or falling load factors (the percentage of airline seats occupied by passengers) can lead to divergent seat vs. passenger trends, published *Official Airline Guide* schedules offer an indication of the likely near-term trajectory of airline activity.

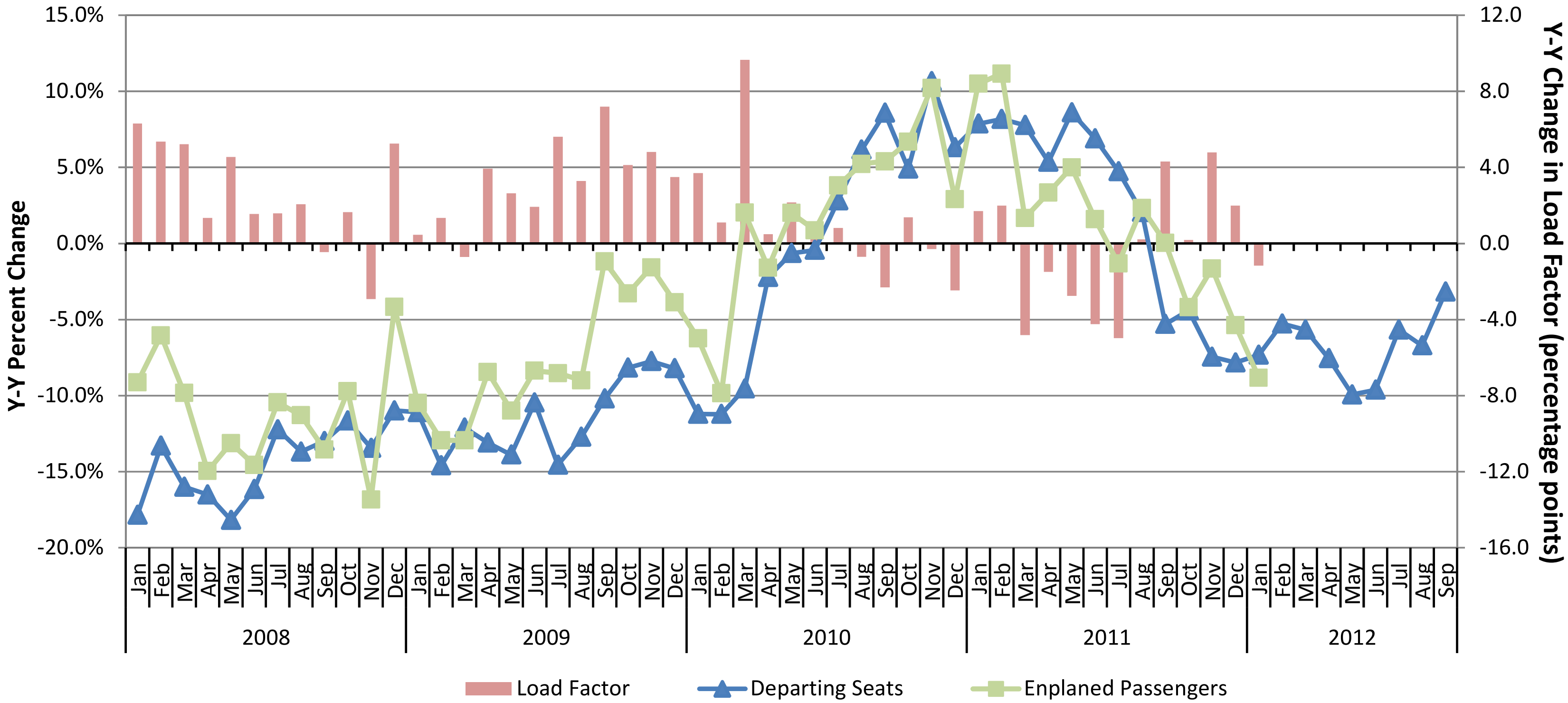
Figure 15 shows that, since 2008, changes in the number of departing seats offered at the Airport have generally correlated with changes in the number of enplaned passengers. The differences between the two metrics are accounted for by changes in passenger load factors.

Notwithstanding generally improving economic conditions, airlines have published flight schedules showing declining seat capacity at the Airport in 2012. Figure 15 illustrates this decline at the Airport during the first 9 months of 2012. In total, published schedules indicate that departing seats at the Airport will be 6.8% lower in the first 9 months of 2012 than in the corresponding period of 2011. Approximately 85% of this decline can be attributed to service terminations on two routes: Philadelphia (by Southwest in January 2012) and Milwaukee (by Southwest in September 2011 and Frontier in January 2012). Since its termination of service to Milwaukee, Frontier has announced plans to reinstate service in May 2012.

Figure 15

YEAR-OVER-YEAR CHANGES IN DEPARTING SEATS AND PASSENGERS

Pittsburgh International Airport



Sources: Allegheny County Airport Authority; Official Airline Guide, Inc.., accessed January 2012.

Forecast of Enplaned Passengers

The number of departing seats at the Airport is projected to decline 4.7%, year-over-year, in 2012, based in part on advance flight schedules filed by the airlines as of January 2012 (which are subject to change). While passenger load factors are forecast to increase somewhat, the number of enplaned passengers is forecast to decline 3.1% in 2012.

In the years 2013 through 2017, the number of enplaned passengers at the Airport is forecast to increase an average of 1.3% per year, lower than the average rate of growth forecast for the Airport by the Federal Aviation Administration (FAA) over the same period (2.8% per year) in its January 2012 Terminal Area Forecast (TAF).

The number of enplaned passengers at the Airport is forecast to be 4.3 million in 2017. No material shifts in traffic by passenger type (O&D vs. connecting) or sector (domestic vs. international) are envisaged during the forecast period. Table 11 presents historical and forecast enplaned passengers at the Airport by passenger type and sector subtotals. Figure 16 presents the forecast of enplaned passengers graphically.

Table 11
SUMMARY OF ENPLANED PASSENGER TRENDS
Pittsburgh International Airport
(calendar years)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast and the variance could be material.

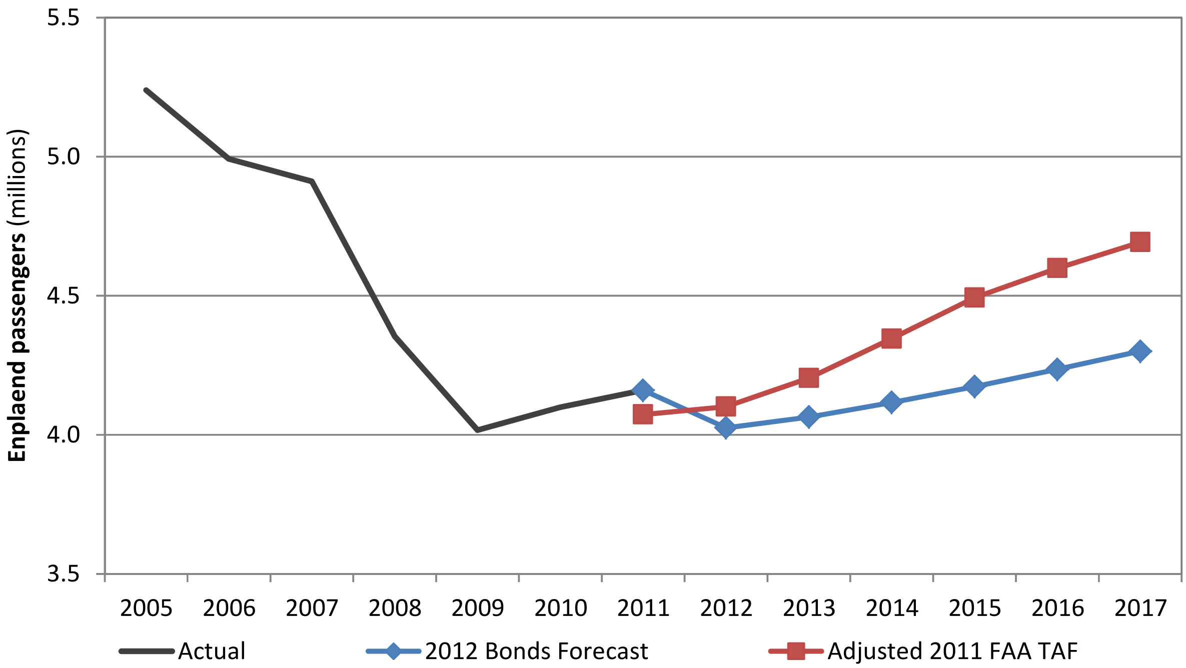
	By type of passengers		By sector		
Year	O&D Passengers	Connecting Passengers	Domestic	International	Total
2005	3,892,198	1,346,515	5,160,887	77,826	5,238,713
2006	4,045,322	945,840	4,934,428	56,734	4,991,162
2007	4,274,962	635,995	4,841,592	69,365	4,910,957
2008	4,081,692	273,300	4,301,226	53,766	4,354,992
2009	3,833,297	183,640	3,947,789	69,148	4,016,937
2010	3,942,994	155,390	4,025,700	72,684	4,098,384
2011A/E	3,999,299	160,725	4,083,105	76,919	4,160,024
2012F	3,869,400	155,600	3,970,000	55,000	4,025,000
2013	3,908,900	155,000	4,007,000	56,900	4,063,900
2014	3,960,000	155,900	4,057,000	58,900	4,115,900
2015	4,015,300	157,600	4,112,000	60,900	4,172,900
2016	4,075,600	159,300	4,172,000	62,900	4,234,900
2017	4,139,000	161,000	4,235,000	65,000	4,300,000
	Percent change from previous year				
2005-06	3.9%	(29.8%)	(4.4%)	(27.1%)	(4.7%)
2006-07	5.7	(32.8)	(1.9)	22.3	(1.6)
2007-08	(4.5)	(57.0)	(11.2)	(22.5)	(11.3)
2008-09	(6.1)	(32.8)	(8.2)	28.6	(7.8)
2009-10	2.9	(15.4)	2.0	5.1	2.0
2010-11A/E	1.4	3.4	1.4	5.8	1.5
2011-12F	(3.2)	(3.2)	(2.8)	(28.5)	(3.2)
2012-13	1.0	(0.4)	0.9	3.5	1.0
2013-14	1.3	0.6	1.2	3.5	1.3
2014-15	1.4	1.1	1.4	3.4	1.4
2015-16	1.5	1.1	1.5	3.3	1.5
2016-17	1.6	1.1	1.5	3.3	1.5

Note: A=Actual; E=Estimated; F=Forecast. Domestic, international, and total figures shown for 2011 represent actual values; O&D and connecting figures shown were estimated.

Sources: Actual—U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; Allegheny County Airport Authority.
Forecast—LeighFisher.

Figure 16
COMPARISON OF ENPLANED PASSENGER FORECASTS
Pittsburgh International Airport
(calendar years, except as noted)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast and the variance could be material.



Notes: For comparability In this chart, the FAA TAF has been interpolated to calendar years and adjusted upward by 2.5% to include estimated non-revenue passengers.

Sources: Actual—Allegheny County Airport Authority.
Forecast—LeighFisher.
TAF—FAA Terminal Area Forecast (TAF), January 2012.

Forecast of Aircraft Landed Weight

The forecast of aircraft landed weight was largely derived from the passenger forecast by projecting load factors and ratios of seats per flight (to derive passenger aircraft flight operations) and average landed weight per flight operation (to derive landed weight). Table 12 shows the aircraft landed weight forecast through 2017.

No material shifts in landed weight by airline category (signatory passenger airline, non-signatory passenger airline, all-cargo carrier) are envisaged during the forecast period, aside from that resulting from the loss of USA 3000 (a non-signatory passenger airline) service in 2012.

Table 12

AIRCRAFT LANDED WEIGHT FORECAST

Pittsburgh International Airport

(calendar years; in millions of pounds)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast and the variance could be material.

	Passenger airlines						
Year	Signatory airlines	% of total	Non-signatory airlines	% of total	All-cargo airlines	% of total	Total
2005	7,526.2	91.7%	224.7	2.7%	452.2	5.5%	8,203.0
2006	6,664.8	91.0	205.9	2.8	452.4	6.2	7,323.0
2007	6,057.8	89.7	223.1	3.3	472.3	7.0	6,753.2
2008	5,234.4	89.3	224.3	3.8	403.6	6.9	5,862.3
2009	4,661.7	89.0	194.3	3.7	381.3	7.3	5,237.3
2010	4,731.0	90.0	121.6	2.3	404.5	7.7	5,257.1
2011A	4,930.0	90.5	116.2	2.1	398.7	7.3	5,444.9
2012F	4,668.4	90.7	90.4	1.8	390.2	7.6	5,149.0
2013	4,708.9	90.7	91.2	1.8	390.2	7.5	5,190.3
2014	4,761.7	90.7	92.2	1.8	394.1	7.5	5,248.0
2015	4,820.2	90.7	93.4	1.8	398.0	7.5	5,311.6
2016	4,887.8	90.8	94.7	1.8	402.0	7.5	5,384.5
2017	4,954.0	90.8	95.9	1.8	406.0	7.4	5,455.9

	Percent change from previous year			
2005-06	(11.4%)	(8.4%)	0.0%	(10.7%)
2006-07	(9.1)	8.4	4.4	(7.8)
2007-08	(13.6)	0.5	(14.6)	(13.2)
2008-09	(10.9)	(13.4)	(5.5)	(10.7)
2009-10	1.5	(37.4)	6.1	0.4
2010-11A	4.2	(4.4)	(1.4)	3.6
2011-12F	(5.3)	(22.2)	(2.1)	(5.4)
2012-13	0.9	0.9	-	0.8
2013-14	1.1	1.1	1.0	1.1
2014-15	1.2	1.3	1.0	1.2
2015-16	1.4	1.4	1.0	1.4
2016-17	1.4	1.3	1.0	1.3

Note: A=Actual; F=Forecast.

Sources: Actual—Allegheny County Airport Authority.
Forecast—LeighFisher.

FINANCIAL ANALYSIS

FRAMEWORK FOR THE AIRPORT'S FINANCIAL OPERATIONS

The Authority was created by the County of Allegheny (the County) as a body corporate and politic under the Municipality Authorities Act of the Commonwealth of Pennsylvania on June 17, 1999. The nine-member Authority Board is appointed by the County Executive of Allegheny County subject to confirmation by a majority of the County Council. The members serve staggered terms.

The Airport is owned by the County and is operated by the Authority under an Operation, Management, and Transfer Agreement and Lease, dated September 16, 1999, that extends to November 15, 2024. The transfer agreement includes two 25-year extension options exercisable at the option of the Authority. Under this agreement, the County transferred to the Authority all of the County's rights, title, and interest in the property used by the County in connection with the operation of the Airport System (Pittsburgh International Airport and Allegheny County Airport). In addition, all contractual rights, obligations, and liabilities pertaining to the Airport System, including revenue and general obligation bonds issued by the County for development of the Airport System, were transferred to the Authority by the County. If the agreement with the County is not extended beyond 2024, the County is required to assume all obligations of the Authority, including the obligation to pay debt service on outstanding bonds from the revenues of the Airport System. Prior to the creation of the Authority, the Airport System was operated by the County's Department of Aviation.

The Authority leases and operates Pittsburgh International Airport, the air carrier airport serving the Pittsburgh metropolitan region, and Allegheny County Airport, which serves as the general aviation reliever airport to PIT. The Airport and the Allegheny County Airport are defined under the Indenture (as defined below) as the Airport System.

The Authority currently employs 434 persons full-time at the Airport and 14 persons full-time at the Allegheny County Airport. In addition, 75 police officers from the County police department are currently assigned to the Airport on a full-time basis.

The financial operations of the Airport System are governed, in large part, by the Indenture and the Airline Operating Agreement and Terminal Building Lease (Airline Operating Agreement) as discussed in the following paragraphs. Also described are the Subordinate Lien Bonds, energy savings loan, other debt not secured by pledged Revenues, the Authority's PFC program, and Gaming Revenues.

Capitalized terms are used as defined in the Indenture, Airline Operating Agreement, or the Preliminary Official Statement related to the 2012 Bonds, dated as of April __, 2012.

Indenture

The 2012 Bonds are being issued under a Indenture between the Authority and Wells Fargo Bank, N.A., dated as of December 1, 1999, as amended and supplemented by the First Supplemental Indenture dated as of July 1, 2001, by the Second Supplemental Indenture dated as of July 15, 2001, by the Third Supplemental and Amending Indenture dated as of August 1, 2002, which was amended and restated by the Amending and Restating Third Supplemental Indenture dated as of November 1, 2006, by the Fourth Supplemental Indenture dated as of October 1, 2007, by the Fifth Supplemental Indenture, dated as of September 1, 2010, and by the Sixth Supplemental Indenture which provides for the issuance of the 2012 Bonds, dated as of May 1, 2012 (collectively the Indenture).

Under the provisions of the Indenture, the 2012 Bonds are to be secured on parity with the 1997, 1999, 2001, 2002, 2007, and 2010 Airport Revenue Bonds, and prior in security and right of payment to the Subordinate Lien Bonds issued under the Indenture, and are payable from Net Revenues (Revenues less Operation and Maintenance Expenses) and certain funds held or set aside under the Indenture. Bonds Outstanding under the Indenture from time to time which are secured by Net Revenues are classified as Senior Lien Bonds.

As of January 2, 2012, the principal outstanding on Senior Lien Bonds was $360,935,000.

Airline Operating Agreement

The Authority has executed an Airline Operating Agreement with AirTran, American Airlines, British Airways (which no longer serves the airport but remains a Signatory Airline), Chautauqua Airlines, Delta Airlines, JetBlue Airways, Mesa Airlines, Republic Airlines, Southwest Airlines, United Airlines, US Airways, and approximately 18 commuter airlines of which most are subsidiaries and affiliates of the carriers named above. Airlines that have executed an Airline Operating Agreement are referred to as the Signatory Airlines.

Most airline space is leased on an exclusive use basis, including ticketing, offices, outbound and inbound baggage areas, gates, VIP lounges and operations space. Gates are leased on an exclusive use basis except that at least one gate for each Signatory Airline must be preferentially assigned. A portion of the inbound baggage space and some corridors between ticketing offices are leased on a joint use or shared use basis. The five international gates in Concourse C are leased on a common use basis. The cost to use the Federal Inspection Services (FIS) facility is $8 per arriving international passenger (as escalated for inflation beginning in 1992).

The Airline Operating Agreement extends to May 8, 2018. Each Airline Operating Agreement is substantially identical except for provisions relating to the Leased Premises and assigned aircraft parking positions for each Signatory Airline. The Signatory Airlines collectively lease 28 of the 49 active jet gates at the Airport's

Midfield Terminal.* The remaining 21 gates are available on a common use basis, of which 5 are Authority-controlled international gates.

Cost Center Structure

For the purposes of structuring the Revenue pledge of the Indenture and the ratemaking procedures of the Airline Operating Agreement, certain cost centers have been established as summarized on Table 13 and illustrated on Figure 17. Included Cost Centers consist of the Landing Area, Terminal Complex Area, Parking and Rental Car Area, Hangar and Field Support Area, the Military Facilities, and the Terminal Ramp Area, as they may be modified in accordance with the Airline Operating Agreement.

Table 13
AIRPORT SYSTEM COST CENTER STRUCTURE
Allegheny County Airport Authority

Direct		Indirect (a)
Included	Excluded	
1. Landing Area 2. Terminal Complex Area 3. Parking and Rental Car Area 4. Hangar and Field Support Area 5. Military Facilities	1. Commercial/Industrial Area 2. Airport Development Area (50% excluded) 3. Cargo Area (50% excluded) 4. Other Aviation Facilities, i.e., Allegheny County Airport (excluded except $250,000 per year escalated)	1. General Support 2. Administrative Services 3. Fire and Crash Rescue Support 4. Security Service 5. Utilities 6. Motorized Equipment 7. Terminal Roadways

(a) Indirect Costs are allocated to both Included and Excluded Cost Centers.
Source: Airline Operating Agreement.

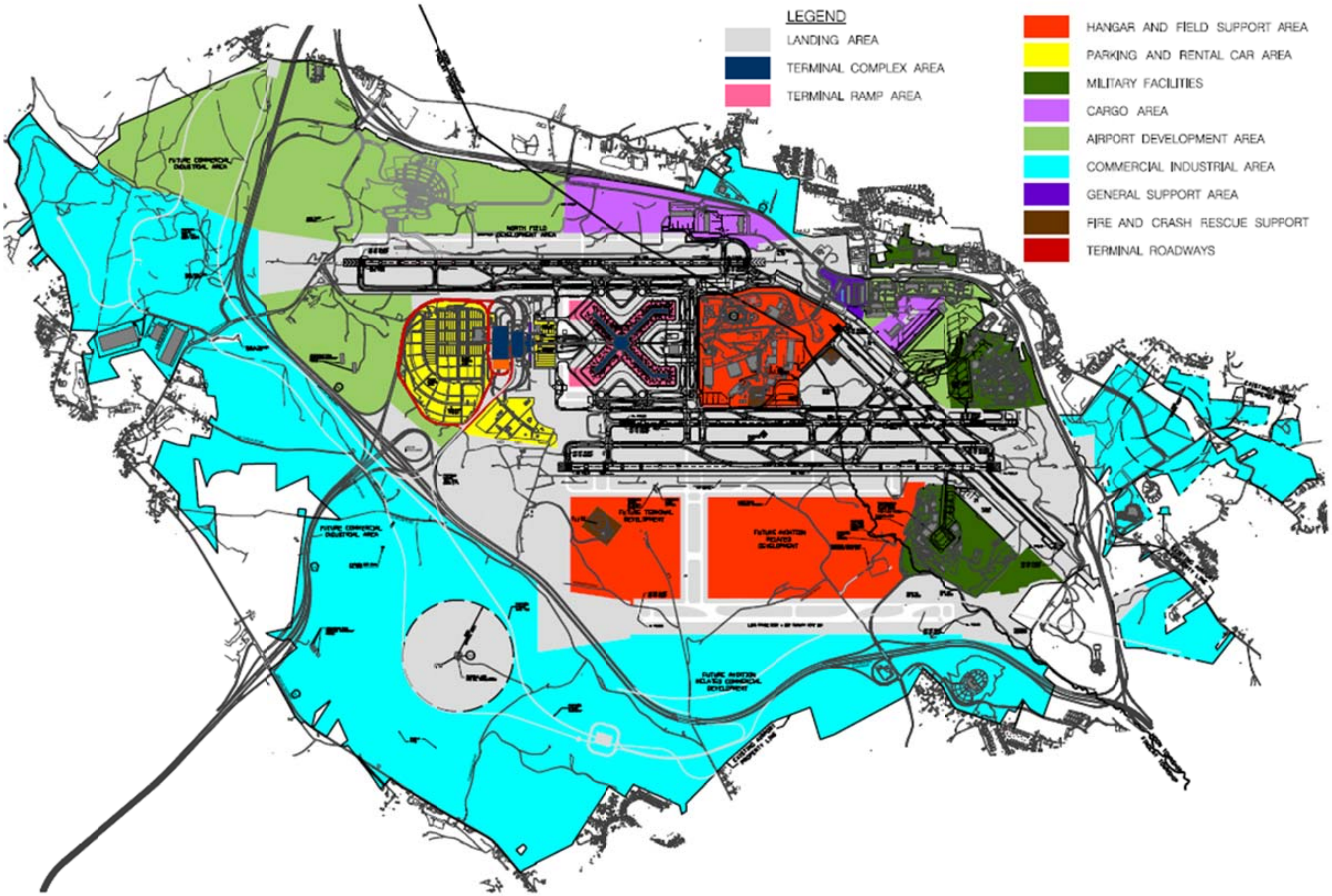
Excluded Cost Centers are the Commercial/Industrial Area, the Cargo Area, the Airport Development Area (a portion of the Commercial/Industrial Area that became a separate cost center when Allegheny County recovered its share of the Public Investment made to the Midfield Project ($42.5 million) from Gaming Revenues), and Other Aviation Facilities (Allegheny County Airport).

* Of the 75 jet gates in the Midfield Terminal, 26 have been temporarily decommissioned as a cost savings measure after the de-hubbing of the Airport by US Airways.

Figure 17

COST CENTERS UNDER THE AIRLINE OPERATING AGREEMENT

Pittsburgh International Airport



Source: LeighFisher from Airline Operating Agreement.

The concept of “included” and “excluded” cost centers relates principally to the pledge of Revenues. In general, revenues from the Included Cost Centers are pledged to the payment of Bonds, while revenue from the Excluded Cost Centers are not. However, as discussed below, certain portions of the net revenues derived from certain Excluded Cost Centers are pledged to the payment of Bonds, and certain revenues from the Included Cost Centers (namely, Landing Fees) are to be applied to subsidize deficits in certain of the Excluded Cost Centers.

Net Revenue Pledge

Revenues are defined as all payments, proceeds, fees, charges, rents, and other income derived by the Authority from the use of facilities and services in the Included Cost Centers at the Airport plus certain revenue from the Excluded Cost Centers, but only to the extent that such revenues are credited to the Signatory Airlines’ obligations under the Airline Operating Agreement. Except to the extent deposited in the Revenue Fund, Revenues exclude (1) passenger facility charges, (2) gifts, grants and other funds which are restricted by their terms to purposes inconsistent with the payment of Operation and Maintenance Expenses or payment of Debt Service Requirements, (3) the proceeds from the sale, transfer or other disposition of title to all or any part of the Airport , (4) investment income on certain funds, (5) payments for any Special Facility Revenue Bonds, and (6) customer facility charges, among other things.

Operation and Maintenance Expenses (or O&M Expenses) are defined as all costs of administration, operation, and maintenance of the Included Cost Centers and any Special Facility within the Terminal Complex Area, determined in accordance with generally accepted accounting principles, excluding allowances for depreciation, amortization of Bond discount, and interest on the Bonds and the Subordinate Lien Bonds.

The net revenues, if any, derived by the Authority from the operation of Allegheny County Airport, together with the remaining portions of the net revenues derived from cargo facilities and the land development areas (referred to collectively as the Excluded Cost Centers) are not pledged to the payment of the Authority’s Airport Revenue Bonds. Similarly, the net deficits, if any, incurred in the Excluded Cost Centers (with certain limited exceptions) are not payable from pledged Revenues.

Rate Covenant

In Section 7.08(a) of the Indenture (referred to as the Rate Covenant), the Authority covenants to maintain, charge, and collect rates, rentals and other charges for the use of the Included Cost Centers which, together with Other Available Funds, will be sufficient each Fiscal Year to provide: (1) Revenues equal to 125% of the total of the amounts required to be deposited in the then current Fiscal Year to the Debt Service Fund, G.O. Bond Fund, O&M Reserve Fund, Debt Service Reserve Fund, and Subordinate Lien Revenue Fund, and (2) Net Revenues at least equal to 125% of the Debt Service Requirement with respect to the Outstanding Bonds during the then-current Fiscal Year.

Section 7.08(b) provides that for purposes of determining compliance with Section 7.08(a), the Authority may include as "Revenues" deposits to the Revenue Fund of PFCs, grants, and CFCs.

Additional Bonds

Under the terms of the Indenture, the Authority may, for certain purposes, issue one or more series of Additional Bonds that would be on a parity with the Outstanding Bonds.

The Authority may issue Additional Bonds to finance the cost of constructing or acquiring new or additional property, improvements, replacements, and additions to be used in connection with the Airport System, including the 2012 Projects and any insurance deficiency, judgment, settlement, or award relating to the Included Cost Centers (collectively referred to as Capital Additions). The Authority may also issue Additional Bonds for the purpose of refunding any or all outstanding Bonds subject to certain limitations.

The Indenture sets forth certain conditions under which Additional Bonds may be issued. One of the conditions, in the event the Authority is issuing Additional Bonds for Capital Additions, set forth in Section 2.12(b)(3)(c)(ii) is that a report of an Airport Consultant be delivered containing forecasts indicating that the Debt Service Requirement on such Additional Bonds is payable out of Net Revenues and stating that the Authority will be in compliance with the Rate Covenant during either (1) each of the first three complete Fiscal Years succeeding the dates on which the Capital Additions are expected to be completed or (2) during each of the first five complete consecutive Fiscal Years succeeding the date of issuance of the Additional Bonds, whichever is later.

The 2012 Bonds will be treated as Additional Bonds for Capital Additions and will be issued pursuant to the requirement set forth in Section 2.12(b)(3)(c)(ii). The 2012 Projects are expected to be complete by the end of 2014, therefore, the forecast period extends through 2017.

Fund Structure and Application of Revenues

Figure 18 is a diagram of the structure of funds and accounts established under the Indenture and the Airline Operating Agreement.

Figure 18

SUMMARY OF THE APPLICATION OF REVENUES AS ESTABLISHED BY THE INDENTURE AND THE AIRLINE OPERATING AGREEMENT

Allegheny County Airport Authority

Priority	Fund	Application
	Revenue Fund	**Deposit all pledged Revenues (and retain balance of Other Available Funds)**
1	Operation and Maintenance Fund	**Pay current Operation and Maintenance and Expenses**
2	Debt Service Fund	**Pay annual debt service on Revenue Bonds**
3	G.O. Bond Fund	**Pay annual debt service on G.O. Bonds**
4	Operation and Maintenance Reserve Fund	**Maintain reserve of 2 months of budgeted O&M Expenses**
5	Debt Service Reserve Fund	**Maintain a reserve for debt service on Revenue Bonds**
6	Renewal and Replacement Fund	**Maintain a reserve for emergency repairs or replacement**
7	Subordinate Debt Fund	**Pay debt service and reserves on Subordinate Lien Bonds**
8	Equipment and Capital Outlay Fund	**Pay for equipment purchases and small capital outlays**
9	Airport System Capital Fund	Use for any lawful Airport System purpose

Restricted Account:	Discretionary Account:
•Subaccount 1 -- $2 million per year	Subaccount 1 -- $2 million per year
•Subaccount 2 – settlements, asset sales	•Subaccount 2 – Cargo profit (loss), concession revenue sharing

Note: The Indenture permits the Authority, in its discretion, to treat PFC revenues, grants, and CFC revenues as "Revenues" to the extent deposited to the Revenue Fund.

Sources: Indenture and Airline Operating Agreement, Allegheny County Airport Authority.

The Indenture requires that all Revenues be deposited in the Revenue Fund and applied in the following order of priority:

1. *Operation and Maintenance Fund*. To pay Operation and Maintenance Expenses (operating expenses of the Included Cost Centers).
2. *Debt Service Fund*. To accumulate and pay Debt Service Requirements on Airport Revenue Bonds.
3. *G.O. Bond Fund*. To accumulative and pay debt service on general obligation bonds issued by Allegheny county for Airport System purposes.
4. *Operation and Maintenance Reserve Fund*. To fund an operation and maintenance reserve equal to two months of budgeted Operation and Maintenance Expenses and replenish as necessary.
5. *Debt Service Reserve Fund*. To replenish as required to maintain the Debt Service Reserve Requirement.
6. *Renewal and Replacement Fund*. To fund a $2 million reserve for renewals and replacement and replenish as necessary.
7. *Subordinate Lien Revenue Fund*. To accumulate and pay debt service on Subordinate Lien Bonds.
8. *Equipment and Capital Outlay Fund*. To pay for equipment purchases and small capital outlays.
9. *Airport System Capital Fund*. To accumulate the amounts provided for in the Airline Operating Agreement.

Any remaining Revenues are to be retained in the Revenue Fund. It is the Authority's intent, as provided in the Airline Operating Agreement, to accumulate and maintain on deposit in the Revenue Fund, and replenish as necessary, an amount equal to 25% of the then-current annual Debt Service Requirements on Outstanding Bonds. This amount is defined as the Coverage Requirement.

Under the provisions of the Airline Operating Agreement, moneys deposited to the Airline Operating Agreement Funds are to be applied to the following accounts and subaccounts:

Restricted Account

Subaccount 1 -- $2 million per year, escalated, with expenditures subject to prior approval of Majority-in-Interest (MII) of the Signatory Airlines

Subaccount 2 – Proceeds of insurance settlements, condemnation, and sale of Airport property.

Discretionary Account

Subaccount 1 -- $2 million per year, escalated, with limited Signatory Airline MII purview over expenditures, except that moneys cannot be used in the Commercial/Industrial Area or to fund the Authority's share of Cargo Area deficits, if any.

Subaccount 2 – 50% of the net revenues from the Cargo Area and the Airport Development Area and proceeds of the Concession Revenue Sharing Fee.

The total amounts on deposit in Subaccount 1 of the Restricted Account and Subaccount 1 of the Discretionary Account are subject to caps of $4 million each, escalated.

Funding of Reserves

The Indenture provides that a separate account be created in the Debt Service Reserve Fund for each series of Bonds issued under the Indenture and that a Debt Service Reserve Requirement be established for each such series of Bonds. In accordance with the 6th Supplemental Indenture, a deposit is to be made to the 2012 Debt Service Reserve Account equal to the lesser of 10% of the principal amount of the 2012 Bonds, the Maximum Annual Debt Service Requirement payable on the 2012 Bonds, and 125% of the average annual debt service requirements payable on the 2012 Bonds.

The Authority has funded the required deposit to the Debt Service Reserve Fund for all other Outstanding Bonds from the net proceeds of the Bonds. The Authority intends to fund the required deposit to the Debt Service Reserve Fund for the 2012 Bonds from the net proceeds of the 2012 Bonds.

The Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund are funded at their required levels per the Indenture.

Debt Service Coverage

As set forth in the Airline Operating Agreement, the Coverage Requirement is equal to 25% of the then-current annual Debt Service Requirements on Outstanding Bonds. This amount is funded through charges to the airline rate base. The Airline Operating Agreement provides that the Coverage Requirement on Additional Bonds be funded through the airline rate base in the first year after the capitalized interest period. The Coverage Requirement is held as a balance in the Revenue Fund unless moneys are needed to meet other fund deposit requirements. The balance available in the Revenue Fund constitutes "Other Available Funds" as defined in the Indenture, and is available to meet the Rate Covenant each fiscal year.

Under the terms of the Indenture, if at any time moneys in the Revenue fund are not sufficient to meet all of the fund deposit requirements of the Indenture, moneys can be withdrawn from the Coverage Requirement to meet the fund deposit requirement. In that event, the Authority would charge the airline rate base in the following year for the amount withdrawn and replenish the Coverage Requirement balance from Revenues.

Ratemaking Procedures

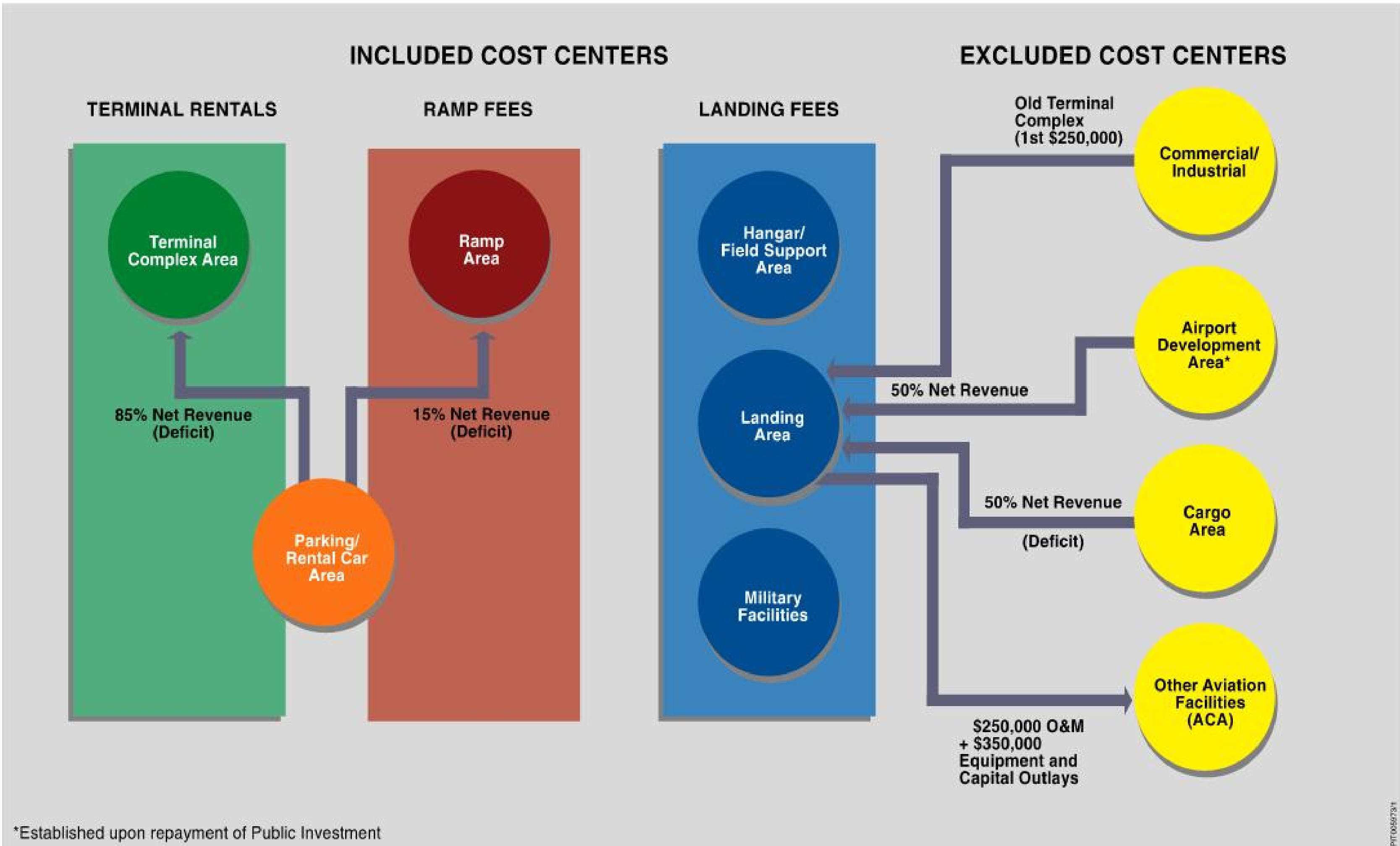
The Airline Operating Agreement establishes procedures for adjusting airline rentals, fees, and charges at the Airport at least twice a year, if necessary, to enable the Authority to meet the requirements of the Rate Covenant. The procedures for the annual adjustment of airline rentals, fees, and charges established by the Airline Operating Agreement are intended to ensure continued compliance with the Rate Covenant and generate Net Revenues adequate to fund ongoing facility renewal, replacement, upgrade, and other capital needs. Specific assumptions regarding the future calculation of airline rentals, fees, and charges are discussed in later sections under "Airline Revenues."

Under the Airline Operating Agreement, Landing Fees, Terminal Complex Rentals, and Terminal Ramp Fees are calculated according to "cost center residual cost" formulas, under which Non-Airline Revenues are credited against certain defined costs to determine the net cost to be paid by the Signatory Airlines in the Landing Area, Terminal Complex Area, and Terminal Ramp Area, respectively, to determine the net cost to be paid by the Signatory Airlines in each cost center. Of the net revenues (costs) from the Parking and Rental Car Area, 85% is credited (charged) to the Terminal Complex Area and 15% is credited (charged) to the Terminal Ramp Area. Net revenues (costs) from the Hangar and Field Support Area and Military Facilities are credited (charged) to the Landing Area.

Figure 19 is a diagram illustrating the rate-making procedures and the crediting of net revenues and net costs among the cost centers.

Common use facility fees are assessed for airlines using Authority gates and facilities on a per turn basis.

Figure 19
RATEMAKING METHODOLOGY UNDER THE AIRLINE OPERATING AGREEMENT
Allegheny County Airport Authority



Source: LeighFisher from Airline Operating Agreement.

The rate base costs defined in the Airline Operating Agreement include Operation and Maintenance Expenses, debt service, and other fund deposit requirements allocable to the Included Cost Centers, and such additional amounts as may be necessary, after all required deposits to the various funds and accounts are made, to fund and maintain on deposit in the Revenue Fund a balance equal to the Coverage Requirement. Under the Indenture, such balance is considered to be Other Available Funds for the purposes of the Rate covenant. For the Terminal Complex Rentals, the rate base also includes a Concession Revenue Sharing Fee, which is calculated based on the percentage of terminal concession and parking and rental car net revenues that would have yielded aggregate Concession Revenue Sharing Fees of $1.5 million for the initial three years after the opening of the Midfield Terminal.

Signatory Airlines are also obligated to pay certain Additional Airline Charges to recover costs associated with Aircraft Support Systems and Tenant Equipment and Finishes, consisting of associated debt service, coverage, and fund deposit requirements. In addition, US Airways is obligated to pay 100% of the Additional Airline Charges for the Special Automated Baggage System and all airlines reimburse the Authority for its maintenance of the baggage systems.

Under the Airline Operating Agreement, the Authority establishes rentals, fees, and charges for the nonsignatory airlines that are no less than 120% of the rentals, fees, and charges for the Signatory Airlines.

Airline Majority-in-Interest Approval

According to the Airline Operating Agreement, the Authority many issue revenue bonds to fund certain projects and include the costs in the rate base, including any capital improvements at the Airport that have been approved by a Majority-in-Interest (MII) of the signatory Airlines. All of the 2012 Projects have been approved by the MII of the Signatory Airlines.

Generation of Cash Flow

Under provisions of the Airline Operating Agreement, the Authority should generate annual cash flow (revenues in excess of Operation and Maintenance Expenses and Debt Service Requirements) for purposes of acquiring equipment and undertaking capital projects as follows:

1. $4 million per year (escalated according to the Implicit Price Deflator Index) to be funded in the rate base for deposit to the Airport System Capital Fund.
2. The Concession Revenue Sharing Fee.
3. 50% of any net revenues from the Cargo Area.
4. Net revenues from the Commercial/Industrial Area.
5. Equipment and Capital Outlays ($1 million per year escalated).

Subsidy of Other Aviation Facilities (Allegheny County Airport)

The Airline Operating Agreement provides that the Signatory Airlines subsidize up to $250,000 per year (escalated for inflation) of net costs and up to $350,000 per year (escalated for inflation) for equipment purchase and capital outlays (from either the Equipment and Capital Outlay Fund or the Airport System Capital Fund) at the Other Aviation Facilities through Landing Fees at the Airport. The Authority is responsible for any operating deficits or capital expenditures in excess of these amounts from it Discretionary Account.

Sharing of Commercial/Industrial Area Net Revenues

As set forth in the Airline Operating Agreement, upon the repayment of the $42.5 million of the County's Public Investment in the Midfield Project, which occurred in 2009 after the County recovered this amount from the state Gaming Revenues, a new cost center within the Commercial/Industrial Area—the Airport Development Area—is to be established. This cost center consists of the Old Terminal Complex and certain other designated land areas in the Commercial/Industrial Area. Half of the net revenues of the Airport Development Area are credited to the Landing Fee rate base.

US Airways' Bankruptcy Filing and Lease Rejection

In the late 1980s, the $800 million Midfield Project was designed and sized in close cooperation with US Airways, including use of the airline's forecast of passenger activity. Virtually all of the scope changes were approved by US Airways' construction representative, which amounted to $239 million over the original project budget.

In 1988, the Commonwealth of Pennsylvania and Allegheny County made an unprecedented "Public Investment" in the Midfield Project, totaling $127.5 million. The Commonwealth also fully funded the cost of the approximately $200 million expressway that had to be constructed to provide access to the midfield site at no cost to the airlines. The Commonwealth and County were willing to invest this seed money in the Midfield Project in light of the expected economic development benefits arising from US Airways hub operations. In 1988, when the Airline Operating Agreement in support of the midfield project was executed, US Airways was one of the most profitable airlines in the U.S. Specifically, US Airways was the third largest U.S. airline in terms of operating and net profits in 1987.

However, in August 2002, US Airways filed for Chapter 11 bankruptcy protection during the worst economic downturn in U.S. aviation history precipitated by an economic recession and the September 11 terrorist attacks. In April 2003, on the eve of emerging from its first round of Chapter 11 bankruptcy proceedings, and contrary to prior indications to the Authority, US Airways rejected all of its leases and agreements with the Authority effective January 5, 2004, subject to renegotiation of a new agreement with lower costs.

On July 25, 2003, US Airways, Allegheny County, and the Authority reached a consensual agreement resolving all bankruptcy claims filed by the County and the Authority against US Airways with regard to the Airport, including a significant reduction in its leased premises. Initially, US Airways leased 50 of the 75 jet gates and all of the 25 commuter aircraft positions. It now leases 10 jet gates and the commuter terminal has been converted into a secondary security screening facility.

Subordinate Lien Bonds

The Authority has the right under the Indenture to issue Subordinate Lien Bonds payable from the funds that are subordinate to the Senior Lien Bonds as to the pledge of, lien on, and payment from Revenues. In July 2001, the Authority issued Subordinate Lien Bonds totaling $19,115,000 (of which $5,990,000 are outstanding) to acquire the equipment constituting the Energy Service Facility at the Airport and to pay the associated costs of issuance. These bonds are secured by Net Revenues of the Airport System subordinate to the Senior Lien Bonds.

Energy Saving Loan

In July 2011, the Authority entered into an Equipment Lease Purchase Agreement (Energy Saving Loan) with Grant Capital Management, Inc. for $7,000,000. The Authority used the net proceeds to acquire certain energy saving equipment, including escalator power conditions, high speed overhaul doors and baggage handling HVAC control upgrade, airside lighting upgrades, central energy plants building automation system upgrades, landside tunnel and moving walkway lighting upgrades, and Runway 28R-10L centerline lights, among others. Grant Capital Management retains a security interest constituting a first lien on the equipment financed by the Energy Saving Loan. The Authority will pay Grant Capital Management monthly rental payments of $93,934.52 from January 1, 2012 to December 31, 2018. Title of the equipment is vested in the Authority during the payment period. The Authority could exercise a purchase option, which equals unamortized principal balance plus a small interest amount. The rental payment of the Energy Saving Loan is subordinate to the Debt Service Requirements of Airport Revenue Bonds.

Other Authority Debt

Non-Aviation Development Projects. The Authority has entered into several loans and financings for projects related to the development of the non-aviation property in the Excluded Cost Centers of the Airport, including (1) extending Industry Drive to permit further development in the Airport area, (2) undertaking a Tax Increment Financing (TIF) for the development and financing of the Clinton Industrial Park Project, which includes certain substantial public on-site and off-site improvements, (3) completing development of the Cherrington Parkway Extension, (4) undertaking a second TIF for the development of the Northfield site located on the north side of the airfield to fund certain on-site and off-site public infrastructure and improvements, and (5) removing contaminated soil, relocating sanitary sewer lines, and removing the former terminal foundations on approximately 15 acres of property where the former terminal and ramp was located to facilitate the construction of three aircraft hangars and one single story office building on this site. These loans are not secured by or paid from Revenues. They are secured by revenues generated by facilities built on the respective sites, which are all within the Commercial/Industrial Cost Center, an Excluded Cost Center.

Allegheny County Airport. The Authority has also entered into financings for Allegheny County Airport, which is also an Excluded Cost Center, including (1) completing the south ramp taxilanes relocation and hangar redevelopment project and (2) constructing 18 new T-hangars and certain taxilane improvements. In addition, as of December 31, 2011, there was still $59,816 in principal remaining on County general obligation bonds issued for Allegheny County Airport improvements.

Net Revenues, which will secure the 2012 Bonds, do not secure these various loans or financings.

PFC Program

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for eligible airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, and authorized airport sponsors to collect PFCs in the amount of $1.00, $2.00, or $3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21), enacted into law on April 5, 2000, increased the maximum PFC airport sponsors could collect to $4.50 per enplaning passenger.

The Authority has received approval from the FAA to collect and use PFCs under three applications with associated amendments for a total of $526.8 million in collection authority as summarized in Table 14. Through December 31, 2011, PFC revenues received by the Authority, including investment earnings, totaled $196.1 million. The Authority is currently authorized to impose a PFC of $4.50 per enplaned passenger at the Airport and has been collecting a PFC since October 2001, which was initially set at $3.00 and increased to $4.50 in December 2004.

Table 14

APPROVED PASSENGER FACILITY CHARGES

Pittsburgh International Airport

Application	Approved for		Through December 31, 2011	
Number	Collection	Use	Collected	Expended
01-01-C-04-PIT	$ 100,098,648	$ 90,557,119		
03-02-U-02-PIT	-	706,596		
04-03-U-01-PIT	-	8,834,933		
Subtotal	$ 100,098,648	$ 100,098,648	$ 77,139,438	$ 77,139,438
04-04-C-01-PIT	251,401,645	251,401,645	92,952,763	92,952,763
07-05-C-01-PIT	134,901,500	134,901,500	23,801,447	23,801,447
07-06-C-00-PIT	40,370,883	40,370,883	2,186,036	2,186,036
	$ 526,772,676	$ 526,772,676	$ 196,079,684	$ 196,079,684

Note: Expenditures for each application may commence upon notification of the approval of the application. For reporting purposes, PFC collections are reported as applied to each application in order of the applications until the collection authority amount has been met for each application. As a result of this reporting method, there are allowable expenditures reported for applications that may not show collections directly assigned to them.

Source: Allegheny County Airport Authority.

PFC revenues are excluded from the definition of Net Revenues in the Indenture, except to the extent deposited by the Authority in any Fiscal Year to the Revenue Fund, and are not pledged to pay debt service on the 2012 Bonds until so deposited. In the past, the Authority has deposited a portion of its PFC revenues in the Revenue Fund as a credit to airline rates and charges and expects to continue to do so in the future. The amount of this credit is treated as Revenues for purposes of determining compliance with the Rate Covenant.

The Indenture also permits the Authority to pledge all or a portion of the proceeds of PFCs toward the payment of debt service on a separate issue of obligations secured by PFCs, on one or more future series of Bonds or on subordinate obligations to be issued under the Indenture. In November 2005, the Authority entered a revolving line of credit agreement with Citizen's Bank under which it pledged PFC revenues to the payment of the line. This line of credit was paid and terminated in December 2011.

Gaming Revenues

The Authority is a designated funding recipient under the Pennsylvania Race Horse Development and Gaming Act adopted by the Commonwealth in 2000 (Gaming Act). The Gaming Act legalizes slot machine parlors in race tracks and stand-alone facilities. Under the Gaming Act, the Authority has been allocated a total amount of up to $150 million of these Gaming Revenues, over a ten year period. Of that amount, $42.5 million was paid directly by the Commonwealth to the County from 2007 to 2009 to reimburse the County for its investment in the construction of the Midfield Terminal at the Airport.* The Gaming Act provides that the Gaming Revenues can be used for debt service, development, and economic development of the Airport.

The Authority received payments of $2.2 million in June 2010 (representing the balance due after payment of the County's share), $12.4 million in December 2010, and $12.4 million in October 2011. It is anticipated that the balance of the $107.5 million due to the Authority will be received in annual installments of $12.4 million through 2017 with the remainder in 2018. In 2009, the Authority issued a Gaming Revenue Anticipation Note to PNC Bank, NA for $20 million, which was paid and terminated on January 16, 2011. These notes had been secured by the Gaming Revenues.

Gaming Revenues, like PFCs, are excluded from the definition of Net Revenues in the Indenture, except to the extent deposited by the Authority in any Fiscal Year to the Revenue Fund, and are thus not pledged to pay debt service on the 2012 Bonds until so deposited. In the past, the Authority has deposited a portion of the annual Gaming Revenues in the Revenue Fund as a credit against debt service (which is a credit to airline rates and charges) and expects to continue to do so in the future. The amount of this credit is treated as Revenues for purposes of determining compliance with the Rate Covenant.

RECONCILIATION OF HISTORICAL FINANCIAL RESULTS

The Authority accounts for the financial activities of the Airport System on the accrual basis of accounting according to generally accepted accounting principles (GAAP) for government entities.

Table 15 presents a summary and reconciliation of the historical operating results of the Airport System under both GAAP and accounting principles required by the Indenture for 2010 and 2011, as obtained from Allegheny County Airport Authority Financial Statements as reported by the Authority's auditor.

*The County received $19.9 million in 2007, $12.4 million in 2008, and $10.2 million in 2009, for a total of $42.5 million.

Table 15

RECONCILIATION OF HISTORICAL FINANCIAL RESULTS

Allegheny County Airport Authority

For Fiscal Years ending December 31, 2010 and 2011

	2010	2011
Increase in net assets (per financial statements)		
Operating revenues	$ 137,266	$ 142,487
Operating expenses	(86,575)	(86,728)
Operating income before depreciation	$ 50,691	$ 55,758
Depreciation	(69,158)	(67,680)
Loss from operations	$ (18,467)	$ (11,921)
Net Revenues (per Indenture)		
Revenues	$ 153,363	$ 154,788
Operation and Maintenance Expenses	(83,292)	(83,275)
Net Revenues	$ 70,072	$ 71,512
Reconcilliation		
Loss from operations	$ (18,467)	$ (11,921)
Add Back		
Passenger Facility Charges deposited in Revenue Fund	15,004	8,854
Gaming act revenues deposited in Revenue Fund	6,637	6,400
Customer Facility Charges Deposited in Revenue Fund	-	3,041
Interest income as Revenues	378	910
Expenses of Excluded Cost Centers	3,208	3,104
Other expenses	118	364
Depreciation	69,158	67,680
Deduct		
Revenues of Excluded Cost Centers	(3,528)	(3,434)
Other revenues	(2,734)	(3,880)
Adjustment for debt service	296	395
Net Revenues	$ 70,072	$ 71,512

Note: Totals may not add due to rounding.

Source: Allegheny County Airport Authority Financial Statements for 2010 and 2011.

2012 PROJECTS

The 2012 Projects consist of the following improvements:

- *Parking Garage Rehabilitation Phase 2 of 2* ($12 million). Due to design errors in the garage, erosion to support structures from weather shortened the useful life of the facility. Phase 1 of the parking garage rehabilitation project was completed in 2011 using monies from a settlement with the contractor. On the basis of engineering reviews , Phase 2 is expected to extend the useful life of the garage approximately 15 years beyond project completion. Full replacement at $100 million was cost prohibitive and on-going maintenance versus rehabilitation caused concerns over the long term viability of the facility and had a material negative impact on garage revenues.

The Authority received bids for Phase 2 in March 2012 and will begin construction in April 2012 with substantial completion occurring in November 2013. The project will be phased to minimize the loss of spaces for public use during the construction period.

- *Terminal Improvements* ($20 million). The Authority has funded on-going, piece-meal rehabilitation to certain terminal elements, including glazed block, allucobond panels, terminal roof replacement, interior building signage, ticket and lift counter casework and carpeting on an annual basis funded by annual capital monies via the rate base as available. As a result, various annual maintenance projects have been deferred to continue work on these elements without allowing for economies of scale that could be associated with a larger project. This project would accelerate the above elements to address building condition concerns and minimize future repair (O&M) costs.

  The Authority commenced improvements to the terminal in March 2012 with substantial completion expected to occur in December 2014.

- *People Mover Car Rehabilitation/Replacement* ($8 million). The Authority currently operates six people mover cars that run 24 hours per day, 365 days per year, except for staggered routine overnight maintenance. The cars are the only source of transportation for all passengers and most employees to and from the airside terminal. The last major rehab was in 1998 and major components are nearing the end of their useful life. Two new cars were added to the people mover system in 1999-2000. The four original cars have approximately 1 million miles of wear and tear while the two newer cars have approximately 500,000 miles of wear and tear. In normal use, people mover cars need to be rehabilitated or replaced approximately every 10 years as a result of mileage and use. All are scheduled for needed rehabilitation or replacement. The Authority will either rehab or replace the six cars as part of this project.

  The Authority expects to rehab or replace the people mover cars between May 2012 and December 2014. The project will be phased to maintain operations throughout the improvement period.

- *Energy Savings Projects* ($5 million). The Authority started to undertake energy savings initiatives in 2010 using available grant funding and other available funding for a total amount of $7 million. These sources funded the initial phases, or "low hanging fruit" improvements, that had relatively short-term (5 years or less) payback periods. An additional $5 million of improvements were recommended in the Investment Grade Audit completed in 2010. These projects include upgrades to the building automation system, continued energy saving lighting fixture replacements, and other electrical and mechanical system improvements and controls.

The energy savings projects started in March 2012 and are expected to be substantially complete in February 2014.

CAPITAL IMPROVEMENT PLAN

The Authority has developed a 2012 Capital Budget and a 2012-2016 Capital Plan (collectively the Capital Improvement Program or CIP) for the Airport System. The current 2012-2016 CIP is estimated to cost approximately $294.4 million of which $271.7 million is for PIT and $22.7 million is for Allegheny County Airport. The projects in the CIP, their estimated costs, and the funding plan are summarized in Table 16. Cost estimates were provided by the Authority and its consultants and include allowances for design, construction management, contingencies, and escalation.

Table 16

SUMMARY OF THE 2012-2016 CAPITAL IMPROVEMENT PROGRAM

Allegheny County Airport Authority

		AIP		State		Local					
PIT Projects		Entitle.	Disc.	PennDOT	Other	PFC paygo	Bonds	CFC	ACAA	Econ/Other	Total
2012 Bond Projects											
Parking Garage Rehabilitation	$ 12,000	$ -	$ -	$ -	$ -	$ -	$12,000	$ -	$ -	$ -	$ 12,000
Terminal Rehabilitation	20,000	-	-	-	-	-	20,000	-	-	-	20,000
People Mover Rehabilitation	13,250	-	5,250	-	-	-	8,000	-	-	-	13,250
Energy Savings Projects	5,000	-	-	-	-	-	5,000	-	-	-	5,000
Other 2012-2016 Projects											
Stormwater/Deicing Facilities	24,000	-	-	2,000	-	-	22,000	-	-	-	24,000
Taxiway Rehabiltation	39,640	6,480	23,250	3,333	-	1,250	-	-	5,327	-	39,640
Economic Development	30,150	-	-	-	-	-	-	-	-	30,150	30,150
Taxiway A Extension	24,000	-	18,000	-	3,000	-	-	-	3,000	-	24,000
Airport Maintenance Complex	24,000	-	-	-	12,000	-	-	-	-	12,000	24,000
Extend North Field Taxiway	20,000	-	10,000	-	5,000	3,000	-	-	2,000	-	20,000
Equipment	12,221	-	2,438	-	-	-	-	-	2,916	6,868	12,221
Deicing Pad C	11,867	4,750	4,150	1,483	-	-	-	-	1,483	-	11,867
Relocate Taxiway E	5,000	-	3,750	500	-	-	-	-	750	-	5,000
Miscellaneous											
Parking	12,450	-	-	-	-	-	-	980	11,470	-	12,450
Terminal	9,450	-	-	-	-	1,550	-	-	7,850	50	9,450
Airfield	3,100	-	375	1,500	-	125	-	-	1,100	-	3,100
Apron	1,600	-	-	-	-	-	-	-	1,600	-	1,600
Others	3,996	100	1,375	55	-	-	-	-	2,416	50	3,996
PIT Total	$ 271,724	$11,330	$68,588	$ 8,872	$20,000	$ 5,925	$67,000	$980	$39,912	$ 49,118	$271,724
AGC 2012-2016 Projects	22,714	1,350	10,225	3,564	-	-	-	-	1,874	5,702	22,714
Total	$ 294,438	$12,680	$78,813	$12,435	$20,000	$ 5,925	$67,000	$980	$41,785	$ 54,820	$294,438

Source: Allegheny County Airport Authority.

Note: ACAA refers to the Airport System Capital Fund and other Authority funds.
AGC is Allegheny County Airport.

The current CIP represents to the Authority's best knowledge and belief at this time, all of the significant capital improvements expected to be undertaken through 2016. The Authority reassesses its capital needs at least annually and will modify the CIP as necessary to accommodate traffic activity, security needs, and other factors, which could result in increases or decreases to the CIP, or extend the timing to complete certain projects.

The actual timing of construction or implementation of certain projects in the CIP will depend on the justification of need, the receipt of grants, required environmental and other regulatory mandates and approvals, and, as required by provisions of the Airline Operating Agreement, MII airline approval of projects not already approved whose costs are to be recovered through airline rentals, fees, and charges. The Authority may elect to defer, or to change the funding plan for, certain of the projects.

Key components of the Authority's CIP expected to be undertaken between 2012-2016 besides the 2012 Projects include:

- *Stormwater Deicing Treatment Facility* ($24 million). The Pennsylvania Department of Environmental Protection (DEP) issued an Administrative Order dated January 26, 1998, to the County, which alleges violations of a January 1994 Consent Order and Adjudication and violations of the Pennsylvania Clean Streams Act at the Airport. The Administrative Order cited several areas, all of which have been resolved, except for deicing. The Authority has withdrawn a previous appeal without prejudice and continues to negotiate with the DEP to reach a resolution of the deicing matter because the Consent Order is not consistent with current DEP standards. In connection with those negotiations, the Authority has agreed in principle to construct a stormwater deicing treatment facility and made application to the DEP for the permit needed to authorize a discharge from the facility when it is constructed. DEP has issued the permit in draft form and published it in the Pennsylvania Bulletin for public comment. The Authority has submitted extensive comments which DEP is considering. But DEP has not yet issued a final permit. In the meantime the Authority continues to address the deicing issue and continues to budget for, significant capital funding in an attempt to resolve the deicing issue. This project is intended to address the deicing problem.

  This project is the completion of an overall $48 million project to divert the two primary receiving streams for airfield stormwater runoff through a new water treatment plant to remove as much of the remaining spent deicing fluid from the stormwater as possible. This is in addition to the continuing collection and treatment, recycling, and disposal of deicing fluid at the ramp and pads. It was assumed that this project would be funded with a $2 million state grant and the balance with future Bonds issued in 2013, which is incorporated in the financial forecasts along with the associated operating expenses (as described later). In addition, this project has been fully approved for PFC funding in the event PFC revenues are available in the future.

- *Runway and Taxiway Rehabilitation* ($40 million). This project is part of an ongoing program to systematically rehabilitate airfield pavement areas at PIT, including runways, taxiways, and associated intersections. It is part of an ongoing program to maintain a safe airfield, preserve an existing capital facility, and avoid significantly greater expenses in the future by reducing current and future operating and maintenance costs, which is based on annual pavement inspections.

- *Economic Development* ($30 million). These projects include continued infrastructure development for non-aviation development. As noted earlier, the Authority has been actively engaged in the development of its property in the Commercial/Industrial Area to stimulate the regional economy and activity in the Airport corridor. The Authority has constructed infrastructure and installed utility services to these areas to provide "pad ready" development sites. These projects will only proceed if funding is available. In the past, the Authority has funded such improvements with a combination of grants, Gaming Revenues, and financing not secured by Revenues.

- *Northfield / Taxiway A Extensions* ($44 million). This project ultimately consists of the extension of parallel Taxiway A the full length of Runway 10L-28R along with the construction of multiple taxiway spurs to the runway. This project will only proceed if and when there is a confirmed need for the proposed new Northfield site development that requires additional access to the airfield and there is available AIP grant funding.

- *Airport Maintenance Complex* ($24 million). This project consists of the replacement of the current Field Maintenance offices and Equipment Maintenance Building with a new state of the art facility planned to be located between the two snow removal equipment storage buildings. Since this project is not AIP eligible, it will only proceed if and when at least 75% state grant funding is available. This is a lower priority project at this time for the Authority.

- *Deicing Pad C* ($12 million). This project consists of the rehabilitation of the pavement, lighting, signage, and markings as well as the deicing and spent fluid collection infrastructure at the pad.

- *Other Improvements*. Other improvements include replacement of equipment stock, pavement rehabilitation, ARFF station improvements, roadway reconfigurations, repairs to buildings and hangars, etc.

- *Allegheny County Airport*. The only significant capital project planned at Allegheny County Airport during the next five years is completing the improvement to the Runway 28 Safety Area, following the previous removal of the former trailer park. The Authority only plans to proceed with this project, which totals approximately $12.6 million through 2017, if it receives at least 90% in AIP grant funding. Various other smaller airfield, terminal, hangar, equipment, and miscellaneous improvements are scheduled for Allegheny County Airport.

Estimated Sources of Funding for the CIP

The Authority expects to fund the CIP with proceeds of Airport Revenue Bonds, federal grants-in-aid, state grants-in-aid, PFC revenues, revenues derived from a customer facility charge (CFC) paid by Airport rental car customers, internally generated Airport funds, and economic development funds.

The Authority is eligible to receive FAA grants-in-aid under the Airport Improvement Program (AIP) for up to 75% of the costs of airfield and other approved projects (80% for aircraft noise compatibility projects) at the Airport and for up to 90% of the costs for eligible projects at Allegheny County Airport. Some of these grants are received as “entitlement” grants, the annual amount of which is calculated as a function of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other, “discretionary,” grants are awarded on the basis of the FAA’s determination of the priorities for projects at the Airport and at other airports.

The Pennsylvania Department of Transportation, Bureau of Aeronautics provides matching grants for up to 50% of the local share of AIP-funded projects.

PFCs are largely earmarked for other purposes (in particular the credit against airline rates and charges), but a modest amount will be available for pay as you go funding for certain CIP expenditures.

As noted earlier, CFC revenues are not pledged Revenues and are available as a source of funding for projects benefitting the rental car companies. However, the Authority intends to apply the majority of these revenues to pay for ongoing operating expenses and debt service. A portion of CFC revenues are earmarked for capital expenditures in 2013.

As noted earlier, the airline rate base provides approximately $6 million per year for capital funding through the Airport System Capital Fund (Restricted and Discretionary Accounts). These amounts are programmed as Authority funding under the CIP.

Economic development funds have not been identified at this time. As noted above, these projects will only be undertaken to the extend funding is available.

PLAN OF FINANCE

2012 Bonds

The Series 2012A-1, Series 2012A-2,* and Series 2012B (collectively the 2012 Bonds) are being issued by the Authority to fund the costs of the 2012 Projects. Exhibit A shows the estimated costs and expected sources and uses of funds of the 2012 Projects and associated sources of funding as provided by the Authority. The cost estimates include all soft costs and allowances for contingencies. As shown on Exhibit A, the 2012 Projects are projected to cost $45 million, all of which will be funded from bond proceeds.

The net proceeds of the 2012 Bonds, and certain investment earnings thereon, will be used to (1) pay the costs of the 2012 Projects, (2) fund a debt service reserve fund for the 2012 Bonds, (3) pay capitalized interest on the 2012 Bonds, and (4) pay the costs of issuance of the 2012 Bonds.

Proposed Future Bonds

In addition to the 2012 Bonds, the Authority expects to issue Additional Bonds which are assumed to be issued in January 2013 to fund the stormwater/deicing project, which is estimated to cost $24 million of which $2 million will be funded from a recently received state grant and the balance from bond proceeds (the Future Bonds).

DEBT SERVICE REQUIREMENTS

Exhibit B shows historical and forecast Debt Service Requirements on the Authority's Outstanding Bonds, the 2012 Bonds, Outstanding Subordinate Lien Revenue Bonds, Future Bonds, and other subordinate debt through 2017. Estimated annual Debt Service Requirements for the proposed 2012 Bonds was provided by Raymond James | Morgan Keegan, the Authority's financial advisor, assuming an all-inclusive cost of 4.80%. The 2012 Bonds have a 20-year term with one year capitalized interest and amortization starting in 2013.

In addition to the 2012 Bonds, the Authority expects to issue Future Bonds to finance the cost of the stormwater/deicing project. The specific form, amount, and timing of debt to finance the stormwater/deicing project have not been determined at this time. It was assumed for financial modeling purposes, that the Future Bonds would (1) be issued January 1, 2013, (2) be fixed rate, (3) have a 30 year term, (4) have a capitalized interest period of one year, and (5) have an all-inclusive rate of 5.43%.

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* The Series 2012A-2 Bonds are being issued contemporaneously with the issuance of the Series 2012A-1 and Series 2012B Bonds to provide additional funds toward the 2012 Projects. The Series 2012A-2 Bonds will not be publicly placed bonds and as such are excluded from the term "2012 Bonds" as used in the Preliminary Official Statement for the Series 2012A-1 and 2012B Bonds, but the Series 2012A-2 Bonds are included in the definition of "2012 Bonds" in this report for completeness.

Raymond James | Morgan Keegan provided the sources and uses of funds and debt service forecasts for the Future Bonds as well as the interest rate assumption.

Debt Service Requirements reflect projected releases from the applicable Debt Service Reserve Accounts in the amounts of approximately $5,000 in 2016 and $4,415,000 in 2017. Although not shown on Exhibit B, Debt Service Requirements decline sharply after 2017 from $58.6 million in 2017 to $18.6 million in 2018 (net of the debt service reserve releases), reflecting the retirement of all but the 2001B Bonds (which expire in 2020), the 2002A Bonds (which expire in 2021) and the 2012 Bonds.

OPERATION AND MAINTENANCE EXPENSES

Exhibit C presents historical and forecast Operation and Maintenance Expenses (O&M Expenses) of the Airport System by category of expense and cost center for 2009 through 2017. Historical O&M Expenses were obtained from the Authority's records and reconciled to the audited financial statements. O&M Expenses for 2012 are based on the Authority's 2012 budget.

Individual components of O&M Expenses were forecast taking into account the 2012 budget; assumed increases in the unit costs of labor, services, utilities, and supplies as a result of price inflation; and additional costs associated with the stormwater/deicing facility project that is expected to be operational in the fourth quarter of 2013 (shown as incremental expenses on Exhibit C). The unit costs of salaries, wages, fringe benefits, materials, supplies, and services were assumed to increase an average of 3.5% per year from the 2012 budget of O&M Expenses.

REVENUES

Exhibit D presents historical and forecast Airport System revenues by type of revenue and by cost center for 2009 through 2017. Historical Airport System revenues were obtained from the Authority's records and reconciled to the audited financial statements. Exhibit D also shows the reconciliation to pledged Revenues under the Indenture.

Individual components of revenues were forecast taking into account actual financial results for 2009, 2010, and 2011; the 2012 budget (as adjusted for changes to forecast enplanement levels and projected debt service for the 2012 Bonds); allowances for inflation as appropriate; and the provisions of leases and agreements between the Authority and the various tenants and users of the airports. Revenues from sources related to passengers, such as concession revenues, are forecast to increase as a function of forecast passenger traffic as described in the "Forecast of Enplaned Passengers" section of this report. The assumptions underlying the increases in individual components of revenues are described in the following sections.

Table 17 presents a summary of Airport System revenues and pledged Revenues by source for 2011.

Table 17
2011 REVENUES BY SOURCE
Allegheny County Airport Authority
(in thousands)

	Amount	Percent of Airport System Revenues	Percent of Indenture Revenues
Signatory Passenger Airline Rentals, Fees, and Charges	$ 57,761	36.5%	37.3%
Signatory Passenger Airline Additional Airline Charges	15,337	9.7%	9.9%
Other Airline Rentals, Fees, and Charges			
Gate Usage Fee	2,793	1.8%	1.8%
Cargo Carrier Landing Fees	1,309	0.8%	0.8%
Other Landing and Parking Fees	1,663	1.1%	1.1%
Other Revenues			
Non-airline Terminal Rentals	1,518	1.0%	1.0%
Public Parking Revenues	24,973	15.8%	16.1%
Rental Car Revenues	8,849	5.6%	5.7%
Rental Car Service Area Rentals	2,062	1.3%	1.3%
AirMall Concession Revenues	5,199	3.3%	3.4%
Other Concession Revenues	2,304	1.5%	1.5%
Hangar and Field Fees	6,590	4.2%	4.3%
Utility Reimbursements	3,614	2.3%	2.3%
Other	1,611	1.0%	1.0%
Investment Income	910	0.6%	0.6%
Included Cost Center Revenues	$ 136,493	86.3%	88.2%
Excluded Cost Center Revenues	3,434	2.2%	
Revenues Deposited into Revenue Fund			
Passenger Facility Charges	8,854	5.6%	5.7%
Gaming Revenues	6,400	4.0%	4.1%
Customer Facility Charges	3,041	1.9%	2.0%
Airport System Revenues	$ 158,221	100.0%	
Less: Revenues of Excluded Cost Centers	(3,434)		
Revenues per Indenture	$ 154,788		100.0%

Source: Allegheny County Airport Authority.

Airline Revenues

In 2011, airline revenues represented 50.9% of pledged Revenues and 49.8% of Airport System revenues. Forecasts of Signatory Airline rentals, fees, and charges are calculated in accordance with the terms of the Airline Operating Agreement. Rates for nonsignatory airlines are equal to 120% of the Signatory Airline rates per the Airline Operating Agreement.

Under the Airline Operating Agreement, Landing Fees, Terminal Complex Rentals, and Terminal Ramp Fees are calculated according to "cost center residual cost" formulas, under which Non-Airline Revenues are credited against certain defined costs to determine the net cost to be paid by the Signatory Airlines in each cost center. The costs defined in the Airline Operating Agreement include Operation and Maintenance Expenses, debt service, and other fund deposit requirements allocable to the Included Cost Centers, and such additional amounts as may be necessary, after all required deposits to the various funds and accounts are made, to fund and maintain on deposit in the Revenue Fund a balance equal to 25% of the annual Debt Service Requirement on the Authority's Airport Revenue Bonds. Under the Indenture, such balance is considered to be Other Available Funds for the purposes of the Rate Covenant.

Signatory Airlines are also obligated to pay certain Additional Airline Charges to recover costs associated with aircraft support systems, tenant equipment and finishes, and apron level space. In addition, US Airways is obligated to pay 100% of the Additional Airline Charges for the Special Automated Baggage System and US Airways Support Facilities.

Exhibits D-1, D-2, and D-3 present the forecast calculation of Landing Fees, Terminal Complex Rentals, and Terminal Ramp Fees, respectively, according to the procedures set forth in the Airline Operating Agreement.

Under the residual rate procedures, fund deposit requirements consist of Equipment & Outlay Fund, O & M Reserve Fund, Renewal and Replacement Fund, Coverage Requirement, and Airport System Capital Fund. The Equipment and Capital Outlay Fund deposit requirement is equal to $1.46 million in 2012 and is as escalated by the Implicit Price Deflator Index (assumed to be 2% per year). No more than $350,000 per year from the Equipment and Capital Outlay Fund can be used for the Other Aviation Facilities. The O&M Reserve Requirement is equal to the incremental amount to maintain a deposit equal to two months' of budgeted O&M Expenses. The $1 million balance in the Renewal and Replacement Fund is fully funded. The Coverage Requirement is equal to 25% of the Debt Service Requirement. The Airport System Capital Fund deposit requirement is equal to $5.85 million in 2012 (allocated 50% to the Landing Area and 50% to the Terminal Complex Area) as escalated by the Implicit Price Deflator Index.

As noted earlier, the Authority has credited airline rentals, fees, and charges with a portion of annual PFC revenues and Gaming Revenues even though the Authority is not required to credit these amounts under the Airline Operating Agreement in order to provide for competitive airline rates and charges. The Authority intends to continue to credits these amounts in the future to maintain competitive airline rates and charges.

Landing Fees. As shown in Exhibit D-1, the Landing Area operating requirement consists of allocable direct and indirect O&M Expenses, debt service, and fund deposit requirements. This amount is then credited with nonsignatory airline landing fees and other nonairline Landing Area revenues, the net cost (revenues) of the Hangar and Field Support Area, Other Aviation Facilities, Military Facilities, Cargo Area (50%), Airport Development Area (50%), PFC revenues, and Gaming Revenues. The landing fee revenue requirement is divided by the landed weight of the Signatory Airlines to determine the Landing Fee Rate.

Terminal Complex Rentals. As shown in Exhibit D-2, the Terminal Complex Area operating requirement consists of allocable direct and indirect O&M Expenses, debt service, and fund deposit requirements. To this amount is added the Concession Revenue Sharing Fee (equal to 8% of net cost/revenues of terminal concessions and the Parking and Rental Car Area), and is reduced by Tenant Equipment and Finishes Charges, Special Automated Baggage Facilities Charges, other Terminal Complex Area Non-Airline Revenues, 85% of the net cost (revenues) of the Parking and Rental Car Area, PFC revenues, and Gaming Revenues. The net cost of the Terminal Complex Area is divided by Signatory Airline Leased Premises (square feet) to determine the rental rate per square foot.

Terminal Ramp Fees. As shown in Exhibit D-3, the Terminal Ramp Area operating requirement consists of allocable direct and indirect O&M Expenses, debt service, and fund deposit requirements. This amount is then credited with nonairline terminal ramp revenues, Aircraft System Support Charges, 15% of the net cost (revenues) of the Parking and Rental Car Area, PFC revenues, and Gaming Revenues. The Terminal Ramp Area revenue requirement is divided by the Signatory Airline Terminal Ramp Area linear footage to determine the Terminal Ramp Fee Rate per linear foot.

Table 18 shows the Terminal Complex Leased Premises, Terminal Ramp linear footage, and number of aircraft gates leased by the Signatory Airlines at the Airport as of April 1, 2012. The Signatory Airlines collectively lease 28 of the 49 active jet gates at the Airport's Midfield Terminal.* The remaining 21 gates are available on a common use basis, of which 5 are Authority-controlled international gates.

It was assumed that the amount of space and number of gates leased by the Signatory Airlines would not change over the forecast period. Gate usage charges for common use gates are forecast to increase in proportion to the increase in the enplaned passengers.

*Of the 75 jet gates in the Midfield Terminal, 26 have been temporarily decommissioned as a cost savings measure after the de-hubbing of the Airport by US Airways.

Table 18
SIGNATORY AIRLINE LEASED PREMISES AND GATES
Pittsburgh International Airport

Airline	Exclusive Space Sq. Ft.	Joint Space Sq. Ft.	Apron Linear Footage	Gates
American Airlines	34,892.0		512.0	4
British Airways	2,850.0			-
Continental Airlines	15,751.0		441.0	2
Delta Air Lines	36,498.0		725.0	5
Jetblue	8,129.0		190.0	1
United Airlines	25,176.0		457.0	2
US Airways	73,829.0	75,394.0	1,352.0	10
Southwest	17,366.0		436.0	3
Republic	1,704.0			-
AirTran	7,486.5		154.0	1
TOTAL	223,681.5	75,394.0	4,267.0	28

Source: Allegheny County Airport Authority.

Additional Airline Charges. Additional Airline Charges are assessed for the use of facilities financed by the County (now the Authority) as part of the Midfield Project and other facilities leased to the Signatory Airlines financed with Airport Revenue Bonds. The Additional Airline Charges consist of Tenant Equipment and Finish Charges (baggage claim conveyors, interior finishes, loading bridges, and flight information display systems), Aircraft Support System Charges, (aircraft parking systems and preconditioned air), Apron-Level Charges, US Airways Special Automated Baggage Facility Charges, and US Airways Support Charges (which were terminated in 2011).

The Tenant Equipment and Finish Charges and Aircraft Support System Charges are calculated to recover allocable Revenue Bond Debt Service, Coverage Requirement, O&M Expenses, and fund deposit requirements.

The US Airways Special Automated Baggage Facility Charges are calculated to recover allocable Revenue Bond Debt Service (for infrastructure and equipment), Coverage Requirement, O&M Expenses (including operating expenses on the equipment), and fund deposit requirements and O&M Expenses plus $5 per square foot for the associated tunnel space and $10 per square foot for apron-level space in the airside and commuter terminals.

In addition, all airlines reimburse the Authority for its maintenance of the baggage system.

Net Cost/Revenues. of Other Cost Centers. The net cost or net revenues of the other Included Cost Centers is presented in Exhibit D-4. The net cost or net revenues of the Hangar and Field Support Area and Military Facilities are allocated to the Landing Area. The net revenues derived from the Parking and Rental Car Area is allocated 85% to the Terminal Complex Area and 15% to the Terminal Ramp Area. CFC revenues, to the extent deposited to the Revenue Fund, are included in the Parking and Rental Car Area net revenues.

The net cost or net revenues of the Excluded Cost Centers is presented in Exhibit D-4. Fifty percent of the net cost or net revenues of the Cargo Area and Airport Development Area is shared with the airlines through the Landing Fees and the balance is deposited to or deducted from the Airport System Capital Fund. The annual airline subsidy of the Other Aviation Facilities is equal to the lessor of (1) the sum of $250,000 for net costs and $350,000 for capital costs (in 1992 dollars as escalated with the Implicit Price Deflator Index) or (2) the actual net operating and capital expenses.

Airline Cost per Enplaned Passenger. Exhibit D-5 presents historical and forecast airline payments per enplaned passenger from 2009 through FY 2017. Additional Airline Charges are reimbursement of costs attributable to certain airlines and aircraft support facilities that are frequently financed directly by the airlines. Therefore, the forecast of airline costs per enplaned passenger are shown with and without the Additional Airline Charges.

Airline costs per enplaned passenger at the Airport were negatively affected by US Airways eliminating its PIT hub. This is because of the resulting loss of connecting passengers and associated passenger-related revenues combined with the debt incurred for facilities no longer needed by US Airways. The Authority has implemented significant cost containment and savings strategies to reduce the costs to the airlines under the residual ratemaking, including temporarily decommissioning some facilities, converting unused facilities to other uses to reduce costs, refinancing debt, contracting out its employees for airline equipment maintenance to private entities, and implementing energy conservation initiatives as well as crediting most of its receipts from PFC revenues and Gaming Revenues to the airline rate base. In addition, both the state and the business community have funded air service initiatives to promote airline service, which has resulted in new service and associated passenger-related revenues.

As shown, the cost per enplaned passenger for the Signatory Airlines is forecast to increase from $14.97 in 2011 to $15.48 in 2013, reflecting debt service from the 2012 Bonds, to above $16 in 2014 – the first full year of debt service and operating expenses forecast for the proposed stormwater/deicing facility -- excluding Additional Airline Charges.

Nonairline Revenues

Non-Airline Revenues as defined in the Airline Operating Agreement consist of pledged Revenues (as defined in the Indenture) less Airline Fees and Charges. Airline Fees and Charges are defined as the aggregate of Landing Fees, Terminal Ramp Fees, Terminal Complex Rentals, and Additional Airline Charges payable by the Signatory Airlines for such Fiscal Year. The prior section also included rentals, fee, and charges from nonsignatory airlines and for common use facilities by signatory and nonsignatory airlines.

As shown in Table 17, the principal sources of nonairline Revenues include public parking revenues, rental car revenues, AirMall concession revenues, hangar and field fees, and utility reimbursements. Other nonairline revenues deposited to the Revenue Fund by the Authority included PFC revenues and Gaming Revenues in 2010 and therefore were included in Revenues for purposes of the Rate Covenant. Forecasts of nonairline revenues are based on the provisions of existing agreements and allowances for inflation, forecast increases in enplaned passengers, and other factors.

Public Parking Revenues. Public automobile parking is the second largest source of Revenue at the Airport after airline fees and charges, accounting for $25 million in 2011, equal to approximately 16.1% of Revenues.

As shown in Table 19, the Authority offers three parking products: (1) a three-level parking garage adjacent to the landside terminal contains 2,100 public parking spaces, (2) a long-term lot with 3,750 spaces, and (3) an extended-term lot with 7,350 spaces. Moving walkways link the long-term surface parking lot to the landside terminal while shuttle bus service is provided to the extended-term lot.

Table 19 also shows the current and forecast parking rates as provided by Authority management. The Authority plans to increase rates for the garage and extended term lot in March 2013 after the garage rehabilitation is complete. Subsequent increases would also occur in March of each year as shown.

Table 19
PUBLIC PARKING SPACES AND DAILY RATES
Pittsburgh International Airport

		Daily Rate					
	Capacity	2012	2013	2014	2015	2016	2017
Garage	2,100	$ 24.00	$ 25.00	$ 25.00	$ 25.00	$ 26.00	$ 26.00
Long-Term	3,750	13.00	13.00	13.00	14.00	14.00	14.00
Extended-Term	7,350	8.00	9.00	9.00	9.00	10.00	10.00
	13,200						

Source: Allegheny County Airport Authority.

The Authority pays local parking taxes to Findlay Township and the West Allegheny School District totaling 9% of receipts.

The public parking facilities at the Airport are operated for the Authority under a management agreement with Grant Oliver. Under the agreement, the Authority receives all revenues and pays all costs of operation and maintenance of the facilities plus a management fee to Grant Oliver equal to 1.75% of parking revenues net of taxes and operating expenses. The budget for operating expenses (including the shuttle buses) is subject to review by the Authority, which can adjust staffing levels and related costs in response to parking demand and level of service standards. The Authority also retains control over the parking rate structure. Grant Oliver has been operating the parking facilities on behalf of the Authority since the opening of the Midfield Terminal. The current contract extends to September 30, 2022.

Approximately five off-Airport private parking facilities serve Airport passengers and provide approximately 4,800 additional public parking spaces. The Authority believes it has adequate capacity and that off-airport competition will not adversely affect parking revenues.

Parking revenues have been adversely affected recently as a result of the temporary closure of spaces in the past several years for repairs. Rehabilitation of the garage is being phased to minimize the impact on parking revenues. Beyond 2012, parking revenues were forecast largely as a function of the forecast increase in O&D passengers with the rate increases factored into the forecast as shown in Table 19.

Rental Cars. Rental car revenues are the third largest source of Revenues after airline rates and charges and parking revenues accounting for $10.9 million in 2011, equal to 7.0% of Revenues.

Seven “companies” representing nine brands of rental car companies operate on-Airport from the garage: (1) Avis, (2) Budget, (3) Dollar/Thrifty, (4) Enterprise, (5) Hertz, (6) Payless, and (7) Vanguard (Alamo and National). The seven on-Airport rental car companies operate under the terms of concession agreements that provide that the companies pay the greater of the minimum annual guarantee or a concession fee of 10% of gross revenues plus space rentals (counter, office & garage spaces) and ground rentals (vehicle processing & maintenance) rent for their facilities in the terminal and garage. These agreements will expire on April 30, 2013. There are no off-Airport rental car companies currently serving the Airport.

The rental car companies also lease 799 rental car ready/return stalls located on level 1 of the garage, QTA facilities, and services facilities from the Authority under a Facility Lease Agreement that expires October 2012.

Rental car concession revenues are forecast to increase in proportion to the increase in enplaned passengers and an allowance of 2% per year for inflation.

Terminal Concessions. PIT was one of the first airports in the country to adopt a shopping mall-type approach for its various retail activities, providing an atmosphere and selection of a shopping mall, including various brand-name outlets and "street pricing" based on local comparable prices. As of December 2011, there were 40 operators in 70 locations in the Midfield Terminal, including 23 food and beverage locations, 34 retail locations, 4 service locations, and 9 news and gift locations.

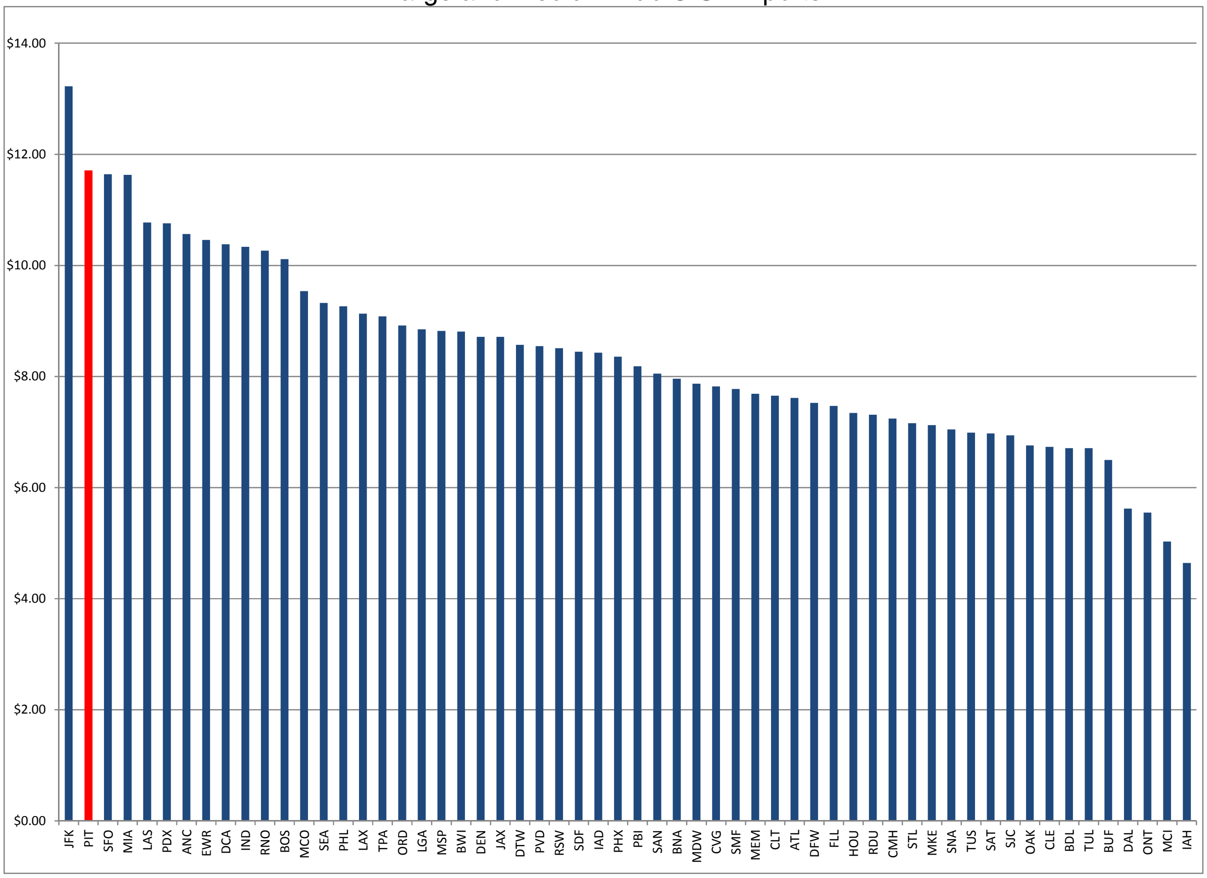
The terminal concessions in the Midfield Terminal are managed by AirMall USA, Inc., previously known as BAA Pittsburgh, Inc. (AirMall) under the terms of a Master Lease Development and Concession Agreement (the AirMall Agreement) between the Authority and AirMall. The AirMall Agreement extends through December 31, 2017.

AirMall acts as the Authority's master developer leasing agent and is responsible for developing concession space, leasing the space, and managing the lease arrangements at the Midfield Terminal for the Authority. Under the AirMall Agreement, AirMall has the exclusive rights to all terminal concessions (except public pay telephones), including merchandising, retail, food and beverage, and advertising services. The Authority receives 100% of revenues from electronic media, such as the Internet, flight information systems, and the wireless airport system. AirMall is not authorized to operate terminal concessions except in the case of a vacancy. The Authority receives 59% of the revenues received by AirMall from the various concessionaires, and AirMall receives 41%. AirMall also contributes to a repair and replacement fund to cover certain repair and replacement costs.

AirMall operates one of the most successful terminal concession programs in the nation as illustrated by Figure 20, which shows gross terminal concession revenues per enplaned passenger for the large hub U.S. airports in 2010 as reported by Airport Revenue News in the ARN 2011 Fact Book. Concessions occupy approximately 100,000 square feet of a total of approximately 1.7 million square feet of terminal space at the Airport.

AirMall concession revenues are forecast to increase with enplaned passengers and 1% inflation per year.

Figure 20
TERMINAL CONCESSION GROSS SALES PER ENPLANED PASSENGER -- 2010
Large and Medium Hub U.S. Airports



Source: ARN 2011 Fact Book and LeighFisher (excluding duty-free).

Hangar and Field Fees. Hangar and field fees include ground rents and facility fees, including revenues from the aircraft fuel farm and distribution system and cargo facilities, which are managed by AFCO.

Utility Reimbursements. The Authority recovers utility and maintenance reimbursements from tenants throughout the Airport, which are forecast to increase with inflation at 2% per year.

Other Aviation Facilities. Other Aviation Facilities consist of Allegheny County Airport. The Authority leases sites, buildings, and other facilities at Allegheny County Airport to various aviation and non-aviation tenants, including several large corporations headquartered in Pittsburgh. Site and building rentals at Allegheny County Airport are governed by the terms of various leases, most of which include allowances for escalation. The Authority also collects landing fees and concession fees at Allegheny County Airport. Landing fees and concession fees are forecast to remain constant while site and building rentals are forecast to increase with inflation.

Commercial/Industrial Area and Airport Development Area Revenues. The Authority derives ground rentals from the leasing of land in these two cost centers as shown in Exhibit D, which are forecast based on the terms of the various leases.

Release of Coverage Account. As shown in Exhibit D, as Debt Service Requirements decline in 2017, a portion of the balance of Other Available Funds in the Revenue Fund representing the associated Coverage Requirement will be released and treated as Revenues.

PFC Revenues

The Authority intends to continue to use a portion of its annual PFC revenues as a credit against airline fees and charges as set forth on Exhibits D, D-1, D-2, and D-3. An amount of PFC revenues equal to up to $15 million per year is credited to airline rates for reimbursement of historical PFC project costs. This amount will be treated as Revenues when deposited to the Revenue Fund under the terms of the Indenture. The amounts shown in the forecast represent the Authority's expectations at this time, but could be lower based on the actual financial results for the Fiscal Year.

Gaming Revenues

The Authority also intends to continue to use a portion of its annual Gaming Revenues as a credit against airline fees and charges as set forth on Exhibits D, D-1, D-2, and D-3. Gaming Revenues are expected to equal $12.4 million per year, which the Authority intends to credit to airline rates to maintain a competitive rate structure. This amount will be classified as Revenues when deposited to the Revenue Fund under the terms of the Indenture. The amounts shown in the forecast represent the Authority's expectations at this time, but could be lower based on the actual financial results for the Fiscal Year.

Customer Facility Charge Revenues

On March 11, 2011, the Authority Board adopted a resolution authorizing the implementation of a Customer Facility Charge (CFC) in the amount of $3 per rental car transaction day (for up to 7 days) to be assessed on all customers renting a vehicle from the Airport. The charge implementation date was June 1, 2011. CFC revenues will be used for direct and indirect operating O&M expenses, debt service (including pro rata debt service on the 2012 Bonds for the garage rehabilitation), and depreciation of facilities and assets utilized in rental car operations net of amounts already being collected from the rental car operators. CFC revenues will also be used to pay for new capital expenditures of improvements for rental car operations.

The Authority intends to continue to use a portion of the annual CFC revenues as a credit against airline fees and charges as set forth on Exhibits D and D-4. CFC revenues are expected to total approximately $5 million per year (increasing in proportion with enplaned passengers), which the Authority intends to credit to airline rates except in years when capital improvements are undertaken for rental car operations (such as 2013). This amount will be classified as Revenues when deposited to the Revenue Fund under the terms of the Indenture. The amounts shown in the forecast represent the Authority's expectations at this time, but could be lower based on the actual CFC collections, capital improvement expenditures, and the financial results for the Fiscal Year.

APPLICATION OF REVENUES

Exhibit E presents the forecast application of Revenues, including PFC revenues, Gaming Revenues, and CFC revenues, to the various funds and accounts established by the Indenture and Airline Operating Agreement for 2012 through 2017 as described earlier.

Under the Indenture, all Revenues are deposited to the Revenue Fund and first used to pay O&M Expenses. The remaining Revenues, defined as Net Revenues, are to be applied in the following order -- Debt Service, G.O. Bond, O&M Reserve, Debt Service Reserve, Renewal and Replacement, Subordinate Lien Revenue Fund, Equipment and Capital Outlay Funds, and Airport System Capital Funds. The amounts remaining in the Revenue Fund represents Other Available Funds, which is equal to the Coverage Requirement.

DEBT SERVICE COVERAGE

Exhibit F presents the calculation of annual debt service coverage in accordance with the Rate Covenant in each year 2012 through 2017. Net Revenues, together with Other Available Funds, are forecast to be at least 125% of the Debt Service (on senior Bonds) in each of the Fiscal Years 2012 through 2017. In addition, Revenues are forecast to exceed 125% of the total amounts required to be deposited in each Fiscal Year to Debt Service Fund, G.O. Bond Fund, O&M Reserve Fund, Debt Service Reserve Fund, and Subordinate Lien Fund. Thus, the Rate Covenant of the Indenture is forecast to be met in each Fiscal Year of the forecast period.

Exhibit A

SOURCES AND USES OF BOND FUNDS
Allegheny County Airport Authority
(numbers in thousands)

	Proposed 2012 Bonds	Future Bonds
Sources of Funds		
Par Amount of Bonds	$ 50,850	$ 26,175
Original Issue Premium/(Discount)	1,014	(733)
Total Sources	$ 51,864	$ 25,442
Uses of Funds		
Parking Garage Rehabilitation Phase 2 of 2	$ 12,000	$ -
Terminal Improvements	20,000	-
People Mover Car Rehabilitation/Replacement	8,000	-
Energy Savings Projects	5,000	-
Stormwater/Deicing Facilities	-	22,000
Total Project Costs	$ 45,000	$ 22,000
Costs of Issuance	793	385
Capitalized Interest Fund	1,899	1,297
Debt Service Reserve Fund	4,173	1,760
Total Uses	$ 51,864	$ 25,442

Source: Raymond James | Morgan Keegan.

EXHIBIT B

DEBT SERVICE REQUIREMENTS
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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

			Actual	Forecast					
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Service Requirements									
Senior Lien Bonds									
Series 1997A-1	$ 28,491	$ 28,533	$ 28,490	$ 28,520	$ 28,484	$ -	$ -	$ -	$ -
Series 1997A-2	-	416	-	-	-	-	-	-	-
Series 1999	5,748	3,911	-	-	-	-	-	-	-
Series 2001A	6,397	6,328	6,299	6,261	6,204	6,183	553	-	-
Series 2001B	2,275	2,275	2,275	2,275	2,275	2,275	7,820	8,278	7,682
Series 2002A	7,518	7,475	7,415	7,349	7,314	1,709	-	-	-
Series 2002B	2,476	2,476	2,476	2,476	2,476	7,986	9,638	9,613	9,520
Series 2007A	2,672	2,672	2,672	2,672	2,672	30,882	26,497	-	-
Series 2007B	5,019	5,019	5,019	5,019	5,019	5,019	8,769	35,751	34,432
Series 2010	-	-	5,467	5,460	5,474	5,452	5,473	5,445	-
Existing Senior Lien Bonds	$ 60,597	$ 59,105	$ 60,113	$ 60,032	$ 59,918	$ 59,506	$ 58,750	$ 59,087	$ 51,634
Proposed 2012 Bonds	-	-	-	-	4,165	4,168	4,169	4,166	4,165
Future Bonds	-	-	-	-	-	1,757	1,757	1,758	1,759
Debt Service Requirements on Senior Lien Bonds	$ 60,597	$ 59,105	$ 60,113	$ 60,032	$ 64,083	$ 65,430	$ 64,676	$ 65,011	$ 57,558
Subordinate 2001A	134	134	134	134	134	134	669	2,015	-
Subordinate 2001B	1,877	1,878	1,878	1,877	1,879	1,878	1,345	-	-
Energy Saving Loan	-	-	-	1,127	1,127	1,127	1,127	1,127	1,127
Debt Service Requirements on Senior & Sub. Lien	$ 62,608	$ 61,117	$ 62,125	$ 63,171	$ 67,224	$ 68,570	$ 67,818	$ 68,153	$ 58,685
Debt Service by Cost Center									
Landing Area	$ 2,984	$ 2,837	$ 2,941	$ 2,933	$ 2,928	$ 4,664	$ 4,628	$ 4,646	$ 4,282
Terminal Complex Area	46,657	45,866	46,371	47,447	50,418	50,111	49,549	49,799	42,738
Terminal Ramp Area	3,093	3,090	3,084	3,081	3,076	3,056	3,021	3,037	2,423
Parking and Rental Car Area	3,674	3,667	3,658	3,651	4,755	4,732	4,688	4,707	4,112
Hangar and Field Support Area	6,200	5,656	6,072	6,059	6,047	6,006	5,931	5,965	5,130
Military Facilities	-	-	-	-	-	-	-	-	-
Total Included Cost Centers	$ 62,608	$ 61,117	$ 62,125	$ 63,171	$ 67,224	$ 68,570	$ 67,818	$ 68,153	$ 58,685
Excluded Cost Centers	-	-	-	-	-	-	-	-	-
Debt Service Requirements on Senior & Sub. Lien	$ 62,608	$ 61,117	$ 62,125	$ 63,171	$ 67,224	$ 68,570	$ 67,818	$ 68,153	$ 58,685
General Obligation Bonds Debt Service									
Payable from Funds Other Than Revenues	$ 73	$ 43	$ 15	$ 15	$ 15	$ 15	$ 15	$ 9	$ -

Sources: Actual - Allegheny County Airport Authority; Proposed 2012 Bonds & Future Bonds - Raymond James | Morgan Keegan.

EXHIBIT C

OPERATION AND MAINTENANCE EXPENSES
Allegheny County Airport Authority

(for the 12 months ending December 31; numbers in thousands except as noted)

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

			Actual	Forecast					
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses of All Cost Centers									
Pittsburgh International Airport									
Personnel	$ 32,162	$ 34,021	$ 33,980	$ 35,526	$ 36,770	$ 38,057	$ 39,389	$ 40,767	$ 42,194
Utilities	12,203	12,393	11,927	11,828	12,242	12,671	13,114	13,573	14,048
Cleaning & Maintenance	14,077	14,283	14,598	15,614	16,161	16,727	17,312	17,918	18,545
Professional Services	14,900	15,534	16,027	17,253	17,857	18,482	19,129	19,798	20,491
Other	8,205	7,499	7,174	8,687	8,991	9,306	9,632	9,969	10,318
Allegheny County Airport	2,530	2,727	2,658	3,048	3,154	3,265	3,379	3,497	3,620
Total Existing Expenses	$ 84,077	$ 86,457	$ 86,364	$ 91,957	$ 95,175	$ 98,507	$ 101,954	$ 105,523	$ 109,216
Incremental Expenses	-	-	-	-	754	3,500	3,623	3,749	3,881
Total Expenses of All Cost Centers	$ 84,077	$ 86,457	$ 86,364	$ 91,957	$ 95,929	$ 102,007	$ 105,577	$ 109,272	$ 113,096
% Change	-1.0%	2.8%	-0.1%	6.5%	4.3%	6.3%	3.5%	3.5%	3.5%
Expenses by Cost Center									
Included Cost Centers									
Landing Area	$ 17,470	$ 16,937	$ 16,528	$ 17,914	$ 19,295	$ 22,690	$ 23,484	$ 24,306	$ 25,157
Terminal Complex Area	49,541	51,729	52,148	54,915	56,837	58,826	60,885	63,016	65,222
Terminal Ramp Area	4,944	5,543	5,658	6,248	6,466	6,693	6,927	7,169	7,420
Parking and Rental Car	4,765	4,789	4,715	5,092	5,270	5,454	5,645	5,843	6,047
Hangar and Field Support Area	4,415	4,294	4,226	4,309	4,459	4,615	4,777	4,944	5,117
Military Facilities	-	-	-	-	-	-	-	-	-
Operation and Maintenance Expenses	$ 81,136	$ 83,292	$ 83,275	$ 88,477	$ 92,328	$ 98,279	$ 101,719	$ 105,279	$ 108,963
Excluded Cost Centers	2,941	3,166	3,089	3,480	3,602	3,728	3,858	3,993	4,133
Total Expenses of All Cost Centers	$ 84,077	$ 86,457	$ 86,364	$ 91,957	$ 95,929	$ 102,007	$ 105,577	$ 109,272	$ 113,096

Sources: Actual - Allegheny County Airport Authority; Forecast - LeighFisher.

EXHIBIT D

AIRPORT SYSTEM REVENUES
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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

			Actual	Forecast					
	2009	2010	2011	2012	2013	2014	2015	2016	2017
INCLUDED COST CENTERS									
Landing Area									
Passenger Airline Landing Fees	$ 13,079	$ 15,547	$ 16,588	$ 15,833	$ 18,229	$ 18,870	$ 19,651	$ 20,677	$ 20,544
Cargo Carrier Landing Fees	1,241	1,374	1,309	1,262	1,442	1,486	1,546	1,612	1,667
Other Revenues	2,596	2,530	2,397	2,323	1,495	1,533	1,567	1,608	1,617
Subtotal	$ 16,916	$ 19,451	$ 20,294	$ 19,418	$ 21,166	$ 21,889	$ 22,764	$ 23,897	$ 23,828
Terminal Complex Area									
Signatory Terminal Complex Rentals	$ 39,208	$ 38,537	$ 39,981	$ 38,599	$ 40,517	$ 45,416	$ 45,398	$ 45,597	$ 38,801
Gate Usage Charges	1,965	1,968	2,793	2,000	2,070	2,142	2,217	2,295	2,375
Tenant Equipment and Finish Charges	2,978	2,975	2,969	2,966	2,966	2,966	2,966	2,966	2,966
Special Automated Baggage Facilities Charges	7,386	7,392	7,278	7,281	7,313	7,347	7,382	7,418	7,455
Baggage System Maintenance	3,899	3,899	3,865	3,899	4,035	4,177	4,323	4,474	4,631
AirMall Concession Revenues	5,441	5,178	5,199	5,000	5,099	5,216	5,341	5,474	5,614
Other Revenues	6,797	2,461	3,327	2,183	2,437	2,468	2,496	2,527	2,528
Subtotal	$ 67,674	$ 62,411	$ 65,412	$ 61,929	$ 64,438	$ 69,733	$ 70,123	$ 70,751	$ 64,370
Terminal Ramp Area									
Terminal Ramp Fees	$ 1,773	$ 1,272	$ 1,191	$ 1,060	$ 1,218	$ 1,183	$ 1,174	$ 1,069	$ 1,239
Aircraft Support Charges	1,229	1,228	1,225	1,224	1,224	1,224	1,224	1,224	1,224
Other Revenues	769	541	534	451	474	483	492	502	509
Subtotal	$ 3,772	$ 3,041	$ 2,951	$ 2,735	$ 2,915	$ 2,890	$ 2,890	$ 2,794	$ 2,973
Parking and Rental Car Area									
Public Parking Revenues	$ 21,201	24,197	24,973	24,771	26,667	27,165	28,005	30,303	30,945
Rental Car Concession Fees	8,194	8,511	8,849	8,438	8,693	8,980	9,285	9,611	9,952
Rental Car Space Rentals	2,062	2,062	2,062	2,091	2,105	2,121	2,136	2,151	2,091
Other Revenues	2,288	2,044	2,186	2,717	2,781	2,827	2,876	2,926	2,977
Subtotal	$ 33,745	$ 36,814	$ 38,069	$ 38,016	$ 40,247	$ 41,093	$ 42,302	$ 44,991	$ 45,964

EXHIBIT D (cont.)

AIRPORT SYSTEM REVENUES
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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			Actual	Forecast					
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Hangar and Field Support Area									
Support Facility Charges	$ 1,569	$ 1,569	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hangar and Field Fees	6,793	5,347	6,590	6,719	6,716	6,714	6,711	6,709	6,706
Other Revenues	3,778	2,971	3,055	2,668	2,739	2,785	2,832	2,881	2,928
Subtotal	$ 12,140	$ 9,886	$ 9,646	$ 9,386	$ 9,455	$ 9,499	$ 9,544	$ 9,590	$ 9,634
Military Facilities	$ 121	$ 119	$ 122	$ 145	$ 145	$ 145	$ 145	$ 145	$ 145
Revenues of Included Cost Centers	$ 134,369	$ 131,722	$ 136,493	$ 131,629	$ 138,365	$ 145,248	$ 147,768	$ 152,167	$ 146,914
Commercial/Industrial Area	351	345	-	-	-	-	-	-	-
Cargo Area	483	522	507	504	509	514	520	525	530
Airport Development Area	-	-	-	844	792	785	778	778	778
Other Aviation Facilities	2,521	3,006	2,927	2,927	2,971	3,017	3,064	3,111	3,159
Airport System Revenues	$ 137,723	$ 135,594	$ 139,926	$ 135,904	$ 142,637	$ 149,565	$ 152,129	$ 156,581	$ 151,381
Revenues of Included Cost Centers	$ 134,369	$ 131,722	$ 136,493	$ 131,629	$ 138,365	$ 145,248	$ 147,768	$ 152,167	$ 146,914
50% Of Net Revenues from									
Airport Development Area	-	-	-	422	396	393	389	389	389
Cargo Area	-	-	-	36	31	26	20	14	8
Other Revenues to Be Deposited to Revenue Fund									
Passenger Facility Charges	$ 13,089	$ 15,004	$ 8,854	$ 12,312	$ 15,004	$ 15,004	$ 15,004	$ 15,004	$ 15,004
Gaming Revenues	4,585	6,637	6,400	12,400	12,400	12,400	12,400	12,400	12,400
Customer Facility Charges	-	-	3,041	4,849	3,916	4,959	5,028	4,947	2,660
Release from Coverage Account	-	-	-	-	-	-	-	-	1,968
Revenues per Indenture	$ 152,043	$ 153,363	$ 154,788	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344

Sources: Actual - Allegheny County Airport Authority; Forecast - LeighFisher.

EXHIBIT D-1

LANDING FEE CALCULATION
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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	Forecast 2012	2013	2014	2015	2016	2017
Landing Area Operating Requirements						
Operation and Maintenance Expenses	$ 17,914	$ 19,295	$ 22,690	$ 23,484	$ 24,306	$ 25,157
Debt Service Requirements on Senior & Sub. Lien Bonds	2,933	2,928	4,664	4,628	4,646	4,282
Fund Deposit Requirements						
Equipment and Capital Outlay Fund	798	814	830	847	864	881
O & M Reserve Fund	33	134	229	132	137	142
Renewal & Replacement Fund	-	-	-	-	-	-
Coverage Requirement	-	1	-	-	-	(144)
Airport System Capital Fund	2,928	2,986	3,046	3,107	3,169	3,232
Total Operating Requirements	$ 24,606	$ 26,158	$ 31,459	$ 32,198	$ 33,121	$ 33,550
Other Landing Area Non-Airline Revenues	(2,323)	(1,495)	(1,533)	(1,567)	(1,608)	(1,617)
Net Cost (Revenues) of Hangar and Field Support Area	1,035	1,132	1,217	1,240	1,397	520
Net Cost of Other Aviation Facilities	136	198	263	330	395	404
Net Cost (Revenues) of Military Facilities	(145)	(145)	(145)	(145)	(145)	(145)
Cargo Landing Fee	(1,262)	(1,442)	(1,486)	(1,546)	(1,612)	(1,667)
50% of Net Cost (Revenues) of Cargo Area	(36)	(31)	(26)	(20)	(14)	(8)
50% of Net Cost (Revenues) of Airport Development Area	(422)	(396)	(393)	(389)	(389)	(389)
PFC Revenues Allocable to Landing Area	(2,822)	(2,822)	(2,822)	(2,822)	(2,822)	(2,822)
Gaming Revenues Allocable to Landing Area	(2,933)	(2,928)	(7,664)	(7,628)	(7,646)	(7,282)
Net Requirement for Signatory Passenger Airlines	$ 15,833	$ 18,229	$ 18,870	$ 19,651	$ 20,677	$ 20,544
Landed Weight of Signatory Passenger Airlines	4,649	4,690	4,742	4,800	4,868	4,934
Signatory Passenger Airline Landing Fee Rate	$ 3.41	$ 3.89	$ 3.98	$ 4.09	$ 4.25	$ 4.16

Source: Forecast - LeighFisher.

EXHIBIT D-2

TERMINAL COMPLEX RENTAL RATE CALCULATION
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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	Forecast 2012	2013	2014	2015	2016	2017
Terminal Complex Area Operating Requirements						
Operation and Maintenance Expenses	$ 54,915	$ 56,837	$ 58,826	$ 60,885	$ 63,016	$ 65,222
Debt Service Requirements on Senior & Sub. Lien Bonds	47,447	50,418	50,111	49,549	49,799	42,738
Fund Deposit Requirements						
Equipment and Capital Outlay Fund	152	155	158	162	165	168
O & M Reserve Fund	102	395	594	343	355	368
Renewal & Replacement Fund	-	-	-	-	-	-
Coverage Requirement	-	19	-	-	-	(1,433)
Airport System Capital Fund	2,928	2,986	3,046	3,107	3,169	3,232
Total Operating Requirements	$ 105,544	$ 110,810	$ 112,735	$ 114,046	$ 116,504	$ 110,294
Tenant Equipment and Finishes Charges	(2,966)	(2,966)	(2,966)	(2,966)	(2,966)	(2,966)
Special Automated Baggage Facilities Charges	(7,281)	(7,313)	(7,347)	(7,382)	(7,418)	(7,455)
Other Terminal Complex Area Non-Airline Revenues	(13,082)	(13,641)	(14,003)	(14,377)	(14,770)	(15,149)
85% of Net Cost (Revenues) of Parking and Rental Car Area	(28,673)	(28,655)	(30,103)	(31,076)	(33,102)	(32,426)
Terminal Concession Revenue Sharing Fee	2,382	2,230	2,312	2,402	2,580	2,597
PFC Revenues Allocable to Terminal Complex Area	(8,607)	(11,476)	(11,476)	(11,476)	(11,476)	(11,476)
Gaming Revenues Allocable to Terminal Complex Area	(8,717)	(8,472)	(3,736)	(3,772)	(3,754)	(4,618)
Net Cost of Terminal Complex Area	$ 38,599	$ 40,517	$ 45,416	$ 45,398	$ 45,597	$ 38,801
Airline Rented Space	299	299	299	299	299	299
Signatory Terminal Complex Rental Rate per sqft	$ 129.06	$ 135.47	$ 151.86	$ 151.80	$ 152.46	$ 129.73

Source: Forecast - LeighFisher.

EXHIBIT D-3

TERMINAL RAMP FEE CALCULATION
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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	Forecast 2012	2013	2014	2015	2016	2017
Terminal Ramp Area Operating Requirements						
Operation and Maintenance Expenses	$ 6,248	$ 6,466	$ 6,693	$ 6,927	$ 7,169	$ 7,420
Debt Service Requirements on Senior & Sub. Lien Bonds	3,081	3,076	3,056	3,021	3,037	2,423
Fund Deposit Requirements						
Equipment and Capital Outlay Fund	88	90	91	93	95	97
O & M Reserve Fund	12	45	68	39	40	42
Renewal & Replacement Fund	-	-	-	-	-	-
Coverage Requirement	-	1	-	-	-	(81)
Airport System Capital Fund	-	-	-	-	-	-
Total Operating Requirements	$ 9,428	$ 9,678	$ 9,908	$ 10,080	$ 10,342	$ 9,901
Aircraft Support System Charge	(1,224)	(1,224)	(1,224)	(1,224)	(1,224)	(1,224)
Other Terminal Ramp Area Non-Airline Revenues	(451)	(474)	(483)	(492)	(502)	(509)
15% of Net Cost (Revenues) of Parking and Rental Car Area	(5,060)	(5,057)	(5,312)	(5,484)	(5,842)	(5,722)
PFC Revenues Allocable to Terminal Ramp Area	(883)	(706)	(706)	(706)	(706)	(706)
Gaming Revenues Allocable to Terminal Ramp Area	(750)	(1,000)	(1,000)	(1,000)	(1,000)	(500)
Net Cost of Terminal Ramp Area	$ 1,060	$ 1,218	$ 1,183	$ 1,174	$ 1,069	$ 1,239
Rented Terminal Ramp Linear Footage	4.27	4.27	4.27	4.27	4.27	4.27
Signatory Terminal Ramp Fee per Linear Foot	$ 248.36	$ 285.33	$ 277.23	$ 275.17	$ 250.41	$ 290.46

Source: Forecast - LeighFisher.

EXHIBIT D-4

NET COST/NET REVENUES OF OTHER COST CENTERS
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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	Forecast 2012	2013	2014	2015	2016	2017
Parking and Rental Car Area Operating Requirement						
Operation and Maintenance Expenses	$ 5,092	$ 5,270	$ 5,454	$ 5,645	$ 5,843	$ 6,047
Debt Service	3,651	4,755	4,732	4,688	4,707	4,112
Fund Deposit Requirements						
Equipment and Capital Outlay Fund	381	388	396	404	412	420
O & M Reserve Fund	9	37	55	32	33	34
Renewal & Replacement Fund	-	-	-	-	-	-
Coverage Requirement	-	2	-	-	-	(138)
Airport System Capital Fund	-	-	-	-	-	-
Total Requirement	$ 9,133	$ 10,452	$ 10,637	$ 10,769	$ 10,995	$ 10,476
Less:						
Revenues Allocable to Parking and Rental Car Area	(38,016)	(40,247)	(41,093)	(42,302)	(44,991)	(45,964)
Customer Facility Charges	(4,849)	(3,916)	(4,959)	(5,028)	(4,947)	(2,660)
Net Cost/(Net Revenues)	$ (33,733)	$ (33,711)	$ (35,415)	$ (36,560)	$ (38,944)	$ (38,148)
Hangar and Field Support Area Operating Requirement						
Operation and Maintenance Expenses	$ 4,309	$ 4,459	$ 4,615	$ 4,777	$ 4,944	$ 5,117
Debt Service	6,059	6,047	6,006	5,931	5,965	5,130
Fund Deposit Requirements						
Equipment and Capital Outlay Fund	45	46	47	48	49	50
O & M Reserve Fund	8	31	47	27	28	29
Renewal & Replacement Fund	-	-	-	-	-	-
Coverage Requirement	-	2	-	-	-	(172)
Airport System Capital Fund	-	-	-	-	-	-
Total Requirement	$ 10,421	$ 10,586	$ 10,716	$ 10,784	$ 10,986	$ 10,154
Less: Revenues Allocable to Hangar and Field Support Area	(9,386)	(9,455)	(9,499)	(9,544)	(9,590)	(9,634)
Net Cost/(Net Revenues)	$ 1,035	$ 1,132	$ 1,217	$ 1,240	$ 1,397	$ 520
Military Facilities Net Cost/(Net Revenues)	$ (145)	$ (145)	$ (145)	$ (145)	$ (145)	$ (145)
NET COST/(NET REVENUES) OF EXCLUDED COST CENTERS						
Commercial/Industrial Area	(78)	(14)	-	-	-	-
Cargo Area	$ (72)	$ (62)	$ (51)	$ (40)	$ (29)	$ (17)
Airport Development Area	(844)	(792)	(785)	(778)	(778)	(778)
Other Aviation Facilities	136	198	263	330	395	460

Source: Forecast - LeighFisher.

EXHIBIT D-5

AIRLINE COST PER ENPLANED PASSENGER
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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			Actual	Forecast					
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Passenger Airline Payments									
Signatory Landing Fees	$ 13,079	$ 15,547	$ 16,588	$ 15,833	$ 18,229	$ 18,870	$ 19,651	$ 20,677	$ 20,544
Signatory Space Rent	39,208	38,537	39,981	38,599	40,517	45,416	45,398	45,597	38,801
Nonsignatory Landing Fee and Space Rent	1,935	1,759	1,707	1,713	868	896	922	955	947
Ramp Rentals	1,773	1,272	1,191	1,060	1,218	1,183	1,174	1,069	1,239
Gate Usage Fees	1,965	1,968	2,793	2,000	2,070	2,142	2,217	2,295	2,375
Total Operating Requirements	$ 57,961	$ 59,083	$ 62,261	$ 59,206	$ 62,902	$ 68,508	$ 69,363	$ 70,592	$ 63,906
Enplaned Passengers	4,017	4,098	4,160	4,025	4,064	4,116	4,173	4,235	4,300
Airline Cost per Enplaned Passenger (CPE)	$ 14.43	$ 14.42	$ 14.97	$ 14.71	$ 15.48	$ 16.64	$ 16.62	$ 16.67	$ 14.86
Additional Airline Charges									
Aircraft Support Charges	$ 1,229	$ 1,228	$ 1,225	$ 1,224	$ 1,224	$ 1,224	$ 1,224	$ 1,224	$ 1,224
Tenant Finishes	2,978	2,975	2,969	2,966	2,966	2,966	2,966	2,966	2,966
Special Automated Baggage Facilities Charges	7,386	7,392	7,278	7,281	7,313	7,347	7,382	7,418	7,455
Baggage System Maintenance	3,899	3,899	3,865	3,899	4,035	4,177	4,323	4,474	4,631
Additional Airline Charges	$ 15,492	$ 15,495	$ 15,337	$ 15,370	$ 15,539	$ 15,714	$ 15,895	$ 16,082	$ 16,276
Enplaned Passengers	4,017	4,098	4,160	4,025	4,064	4,116	4,173	4,235	4,300
Additional Airline Charges per e.p.	$ 3.86	$ 3.78	$ 3.69	$ 3.82	$ 3.82	$ 3.82	$ 3.81	$ 3.80	$ 3.79
CPE with Additional Airline Charges	$ 18.29	$ 18.20	$ 18.65	$ 18.53	$ 19.30	$ 20.46	$ 20.43	$ 20.47	$ 18.65

Sources: Actual - Allegheny County Airport Authority; Forecast - LeighFisher.

EXHIBIT E

APPLICATION OF REVENUES
Allegheny County Airport Authority
(for the 12 months ending December 31; numbers in thousands except as noted)

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	Forecast 2012	2013	2014	2015	2016	2017
Revenues						
Operating Revenues and Interest Earnings	$ 132,087	$ 138,792	$ 145,666	$ 148,177	$ 152,571	$ 147,311
Passenger Facility Charges	12,312	15,004	15,004	15,004	15,004	15,004
Gaming Revenues	12,400	12,400	12,400	12,400	12,400	12,400
Customer Facility Charges	4,849	3,916	4,959	5,028	4,947	2,660
Release from Coverage Account	-	-	-	-	-	1,968
Total Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Application of Revenues						
Operation and Maintenance Expenses	$ 88,477	$ 92,328	$ 98,279	$ 101,719	$ 105,279	$ 108,963
(1) Senior Lien Bonds Debt Service Fund	60,032	64,083	65,430	64,676	65,011	57,558
(2) G.O. Bond Fund	-	-	-	-	-	-
(3) O&M Reserve Fund	165	642	992	573	593	614
(4) Senior Lien Bonds Debt Service Reserve Fund	-	-	-	-	-	-
(5) Renewal and Replacement Fund	-	-	-	-	-	-
(6) Subordinate Lien Revenue Fund	3,138	3,141	3,140	3,141	3,142	1,127
(7) Other Fund Deposit Requirements per AOA						
(i) Equipment and Capital Outlay Fund	1,464	1,493	1,523	1,553	1,584	1,616
(ii) Airport System Capital Fund	-	-	-	-	-	-
Discretionary 1	2,928	2,986	3,046	3,107	3,169	3,232
Restricted 1	2,928	2,986	3,046	3,107	3,169	3,232
(iii) Discretionary 2	2,517	2,428	2,574	2,732	2,975	3,001
(iv) Restricted 2	-	-	-	-	-	-
(v) Other Aviation Facilities Fund	-	-	-	-	-	-
(vi) Renewal and Replacement Fund	-	-	-	-	-	-
(vii) Coverage Account	-	26	-	-	-	-
Total Application of Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344

Source: Forecast - LeighFisher.

EXHIBIT F

RATE COVENANT COMPLIANCE AND DEBT SERVICE COVERAGE

Allegheny County Airport Authority

(for the 12 months ending December 31; numbers in thousands except as noted)

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	Forecast 2012	2013	2014	2015	2016	2017
Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Requirement per Indenture Section 7.08(a)(i)						
Senior Lien Bonds Debt Service	$ 60,032	$ 64,083	$ 65,430	$ 64,676	$ 65,011	$ 57,558
Subordinate Lien Debt Service	3,138	3,141	3,140	3,141	3,142	1,127
Other Requirements	10,001	10,561	11,181	11,072	11,490	11,696
Total Requirements per Indenture Section 7.08(a)(i)	$ 73,172	$ 77,785	$ 79,751	$ 78,890	$ 79,644	$ 70,381
Required Ratio (MUST BE NO LESS THAN 125%)	220.9%	218.7%	223.2%	228.9%	232.2%	254.8%
Revenues	$ 161,649	$ 170,112	$ 178,029	$ 180,609	$ 184,922	$ 179,344
Operation & Maintenance Expenses	(88,477)	(92,328)	(98,279)	(101,719)	(105,279)	(108,963)
Net Revenues	$ 73,172	$ 77,785	$ 79,751	$ 78,890	$ 79,644	$ 70,381
Other Available Funds	16,358	16,358	16,358	16,358	16,358	14,389
Total Available	$ 89,529	$ 94,142	$ 96,108	$ 95,248	$ 96,001	$ 84,770
Debt Service Coverage						
Senior Lien Bonds - 125% Required per Section 7.08(a)(ii)	1.49	1.47	1.47	1.47	1.48	1.47
Senior & Subordinate Lien Debts	1.42	1.40	1.40	1.40	1.41	1.44

Source: Forecast - LeighFisher.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions and defined terms in the Original Indenture, consisting of the Trust Indenture ("Original Indenture"), dated as of December 1, 1999, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2001, the Second Supplemental Indenture, dated as of July 15, 2001 (the "Second Supplemental Indenture"), the Third Supplemental and Amending Indenture dated as of August 1, 2002, as amended and restated by the Amended and Restated Third Supplemental and Amending Indenture dated as of November 1, 2006, as supplemented by the Fourth Supplemental Indenture dated as of October 1, 2007, by the Fifth Supplemental Indenture dated as of September 1, 2010, and as amended and supplemented by the Sixth Supplemental Indenture dated as of May 1, 2012 ("Sixth Supplemental Indenture"), each between the Authority and Wells Fargo Bank, N.A (the "Trustee"), as successor trustee to National City Bank of Pennsylvania. The Original Indenture as so amended and supplemented is herein referred to as the "Indenture."

All accounting terms not otherwise defined in the Indenture have the meanings assigned to them in accordance with generally accepted accounting principles in effect from time to time.

All capitalized terms not otherwise defined herein are used with the meaning set forth in the Indenture.

The following summaries do not purport to be comprehensive or definitive and are subject to all of the terms and provisions of, and definitions set forth in the Indenture, to which reference is hereby made and copies of which are available from the Authority or the Trustee.

CERTAIN DEFINITIONS

“Additional Bonds” means Bonds of any series authenticated and delivered pursuant to Sections 2.12 et seq. of the Original Indenture.

“Airline Operating Agreement**”** means the Airline Operating Agreement and Terminal Building Lease entered into between the County of Allegheny, USAirways, Inc., and other airline signatories, as amended and supplemented from time to time, and as assigned to the Authority, and any other substantially similar agreement between the Authority and any other airline. See "AGREEMENTS WITH THE AIRLINES - Airline Operating Agreements" in the forepart of this Official Statement and Appendix D to this Official Statement for a further description of the Airline Operating Agreement.

“Airport” means that airport presently leased by the Authority from the County, located in Moon and Findlay Townships, Allegheny County, Pennsylvania, and known as the Pittsburgh International Airport, formerly Greater Pittsburgh International Airport, as it now exists and as it may hereafter be changed, modified or expanded.

“Airport Consultant” means such Person appointed by the Board who is experienced in matters relating to the operation, including financial operations, of airports comparable to the Airport. Such Person must in fact be independent but may be regularly retained by the Authority. If such Person is an individual, such Person shall not be a member of the Board or an officer, official or employee of the Authority. If such Person is a partnership or a corporation, such Person shall not have a partner, director, officer or substantial stockholder who is a member of the Board or an officer, official or employee of the Authority.

“Airport Development Area” means the Cost Center of the same name described in the Original Indenture.

“Airport System” means the Airport, the Allegheny County Airport located in West Mifflin Township, Allegheny County, Pennsylvania, together with any additions to either of those airports and such other airport facilities as the Authority may from time to time acquire or construct at such other locations as the Board may determine, together with the additions thereto.

“Airport System Budget” means the budget for the Airport System approved by the Board for the relevant Fiscal Year.

“Airport System Capital Fund” means the fund of that name created pursuant to the Airline Operating Agreement.

“Airport System Improvement and Reserve Fund” means the fund of that name created pursuant to the Airline Operating Agreement.

"Architect" means an architect, engineer, construction manager or firm of architects, engineers or construction managers which is appointed by the Authority for the purpose of passing on questions relating to the design and construction of any particular facility, has all licenses and certifications necessary for the performance of such services, and has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature.

"Audited Financial Statements" means financial statements of the Authority prepared in accordance with generally accepted accounting principles which have been examined and reported on by an Independent Public Accountant.

"Authorized Denominations" means, with respect to the 2012 Bonds, $5,000 or any integral multiple thereof within the applicable maturity.

“Authorized Depositary” means any incorporated bank or trust company doing business in the Commonwealth of Pennsylvania, the deposits of which are insured by the Federal Deposit Insurance Corporation or by any other agency of the United States of America performing functions similar to the Federal Deposit Insurance Corporation (provided such an agency shall be in existence), which has a combined capital and surplus of not less than Fifty Million Dollars ($50,000,000), and which is not unsatisfactory to the Trustee, and shall include the Trustee.

"Authorized Officer" means, with respect to the Authority, an individual duly authorized by the bylaws of the Authority to legally bind the Authority, or an individual so designated by a duly adopted resolution of the Authority, validly in effect, which include, among others, the Chairman, Vice Chairman, Treasurer, Secretary, Assistant Secretary and Executive Director of the Authority.

"Beneficial Owners" mean the purchaser of an ownership interest in each Bond registered in the name of the Securities Depository while such Bond is registered under the book-entry-only system of registration described in the Indenture.

"Board" when used in connection with the Authority, means its board of directors, board of trustees, board of governors or other board or group of individuals in which all of the powers of the Authority for the management of corporate assets are vested, including for such purposes any committee empowered under the governing instruments of the applicable entity to act in between meetings of the board thereof.

“Bond” means debt obligations whether termed bonds or notes and means any Bond or all the Bonds, as the case may be, authenticated, delivered and Outstanding under the Indenture.

"Bond Counsel" means any attorney or firm of attorneys nationally recognized in rendering opinions for the benefit of bondholders or matters pertaining to the tax-exempt nature of interest on obligations issued by states or their political subdivisions.

"Bondholder", "holder" or "owner of the Bonds" means the Person in whose name a Bond is registered on the Bond Register.

"Bond Insurance Policy" means any municipal bond insurance policy issued on the date of initial issuance and delivery of, and with respect to, any of the Bonds, or Series thereof, which Bond Insurance Policy shall be a Credit Facility.

"Bond Register" means the registration books of the Authority kept by the Trustee to evidence the registration and transfer of Bonds.

"Bond Registrar" means Wells Fargo Bank, N.A.

"Book Entry Form" or "Book Entry System" shall have the meaning set forth in Section 2.02(e) of the Original Indenture.

"Business Day" means a day on which banks in Philadelphia, Pennsylvania and New York, New York, and the other city or cities in which the designated offices of the Trustee, Paying Agent, and Bond Registrar are located are open for commercial banking purposes and the New York Stock Exchange is not closed.

“Capital Addition” means all new or additional property, which the Authority has authority to construct or acquire, which new or additional property and permanent improvements, replacements, additions, extensions and betterments shall be hereafter constructed or otherwise acquired by the Authority and which shall be used or useful in connection with the Airport System, including but not limited to, completion of, or improvements, replacements, additions, extensions and betterments, to the Airport; provided, however, that the term "Capital Addition" does not include any property not financed by Bonds issued under the Indenture, as supplemented. The term "Capital Addition" shall also include the funding of any insurance deficiency, judgment, settlement or award relating to the Included Cost Centers, to the extent that funding such items by the issuance of Bonds is legally permitted.

“Capitalized Interest” means the amount of interest on the Bonds to be paid out of the proceeds thereof (including the interest earned on such proceeds to the extent that such amounts may be used without adversely affecting the tax-exempt status of the Bonds) held by the Trustee in a capitalized interest account in a Construction Fund or the Debt Service Fund established under the Indenture.

“Cargo Area” means the Cost Center of the same name described in the Original Indenture.

"Certified Resolution" means one or more resolutions of the Authority, certified by the Secretary or Assistant Secretary of the Authority or other officer serving in a similar capacity, to have been duly adopted and to be in full force and effect as of the date of certification.

"Clearing Fund" means the fund of the same name established in the Indenture with respect to the payment of the costs of issuance.

"Closing Certificate" shall have the meaning set forth in Section 5.01 of the Original Indenture.

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

“Commercial/Industrial Area” means the Cost Center of the same name described in the Original Indenture.

"Commonwealth" means the Commonwealth of Pennsylvania.

“Completion Date” means the date of acquisition or completion of any Capital Additions or of any segment of either of the foregoing, as the case may be, as certified by the Architect; provided, however, that if all or any portion of any Capital Additions is not tangible property, "Completion Date" with respect to such Capital Addition means the date specified in a certificate of the appropriate Independent Consultant designated for that purpose in the Supplemental Indenture which authorizes the issuance of the Additional Indebtedness relating to that Capital Addition.

“Construction Cost” means, in addition to such other item as may properly be included within any definition of Construction Cost, the following items:

(a) the cost of acquiring any building or facility and the site thereof;

(b) cost of acquiring such land, rights, rights-of-way, leases, easements or other interests in land or other properties (real, personal or mixed) to be used in the construction or operation of the Airport, including costs of options and partial payments, costs of areas to be used as noise or other environmental buffer zones, escrow deposits, preliminary and final awards or judgments and settlements or compromises with respect to the foregoing; costs of reclaiming land; costs of dredging or filling incurred in the creation of land; and site preparation, including the costs of demolishing, removing or relocating any building or facility and the costs of any lands to which such building or facility may be removed or relocated;

(c) costs of acquiring any rights, interests or franchises to be used in the construction or operation of the Airport System;

(d) costs of labor, services, material, supplies, machinery, equipment and apparatus, including payments to contractors, builders and materialmen in connection therewith, and of restoration of property damaged or destroyed in connection with construction work;

(e) costs of installation of utility services or connections thereto or relocation thereof;

(f) costs and expenses of all preliminary work necessary or incidental to construction;

(g) costs and expenses of planning, engineering and other studies, architectural drawings, surveys, tests and specifications, whether preliminary or otherwise and costs of other engineering and architectural services;

(h) costs of supervision and inspection;

(i) costs of builders' risk or other insurance on the buildings and facilities being constructed, or a reasonably allocated share thereof;

(j) costs of indemnity and fidelity bonds and expenses of administration properly chargeable to such construction;

(k) costs of the furnishings of any building or structure;

(l) costs of publication, advertising, filing and recording;

(m) expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of any default;

(n) Capitalized Interest;

(o) the amount of any insurance deficiency, judgment, settlement or award relating to the Included Cost Centers;

(p) any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any Capital Addition, as estimated or otherwise ascertained by the Board;

(q) interest and other financing charges on any credit facility or interim financing obtained by the Authority in order to enter into contracts relative to constructing a Project; and

(r) reimbursement to the Authority for payment of any of the foregoing.

"Construction Fund" means the fund created pursuant to the Indenture in connection with financing Capital Additions. Within the Construction Fund, the Sixth Supplemental Indenture establishes separate accounts for proceeds of the 2012 Bonds.

“Construction Manager” means a Person appointed by the Board with experience and skill in planning, cost estimating and providing general direction and management of the construction of projects comparable in size and scope to the Project being undertaken and such Person shall include, but shall not be limited to, a general contractor. Such Person must in fact be independent, but may be regularly retained by the Authority. If such Person is an individual, such Person shall not be a member of the Board or an officer, official or employee of the Authority. If such Person is a partnership or a corporation, such Person shall not have a partner, director, officer or substantial stockholder who is a member of the Board or an officer, official or employee of the Authority.

“Consulting Engineer” means a Person appointed by the Board who is a registered professional engineer under the laws of the Commonwealth of Pennsylvania qualified to pass on engineering questions relating to the construction, operation and maintenance of the projects comparable in size and scope to the Project being undertaken. Such Person must in fact be independent but may be regularly retained by the Authority. If such Person is an individual, such Person shall not be a member of the Board or an officer, official or employee of the Authority. If such Person is a partnership or corporation, such Person shall not have a partner, director, officer or substantial stockholder who is a member of the Board or an officer, official or employee of the Authority.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, by and between the Authority and the Dissemination Agent named therein, relating to all or a portion of the 2012 Bonds, as the same may be amended or supplemented from time to time.

“Cost” means Construction Cost and Financing Cost.

“Cost Center” means an area of the Airport described in terms of geographic location and function, as each is more specifically depicted or described in the Original Indenture.

“County” means the County of Allegheny, Pennsylvania, a political subdivision of the Commonwealth of Pennsylvania.

“Credit Enhancer” means with respect to any series of Bonds, that entity issuing a Credit Facility for such Bonds, if any, specified in the Supplemental Indenture under which such Bonds are issued.

“Credit Facility” means, with respect to each series of Bonds, the municipal bond insurance policy issued, if any, by the Credit Enhancer with respect to a series of Bonds securing the timely payment of principal of and interest on such series of Bonds.

“Debt Service Requirement” means, in respect of any Fiscal Year,

(a) the sum of the amounts required to be deposited or paid in such Fiscal Year by the Authority in respect of:

(i) the interest (to the extent not payable as Capitalized Interest) on the Bonds Outstanding or to be Outstanding, as the case may be, and

(ii) Payment Obligations, if any, due under an effective Interest Rate Regulatory Agreement—to wit, one of the following amounts (to the extent not duplicative of (i) above), either:

(A) in the case of a Dependent Interest Rate Regulatory Agreement, the Payment Obligation with respect to such Dependent Interest Rate Regulatory Agreement for such Fiscal Year, including the amount of any Termination Payment, paid or payable in such Fiscal Year; provided, however, that if the regular and periodic portion of the Payment Obligations thereunder represents an exchange to or from a floating rate, such regular and periodic portion of the Payment Obligations shall be deemed to be: (1) the average of the actual interest payments due on the related Bonds (or Dependent Interest Rate Regulatory Agreement, as the case may be) in the preceding 12 months (to the extent that the related Bonds have not yet been outstanding for 12 months on any date of determination, the Market Rate on such Bonds or Dependent Interest Rate Regulatory Agreement for the relevant period), plus (2) the fixed rate payments to be made over the Fiscal Year (assuming no netting of such payments with floating rate payments) under the Bonds or Dependent Interest Rate Regulatory Agreement, less (3) the average of the floating rate payments expected to be made (using the Market Rate as applicable for this purpose) over the Fiscal Year (assuming no netting of such payments with fixed rate payments) under the Bonds or Dependent Interest Rate Regulatory Agreement, or

(B) in the case of an Independent Interest Rate Regulatory Agreement, the Payment Obligation for such Independent Interest Rate Regulatory Agreement for such Fiscal Year, including the amount of any Termination Payment, paid or payable in such Fiscal Year, and

(iii) the principal or compound accreted value of the Bonds Outstanding or to be Outstanding, as the case may be; and

(b) the amounts required to be paid to any mandatory redemption, purchase or analogous fund established for such Bonds; provided, however, that

(i) the Debt Service Requirement in respect of any Fiscal Year for a series of Bonds for which there shall have been established a mandatory redemption, purchase or analogous fund shall be determined after projecting the operation of such fund to the retirement of such series of Bonds by redemption and giving effect to the expected reduction in the payments to be made in such Fiscal Year in respect of the principal of and interest on such Bonds by reason of such redemption or purchase; and

(ii) such term shall not include any amount to be paid on any Bond solely as a result of the exercise of the right of any Registered Owner to tender the Bond for payment prior to its stated maturity date.

If Bonds are issued or are to be issued bearing interest at a variable rate, the interest component shall be computed by using the actual rate of interest for the relevant period, when computing historical Debt Service Requirements, and whenever a projection of future Debt Service Requirements is to be made, the interest component shall be computed by using the Market Rate on such Bonds for the relevant period.

"Debt Service Reserve Requirement" means the amount to be maintained in a separate account within the Debt Service Reserve Fund for a particular Series of Bonds, and, with respect to the 2012 Bonds, means an amount equal to the least of ten percent (10%) of the stated principal amount of the 2012 Bonds, the Maximum Annual Debt Service Requirement payable on the 2012 Bonds, and 125% of the average annual debt service requirements payable on the 2012 Bonds.

"Defaulted Interest" means interest on any Bond which is payable but not duly paid on the date due.

“Defeasance Securities” means direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, defeased municipal bonds rated AAA by S&P or Aaa by Moody's, or such other investments as may be authorized by the Credit Enhancer (or any combination of the foregoing).

“Dependent,” when used in reference to an Interest Rate Regulatory Agreement, means such an Agreement executed and delivered in connection with, and related to, outstanding Bonds.

"Electronic Means" means telephone, telecopy, telegraph, telex, internet, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall be promptly confirmed in writing or by one of the other means of electronic communication authorized in the Indenture.

“Equipment and Capital Outlay Fund” means the fund of that name created pursuant to the Airline Operating Agreement.

“Favorable Opinion” means an opinion of Bond Counsel addressed to the Authority and the Trustee substantially to the effect that: (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and complies with their respective terms; and (ii) such action will not adversely affect (A) the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, (B) the status of interest earned on the Bonds with respect to the alternative minimum tax imposed under Section 55 of the Code, and (C) any applicable tax exemption with respect to the Bonds provided under Pennsylvania law.

“Financial Advisor” means the Person appointed by the Board with experience in financing or providing advice in connection with the financing of airports comparable to the Airport. Such Person must in fact be independent but may be regularly retained by the Board. If such Person is an individual, such Person shall not be a member of the Board or an officer, official or employee of the Authority. If such Person is a partnership or a corporation, such Person shall not have a partner, director, officer or substantial stockholder who is a member of the Board or an officer, official or employee of the Authority.

“Financing Cost” means the cost and expenses of issuing Bonds, including but not limited to, the fees and expenses of the Trustee, Registrar, Paying Agent, Underwriters, Bond Counsel, Financial Advisors, printing, engraving, advertising and similar costs, filing fees, premiums for bond insurance policies, fees of Insurers, rating agency fees, costs of feasibility reports, and all other amounts necessarily and properly incurred in connection with the issuance of Bonds.

"Fiscal Year" means a period of twelve consecutive months ending on December 31of each year or such other 12 month period selected by the Authority as its fiscal year.

“G.O. Bonds” means (i) the County’s General Obligation Bonds, Series C-36, C-42 and C-45 issued to pay a portion of the cost of constructing the Airport; (ii) all general obligation bonds of the County issued after the date of the Indenture which are Section 11.08 Obligations; and (iii) any general obligation bonds issued to refund the County’s and the Commonwealth’s public investment in the Airport, the debt service on which is included in airline fees and charges pursuant to the Airline Operating Agreement.

“Government Obligations” means direct and general obligations of the United States of America, or obligations of any agency or instrumentality of the United States of America which are unconditionally guaranteed as to principal and interest by the United States of America, including evidences of ownership of proportionate interests in future interest and principal payments of such obligations, provided that investments in such proportionate interests may be made only if (a) a bank or trust company acts as custodian and holds the underlying 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 obligations; and (c) the underlying 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. Obligations of agencies or instrumentalities of the United States of America which are unconditionally guaranteed as to principal and interest by the United States of America include but are not limited to:

(i) certificates of beneficial ownership issued by the Farmers Home Administration;

(ii) participation certificates issued by the General Services Administration;

(iii) guaranteed Title XI financing obligations of the U.S. Maritime Administration;

(iv) guaranteed participation certificates of the Small Business Administration;

(v) Government National Mortgage Association guaranteed mortgage-backed securities and guaranteed participation certificates;

(vi) local authority bonds guaranteed by the United States Department of Housing and Urban Development; and

(vii) guaranteed transit bonds issued by the Washington Metropolitan Area Transit Authority.

“Grant” means the amount of any contribution to the cost of any Capital Addition, made by the Commonwealth, County or federal government.

“Grant Offer” means any commitment letter pursuant to which a Grant is to be made.

“Hangar and Field Support Area” means the Cost Center of the same name described in the Indenture.

“Included Cost Centers” means the Landing Area, Terminal Complex Area, Parking and Rental Car Area, Terminal Ramp Area, Hangar and Field Support Area and the Military Facilities, as each of the foregoing areas may be modified in accordance with the Airline Operating Agreement and any other Included Cost Centers which may be added to the foregoing pursuant to the Airline Operating Agreement. "Included Cost Centers" shall not include any Special Facility located within an Included Cost Center.

“Independent,” when used in reference to an Interest Rate Regulatory Agreement, means such an Agreement (for example, a "forward starting swap") executed and delivered in advance of Bonds not yet then issued and outstanding.

"Independent" means, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member of the Board of the Authority, or an officer or employee of the Authority; provided that the fact that a Person is retained regularly by or transacts business with the Authority shall not, in and of itself, cause such Person to be deemed an employee of the Authority for the purposes of the Indenture.

“Independent Consultant” means and includes the Airport Consultant, Architect, Construction Manager, Consulting Engineer, Financial Advisor, Independent Public Accountant or Risk Consultant.

"Independent Public Accountant" means an Independent accounting firm which is appointed by the Authority for the purpose of examining and reporting on or passing on questions relating to the financial statements of the Authority, has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of airport entities of a comparable size and nature.

“Insurance Agreement” means the Insurance Agreement to be entered into between the Authority and the Insurer, whereby, among other things, the Authority agrees to reimburse the Insurer for any payments made under the Bond Insurance Policy.

“Insured Payment Obligation(s)” means those Payment Obligation(s) that are insured by the Swap Insurance Policy.

"Insurer" means the issuer of a Bond Insurance Policy. With respect to the 2001 Bonds, the Insurer is MBIA Insurance Corporation, or its successor. With respect to the 2002 Bonds the Insurer is Financial Guaranty Insurance Corporation (having been succeeded by MBIA Insurance Corporation and its successors). Financial Security Assurance Inc. (Assured Guaranty) is the "Insurer" with respect to the 2007 series of Bonds and the 2010 Bonds. The Insurer, if any, for the 2012 Bonds is identified on the cover of this Official Statement. For the outstanding series of Bonds as of the date of this Official Statement see the forepart of this Official Statement: "OUTSTANDING DEBT OF THE AUTHORITY - LONG TERM DEBT."

"Interest Payment Date" means, with respect to 2012 Bonds, January 1 and July 1 of each year, commencing described in the forepart of this Official Statement.

"Interest Rate Regulatory Agreement" means a contract, agreement, document or other instrument, such as (by way of example and not as limitation) an interest rate collar, hedge, basis swap or other agreement for the exchange of payments calculated based upon a notional amount, having the purpose and effect of regulating, controlling, hedging, bargaining for, or otherwise formulating, determining or setting the interest rate or rates to be paid by the Authority in respect of its Bonds. When executed and delivered in connection with, and related to, outstanding Bonds, such Agreement shall be deemed a Dependent Interest Rate Regulatory Agreement. When executed and delivered in advance of Bonds not yet then issued and outstanding, an Interest Rate Regulatory Agreement shall be deemed an Independent Interest Rate Regulatory Agreement. When executed and delivered not in connection with Bonds then issued and outstanding or Bonds to be issued, an Interest Rate Regulatory Agreement shall be deemed an Unaffiliated Interest Rate Regulatory Agreement. So long as the same is executed and delivered in compliance with the provisions of Section 2.13 of the Original Indenture (as amended), such Independent Interest Rate Regulatory Agreement shall be valid and enforceable for all purposes, whether or not related Bonds are ever issued and delivered; provided, further, that upon the issuance of related Bonds, an Independent Interest Rate Regulatory Agreement shall automatically be and become a Dependent Interest Rate Regulatory Agreement. So long as the same is executed and delivered in compliance with the provisions of Section 2.13 of the Indenture (as so amended), such Unaffiliated Interest Rate Regulatory Agreement shall be valid and enforceable for all purposes. As of the date of this Official Statement, the Authority is not party to any Interest Rate Regulatory Agreement.

"Landing Area" means the Cost Center of the same name described in the Indenture.

"Mandatory Redemption Dates" means the dates identified as such for the 2012 Bonds in the forepart of this Official Statement.

"Market Rate" means, with respect to Bonds bearing interest at a variable rate, the highest of the following:

(a) as of the date of issuance of any series of Bonds, the rate borne by such Bonds on the date of issuance;

(b) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and

(c) (A) if interest on the Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or in the Indenture provided, whether at the stated maturity date or by redemption or otherwise.

"Maturity Date" means the date identified as such for the 2012 Bonds in the forepart to this Official Statement.

"Maximum Annual Debt Service Requirements" means, as of the date of calculation, (a) with respect to a series of Bonds, the greatest Debt Service Requirement on such series in any Fiscal Year, and (b) with respect to all Bonds Outstanding, the greatest Debt Service Requirement during any Fiscal Year with respect to all such Bonds.

"Military Facilities" means the Cost Center of that same name described in the Indenture.

"Net Revenues" when used with reference to any period, means the Revenues minus the Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" or "O&M Expenses" means, for any Fiscal Year, the total costs of the Authority for such Fiscal Year, calculated pursuant to generally accepted accounting principles (except that an allowance for depreciation of the Airport System, amortization of Bond discount and interest on the Bonds and the Subordinate Lien Bonds shall not be treated as items of cost), of providing the administration, operation and maintenance of the Included Cost Centers and any Special Facility within the Terminal Complex Area, including, without limitation, the performance by the Authority of any of its obligations related thereto as set forth in the

Airline Operating Agreement and any Financing Costs related to Section 11.08 Obligations which are not paid out of the proceeds of such obligations.

“Operation and Maintenance Fund” or “O&M Fund” means the Operation and Maintenance Fund created pursuant to the Indenture.

“Operation and Maintenance Reserve Fund” or “O&M Reserve Fund” means the Operation Maintenance and Reserve Fund created pursuant to the Indenture.

“Operation and Maintenance Reserve Requirement” or “O&M Reserve Requirement” means an amount equal to one-sixth (1/6th) of the amount budgeted for the then current Fiscal Year for O&M Expenses.

"Opinion of Counsel" means a written opinion of counsel who may (except as otherwise expressly provided in the Indenture) be counsel for one or more of the Authority or the Credit Enhancer; and, when given with respect to the status of interest on any Bond under federal income tax law, shall be Bond Counsel; and, when given with respect to any matter under Title 11 of the United States Code, as now or hereafter constituted (i.e., the Bankruptcy Code), shall be counsel of nationally recognized standing in the field of bankruptcy law.

“Other Available Funds” means, as of the date of calculation, all unexpended and unencumbered amounts in the Revenue Fund remaining after all transfers and payments required to have been made on or before such date have been made.

“Other Aviation Facilities Fund” means the fund of that name created pursuant to the Airline Operating Agreement.

"Outstanding" means, with respect to the Bonds, all Bonds authenticated and delivered under the Indenture as of the time in question, except:

(a) All Bonds theretofore canceled or required to be canceled under the Indenture;

(b) Bonds for the payment or redemption of which provision has been made in accordance with the Indenture; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor, and that if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture.

Bonds held or deemed to be held by the Insurer pursuant to the Indenture will be deemed to be Outstanding.

“Parking and Rental Car Area” means the Cost Center of the same name described in the Indenture.

"Participants" means those securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations that participate with the Securities Depository in a system under which the Securities Depository holds securities of its participants and facilitates the clearance and settlement of securities transactions in such securities through electronic book-entry changes in accounts of the participants.

"Paying Agent" means the commercial bank or trust company, if any, designated pursuant to the Indenture to receive and disburse the principal of and interest on the Bonds.

“Payment Obligations” means all payment obligations of the Authority to the Swap Counterparty, the Swap Insurer, or the Insurer pursuant to the terms of the Swap Agreement, the Swap Insurance Agreement and the Insurance Agreement including Insured Payment Obligations and Uninsured Payment Obligations, if any, all of which represent obligations secured by the Indenture. By way of example, "Payment Obligations" means that one or those several contractual obligations for the payment of money (and the amount or amounts of all such payments) incurred by the Authority and owed to the Swap Counterparty, the Swap Insurer, or another Insurer pursuant to the terms of an Interest Rate Regulatory Agreement. Such term shall always mean and include regular and periodic payments under the Interest Rate Regulatory Agreement; and such term may, depending on the terms of the individual Swap Insurance Agreement or Insurance Agreement, include Termination Payments. Payment Obligations may be Insured Payment Obligations, Uninsured Payment Obligations, Regularly Scheduled Payment Obligations or Other Payment Obligations and may be evidenced by one or more Notes issued under the Indenture. Payment Obligations payable as interest or debt service in respect of a Dependent Interest Rate Regulatory Agreement shall be calculated with consideration for interest on the Bonds and shall not be duplicative of actual interest owed or other amounts payable in respect of the related Bonds. Payment Obligations incurred under Independent Interest Rate Regulatory Agreements shall, however, represent additional debt service liabilities of the Authority. Payment Obligations incurred in connection with Unaffiliated Interest Rate Regulatory Agreements shall not be treated as debt service liabilities of the Authority.

"Permitted Liens and Title Defects" means:

(a) the lien of taxes, assessments or other governmental charges not at the time delinquent and the lien of taxes, assessments and other governmental charges which are delinquent but the validity of which is being contested in good faith by appropriate proceedings diligently conducted unless and until foreclosure, restraint, sale or other similar proceedings shall have been commenced, and with respect to which such reserves or other appropriate provisions, if any, as shall be required by generally accepted accounting principles shall have been made;

(b) liens securing indebtedness which has neither been assumed by the Authority nor upon which it customarily pays interest and existing solely upon real property or rights in relation thereto, which real property or rights were acquired for right-of-way purposes;

(c) in the case of real estate acquired by eminent domain proceedings, any deficiency of title which necessarily results from such method of acquisition and which, while it may impair the marketability of the Authority's title to such real estate, does not, in the Opinion of Counsel, affect the Authority's right to use such real estate for the purposes intended;

(d) any other liens, encumbrances, exceptions, reservations and defects of title which do not, in the Opinion of Counsel, have a materially adverse effect on the Authority's right to use the affected real estate for the purposes intended; and

(e) the right of any public utility from whom the Authority shall have acquired any easement, right-of-way or interest in land for right-of-way purposes to require any adjustment in or relocation of the facilities of the Authority which would not prevent the continued satisfactory operation thereof.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, any unincorporated organization, a governmental body or a political subdivision, a municipality, a municipal authority or any other group or organization of individuals.

"Principal Office" means the designated corporate trust office of the Trustee in Pittsburgh, Pennsylvania or such other office at which at any particular time its corporate trust business shall be administered.

"Project" means any Capital Addition or refunding of Bonds issued to finance any Capital Addition, funding any necessary reserves and paying the costs of issuance related thereto.

"Rate Covenant" means the Authority's covenant contained in Section 7.08 of the Original Indenture, as modified in the Second Supplemental Indenture and the Sixth Supplemental Indenture. See "General Covenants - Rate Covenant" in this Appendix C.

"Regular Record Date" means the 15th day of the month (whether or not a Business Day) immediately preceding each Interest Payment Date.

"Renewal and Replacement Fund" means the fund of that name created by the Indenture.

"Renewal and Replacement Requirement" means an amount equal to $2,000,000.

"Revenue Fund" means the fund of that name established pursuant to the Indenture.

"Revenues" means for any Fiscal Year, except to the extent hereinafter excluded, (i) all revenues, payments, proceeds, fees, charges, rents and all other income of any nature, including investment income and any proceeds of business interruption insurance derived by or for the Authority, for such Fiscal Year for the use of and for the services and facilities furnished by or from the operation or ownership of, or with respect to the Included Cost Centers, (ii) fifty percent (50%) of net revenues derived from the Cargo Area, and (iii) fifty percent (50%) of the net revenues derived from the Airport Development Area, excluding, except to the extent items described in clauses (a), (b) and (l) are deposited by the Authority in the Revenue Fund:

(a) the proceeds of any passenger facility charge or similar charge levied by or on behalf of the Authority, except to the extent provided in a financing backed by PFCs as described in the last two sentences of Section 7.01(b) of the Original Indenture;

(b) any grants, gifts, bequests, contributions or donations, including any funds provided by any person or entity, including an airline, doing business at the Airport, except to the extent such sums (i) are intended for reimbursement of Operation and Maintenance Expenses or (ii) are not restricted by their terms to purposes inconsistent with the payment of the Debt Service Requirement on the Bonds;

(c) the proceeds from the sale, transfer or other disposition of title to all or any part of the Airport;

(d) the investment income on, and the income and gains realized upon the maturity or sale of, securities held in any of the following Funds: (i) at all times, the Airport System Capital Fund, Airport System Improvement and Reserve Fund, Equipment and Capital Outlay Fund, Construction Fund and the Rebate Fund, and (ii) at any time where the balance in such Fund is below the deposit requirements of Article IV hereof, the Debt Service Reserve Fund, the O&M Reserve Fund and the Renewal and Replacement Fund;

(e) the proceeds of any taxes collected with respect to the Airport;

(f) the proceeds of any condemnation award or insurance (except condemnation awards or insurance proceeds which are deemed to be revenues in accordance with generally accepted accounting principles);

(g) the proceeds of any court or arbitration award or settlement in lieu thereof received by the Authority (except for those awards or settlements which are deemed to be revenues in accordance with generally accepted accounting principles);

(h) payments to the Authority with respect to debt service on any obligations (other than any Section 11.08 Obligations) issued by the Authority;

(i) payments to the Authority with respect to O&M Expenses of any Special Facility other than Special Facilities in the Terminal Complex Area;

(j) the proceeds of any Bonds or other indebtedness of the Authority;

(k) payments to the Authority of the principal of and interest, if any, on any loan made by the Authority for Airport System purposes; and

(l) amounts received by the Authority from a "Customer Facility Charge" or "CFC," which means a per day or per transaction fee payable by rental car customers net of amounts that collecting entities are entitled to retain for collecting, handling and remitting such CFCs, which amounts are collected, accounted for, and remitted by rental car companies to the Authority, as established by the Authority by resolution or regulation, as the case may be, and periodically adjusted by the Authority as necessary;

provided further, however, that upon the occurrence of the Prior Bonds Defeasance Date the definition of "Revenues" may be modified as hereafter provided in Section 7.18(b)(i) of the Sixth Supplemental Indenture. See "AMENDMENTS TO THE INDENTURE - Certain Indenture Amendments Permitted After Prior Bonds Defeasance Date and post Airline Operating Agreement Expiration" below, in this Appendix C.

“Risk Consultant” means a Person appointed by the Board with experience and skill in evaluating the insurance and self-insurance needs of facilities comparable to the Airport System and shall include, but shall not be limited to a licensed insurance broker or agent. Such Person must, in fact, be independent, but may be regularly retained by the Authority. If such Person is an individual, such Person shall not be a member of the Board or an officer, official or employee of the Authority. If such Person is a partnership or a corporation, such person shall not have a partner, director, officer or substantial stockholder who is a member of the Board or an officer, official or employee of the Authority.

“Section 11.08 Obligation” means any obligation, the debt service on which is included in the amounts required to be paid by the Signatory Airlines to the Authority pursuant to the Airline Operating Agreement.

"Short Term Bonds" means any Bonds with a stated maturity of 365 calendar days or less.

“Signatory Airline” means any airline which is a party to an Airline Operating Agreement.

“Special Facility” means any land, building, structure or other facility, including equipment acquired or constructed and financed by the issuance of obligations which are issued in compliance with the provisions of Section 2.16 of the Original Indenture but are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture.

“Special Facility Revenue Bonds” mean any bonds, notes, bank loans or other evidences of indebtedness of the Authority issued to pay the cost of constructing and acquiring any Special Facility, and payable solely out of sources other than Revenues.

"Special Record Date" means the date fixed by the Trustee pursuant to the Indenture for the payment of Defaulted Interest.

"Stated Maturity" when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond and (unless pursuant to redemption or declaration of acceleration) such installment of interest is due and payable.

"Subordinate Lien Bonds" means indebtedness of the Authority issued as Subordinate Lien Bonds pursuant to the Indenture.

“Subordinate Lien Revenue Fund” means the fund of that name created by the Indenture.

“Swap Counterparty” means the Authority's counterparty in respect of any Interest Rate Regulatory Agreement.

“Swap Insurance Agreement” means an Insurance Agreement between the Authority and a Swap Insurer, in respect of a Swap Insurance Policy. As of the date of the Sixth Supplemental Indenture, the Authority is not party to any Swap Insurance Agreement. See Appendix B to this Official Statement.

“Swap Insurance Policy” means the interest rate swap insurance policy issued by the Swap Insurer for the benefit of the Swap Counterparty.

“Swap Insurer” means an Insurer which guarantees or insures the Authority's obligations in connection with an Interest Rate Regulatory Agreement.

“Terminal Complex Area” means the Cost Center of the same name described in the Indenture.

“Terminal Ramp Area” means the Cost Center of the same name described in Schedule A of the Indenture.

"Termination Payments" means those one or more amounts payable under an Interest Rate Regulatory Agreement which do not represent regular and periodic payments under the Agreement, but are due and payable owing to the occurrence of a particular event, or the act or acts of, or failure to act by, a party to the Agreement and include, especially, payments due upon an event of default or a cancellation or other termination of the Agreement. Termination Payments may represent one of several Insured Payment Obligations or one of several Uninsured Payment Obligations, depending upon the terms of the Swap Insurance Policy, if any, provided with respect to the applicable Interest Rate Regulatory Agreement.

“Trust Estate” means (i) the Net Revenues; (ii) all payments received or receivable pursuant to a Credit Facility; (iii) all income and receipts received or receivable by the Trustee with respect to the funds and accounts maintained under the Indenture (except with respect to the Rebate Fund); and (iv) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture by the Authority or by anyone on its behalf to the Trustee, including without limitation moneys of the Authority held by the Trustee in any of the funds and accounts established under the Indenture as security for the Bonds; provided, however, that there is expressly excepted and excluded from the lien and operation of the Indenture amounts held by the Trustee in the Rebate Fund authorized under the Indenture.

"Trustee" means Wells Fargo Bank, N.A., the Trustee under the Indenture, or any successor trustee.

“Uninsured Payment Obligations” means all Payment Obligations other than Insured Payment Obligations.

"Written Request" with reference to the Authority means a request in writing signed by an Authorized Officer of the Authority.

“Unaffiliated” when used in reference to an Interest Rate Regulatory Agreement means such an Interest Rate Regulatory Agreement so designated by the Authority.

"2012 Bonds" means the Allegheny County Airport Authority Airport Revenue Bonds described on the cover of this Official Statement, whether offered pursuant to this Official Statement or pursuant to private placement.

THE BONDS

Authorization of Bonds and Issuance of Bonds Generally

No Bonds may be issued under the provisions of the Indenture except in accordance with Article II of the Original Indenture. Bonds shall be issuable as fully registered bonds and shall be issued in such number of series, in denominations as are specified in the applicable Indenture. Unless the Authority shall otherwise direct, the Bonds shall be numbered from R-1 upward. Additional Bonds may contain such terms, conditions and covenants, not contrary to the Act or the Indenture, as may be determined by the Authority and expressed in the terms of such Bonds and in a Supplemental Indenture which shall set forth the form of the Bonds of such additional series.

The principal of, premium, if any, and interest on the Bonds shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal and premium, if any, shall be payable at the office of the Trustee, or its successor Trustee, or at the office of any alternate Paying Agent, if any, named in any such Bond upon presentation and surrender thereof.

Payment of the interest on any Bond shall be made to the Person appearing on the Bond Register as the Registered Owner thereof as of the Regular Record Date and shall be paid:

(i) by check or draft of the Trustee or any of its affiliates mailed to such registered Owner on the Interest Payment Date at such Owner's address as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Owner;

(ii) in the case of an interest payment to any Owner of $1,000,000 or more in aggregate principal amount of Bonds as of the close of business of the Trustee on the Regular Record Date for a particular Interest Payment Date, by wire transfer to such Registered Owner as described in the forepart of this Official Statement; or

(iii) in such other manner as is agreed upon between the registered owner and the Trustee.

Defaulted Interest and Special Record Date

Defaulted Interest with respect to any Bond shall cease to be payable to the holder of such Bond as of the relevant Regular Record Date and shall be payable to the holder in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed in the following manner:

(i) The Authority shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment. Money deposited with the Trustee shall be held in trust for the benefit of the holders of the Bonds entitled to such Defaulted Interest.

(ii) Following receipt of such funds the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment.

(iii) The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each holder of a Bond entitled to such notice at the address of such holder as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

Execution; Limited Obligation; No Liability of Commonwealth

(a) The Bonds shall be executed on behalf of the Authority by the facsimile or manual signature of its Chairman or Vice Chairman and its Secretary or any Assistant Secretary (or such other Authorized Officer of the Authority) and shall have impressed or printed manually or by facsimile thereon the corporate seal of the Authority. The facsimile signatures of said officers shall have the same force and effect as if such officer had manually signed each of said Bonds. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he/she had remained in office until delivery.

(b) The Bonds, together with interest thereon, shall be limited obligations of the Authority payable solely from the Trust Estate (except to the extent paid out of moneys attributable to Bond proceeds or the income from the temporary investment thereof and under certain circumstances, net proceeds from insurance or condemnation) and shall be a valid claim of the respective holders thereof only against the funds and accounts established under the Indenture, other than the Rebate Fund, and other moneys held by the Trustee for the benefit of the Bondholders and the Insurer and the payment due or to become due upon or under the Indenture all of which are assigned and pledged for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Indenture.

(c) The Bonds and the interest payable thereon do not constitute a debt or liability of the Commonwealth or of any political subdivision or instrumentality thereof, other than the Authority, or a pledge of the faith and credit of the Commonwealth or any political subdivision or instrumentality thereof, other than the Authority, but shall be payable solely from the Trust Estate. The issuance of the Bonds under the provisions of the Act does not directly, indirectly or contingently obligate the Commonwealth or any political subdivision or instrumentality thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment and such Bonds and the interest payable thereon do not now and shall never constitute a debt of the Commonwealth within the meaning of the Constitution or the statutes of the Commonwealth and do not now and shall never constitute a charge against the credit or taxing power of the Commonwealth or any political subdivision or instrumentality thereof. The Commonwealth shall not in any event be liable for the payment of the principal of, premium, if any, or interest on the Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority. No breach by the Authority of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the Commonwealth or any charge upon its general credit or against its taxing power. The Authority has no taxing power.

ADDITIONAL BONDS

General Provisions

Additional Bonds may be issued by the Authority for the purposes specified in, and meeting the applicable tests specified in, subsections (b), (c) (d) and (e) below, or the provisions governing Short Term Bonds, Subordinate Lien Bonds and Special Facility Bonds, respectively, subject to the following conditions:

(a) No Bonds shall be authenticated and delivered under the Indenture by the Trustee under said Sections unless the Trustee shall have received the following, each in form and substance satisfactory to the Trustee:

(1) A certified resolution of the Board of the Authority authorizing the execution and directing the authentication and delivery of such Additional Bonds, designating the series of such Bonds and authorizing the execution and delivery of a Supplemental Indenture creating such series, the sale and delivery of such Additional Bonds to specified purchasers thereof at specified prices, the acquisition, construction or completion of specified Capital Additions or the refunding of the Bonds, as the case may be, and, in the case of the refunding of Bonds, irrevocably authorizing the Trustee to take such action as shall be necessary in order to effect such refunding.

(2) An Officer's Certificate (A) setting forth in reasonable detail the estimated uses of the proceeds of the Bonds, and (B) stating that (i) no Event of Default has occurred and is continuing, (ii) the applicable requirements for the issuance of the Bonds under the Indenture have been satisfied, and (iii) no "Event of Default", as that term is defined in the Airline Operating Agreement, has occurred and is then continuing.

(3) An order signed by an Authorized Officer of the Authority directing the authentication of such Additional Bonds and the delivery thereof to the Authorized Officer or to a designated purchaser of such Additional Bonds.

(4) An executed counterpart or certified copy of a supplemental indenture authorizing the issuance, execution and delivery of such Additional Bonds, designating the series and terms of such Bonds,

authorizing the sale and delivery of such Additional Bonds, the acquisition, construction, undertaking or completion of specified Capital Additions or the refunding of the Bonds to be refunded, as the case may be, and, in the case of the refunding of Bonds, irrevocably authorizing the Trustee to take such action as shall be necessary in order to effect such refunding, directing and containing, in addition to such special terms and provisions not inconsistent with the Indenture as may be necessary or proper to secure adequately such Additional Bonds.

(5) an opinion or opinions of one or more Counsel to the effect that (A) the Authority is validly existing as a body corporate and a political subdivision of the Commonwealth in good standing under the laws of the Commonwealth with full power and authority to undertake or complete, as applicable, the Capital Additions or the refunding, as the case may be, and to issue and sell the Additional Bonds; (B) the Supplemental Indenture has been duly and regularly enacted and is then in full force and effect; (C) all conditions precedent and concurrent provided in the Indenture and the Supplemental Indenture to the authentication and delivery of the Additional Bonds by the Trustee have been complied with; (D) the Additional Bonds have been duly and validly authorized, executed and delivered by the Authority and constitute legal, valid and binding revenue obligations of the Authority; and (E) the Additional Bonds will be Section 11.08 Obligations.

(6) an Officer's Certificate directing the amounts of deposits and transfers of the proceeds of the sale of the Bonds.

(b) Additional Bonds for Capital Additions. The Authority may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver in addition to the Bonds authorized to be issued pursuant to the other provisions of the Indenture, Additional Bonds for the purpose of financing the Cost of undertaking, acquiring or constructing Capital Additions, upon receipt by the Trustee of the following:

(1) All documents required to be delivered to the Trustee pursuant to the provisions of paragraph (a) above;

(2) An Officer's Certificate setting forth the sources and uses of the proceeds derived from the issuance of the Bonds, including, but not limited to, the following: (A) the amount of the proceeds, including accrued interest which shall be separately stated, to be received by the Authority from the sale of such Additional Bonds, (ii) the Financing Costs incurred or to be incurred in connection with the issuance and sale of such Additional Bonds, and (iii) the amounts to be deposited to the Construction Fund and the Debt Service Reserve Fund, if any, with respect to such Additional Bonds;

(3) Either:

(a) an Officer's Certificate stating that, taking into account the Debt Service Requirements for all Bonds then Outstanding and the Additional Bonds then proposed to be issued, as if they had been issued at the beginning of the most recent Fiscal Year for which audited financial statements are then available, the Net Revenues for that Fiscal Year, together with Other Available Funds, were not less than 150% of the Maximum Annual Debt Service Requirements on all Bonds, including the Additional Bonds, which will be Outstanding on the date of issuance of such Additional Bonds; or

(b) an Officer's Certificate stating that the principal amount of the proposed Additional Bonds, together with the principal amount of all other Outstanding Bonds issued pursuant to the test contained in this clause (b) will not exceed 10% of the Revenues for the most recent Fiscal Year for which audited financial statements are available; or

(c) (i) an Officer's Certificate stating that based on the most recent audited financial statements which are available, without giving effect to the proposed issuance of Additional Bonds, but taking into account all Bonds Outstanding on the date of such Certificate, the Authority is in compliance with the Rate Covenant as of the last day of the Fiscal Year reflected in such audited financial statements, and

(ii) a report of an Airport Consultant containing forecasts indicating that the Debt Service Requirement on such Additional Bonds is payable out of Net Revenues and that the Authority will be in compliance with the Rate Covenant during either (A) each of the first three complete Fiscal Years succeeding the date on which the Capital Additions are expected to be completed and in operation and debt service is payable from Revenues and not from Capitalized Interest or (B) during each of the first five complete consecutive Fiscal Years succeeding the date of the issuance of the Additional Bonds, whichever is later;

(4) A certificate of the appropriate Independent Consultant setting forth the estimated portion of the Cost of undertaking, acquiring or constructing the Capital Additions to be financed with the Additional Bonds;

(5) Copies of the supplemental indenture containing provisions regarding the deposit of the following:

(A) Cash from the proceeds of such Additional Bonds in an amount equal to any accrued interest paid in respect of such Additional Bonds, and any Capitalized Interest thereon;

(B) Cash in an amount equal to the amount, if any, required to be deposited to the credit of the appropriate account in the Debt Service Reserve Fund from the proceeds from the sale of such Additional Bonds;

(C) Cash in an amount equal to the balance of the proceeds received in connection with the sale of such Additional Bonds, which cash, together with moneys received or to be received by the Authority from Grants and from cash made available by the Authority from other sources and from estimated investment earnings on such amounts, shall not be less than the portion of the estimated Cost set forth in the certificate furnished pursuant to paragraph (4) of this Section, of undertaking, acquiring or constructing the Capital Additions to be paid by the Authority and the amount of Financing Costs set forth in the Officer's Certificate furnished pursuant to paragraph (2) of this Section, and which cash shall be deposited to the credit of the account or sub-account in the Construction Fund relating to such Additional Bonds.

(c) Additional Bonds for Completion of Capital Additions. The Authority may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver, in addition to the Bonds authorized to be issued pursuant to the other provisions of the Indenture, Additional Bonds for the purpose of paying the Cost of completing all or any portion of any Capital Additions financed with the proceeds of Additional Bonds in the event that the amounts in the Construction Fund for such Capital Additions and the actual amounts received or to be received by the Authority pursuant to Grant Offers and from estimated investment earnings on such proceeds shall be insufficient therefor, for such aggregate principal amount as will enable the Authority to comply with the applicable provisions of Section 2.12 of the Original Indenture upon the receipt by the Trustee of the following, provided, however, that the principal amount of Additional Bonds issued to pay the Cost of completing any Capital Addition shall not exceed 15% of the aggregate principal amount of Bonds initially authorized to be issued to finance the Capital Addition to which the Bonds in question relate:

(1) All documents required to be delivered to the Trustee pursuant to the provisions of paragraph (a) above;

(2) An Officer's Certificate setting forth (i) the amount of the proceeds, including accrued interest which shall be separately stated, to be received by the Authority from the sale of such Additional Bonds, (ii) the Financing Costs incurred or to be incurred in connection with the issuance and sale of such Additional Bonds, (iii) the amount, if any, to be deposited to the Debt Service Reserve Fund with respect to such Additional Bonds; (iv) that no Event of Default or event which, with the giving of notice or lapse of time, would be an Event of Default has occurred and is continuing or exists; (v) the aggregate principal amount of Bonds previously originally issued to pay the Cost of such Capital Additions; and (vi) the portion of such Cost to be financed with the Additional Bonds;

(3) A certificate of the Consulting Engineer or Construction Manager setting forth its estimate as to the Cost of completing such portion of such Capital Additions;

(4) Copies of the Supplemental Indenture containing provisions regarding the deposit of the following:

(A) Cash from the proceeds of such Additional Bonds in an amount equal to Capitalized Interest or accrued interest, if any, paid in respect of such Additional Bonds; and

(B) Cash in an amount equal to the balance of the proceeds received in connection with the sale of such Additional Bonds which cash, together with the moneys then on deposit to the credit of the appropriate account in the Construction Fund for such Capital Additions, the estimated investment earnings on such amounts and the anticipated amounts yet to be received pursuant to the Grant Offers and cash made available by the Authority from other sources shall not be less than the portion of the estimated Financing Cost and Construction Cost required to complete such portion of such Capital Additions as set forth in the above-mentioned Officer's Certificate and which cash shall be deposited to the credit of the appropriate account or sub-account in the Construction Fund for such Capital Additions.

Additional Bonds may be issued pursuant to this Section for the completion of any Capital Addition in one or more series, at one time, or from time to time, as the Authority may elect. Nothing in this Section shall be construed to prevent the Authority from issuing Bonds to complete any Capital Addition pursuant to the provisions for the issuance of Additional Bonds to finance Capital Additions, upon compliance with the provisions of paragraph (b) above, whether or not such issuance causes the aggregate principal amount of Additional Bonds issued to complete the cost of such Capital Addition to exceed the 15% limit specified above.

(d) Additional Bonds for Refunding Outstanding Bonds. From time to time the Authority may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver in addition to the Bonds authorized to be issued pursuant to the other provisions of Article II of the Original Indenture, Additional Bonds for the purpose of refunding any or all Outstanding Bonds, including a part of a series of Bonds, for such aggregate principal amount as will enable the Authority to comply with the provisions of Section 2.12 of the Indenture, upon receipt by the Trustee of the following:

(1) All documents required to be delivered to the Trustee pursuant to the provisions of paragraph (a) above;

(2) An Officer's Certificate setting forth (i) the amount of the proceeds, including accrued interest, if any, to be received by the Authority from the sale of such Additional Bonds, (ii) the Financing Costs incurred or to be incurred in connection with the refunding of the Bonds and the issuance and sale of such Additional Bonds, (iii) the amount, if any, required to be maintained in a Debt Service Reserve Fund with respect to such Additional Bonds, and (iv) the Debt Service Requirement on such Additional Bonds;

(3) If the Maximum Annual Debt Service Requirement on the Additional Bonds is in excess of the Maximum Annual Debt Service Requirement on the Bonds being refunded, a report of an Airport Consultant containing forecasts indicating that during each of the first five complete Fiscal Years following the date of issuance of such Additional Bonds during which debt service on such Additional Bonds is payable from Net Revenues, the Authority will be in compliance with the Rate Covenant;

(4) A document creating a special escrow or redemption fund and the irrevocable deposit in trust with the Trustee, an escrow agent or other depositary to the credit of such fund of cash or securities, together with interest or income to be earned thereon, if any, to effect such refunding and the designation of the Trustee, escrow agent or other depositary as the agent of the Authority to take such action as shall be necessary in order to effect the refunding of such Bonds;

(5) Copies of the supplemental indenture containing provisions regarding the deposit of the following:

(A) Cash or securities in an amount equal to the amount, if any, required to be maintained in the Debt Service Reserve Fund with respect to such Additional Bonds;

(B) Cash in an amount equal to the accrued interest, if any, received in respect of such Additional Bonds; and

(C) Cash in an amount equal to the amount set forth in the above-mentioned Officer's Certificate pursuant to subdivision (ii) of paragraph (2) of this Section, and evidence that such cash is used solely for the purposes of paying the Financing Costs set forth in said Officer's Certificate pursuant to said subdivision (ii); and

(6) A report issued by an Independent Public Accountant verifying the sufficiency of the cash and investments held in the escrow or redemption fund established pursuant to paragraph (4) above to effect such refunding; provided, however, that such verification report shall not be required if the refunding escrow is funded in a gross amount sufficient, without the necessity of earning any investment income, to effect the refunding.

If, after making the above-mentioned deposits, any balance shall remain from the proceeds from the sale of such Additional Bonds, if the moneys to the credit of the appropriate account in the Debt Service Reserve Fund shall be in excess of the amount required to be maintained therein, or if the cash referred to in paragraph (5)(C) of this Section shall be in excess of the amounts required to pay the items in respect of which such amounts were to be used, such balance or excess shall be deposited to the credit of the appropriate account in the Debt Service Fund.

(e) Additional Bonds for Refunding G. O. Bonds. The Authority may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver in addition to the Bonds authorized to be issued pursuant to the other provisions of the Indenture, Additional Bonds for the purpose of refunding any or all outstanding G.O. Bonds, including a part of a series thereof, for such aggregate principal amount as will enable the Authority to comply with the provisions of this Section, upon receipt by the Trustee of the following:

(1) All documents required to be delivered to the Trustee pursuant to the provisions of paragraph (a) above;

(2) An Officer's Certificate setting forth (i) the amount of the proceeds, including accrued interest, if any, to be received by the Authority from the sale of such Additional Bonds, (ii) the Financing Costs incurred or to be incurred in connection with the refunding and the issuance and sale of such Additional Bonds, (iii) the amount, if any, required to be maintained in the Debt Service Reserve Fund with respect to such Additional Bonds, (iv) the amount, if any, to be deposited to the Debt Service Reserve Fund with respect to such Additional Bonds, and (v) the Debt Service Requirement on such Additional Bonds;

(3) A report of an Airport Consultant containing forecasts indicating that during each of the first five complete Fiscal Years following the date of issuance of such Additional Bonds during which debt service on such Additional Bonds is payable from Net Revenues, the Authority will be in compliance with the Rate Covenant;

(4) A document creating a special escrow or redemption fund and the irrevocable deposit in trust with the Trustee, an escrow agent or other depositary to the credit of such fund of cash or securities, together with interest or income to be earned thereon, if any, to effect such refunding and the designation of the Trustee, escrow agent or other depositary as the agent of the Authority to take such action as shall be necessary In order to effect the refunding of the obligations to be refunded;

(5) Cash or securities in an amount equal to the amount, if any, required to be maintained in the Debt Service Reserve Fund with respect to such Additional Bonds pursuant to the provisions of the Supplemental Indenture relating to such Additional Bonds;

(6) Cash in an amount equal to the accrued interest received in respect of such Additional Bonds, which cash shall be deposited by the Trustee to the credit of the appropriate account in the Debt Service Fund;

(7) Cash in an amount equal to the amount set forth in the above-mentioned Officer's Certificate pursuant to subdivision (ii) of paragraph (2) of this Section, and evidence that such cash is used solely for the purposes of paying the Financing Costs set forth in said Officer's Certificate pursuant to said subdivision (ii); and

(8) A report issued by an Independent Public Accountant verifying the sufficiency of the cash and investments held in the escrow or redemption fund established pursuant to paragraph (4) above to effect such refunding; provided, however, that such verification report shall not be required if the refunding escrow is funded in a gross amount sufficient, without the necessity of earning any investment income, to effect the refunding.

If, after making the above-mentioned deposits, any balance shall remain from the proceeds from the sale of such Additional Bonds, if the moneys to the credit of the appropriate account in the Debt Service Reserve Fund shall be in excess of the amount required to be maintained therein, or if the cash referred to in Paragraph (7) of this section shall be in excess of the amounts required to pay the items in respect of which such amounts were to be used, such balance or excess shall be deposited to the credit of the appropriate account in the Debt Service Fund.

Short Term Bonds

The Authority may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver, in addition to the Bonds authorized to be issued pursuant to the other provisions of this article, Short Term Bonds for such aggregate principal amount as will enable the Authority to comply with the applicable provisions of Article II of the Original Indenture, upon receipt by the Trustee of the following:

(a) All documents required to be delivered to the Trustee pursuant to the Indenture for long term Bonds;

(b) An Officer's Certificate setting forth (i) the amount of the proceeds, including accrued interest, if any, to be received by the Authority from the sale of such Short Term Bonds, (ii) the Financing Costs incurred or to be incurred in connection with the issuance and sale of such Short Term Bonds, (iii) a statement that no Event of Default or event which, with the giving of notice and passage of time, would be an Event of Default has occurred and is continuing or exists; (iv) a statement that immediately after the issuance of such Short Term Bonds, the outstanding principal amount of all Short Term Bonds will not exceed 10% of the Revenues for the most recent complete Fiscal Year preceding the date of the issuance of such Short Term Bonds for which audited financial statements are available, and (v) a statement that the Rate Covenant has been, and after issuance of such Short Term Bonds, will continue to be complied with;

(c) Evidence that the proceeds received in connection with the sale of such Short Term Bonds have been simultaneously deposited to the Revenue Fund or into an account or sub-account in the Construction Fund, as appropriate;

(d) Certified copies or originals of all documents required to be delivered pursuant to the contract of purchase or similar commitment for the Short Term Bonds; and

(e) Evidence satisfactory to the Trustee that during any Fiscal Year in which such Short Term Bonds are Outstanding, there shall be a period of at least twenty (20) days during which it is reasonably expected that no Short Term Bonds will be Outstanding.

Subordinate Lien Bonds

In addition to the Bonds authorized to be issued under the foregoing sections of the Indenture, the Authority may issue Subordinate Lien Bonds, provided that all of the following conditions are satisfied:

(a) the security for such Subordinate Lien Bonds is subordinate to the lien of and security interests granted by the Indenture and such Subordinate Lien Bonds shall be subordinate in right of payment out of the Net Revenues to the prior payment of the principal of and the interest and premium, if any, on the Bonds while any Bonds are Outstanding;

(b) any agreement for the repayment of such Subordinate Lien Bonds shall provide: (i) that an event of default thereunder shall not be an Event of Default under the Indenture, and (ii) that, notwithstanding the occurrence of any event of default in respect of any Subordinate Lien Bonds, the obligee or payee thereof shall not be entitled to exercise any rights or remedies with respect to the Net Revenues until and unless an Event of Default shall exist under the Indenture and the Trustee shall have instituted proceedings to exercise its rights pursuant to the Indenture; and

(c) the Authority shall provide an Officer's Certificate to the effect that (i) no event of default under the Airline Operating Agreement has occurred and is then continuing, and (ii) the issuance of the Subordinate Lien Bonds is in compliance with the Airline Operating Agreement.

Special Facility Revenue Bonds

Anything in the Indenture to the contrary notwithstanding, the Authority may finance the acquisition or construction of any Special Facilities which it is permitted by law to acquire or construct if:

(a) the Authority delivers to the Trustee an Opinion of Counsel to the effect that the Special Facility Revenue Bonds issued to finance such Special Facilities are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture and that the financing of such Special Facilities will not conflict with or constitute on the part of the Authority a breach of or default under any of the covenants or provisions of the Indenture; and

(b) the Authority shall have caused to be delivered to the Trustee an opinion of an Airport Consultant indicating that the use and occupancy of the Special Facilities will not have a material, adverse effect on the Authority's ability to comply with the Rate Covenant.

Credit Support For Variable Rate Bonds

In connection with the issuance of Bonds which bear interest at a variable rate, the Authority may enter into such credit and/or liquidity agreements as may be appropriate under the circumstances. In determining whether or not the tests for Additional Bonds contained in the Indenture have been met with respect to obligations held by the issuer of the credit or liquidity facility, such tests shall be applied separately from the tests applied to the Bonds supported by such facility. If such tests have been met with respect to obligations held by the issuer of such facility such obligations shall be on parity with the Bonds; otherwise they shall be Subordinate Lien Bonds.

FUNDS AND ACCOUNTS

Establishment of Funds

The Authority has established with the Trustee funds known as and referred to in the Indenture as the "Revenue Fund", the "O&M Fund", the "G.O. Debt Service Fund", the "O&M Reserve Fund", the "Renewal and Replacement Fund", and the "Subordinate Lien Debt Service Fund". All Revenues (except as otherwise provided in the Indenture) shall be deposited to the credit of the Revenue Fund and applied at the times, in the amounts and in the order of priority set out in the Indenture.

In addition to the transfers and payments specifically required in the Indenture, the Authority shall also make such transfers and payments as may be required by any supplemental indenture enacted in connection with the issuance of Additional Bonds, provided that the order of priority described in the Original Indenture shall be preserved for the Additional Bonds.

The Indenture establishes with the Trustee a Debt Service Fund, a Debt Service Reserve Fund and a Rebate Fund, each of which shall be held in trust by the Trustee for the benefit of the Registered Owners until disbursed in accordance with the terms of the Indenture. The Trustee is further directed to establish accounts for the various series of Bonds.

The Authority shall deposit to the Revenue Fund all Revenues derived from the Included Cost Centers immediately upon receipt of such Revenues. All interest income which constitutes Revenue and is required to be transferred to the Revenue Fund shall be transferred to the Revenue Fund on the next to last Business Day of each month. Amounts derived from the Airport Development Area and the Cargo Area which constitute Revenue shall be deposited to the Revenue Fund no later than thirty (30) days after the date of audited financial reports which show the existence of such items of Revenue.

Operation and Maintenance Fund

On the next to last Business Day of each month, the Authority shall transfer from the Revenue Fund to the Operation and Maintenance Fund an amount equal to the estimated Operation and Maintenance Expenses for the next ensuing month as set forth in the Airport System Budget with respect to the Included Cost Centers. Moneys in the Operation and Maintenance Fund shall be disbursed solely for payments of Operation and Maintenance Expenses as they become due.

Debt Service Fund

(a) The Indenture creates a Debt Service Fund for purposes of application to the payment of principal, interest and redemption price (including premium, if any) on the Bonds. Separate accounts within the Debt Service Fund are created for the purpose of matching revenues and expenses related to each series of Bonds issued under the Indenture, including the 2012 Bonds.

(b) On the date specified in any Supplemental Indenture or Indentures (including the Sixth Supplemental Indenture) authorizing the issuance of Additional Bonds, the Authority shall transfer to the Trustee the amounts required to be deposited pursuant to the provisions of such Supplemental Indenture or Indentures, for the purpose of paying the interest on and principal of such Additional Bonds.

(c) In determining the amount required to be transferred from the Revenue Fund to the applicable accounts in the Debt Service Fund, effect shall be given to the amounts of any accrued or Capitalized Interest which will be available for payment of interest on or before the appropriate Interest Payment Date with respect to a series of Bonds.

(d) During the 12 month period preceding each Stated Maturity or mandatory redemption date with respect to a series of the Bonds, the Trustee shall, at the Written Request of the Authority and upon deposit of moneys by the Authority for such purposes, purchase Bonds of the maturity becoming due on such Stated Maturity or mandatory redemption date from funds deposited to the Debt Service Fund for such purpose; provided, however, that such purchase shall not be made unless (i) the purchase price does not exceed 100% of the principal amount of the Bonds to be purchased, plus accrued interest and (ii) in the case of any purchase of Bonds which are subject to mandatory redemption, firm commitments for the purchase of such Bonds shall have been accepted prior to the giving of notice of such redemption by the Trustee; and provided that upon the making of any transfer of moneys from the Debt Service Fund in connection with a proposed purchase or redemption of Bonds after such transfer, there shall be no deficiency in amounts required to be in the Debt Service Fund, taking into account the amounts then required to be paid or transferred therefrom for other purposes or reserved therein against such payments and transfers.

(e) In the event that insufficient moneys are available to pay in full the amounts required with respect to any series of Bonds, the available amounts in the Revenue Fund shall be applied without preference or priority between principal and interest or among any series of Bonds.

G.O. Bond Fund

Not more than five (5) nor less than two (2) Business Days prior to the date on which any payment of interest, premium or principal is due on any G.O. Bonds, the Authority shall withdraw from the Revenue Fund, provided and subject to the condition that all payments and transfers required with respect to the O & M Fund and the Debt Service Fund to be made on or before such date have been made, and deposit to the G.O. Bond Fund the amount of such interest, premium, or principal due on such date. Moneys in the G.O. Bond Fund shall be applied solely to the payment of principal of and interest and premium, if any, on G.O. Bonds, as the same become due.

Operation and Maintenance Reserve Fund

After the deposits required with respect to the O & M Fund, the Debt Service Fund and the G.O. Bond Fund have been made, on the last Business Day of each month, the Authority shall withdraw from the Revenue Fund and transfer to the Operation and Maintenance Reserve Fund one-twelfth (1/12th) of the amount necessary to maintain the O&M Reserve Requirement. Withdrawals from the Operation and Maintenance Reserve Fund may be made by the Authority solely for payment of Operation and Maintenance Expenses and to the extent that the amounts on deposit in the Operation and Maintenance Fund are not sufficient to make such payments. Interest earned on amounts in the Operation and Maintenance Reserve Fund shall be retained therein until the amount therein equals the O&M Reserve Requirement. After the amount therein equals to O&M Reserve Requirement, interest earnings shall be transferred to the Revenue Fund.

Debt Service Reserve Fund

The Indenture establishes a special fund called the "Debt Service Reserve Fund" which shall be held in trust by the Trustee until applied as hereinafter provided. A separate account shall be created in the Debt Service Reserve Fund for each series of Bonds (including the 2012 Bonds) issued pursuant to the Indenture.

After the payments required with respect to the O & M Fund, the Debt Service Fund, the G.O. Bond Fund and the O & M Reserve Fund have been made, the Authority shall withdraw from the Revenue Fund and transfer to the Trustee for deposit into the Debt Service Reserve Fund:

(a) on the dates on which deposits are required to be made to the Debt Service Fund, such amounts as will be sufficient to cure in monthly installments within a two year period any deficiencies in the Debt Service Reserve Requirement with respect to any series of Bonds resulting from either a withdrawal from any account in the Debt Service Reserve Fund or a decline in the accumulated value of the investments in the Debt Service Reserve Fund valued in the manner described in the Indenture; and

(b) on the dates specified in any supplemental indenture or indentures relating to Additional Bonds, the amounts required to be deposited on such dates to the credit of the Debt Service Reserve Fund pursuant to the provisions of such Supplemental Indenture or Indentures.

The Trustee shall, without any direction from the Authority, transfer moneys from the appropriate account in the Debt Service Reserve Fund to the appropriate account in the Debt Service Fund to the extent that the moneys in such account in the Debt Service Fund may on any Interest Payment Date or principal payment date be insufficient to make the payments due on any series of Bonds for which such account was established, as the same shall become due. In the final year of maturity of any series of Bonds, the Trustee shall apply all amounts on deposit in the account established for that series in the Debt Service Reserve Fund to the payment of principal of and interest on such Bonds and the deposits required with respect to the Debt Service Fund on such maturity date shall be reduced by such payment. In addition, in the event of a refunding of a series of Bonds, the Trustee shall apply all amounts on deposit in the account established for that series in the Debt Service Reserve Fund in accordance with directions contained in an Officer's Certificate delivered on the date of the issuance of the Additional Bonds which effect such refunding.

In lieu of or together with a deposit of cash or investments to an account in the Debt Service Reserve Fund with respect to a series of Bonds, the Authority may cause to be deposited to the credit of such account a surety bond or an insurance policy payable to the Trustee or a letter of credit entitling the Trustee to draw in an amount equal to the difference between the Debt Service Reserve Requirement with respect to a series of Bonds and the sum then to the credit of an account in the Debt Service Reserve Fund with respect to that series of Bonds. The surety bond, insurance policy or letter of credit shall contain such terms and shall be subject to such conditions as shall be established by the Insurer insuring the applicable series of Bonds, or, if such series of Bonds is not insured by a Credit Facility, shall satisfy the conditions established in the Indenture.

Renewal and Replacement Fund

After those deposits required with respect to the funds listed above have been made, on the last Business Day of each month, the Authority shall withdraw from the Revenue Fund and transfer to the Renewal and Replacement Fund the amount necessary to maintain the Renewal and Replacement Requirement. Moneys on deposit in the Renewal and Replacement Fund shall be disbursed by the Authority only for extraordinary repairs and replacements to property within the Included Costs Centers, or otherwise as provided in the Airline Operating Agreement. Interest earned on amounts in the Renewal and Replacement Fund shall be retained therein until the amount therein equals the Renewal and Replacement Requirement. After the amount therein equals the Renewal and Replacement Requirement, interest earnings shall be transferred to the Revenue Fund.

Subordinate Lien Revenue Fund

Not more than five (5) nor less than one (1) Business Day prior to the date on which any payment of interest, premium or principal is due on any Subordinate Lien Bonds, the Authority shall withdraw from the Revenue Fund, provided that and subject to the condition that all payments and transfers required with respect to the funds listed above to be made on or before such date have been made, and transfer to the Subordinate Lien Revenue Fund the amount of such interest, premium and principal due on such date. Moneys in the Subordinate Lien Revenue Fund shall be applied solely to the payment of the principal of and interest and premium, if any, on Subordinate Lien Bonds, as the same become due.

Priority of Payments from Subordinate Lien Revenue Fund

The moneys on deposit in the Subordinate Lien Revenue Fund shall be applied, first, to pay when due the Insured Payment Obligations which are evidenced by the 2001 A Subordinated Note; second, to pay the amounts, if any, payable by the Authority to the holders of the Authority's 2001 Bonds issued pursuant to the First Supplemental Trust Indenture, dated as of July 1, 2001; and, third, to the extent of the moneys remaining on deposit in said Fund, to pay, when due, without priority of one over the other: provided, however, that no payment may be paid from the Subordinate Lien Revenue Fund unless either (i) the Rate Covenant will be satisfied after the payment of such obligations, when recalculated after such payment, or (ii) the Authority demonstrates to the satisfaction of the Trustee that there will be sufficient Revenues available for distribution under Article IV of the Original Indenture to meet all obligations senior in priority to the obligations to be paid from the Subordinate Lien Revenue Fund during the next six months after the payment of such obligations.

Reimbursement of Signatory Airlines

On May 31 of each Fiscal Year in which the Authority has determined, in accordance with the Airline Operating Agreement, that any Signatory Airline's payments in the immediately preceding Fiscal Year exceeded the amount which such Signatory Airline was required to pay (as recalculated based on actual amounts), the Authority shall, after making the transfers from the Revenue Fund required with respect to the funds listed above, pay to such Signatory Airline, from moneys on deposit in the Revenue Fund, the amount of such overpayment.

Airline Operating Agreement Funds

In the Airline Operating Agreement, the Authority has agreed to create the following Funds: (i) Airport System Improvement and Reserve Fund, (ii) Airport System Capital Fund, (iii) Equipment and Capital Outlay Fund, and (iv) Other Aviation Facilities Fund. All deposits to and withdrawals from the foregoing Funds shall be made only in accordance with the requirements of the Airline Operating Agreement. Any interest earned on amounts on deposit in such Funds shall be credited to such Fund and used for the purpose for which such Fund was created.

The Authority shall not withdraw any amounts from the Revenue Fund for deposit to any of the Funds enumerated in the prior paragraph unless and until the deposits required with respect to the above-listed funds and accounts have been made.

Rebate Fund

An additional trust fund is authorized to be created under the Indenture to be designated as the "Rebate Fund." The Trustee will establish the fund and will make deposits to and withdrawals from the Rebate Fund in accordance with the Indenture and the Tax Regulatory Certificate so as to facilitate compliance with the rebate provisions of the Code. In the event that any rebatable excess investment earnings are generated, the Trustee shall pay to the United States the amount required to be rebated to the United States pursuant to the Code. The Rebate Fund does not secure payment of Debt Service Requirements on the Bonds.

Creation of Construction Fund and Requisition Procedure

Upon the issuance of Bonds to pay the Costs of Capital Additions, the Trustee is authorized to create a Construction Fund to be held in trust by the Trustee to secure payment of the Bonds until applied in accordance with the terms of the Indenture. Upon the issuance of any series of Additional Bonds, the Authority shall cause to be created in the Construction Fund additional accounts and sub-accounts, as applicable, relating to the Capital Additions for which such Additional Bonds are issued. The proceeds of each series of Additional Bonds issued with respect to Capital Additions shall be deposited to the account established for the Capital Additions for the payment of the Cost of completion of the Project for which such Additional Bonds are issued. All proceeds of Bonds required to be deposited to the credit of the Construction Fund by the provisions of the Indenture or any supplemental indenture shall be transferred to the Trustee for deposit to the appropriate accounts or sub-accounts created for the Capital Additions for which such Bonds were issued and held in trust by the Trustee as security for the Bonds, and disbursed by the Trustee in payment of the Cost of the Capital Additions. Before each such withdrawal and payment from the Construction Fund by the Trustee, the Authority shall deliver to the Trustee a requisition, signed by an Authorized Officer, in respect of each payment to be made and the certificates and opinions, if any, required by the Indenture.

Procedure When Funds Are Sufficient to Pay All Bonds

If at any time the amounts held by the Trustee in the Funds established under the Indenture are sufficient to pay principal or redemption price of and interest on all Bonds then Outstanding to Maturity or prior redemption, together with any amounts due the Insurer, the Authority and the Trustee, the Trustee shall so notify the Authority and, upon written direction from the Authority, apply the amounts in the Funds to the payment of the aforesaid obligations and the Authority shall not be required to pay over any further revenues unless and until it shall appear that there is a deficiency in the funds held by the Trustee.

Moneys to Be Held for All Bondholders, With Certain Exceptions

Until applied as provided in the Indenture, moneys and investments held in all funds and accounts established under the Indenture shall be held in trust for the benefit of the holders of the applicable series of the Bonds in the case of accounts in the Debt Service Fund and the Debt Service Reserve Fund and otherwise for the benefit of the holders of all Outstanding Bonds, except that: (a) on and after the date on which the interest on or principal or redemption price of any particular Bond or Bonds is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in either or both of such Funds for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto and (b) the rights of any Bondholders with respect to principal or interest payments extended beyond their due dates shall be subordinate to the rights of Bondholders with respect to payments not so extended.

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Deposits and Security Therefor

All moneys received by the Trustee under the Indenture for deposit in any Fund established under the Indenture shall be considered trust funds, shall not be subject to lien or attachment and shall, except as hereinafter provided, be deposited in the corporate trust department of the Trustee, until or unless invested or deposited as provided in the Indenture. All deposits in the corporate trust department of the Trustee shall, to the extent not insured or invested in Permitted Investments, and to the extent permitted by law, be fully secured as to both principal and interest by Government Obligations, or if not so permitted, then secured as provided by applicable law for such trust deposits in order to grant to the Trustee a perfected security interest in such Government Obligations, free and clear of the claims of third parties.

Investment or Deposit of Funds

Cash in the Construction Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund may be invested in such Permitted Investments as the Authority may lawfully invest in, for such period of time as the Authority may determine. Except as provided otherwise in the Indenture, interest and income earned on moneys in any of the funds and accounts created pursuant to the Indenture shall become part of that Fund and shall be treated as a credit against any amount otherwise required to be deposited into that fund.

Interest and income derived from any such investments or deposits shall be held in or transferred when received to the following Funds:

(i) Construction Fund - remain in the appropriate account in that Fund;

(ii) Accounts in the Debt Service Fund - transfer to the Revenue Fund;

(iii) Debt Service Reserve Fund - remain in the appropriate account in that Fund to make up any deficiency therein; otherwise (i) during any construction period, amounts in the Debt Service Reserve Account established for the Bonds issued to finance such construction may be transferred to the appropriate account in the Construction Fund, (ii) during any other period, transfer to the Revenue Fund; and

(iv) Rebate Fund - remain in that Fund unless a transfer is permitted by the Tax Regulatory Certificate.

GENERAL COVENANTS

Payment of Principal, Premium, if any, and Interest, Pledge of Passenger Facility Charges

Subject to the limited source of payment hereinafter referred to, the Authority covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under the Indenture at the place, on the dates and in the manner provided in the Indenture and in said Bond according to the true intent and meaning thereof. The Bonds, together with interest thereon, shall be limited obligations of the Authority payable solely from the Trust Estate (except to the extent paid out of moneys attributable to Bond proceeds or the income from the temporary investment thereof and under certain circumstances, net proceeds from insurance or condemnation) and shall be a valid claim of the respective holders thereof only against the Trust Estate held by the Trustee for the benefit of the Bondholders and the Insurer and the payment due or to become due upon or under the Indenture all of which are assigned and pledged under the Indenture for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Indenture. Nothing in the Bonds or in the Indenture shall be considered as assigning or pledging any other funds or assets of the Authority.

The Authority covenants with the Registered Owners from time to time of the Bonds Outstanding pursuant to the Indenture that it will include the amount of the Debt Service Requirements on such Outstanding Bonds for each Fiscal Year in which such sums are payable, in its Airport System Budget for that Fiscal Year.

The Authority may impose a passenger facility charge ("PFC") at the Airport, create a separate fund into which all or a portion of such PFC's shall be deposited and pledge the amounts in such fund to the Trustee for the payment of one or more series of Bonds in addition to any Net Revenues pledged for the payment of such Bonds, all as may be determined in an appropriate Supplemental Indenture. In the event that PFC's are pledged to the payment of one or more series of Bonds, amounts derived from such PFC's, up to 125% of the annual debt service on such Bonds which is payable from such PFC's, shall be considered part of the Revenues and Net Revenues for the purpose of the rate covenant contained in the Indenture and the issuance of Additional Bonds pursuant to the Indenture. Nothing in Section 7.01 of the Indenture shall be construed to prevent the Authority from issuing bonds, notes or other debt obligations secured solely by and payable only from PFC's or secured and payable from PFC's and a subordinate pledge of Net Revenues. If the Authority issues bonds, notes or other debt obligations secured by and payable from PFC's and a subordinate pledge of Net Revenues, amounts derived from such PFC's, up to 125% of the annual debt service on such bonds, notes or other debt obligations which is payable from PFC's shall be considered part of Revenues for the purpose of the rate covenant contained in the Indenture. The Authority may in the future undertake CFC financings on a like basis as for PFC financings as just described. See "Definitions - Revenues", above, in this Appendix C and "AMENDMENTS TO THE INDENTURE - Certain Indenture Amendments Permitted after Prior Bonds Defeasance Date and Post Airline Operating Agreement Expiration", below, in this Appendix C.

Maintenance of Powers

The Authority shall maintain its power to perform its obligations under the Indenture.

Extension of Time for Payment

The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on the Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Financing Statements and Other Action to Protect Security Interest

The Indenture shall constitute a security agreement within the meaning of the Pennsylvania Uniform Commercial Code and the Authority's obligations under the Indenture shall be secured pursuant to such code by the security interests in the Indenture granted with respect to the Trust Estate. The Authority shall cause the Indenture or an appropriate financing statement or memorandum to be filed, registered and recorded in such manner and at such places as may be required by law fully to protect the security of the holders of the Bonds and the Insurer and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof.

Further Assurances

The Authority shall not enter into any contract or take any action by which the rights of the Trustee, the Bondholders or the Insurer may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture.

Compliance with Internal Revenue Code

The Authority covenants that it will make no investment or other use of the proceeds of Bonds issued under the Indenture which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148 of the Code, and all applicable regulations promulgated with respect thereto, and that it will comply with the requirements of the Code section and regulations throughout the term of Bonds.

The Authority covenants to the Bondholders that it will not take any action, omit to take any action, or permit any other person to take any action or fail to take any action over which the Authority has control, which action or inaction would cause the interest on the Bonds to be subject to federal income tax to a greater extent than on the date of issuance of such Bonds.

Covenants as to Corporate Existence, Maintenance of Airport, Payment of Taxes

The Authority shall:

(a) preserve its corporate existence and all its rights and licenses to the extent necessary or desirable in the operation of its business affairs and be qualified to do business in each jurisdiction where its ownership of property or the conduct of its business requires such qualification; provided, however, that nothing in the Indenture contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Board, useful in the conduct of its business;

(b) at all times maintain or cause the Airport and every part thereof to be maintained in good repair, working order and condition, will continuously operate or cause to be operated the same and will, from time to time, make or cause to be made all needful and proper repairs, renewals and replacements so that the aggregate efficiency and capacity of the Included Cost Centers shall at no time be materially impaired or reduced;

(c) promptly pay or cause to be paid all taxes, assessments and other governmental charges lawfully imposed upon the Included Cost Centers when the same shall become due as well as all lawful claims for labor, material and supplies, which, if unpaid, might by law become a lien or charge on the Airport or any part thereof prior to or on a parity with the lien of the Indenture, or which might impair the security of the Indenture, so that the priority and security of the Indenture shall be preserved; provided that nothing in Section 7.07 of the Original Indenture shall require the Authority to pay and discharge any such tax, assessment, charge or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings diligently conducted (unless and until foreclosure, distraint, sale or other similar proceedings shall have been commenced);

(d) promptly pay or otherwise satisfy and discharge all of its obligations and indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Bonds issued and Outstanding under the Indenture) whose validity, amount or collectibility is being contested in good faith by appropriate proceedings, provided that, if by continued non-payment of any such sums, the pledge and security interest of the Indenture will be impaired or any property of the Authority will be subject to imminent loss or forfeiture, then such sums shall be paid immediately; and

(e) procure and maintain all licenses, permits, approvals, certifications and accreditations which are necessary or desirable for the maintenance of its properties, conduct of its operations and performance of its obligations under the Indenture; provided, however, that it need not comply with this provision and to the extent that its Board shall have determined in good faith, evidenced by a resolution of the Board, that such compliance is not in the best interests of the Authority and that lack of such compliance would not materially impair the ability of the Authority to pay its Bonds when due.

Rate Covenant

(a) The Authority covenants that it shall maintain, charge and collect, so long as any of the Bonds shall remain Outstanding, rates, rentals and other charges for the use of the Included Cost Centers which, together with Other Available Funds, shall provide in each Fiscal Year an amount sufficient to satisfy the following requirements: (i) Revenues equal to 125% of the total amounts required to be deposited in the then current Fiscal Year to the Funds established pursuant to Sections 4.03, 4.04, 4.05, 4.06 and 4.08 of the Original Indenture , and (ii) Net Revenues which are projected to equal at least 125% of the Debt Service Requirement with respect to the Outstanding Bonds during the then current Fiscal Year.

(b) For purposes of determining compliance with the provisions of paragraph (a), the Authority may:

(i) in preparing its budget for any Fiscal Year, include as "Revenues" sums for all or a portion of expected collections of PFCs, grants and CFCs to the extent that the Authority intends to deposit such amounts in the Revenue Fund; and

(ii) for purposes of determining whether the Authority has complied with the Rate Covenant for any Fiscal Year there shall be treated as "Revenues" all or a portion of collections of PFCs, Grants and CFCs to the extent deposited in the Revenue Fund as of December 31 of such Fiscal Year.

(c) If the audited financial statements for any Fiscal Year indicate that the Authority has not complied with the Rate Covenant, then the Authority shall either

(i) promptly undertake, on its own behalf, a review of the reasons for the failure to comply with the Rate Covenant and make such revisions to its rates, rentals and other charges or methods of operations as it deems necessary to comply with the Rate Covenant and, within sixty (60) days after receipt of the audited financial statements, file with the Trustee a certificate of the Executive Director stating that the revised schedule of rates, rents and other charges, or changes in methods of operation then in effect, are projected to comply with the Rate Covenant; or

(ii) within fifteen (15) days after the receipt of the audited financial statements for such Fiscal Year, employ an Airport Consultant to review and analyze the financial status and the administration and operations of the Included Cost Centers, to inspect the properties constituting the Included Cost Centers and to submit to the Authority and the Trustee, within sixty (60) days thereafter, a written report on the same, including the action which the Airport Consultant recommends should be taken by the Authority with respect to the revision of its rates, fees and charges and the alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the following twelve (12) month period. Promptly upon its receipt of the recommendations the Authority shall, after giving due consideration to the recommendations, revise its rates, fees and charges and alter its methods of operation, which revisions or alterations need not comply with the Airport Consultant's recommendations, but which are projected to comply with the Rate Covenant.

Insurance

The Authority shall at all times cause all the property of the Included Cost Centers which is of a character usually insured by Persons operating properties of a similar nature to be properly insured and kept insured by a reputable insurance company or companies against loss or damage by fire or other hazards to the extent that such properties are usually insured by Persons operating properties of a similar nature in the same or similar localities and to the extent that the Risk Consultant shall deem adequate. All policies shall be so written that the Trustee and the Risk Consultant will be notified of cancellation or amendment at least fifteen (15) days prior to the effective date of such cancellation or amendment. In case the Trustee shall at any time notify the Authority in writing that it disapproves of any insurance company issuing a policy of insurance covering any one or more such risks, the Authority will forthwith obtain other insurance with companies not unsatisfactory to the Trustee.

All such policies shall be for the benefit of the Trustee and the Authority as their interests may appear. All policies shall provide that claim in excess of $100,000 shall be made payable to the Trustee and shall be deposited with the Trustee and the Trustee shall have the sole right to receive the proceeds of such policies and to collect and receipt for claims in excess of $100,000 thereunder. The Trustee may accept as conclusive the adjustment of any loss or losses by the Authority and any insurance company. The proceeds of all such policies paid to the Trustee shall be held by it as additional security under the Indenture until paid out by it as provided in the Indenture. All claims of $100,000 or less shall be paid to the Authority and deposited in the Revenue Fund.

The Authority will maintain public liability and property damage insurance in such amounts, containing such terms and provisions, and issued by such companies as shall be satisfactory to the Risk Consultant.

The Authority may, in lieu of providing the coverage described above, institute a program of self-insurance, to the extent approved by the Risk Consultant and permitted under the Airline Operating Agreement. The

Authority shall cause a description of the plan of self-insurance, accompanied by the written approval of the Risk Consultant to be filed with the Trustee.

Permitted Liens and Title Defects

The Authority will not create or suffer to be created or exist upon the Airport or any of the Revenues, now owned or hereafter acquired by it any mortgage or other lien, security interest or other similar right or interest, servitude, easement, right-of-way, license, encumbrance, irregularity or defect in title, cloud on title, restriction, reservation or covenant running with the land, other than Permitted Liens and Title Defects.

Covenant Relating to Use of Revenues and Disposition of Assets

So long as any of the Bonds are Outstanding, none of the Revenues shall be used for any purpose other than as provided in the Indenture. The Authority may, however, execute leases, licenses, easements and other agreements of, or pertaining to, properties constituting the Included Cost Centers in connection with the operation of the Airport and in the normal and customary course of business thereof, according to the schedule of rates, rentals, fees and charges of the Included Cost Centers, and which properties shall remain part of the Included Cost Centers, but any such contracts shall not be inconsistent with the provisions of the Indenture and no contract or contracts will be entered into or any action taken by which the rights of the Trustee or of the Registered Owners might be impaired or diminished. The Authority may also enter into leases for Special Facilities.

The Authority shall not voluntarily create or permit to be created any debt, lien or charge on parity with or having priority over the lien of the Indenture upon any of the Revenues or any other revenues at any time pledged for the payment of the Bonds.

The Authority shall not sell or otherwise dispose of or encumber the Included Cost Centers or any part thereof except as otherwise provided in the Indenture or in the Airline Operating Agreement. No sale or other disposition of any fixed property which constitutes part of the Included Cost Centers having a value equal to or in excess of One Million Dollars ($1,000,000.00) shall be made unless an Airport Consultant shall first have filed its opinion with the Authority and the Trustee recommending such sale or other disposition of said fixed properties and shall have stated in such opinion that the sale or other disposition of said properties will not impair the ability of the Authority to comply with the Rate Covenant. If, after receiving the opinion of an Airport Consultant, the Authority determines to sell or otherwise dispose of said fixed properties, it shall, by resolution, authorize such sale or other disposition and shall file a certified copy of such resolution with the Trustee. The proceeds from such sale or other disposition of any such fixed properties shall be deposited in the Airport System Capital Fund.

The Authority may, from time to time, sell or otherwise dispose of any fixed property which constitutes a part of the Included Cost Centers and which has a value of less than One Million Dollars ($1,000,000.00) if the Authority shall determine that the sale or other disposition of such property is in the best interests of the Authority and will not impair the ability of the Authority to comply with the Rate Covenant. The proceeds from the sale or other disposition of such property shall be deposited in the Airport System Capital Fund.

The Authority may sell any portion of the Airport System which does not constitute a part of the Included Cost Centers. The proceeds from any such sale may be used by the Authority for any purpose permitted by the Airline Operating Agreement.

Financial Reporting Covenants

The Authority covenants that it has employed and will continue to employ an Independent Public Accountant to perform such duties as are imposed on the Independent Public Accountant by the Indenture.

The Authority has installed and will maintain an accurate system of accounts for the Airport System as recommended by its Independent Public Accountant. The Authority will keep proper books of record and accounts for the Airport System in which complete and correct entries shall be made of all its dealings and transactions in accordance with (i) generally accepted accounting principles, and (ii) the accounting requirements of the Indenture including but not limited to a statement of Revenues and O&M Expenses and Debt Service Requirement relating to the Included Cost Centers and (iii) a reconciliation between the two bases of accounting.

The Authority will furnish to the Trustee within sixty (60) days after the end of the first six months of each Fiscal Year and within ninety (90) days after the end of each Fiscal Year, a statement taken from the books of the Authority and certified as correct by the Executive Director, setting forth in reasonable detail for the preceding six (6) months, the Revenues, O&M Expenses and payments toward the Debt Service Requirement, the total deposits to the Revenue Fund, and a balance sheet for the close of said period. At the close of each Fiscal Year during which any Bonds are Outstanding, the Authority will cause an Independent Public Accountant to perform an audit of the Authority's books and records relating to the Airport System. On or before July 1 of each year, the Authority will furnish to the Trustee and any Registered Owner of any of the Bonds, at the written request of such Registered Owner, a copy of such audit report for the preceding Fiscal Year. The audit report shall, in each instance, include therein for the year in question the information required to be included in the above-mentioned statement of the Executive Director and the Independent Public Accountant's opinion as to whether the rates, fees and charges in effect during such Fiscal Year complied with the Rate Covenant and whether the transfers of moneys to the Trustee from the Revenue Fund were made in compliance with the provisions of the Indenture.

If an Event of Default shall have occurred and is continuing, the Authority covenants to (i) file with the Trustee such other financial statements and information concerning the operations and financial affairs of the Authority as the Trustee may from time to time reasonably request, and (ii) provide access to the facilities of the Authority for the purpose of inspection by the Trustee during regular business hours or at such other times as the Trustee may reasonably request.

Use of Proceeds of Insurance or Condemnation Awards

(a) All net proceeds of all insurance and all net proceeds resulting from eminent domain proceedings shall be deposited in the Airport System Capital Fund and shall be applied at the election of the Authority:

> (i) to promptly replace, repair, rebuild or restore the portion of the Included Cost Centers to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the Authority may determine and as will not impair or otherwise adversely affect the revenue-producing capability of the Included Cost Centers, provided that prior to the commencement of such replacement, repair, rebuilding or restoration, the Authority shall deliver to the Trustee a report of a Construction Manager (or Authorized Officer if such amounts are less than $100,000) setting forth (A) an estimate of the total cost of the same, (B) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (C) a statement to the effect that net proceeds, together with other funds made available or to be made available by the Authority, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration; or
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> (ii) to the optional redemption of Bonds, provided that Bonds may be redeemed only if (A) the Included Cost Centers have been restored to substantially the same condition as prior to such damage, destruction or taking or (B) the Authority has determined that the portion of the Included Cost Centers damaged, destroyed or taken is not necessary to the operation of the remaining Included Cost Centers and that the failure of the Authority to repair or restore the same will not impair or otherwise adversely affect the ability of the Authority to comply with the Rate Covenant; or (C) the Independent Consultant has been unable to make the statement required by subparagraph (i)(C) of this paragraph (a).

If the Authority elects to apply net proceeds, or cause them to be applied, to replace, repair, rebuild, or restore the Included Cost Centers, the Trustee shall create an account in the Construction Fund into which the Authority shall deposit such net proceeds transferred from the Airport System Capital Fund and the Trustee shall disburse net proceeds from that account, to the extent practicable, in accordance with the procedures and requirements set forth in the Indenture for requisitions from the Construction Fund.

(b) Notwithstanding the forgoing, the proceeds of any business interruption and use and occupancy insurance shall constitute Revenues and shall be deposited into the Revenue Fund.

Covenant to Adopt a Budget

The Authority covenants that it will on or before the beginning of each Fiscal Year, prepare and adopt an Airport System Budget for the next Fiscal Year, which budget shall contain an estimate of the Revenues, Operation and Maintenance Expenses and Debt Service Requirements with respect to the Included Cost Centers for the period covered by such budget, and a copy of such budget shall be filed with the Trustee within forty-five (45) days of adoption. Any budget may be amended from time to time and such amended budget shall be promptly filed with the Trustee.

No Competing Facilities

The Authority will not construct, operate or lease any facilities, the use or occupation of which would, in the opinion of the Airport Consultant, result in a reduction of Revenues or Net Revenues below the minimum to be maintained as provided in the Rate Covenant.

Amendments to Airline Operating Agreement

The Authority covenants that it will not amend, terminate or modify any Airline Operating Agreement in any manner which would materially and adversely affect the ability of the Authority to meet the Rate Covenant. In the event any Airline Operating Agreement is amended, the Authority will deliver to the Trustee a certified copy of such amendment, together with an Officer's Certificate stating that such amendment does not materially and adversely affect the ability of the Authority to meet the Rate Covenant. See "The Airline Operating Agreement" in the forepart of this Official Statement and Appendix D to this Official Statement: "The Airline Operating Agreement."

Delivery of Interest Rate Regulatory Agreements

From time to time the Authority may execute and deliver to any third party, with a copy to the Trustee, one or more Interest Rate Regulatory Agreements. The Authority shall not, however, enter into any Interest Rate Regulatory Agreement until it shall have first delivered to the Trustee, together with a copy of such document:

(1) A certified resolution of the Board of the Authority authorizing the execution and delivery of the Interest Rate Regulatory Agreement;

(2) An Officer's Certificate stating that (A) no Event of Default has occurred and is continuing, (B) the applicable requirements of the Indenture for the execution and delivery of the Interest Rate Regulatory Agreement have been satisfied, and (C) no Event of Default under the Airline Operating Agreement has occurred and is continuing;

(3) An Officer’s Certificate reciting (i) the basic terms and Payment Obligations of the Interest Rate Regulatory Agreement, (ii) if applicable, the Bonds to which such Interest Rate Regulatory Agreement is Dependent, or, in the event such Bonds have yet to be issued, a description of the Authority's expectations regarding such Bonds, (iii) that the Authority will, upon the execution of the Interest Rate Regulatory Agreement, and assuming (A) that no related Bonds are ever issued (such that the Interest Rate Regulatory Agreement remains independent) and (B) no termination payment is ever made, satisfy all tests respecting debt service coverages applicable to the issuance of Additional Bonds for Capital Additions, as set forth in Section 2.12(b)(3) of the Indenture;

(4) Proof from the counterparty to the Interest Rate Regulatory Agreement that it (or its guarantor) is a financial institution with a long-term credit rating of not less than A- (S&P)/A3 (Moody's); and.

(5) A certificate from an independent third party, having an established industry reputation as a provider or broker and arranger of interest rate regulatory agreements, to the effect that the financial terms of the Interest Rate Regulatory Agreement reflect fairly current market conditions and the pricing of the Interest Rate Regulatory Agreement is at current market levels for similar obligations and setting forth, in the case of a refunding,

the calculation of present value savings to be realized by the Authority in connection with the Interest Rate Regulatory Agreement, and stating that the assumptions upon which the savings calculation is based are reasonable.

Effect of Failure to Maintain Rating by Counterparty to Interest Rate Regulatory Agreement

Upon and in the event that (a) the counterparty (or its guarantor) to an Interest Rate Regulatory Agreement, which had otherwise satisfied the conditions of Section 2.13(a)(4) of the Original Indenture, as amended, at the time of delivery of the Interest Rate Regulatory Agreement, fails to maintain, for any reason, a credit rating of at least Baa2 (S&P)/BBB (Moody's); and (b) neither (i) the counterparty (or its guarantor) has restored its rating to Baa2/BBB nor (ii) has the Authority replaced the counterparty with another financial institution satisfying the requirements of Section 2.13(a)(4) of the Original Indenture, as amended, then, for purposes of determining continuing compliance by the Authority with various financial covenants set forth in the Indenture (as such determination may further lead to the recognition of one or more Events of Default or the applicability of remedial actions hereunder), the following provisions shall apply:

(1) Compliance with the Rate Covenant contained in Section 7.08 of the Original Indenture shall be determined by applying a definition of Debt Service Requirement, in respect of Bonds to which the Interest Rate Regulatory Agreement was Dependent, based upon the actual interest paid on such Bonds, and not on the Payment Obligation effected by the Interest Rate Regulatory Agreement; and

(2) The term "Debt Service Reserve Requirement," when applied to the Bonds to which the Interest Rate Regulatory Agreement was Dependent, shall apply in its formulation a modified definition of Debt Service Requirement which calculates interest at a rate equal to the average of the actual rate on the Bonds in the preceding 12 months (to the extent the Bonds have not yet been outstanding for 12 months on any date of determination, the average for all rates borne by the Bonds to such determination date); provided further that any deficiency in an amount held on deposit in an account in the Debt Service Reserve Fund shall be restored within one year of the date of determination of deficiency; and

(3). Application of any other covenant or provision of the Indenture for which the term "Debt Service Requirement" is applicable shall be made and determined by using the modified definition of Debt Service Requirement set forth in (2) above.

REDEMPTION OF BONDS

Privilege of Redemption and Redemption Price

The Bonds shall be subject to redemption prior to maturity pursuant to the requirements of the Indenture.

Optional Redemption of Bonds

The 2012 Bonds shall be subject to optional redemption at such times and at such prices as set forth in the forepart of this Official Statement.

Selection of Bonds to be Redeemed

If less than all the Bonds shall be called for redemption, the particular Bonds or portions of the 2012 Bonds to be redeemed shall be selected by the Authority, unless within a maturity of the same series, in which case the selection shall be by the Paying Agent, in its capacity as a Trustee (or, if the Book Entry System is in effect, the Securities Depository), by lot in such manner as such Trustee in its discretion shall determine. In selecting Bonds for redemption, such Trustee or, if the Book Entry System is in effect, the Securities Depository, shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Refunding Bond by the then-minimum Authorized Denomination. Any 2012 Bonds of the same series and maturity shall be deemed to be of the same series and maturity, whether or not the interest rates thereon are the same.

Notice of Redemption

Notice of redemption shall be given by the Paying Agent, in its capacity as a Trustee, on behalf of the Authority by mailing a copy of an official redemption notice, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to (i) the respective holders of the 2012 Bonds as of the tenth (10th) Business Day prior to such mailing (or, if the Book Entry System is in effect, the Securities Depository), designated for redemption by first class mail at their addresses appearing on the bond registration book of such Trustee, (ii) the Securities Depository, (iii) any entities required to receive such notice pursuant to the provisions of the Continuing Disclosure Agreement, (iv) the Standby Purchaser (only with respect to a redemption of the Liquidity Enhanced Bonds of the applicable series), (v) the Insurer, (vi) the applicable Remarketing Agent, (vii) the applicable Broker-Dealer, and (viii) the Bondholders of $1,000,000 or more in aggregate principal amount of the 2012 Bonds ; provided, however, that such notice (except with respect to those recipients described in clause (i) above), shall be given by certified mail, return receipt requested. Notice of redemption to the Securities Depository shall be given by Electronic Means in sufficient time so that it is received at least one day before the general notice date, unless a different manner and time is specified in the standard letter of representations.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined.

(a) Each of the following is an Event of Default under the Indenture:

(i) failure to pay the principal of, or the premium (if any) payable upon the redemption of, any Bond other than a Subordinate Lien Bond when due and payable either at Maturity or by proceedings for redemption; or

(ii) failure to pay any installment of interest on any Bond other than a Subordinate Lien Bond when due and payable; or

(iii) the entry of an order or decree appointing a receiver or receivers of the Included Cost Centers or of the Revenues thereof with the consent or acquiescence of the Authority or, if such order or decree shall have been entered without the acquiescence or consent of the Authority, the failure of the Authority to cause such order or decree to be vacated or discharged or stayed on appeal within sixty (60) days after entry; or

(iv) the institution of any proceeding with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors, with respect to obligations payable from the Revenues, or for the purpose of adjusting the claims of such creditors pursuant to any federal or Commonwealth statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable out of the Revenues, or if such proceeding shall have been instituted without the consent or acquiescence of the Authority, the failure of the Authority to have such proceeding withdrawn, or any order entered therein vacated or discharged, within sixty (60) days after the institution of such proceeding or the entry of such order; or

(v) the failure of the Authority, if the Included Cost Centers or any building, structure or facility constituting a part thereof shall be destroyed or damaged to such an extent that the Authority cannot comply with the Rate Covenant, to repair, reconstruct or otherwise replace, as promptly as possible, such destroyed or damaged building, structure or facility, with other buildings, structures and facilities which produce Net Revenues comparable to those produced by or derived with respect to the building, structure or facility destroyed or damaged; provided that nothing in this clause shall be deemed to require the repair, reconstruction or replacement of any building, structure or facility which at the time of such destruction or damage was unserviceable, inadequate, obsolete, worn-out or unfit to be used or no longer required for use in connection with the security and payment of the Bonds; or

(vi) failure of the Authority to comply with any other of its covenants or agreements contained in the Indenture or the Bonds and the continuation of that failure for a period of thirty (30) days after receipt of written notice from the Trustee requiring that failure to be corrected, provided that (i) the failure of the schedule of rates, rentals and charges established by the Authority for the use of the Included Cost Centers to produce Revenues in the amount specified in the Rate Covenant shall not be an Event of Default, and (ii) if a failure described in this paragraph (vi) is not capable of being remedied within thirty (30) days after the receipt of notice to cure that failure, such failure shall not be an Event of Default, if the Authority, within thirty (30) days of the receipt of notice to cure, commences actions necessary for such cure and diligently and in good faith pursues such actions to completion, but completion of such action without effecting a cure, or termination of such action prior to effecting a cure shall immediately and without notice constitute an Event of Default; or

(vii) the occurrence of an event of default under the terms of the County Ordinance.

(b) The Trustee shall notify the Authority and the Insurer of the occurrence of any Event of Default of which it has notice or actual knowledge as soon as practicable.

Remedies

Subject to the provisions of Section 8.11 of the Original Indenture, upon the occurrence of any event of default, the Trustee may pursue any available remedy including a suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds outstanding hereunder and may request payment under the Credit Facility.

Subject to the provisions of Section 8.11 of the Indenture, if any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the holders of 25% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Authority to charge and collect rates, rentals and other charges adequate to comply with the Rate Covenant contained in the Indenture, and to require the Authority to carry out any other agreements with, or for the benefit of, the Bondholders and to perform its duties under the Act;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; and

(e) request the Court of Common Pleas of Allegheny County to appoint a receiver for the Airport.

Powers of Receivers

Any receiver appointed pursuant to the provisions of the previous section does not have the power to sell, assign, mortgage or otherwise dispose of the Airport, but may enter and take possession of the Airport or part or parts thereof, and shall take possession of all moneys and other property derived from or applicable to the construction, operation, maintenance, repair and reconstruction of the Airport or parts thereof. The receiver may thereafter proceed with any construction or other work thereon which the Authority is under obligation to perform or to cause to be performed. The receiver may operate, maintain, repair, and reconstruct the Airport or parts thereof and collect and receive all Revenues, rents; rates, receipts and other charges arising therefrom. As part of its power to operate and maintain the Airport, the receiver may sell or otherwise dispose of portions of the Airport which are no longer used or usable by the Airport. The receiver shall perform the duties and carry out the lawful agreements and obligations of the Authority with respect to the Airport or parts thereof, all under the direction of the court but shall not perform any essential governmental functions.

Limitations on Actions by Bondholders.

Subject to the provisions of Section 8.11 of the Indenture, no Bondholder shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the holders of at least 25% in principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted in the Indenture or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, damages, fines, penalties, claims, expenses and liabilities (including reasonable attorneys' fees and expenses), and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Application of Moneys in Event of Default.

(a) Provided that amounts drawn under the Credit Facility, if any, shall be applied solely to pay the principal of and interest on the applicable series of Bonds and shall not be applied to pay any costs or expenses of collection or expenses, liabilities or advances of the Trustee, or to restore any deficiency in the Rebate Fund, any Revenues received by the Trustee or by any receiver after the occurrence of an Event of Default shall, after payment of the expenses of operation of the Included Cost Centers, be applied,

First: to the payment of the fees, Counsel fees and expenses of the Trustee and of the receivers, if any, and all costs and disbursements allowed by the court, if there be any court action.

Second: to the payment of the whole amount of principal and interest which shall then be owing or unpaid upon the Bonds, and in case such amounts shall be insufficient to pay in full the whole sum so due and unpaid, then to the payment of such principal and interest ratably, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, except as provided in Section 7.03 of the Original Indenture.

Third: to the payment of the surplus, if any, to the Authority, or to whoever is lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(b) The Trustee shall, to the extent there are no other available funds held under the authorizing document, use the remaining funds in the Construction Fund to pay principal of or interest on the Bonds in the event of a payment default.

(c) Whenever moneys are to be applied by the Trustee pursuant to the foregoing provisions, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date and of the Special Record Date in accordance with Section 2.02(d) of the Original Indenture 10 days prior to the Special Record Date. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(d) Whenever all Bonds and interest thereon have been paid under the provisions outlined above and all expenses and charges of the Trustee have been paid any balance remaining shall be paid to the Authority.

AMENDMENTS TO THE INDENTURE

Amendments without Bondholder Consent

The Authority may, from time to time and at any time, execute and deliver such indentures supplemental to the Indenture which are not inconsistent with the terms and provisions thereof and which do not adversely affect the rights of the Registered Owners of the Bonds Outstanding thereunder (which Supplemental Indentures shall thereafter form a part thereof) for the following purposes:

(a) to cure any ambiguity, formal defect or omission in the Indenture or any Supplemental Indenture;

(b) to grant or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Registered Owners or the Trustee;

(c) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed;

(d) to modify any of the provisions of the Indenture or to relieve the Authority of any of the obligations, conditions or restrictions contained in the Indenture, provided that such modification or relief shall not, by the express terms of the particular Supplemental Indenture, become effective until all Bonds Outstanding on the date of the enactment of such Supplemental Indenture are no longer Outstanding;

(e) to make such provision in regard to matters or questions arising under the Indenture as may be necessary or desirable and not inconsistent with the Indenture;

(f) to permit the issuance of Bonds in coupon form, registrable only as to principal, or not registrable, or in such other form, as the Authority and the Trustee may deem appropriate, provided that prior to such issuance, the Authority and the Trustee shall have received a Favorable Opinion of Bond Counsel;

(g) to provide for the use of a "book-entry-only" system or "full book-entry" system;

(h) to add or delete such provisions as may be required by Moody's or S&P to assign, maintain or upgrade a rating assigned to any series of Bonds, provided that both agencies must consent to such Supplemental Indenture even if the change is required by only one agency;

(i) to close the Indenture against, or to restrict, in addition to the limitations and restrictions herein contained, the issuance of Additional Bonds, by imposing additional conditions and restrictions to be thereafter observed, whether applicable in respect of all Bonds issued and to be issued hereunder or in respect of one or more series of Bonds, or otherwise;

(j) with the consent of the applicable Credit Enhancer of a series of then Outstanding Bonds, to amend the definition of Permitted Investments applicable to such series of Bonds;

(k) with the consent of the Credit Enhancer of a particular series of the Bonds, to set out the terms and conditions on which the Authority may, from time to time thereafter, enter into one or more interest rate swap agreements with respect to such series of the Bonds; and

(l) to effect the amendments permitted or required by the Indenture as then modified by prior amendments, including without limitation amendments effected and permitted to be effected pursuant to the Sixth Supplemental Indenture.

Amendments With Bondholder Consent

The Indenture may be amended from time to time by a supplemental indenture, with the prior written consent of the Credit Enhancers of the affected series of the Bonds if a Credit Facility is still in full force and effect and the Credit Enhancer is not in default under its Credit Facility, and the holders of at least 51% in aggregate principal amount of the Bonds then Outstanding; provided, that (a) no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds of any one series without the consent of the holders of 51% of the Bonds so affected, and (b) no amendment which alters the interest rates on any Bonds, the maturities, interest payment dates or redemption provisions of any Bonds, the provisions of Article X of the Original Indenture (relating to Amendments) or the security provisions thereunder may be made without the consent of the holders of all Outstanding Bonds adversely affected thereby. For purposes of the Indenture, the Insurer of a series of Bonds has the right to consent to amendments in lieu of the Bondholders. See "Certain Indenture Amendments Permitted after Prior Bonds Defeasance Date and Post Airline Operating Agreement Expiration" and "Rights of Insurer Controlling", below, in this Appendix C.

Certain Indenture Amendments Permitted after Prior Bonds Defeasance Date and Post Airline Operating Agreement Expiration.

The Authority proposes to amend the Indenture, or permit the amendment of the Indenture in certain respects (hereafter described) (a) effective immediately, (b) when the Airport Operating Agreement is terminated and (c) when there are no longer any "Prior Bonds" (issued before the 2012 Bonds) Outstanding under the Indenture, such date being herein referred to as the "*Prior Bonds Defeasance Date*." In addition, the Authority proposes to permit certain amendments to the Indenture when the Airline Operating Agreement is no longer in effect, as described in paragraph (b) below.

(a) From and after the Prior Bonds Defeasance Date, the Indenture may be modified, without the consent of the Bondholders, or the "2018 Indenture" (hereinafter defined in paragraph (a) (ii), below) may be executed and delivered for one or more of the following purposes:

(i) to permit CFC based financings on the same basis that presently exists for PFC based financings; and

(ii) to coordinate the security provisions of the Indenture with the like provisions of any new trust indenture ("*2018 Indenture*") pursuant to which the Authority may, at or following the Prior Bonds Defeasance Date, issue bonds, notes or other obligations permitted under the 2018 Indenture for its lawful purposes; and/or to amend the Indenture to provide such representations, warranties and covenants as shall be made by the Authority in the 2018 Indenture, and to substitute the same for the provisions in the Indenture and, in furtherance thereof, the Authority may elect by filing an Officer's Certificate with the Trustee to treat the 2012 Bonds and the Subordinate Lien Bonds as having been issued under the 2018 Indenture, and otherwise to be subject and entitled to all of the rights, privileges, duties and immunities set forth in the 2018 Indenture;

provided, however, that (x) no such amendment shall be effected which shall conflict with Section 10.01 of the Indenture (relating to Indenture amendments which can be made without consent of the Bondholders) as in effect on the date of the issuance of the 2012 Bonds; and (y) no amendment shall be made to the Rate Covenant of the Indenture except upon compliance with Section 10.01 or 10.02 (relating to Indenture Amendments) thereof, as the case may be.

(b) From and after the date that (1) the existing Airline Operating Agreement is amended or a new agreement with the airlines serving the Airport is negotiated, and in either case such agreements provide for a substantial change in the compensation arrangement (e.g., compensatory, or combination of residual and compensatory), (2) the Airline Operating Agreement expires or is terminated and a compensatory arrangement is implemented which provides for airline rates by resolution as permitted under Federal law or (3) the Airline Operating Agreement is replaced by one or more other agreements having characteristics significantly and substantially different than the Airline Operating Agreement, and the Trustee shall receive an opinion of Bond Counsel that such other agreements constitute a novation of the Airline Operating Agreement, the Indenture may be modified, without the consent of the Bondholders, or the 2018 Indenture may be amended (subject to any required consent of Credit Enhancers) as contemplated by the Indenture and for one or more of the following purposes:

(i) to amend the definition of "Revenues" to take into account the termination of the Airline Operating Agreement and the inapplicability of Airline Operating Agreement definitions such as "Included Cost Centers", "Excluded Cost Centers", "Section 11.08 Obligations," terms incorporated in such definitions and other terms pertaining to the Airline Operating Agreement; and

(ii) to eliminate all other references to the Airline Operating Agreement including the incorporation of covenants, definitions and other matters therefrom.

Section 10.02 may be amended, effective as of the Prior Bonds Defeasance Date, to add, after the word "and" and before the words "the holders of" the following phrase: "and, if no Credit Facility exists with respect to a series of Bonds, then, in respect of such series of Bonds."

Rights of Insurer Controlling in Certain Cases.

Section 8.11 of the Original Indenture provides that, anything in the Indenture to the contrary notwithstanding, if a Credit Facility is in effect with respect to any series of the Bonds and the Insurer is not in default of its obligation to make payments thereunder, then:

(a) the Insurer shall be deemed to be the owner of all Bonds of such series then Outstanding, with the exclusive right to exercise or direct the exercise of remedies on behalf of the owners of such series of Bonds in accordance with the terms of the Indenture following an Event of Default;

(b) any notice that is required to be given to a holder of a Bond or to the Trustee pursuant to the Indenture shall also be provided to the applicable Insurer;

(c) the prior written consent of the applicable Insurer shall be required in every situation in which the consent of any of the holders of the Bonds of a series is required under the Indenture.

If, however, the applicable Insurer is in default of its obligation under the Credit Facility, it shall have no right to control remedies and shall have no rights under the Indenture.

In certain cases, Insurers have individual consent rights under the Indenture with respect to amendments thereto.

PROVISIONS RELATED TO BANK BONDHOLDER

Certain Rights of Registered Owners of 2012A-2 Bonds

The 2012A-2 Bonds (referenced in the forepart of this Official Statement) are being sold in a private placement to a national bank. The Sixth Supplemental Indenture includes provisions requested by the bank and appropriate to its status, such as: provision for payment of increased costs related to capital adequacy requirements imposed on a national bank (subject to a redemption right on the part of the Authority in the event of a proposed or actual imposition of such requirements on national banks generally); provisions required by the USA Patriot Act; notice of certain litigation; and certain financial reporting requirements. The Bank bondholder is entitled, if an Event of Default occurs and is continuing, to an interest rate in excess of that otherwise payable on the 2012A-2 Bonds, subject, however, to the Authority's right to redeem the 2012A-2 Bonds to avoid paying the higher interest rate.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE OPERATING AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE OPERATING AGREEMENT

The following is a summary of certain provisions of the Airline Operating Agreement, to which reference is made for a complete statement of their provisions and contents. Certain words and terms used in this summary are defined in the Airline Operating Agreement and have the same meanings in this summary, except as defined otherwise in this Official Statement. The individual Airline Operating Agreements signed by the Signatory Airlines are substantially identical except for provisions relating to the Leased Premises and assigned aircraft parking positions for each Signatory Airline and the description of certain other agreements of each Signatory Airline relating to certain other facilities at the Airport and specific charges for certain airline support facilities. The Airline Operating Agreements are, therefore, hereinafter collectively referred to as the "Airline Operating Agreement."

Assignment and Assumption

The Airline Operating Agreements were assigned by the County to, and the County's duties and obligations were assumed by, the Authority, on November 15, 1999.

Term

The Airline Operating Agreement for each Signatory Airline became effective upon execution by such Signatory Airline and the County and expires on May 8, 2018. For a discussion of the effects of expiration of the Airline Operating Agreement see the forepart of this Official Statement, "AGREEMENTS WITH THE AIRLINES - The Airline Operating Agreements" and Appendix C to this Official Statement, "AMENDMENTS TO INDENTURE - Certain Indenture Amendments Permitted after Prior Bonds Defeasance Date and Post Airline Operating Agreement Expiration."

Cost Centers

The Airline Operating Agreement groups the Airport into areas (the "Cost Centers") which are described both in terms of geographic location and function. The Cost Centers are divided into two groups: the Direct Cost Centers and the Indirect Cost Centers. The Direct Cost Centers are used to account for both costs and revenues. The Indirect Cost Centers accumulate certain costs, but no revenues. The costs accumulated in the Indirect Cost Centers are in turn allocated to the Direct Cost Centers.

The Direct Cost Centers are further divided into two groups: the Included Cost Centers and the Excluded Cost Centers. The Included Cost Centers are the Terminal Complex Area, the Landing Area, the Parking and Rental Car Area, the Hangar and Field Support Area, the Military Facilities and the Terminal Ramp Area. Initially, the Excluded Cost Centers are the Commercial Industrial Area, the Cargo Area and the Other Variation Facilities (currently, Allegheny County Airport). The Authority has added a new Excluded Cost Center, the Airport Development Area from areas within the Commercial/Industrial Area.

The purpose of the Included Cost Centers is to allow for the calculation of Airline Fees and Charges in a manner that allocates such fees and charges among the Signatory Airlines based on their usage of the Included Cost Centers. Accordingly, each of the Included Cost Centers has allocated to it revenues, including Non-Airline Revenues, and costs, including Operation and Maintenance Expenses, certain Fund Deposit Requirements, Debt Service and the Coverage Requirement. Net costs (generally, the excess of allocated costs over allocated revenues) generated in any Fiscal Year in the Terminal Complex Area, the Terminal Ramp Area and the Landing Area Cost Centers are paid by the Signatory Airlines in the form of Terminal Complex Rentals, Terminal Ramp Fees and Landing Fees, respectively.

The three remaining Included Cost Centers, namely, the Hangar and Field Support Area, Parking and Rental Car Area and Military Facilities Cost Centers do not have specific Signatory Airline fees or charges associated with them. Instead, the net cost (or net revenue) of each is calculated and then treated, in the case of the Hangar and Field Support Area and Military Facilities, as a cost (or revenue) of the Landing Area and, in the case of the Parking and Rental Car Area, as a cost (or revenue) which is allocated eighty-five percent to the Terminal Complex Area and fifteen percent to the Terminal Ramp Area.

Airline Fees and Charges

Premises within the Terminal Complex Area are leased to the Signatory Airlines on an exclusive, joint or preferential use basis depending, in part, upon the nature of the premises. The Authority has the right, under certain circumstances, to impose shared use or temporary use arrangements on preferentially leased premises to accommodate new or expanding carriers. Terminal Complex Rentals for Leased Premises are charged to each of the Signatory Airlines on a square footage basis. Except as described below, the rental rate per square foot of Leased Premises will equal the total net cost of the Terminal Complex Area divided by the total number of square feet of Leased Premises of all Signatory Airlines. A separate rental will be charged for any unfinished, apron-level space or for any space leased to accommodate any special automated baggage facility. Currently, only US Airways, Inc. has constructed a special baggage facility and thus pays a separate rental for the space leased for such facility.

Terminal Ramp Fees are charged to each of the Signatory Airlines on the basis of linear footage of assigned aircraft parking positions. The Terminal Ramp Fee Rate is calculated by dividing the total net cost of the Terminal Ramp Area by the total linear footage of aircraft parking positions assigned to all Signatory Airlines.

Landing Fees are charged to the Signatory Airlines on the basis of landed weight of aircraft. The Landing Fee rate for the Signatory Airlines is calculated by dividing the total net cost of the Landing Area by the total landed weight of aircraft of all Signatory Airlines.

In addition to the Terminal Complex Rentals, Terminal Ramp Fees and Landing Fees, each Signatory Airline agrees to pay the County Additional Airline Charges comprised of Aircraft Support System Charges, Tenant Equipment and Finish Charges, Special Automated Baggage Facility Charges and Apron-Level Space Charges. As a result of the First Amendment to the Airline Operating Agreement entered into between US Airways, Inc. and the County, US Airways, Inc. also pays a Support Facilities Charge as part of its Additional Airline Charges. The First Amendment to the Airline Operating Agreement defined certain Support Facilities to which the Support Facilities Charge is applicable. The Second Amendment to the Airline Operating Agreement entered into between US Airways, Inc. and the County added the US Airways, Inc. Cargo Facility to the definition of Support Facilities. The Second Amendment also added certain premises to US Airways, Inc.'s Leased Premises.

Non-Signatory Airline Fees and Charges

With certain exceptions for cargo, commuter and international carriers, the Authority has covenanted in the Airline Operating Agreement to charge Non-Signatory Airlines rentals, fees and charges for the use of the Included Cost Centers which are not less than 120% of the rentals, fees and charges for Signatory Airlines. The Authority has also covenanted to charge cargo, commuter and international carriers pursuant to certain formulas described in the Airline Operating Agreement. Rentals, fees and charges of all Non-Signatory Airlines are treated under the Airline Operating Agreement as Non-Airline Revenues of the Included Cost Centers.

General Commitment to Pay Airline Fees and Charges

The Airline Operating Agreement provides that the aggregate of Airline Fees and Charges to be paid by all Signatory Airlines, together with other revenues, including Non-Airline Revenues, shall be sufficient to pay the Airport Operating Requirement of the Included Cost Centers, including the satisfaction of all of the Authority's obligations to make deposits and payments under the Indenture. Airline Fees and Charges not paid by a defaulting Signatory Airline, after appropriate collection efforts by the Authority, are to be paid by all other Signatory Airlines as part of their Landing Fees.

Billing of Airline Fees and Charges

Not later than 60 days prior to the beginning of each Fiscal Year, the Authority is obligated to furnish the Signatory Airlines with a projection of Airline Fees and Charges for such Fiscal Year based on estimates of all revenues and expenses for such Fiscal Year. No later than the 1st day of each month, each Signatory Airline is obligated to pay its estimated Airline Fees and Charges (except Landing Fees) for such month. No later than the 15th day of each month, each Signatory Airline is obligated to pay its Landing Fees for the preceding month, based on its actual aircraft arrivals during such month.

Airline Fees and Charges may be adjusted by the Authority on May 1 and September 1 of each Fiscal Year if there is more than a 5% discrepancy between actual revenues and expenses and projected revenues and expenses. Within four months after the close of each Fiscal Year, a final calculation of Airline Fees and Charges is prepared for such Fiscal Year based upon actual revenues and expenses. Each Signatory Airline is entitled to a reimbursement for amounts paid in excess of those established in such final calculation, and is obligated to pay any deficiency within thirty (30) days of receipt of written notice of the amount of such deficiency.

No Abatement or Suspension of Payment

The Airline Operating Agreement provides that the Signatory Airlines shall not abate, suspend, postpone, set-off or discontinue any payments of Airline Fees and Charges which they are obligated to pay thereunder. In the event the Authority fails to perform its obligations under the Airline Operating Agreement, the Signatory Airlines may seek such action against the Authority as deemed necessary to compel performance.

The Excluded Cost Centers

Initially, the Excluded Cost Centers at the Airport are the Cargo Area and the Commercial/Industrial Area. These areas are available for various types of development by the Authority, such as cargo, hotel, commercial and industrial development. The Authority has covenanted in the Airline Operating Agreement not to permit any development of the Commercial/Industrial Area which would: (1) be in direct competition with any Terminal Complex Area for Parking and Rental Car Area concessionaires; (2) adversely affect the current or future use of the Landing Area, including the construction of future runways; or (3) be inconsistent with the noise buffer or other environmental purposes for which the land in the Commercial/Industrial Area was acquired. The Authority will fund any net cost associated with development of the Commercial/Industrial Area and use any net revenues resulting therefrom for Airport System purposes, including repayment of Public Investment, as described below. The Authority and the Signatory Airlines share equally in the net costs or net revenues, as the case may be, resulting from development of the Cargo Area.

The Other Aviation Facilities is also an Excluded Cost Center. It presently consists of Allegheny County Airport. The Signatory Airlines have agreed to pay the net cost, if any, of the Other Aviation Facilities, up to a specified dollar amount.

Capital Funds

Prior to the Date of Beneficial Occupancy of the Midfield Terminal ("DBO"), the Airport System Improvement and Reserve Fund was funded from certain concession, Parking and Rental Car Area, Hangar and Field Support Area and Cargo Area revenues. After DBO, an Equipment and Capital Outlay Fund and an Airport System Capital Fund were created under the Airline Operating Agreement which are funded primarily from a transfer of the unencumbered balance in the Airport System Improvement and Reserve Fund and Airline Fees and Charges (including a Concession Revenue Sharing Fee based upon net concession and parking revenues) and from the Authority's share of Cargo Area net revenues. Monies in all these funds will be used, subject to certain restrictions with respect to expenditures in the Excluded Cost Centers, to fund capital expenditures at the Airport System.

Authority to Issue Bonds

The Authority may issue Bonds and include the Debt Service thereon in the calculation of Airline Fees and Charges without further consent or approval of the Signatory Airlines if such Bonds are issued for any one or more of the following purposes: (1) to fund the Midfield Project to the Bond Limit; (2) to fund the Signatory Airlines' contribution under the Risk Sharing Formula; (3) to fund the cost of any federal, state or local agency or any federal grant agreement or airport certification requirement or for any airfield safety purpose; (4) to fund insurance or condemnation award deficiencies; (5) to fund or refund any capital projects at the Airport System approved by a

Majority-in-Interest; (6) to fund judgments or settlements of environmental lawsuits; (7) to fund an Airport fuel system and any special automated baggage facility; and (8) to fund capitalized interest on, a debt service reserve fund for, and costs of issuance of, Bonds issued for any of the foregoing purposes.

Grants of Rights; Obligations of Authority and Signatory Airlines

Each Signatory Airline is granted the right to conduct an air transportation business at the Airport, and to perform all operations and functions connected, incidental or necessary thereto. The Authority has agreed not to enter into any agreement with any airline which contains any rights, licenses, privileges, rates or charges more favorable to such airline than those granted to or payable by the Signatory Airlines, or which contains any other material terms more favorable than those afforded to the Signatory Airlines.

Each of the Signatory Airlines and the Authority has certain specified obligations with respect to the maintenance and operations of the Airport. The Signatory Airlines and the Authority also have certain specified insurance obligations with respect to the Airport.

Sublease and Assignment

All subleases and assignments of Leased Premises must be approved by the Authority. No sublease or assignment relieves a Signatory Airline from primary liability for the payment of its Airline Fees and Charges.

Default

The following occurrences are defined as Events of Default: (1) the failure of a Signatory Airline to pay any Airline Fees or Charges within 10 days after receipt by the Signatory Airline of written notice of default; (2) the dissolution, receivership, insolvency or bankruptcy of a Signatory Airline; (3) the abandonment by a Signatory Airline of its air transportation business at the Airport; or (4) the failure by a Signatory Airline to cure its default in the performance of any material covenant or provision in the Airline Operating Agreement upon 30 days' notice of such failure or if impossible to cure within such time, the failure to commence and diligently pursue steps to cure within such time. Upon default, the Authority may terminate such Signatory Airline's Airline Operating Agreement or may exclude such Signatory Airline from possession of its Leased Premises without termination, and, in either case, may take such other action at law or in equity as appears necessary or desirable.

Termination

The Authority may terminate a Signatory Airline's Airline Operating Agreement upon the happening of certain Events of Default, as described in the Airline Operating Agreement. So long as any Revenue Bonds are outstanding, a Signatory Airline has no right to terminate its Airline Operating Agreement.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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May _, 2012

TO THE REGISTERED OWNERS OF THE WITHIN MENTIONED 2012 BONDS

Re: ALLEGHENY COUNTY AIRPORT AUTHORITY
$ Airport Revenue Bonds, Series 2012A-1 (AMT)
$ Airport Revenue Bonds, Series 2012B (Non-AMT)
(Pittsburgh International Airport)("2012 Bonds")

Ladies and Gentlemen:

The Allegheny County Airport Authority ("Authority") is a body corporate and politic under the laws of the Commonwealth of Pennsylvania, organized by the County of Allegheny pursuant to the Municipality Authorities Act, approved June 19, 2001, P.L. 287, Act 22, as amended, 53 Pa.C.S. Section 5601 et seq. (the "Act"). The Authority has asked this firm, as its bond counsel in connection with the issuance of the captioned 2012 Bonds, to provide the opinions hereafter set forth.

The Authority and Wells Fargo Bank, N.A. ("Trustee"), as successor in such capacity to National City Bank of Pennsylvania, have heretofore executed and delivered the Trust Indenture ("Original Indenture"), dated as of December 1, 1999, as amended and supplemented by the First Supplemental Indenture dated as of July 1, 2001, by the Second Supplemental Indenture dated as of July 15, 2001, by the Third Supplemental and Amending Indenture dated as of August 1, 2002, by the Amended and Restated Third Supplemental and Amending Indenture dated as of November 1, 2006, by the Fourth Supplemental Indenture dated as of October 1, 2007, by the Fifth Supplemental Indenture dated as of September 1, 2010, and by the Sixth Supplemental Indenture dated as of May 1, 2012. The Original Indenture as so amended and supplemented is herein called the "Indenture." Capitalized terms used herein which are defined in the Indenture are herein used as therein defined.

The Authority is authorized under the Act to acquire, hold, construct, finance, improve, maintain, operate, own and lease as lessee or lessor, airport facilities and to borrow money, to make and issue negotiable bonds and to secure the payment of such bonds or any part thereof by pledge or deed of trust of all or any of its pledged revenues and to make such agreements with the purchasers or holders of such bonds or with others in connection with any such bonds, whether issued or to be issued, as the Authority shall deem advisable.

The Authority is undertaking a project (the "2012 Project") consisting of: (i) completion of phase 2 of the parking garage rehabilitation, construction of various improvements to the terminal, replacement or rehabilitation of "people mover" cars, completion of various energy savings improvements, and financing other miscellaneous capital improvements to the Airport (collectively, the "2012 Construction Project"); and (ii) funding any reserves, capitalized interest and financing costs.

The Authority has determined to issue its $[__,000,000] Allegheny County Airport Authority Airport Revenue Bonds, Series of 2012 (Pittsburgh International Airport) (the "2012 Bonds") to finance a portion of the 2012 Project. The 2012 Bonds are divided into two subseries: the $_________ Series 2012A-1 (AMT) (the "Series 2012A-1 Bonds") and the $_________ Series 2012B (Non-AMT) (the "Series 2012B Bonds").

The 2012 Bonds are limited obligations of the Authority and are secured by and payable solely from the Trust Estate pledged therefor by the Indenture. The 2012 Bonds do not constitute obligations of the County of Allegheny or of the Commonwealth of Pennsylvania or of any political subdivision thereof, and neither said County nor said Commonwealth, nor any political subdivision thereof, is liable for the payment of the principal of, the interest on, or the premium (if any) payable upon the redemption of, the 2012 Bonds. The Authority has no taxing power.

The Authority has made certain representations to us and has covenanted that, so long as the 2012 Bonds are outstanding under the Indenture, it will not carry on or permit to be carried on in any property now or hereafter owned by it any trade or business, if the conduct of such trade or business would cause the interest paid by the Authority on the 2012 Bonds to be included in gross income for federal income tax purposes. The Authority has also covenanted that it shall comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), including in particular Sections 103 and 141-50 thereof which requirements must be complied with in order that interest on the 2012 Bonds remain excludable from gross income of the owners thereof for purposes of federal income taxation.

As bond counsel to the Authority, we have examined originals or certified copies of the Indenture, the form of the Series 2012 Bond and such constitutional and statutory provisions we deem relevant to the opinions hereafter set forth. We have also examined and relied upon such agreements, resolutions, ordinances, certificates of public officials, instruments and documents as we deem relevant, and in particular we have relied upon the opinion, dated the date hereof, of Schnader Harrison Segal & Lewis LLP, solicitors to the Authority, with respect to the proceedings of the Authority in respect of the 2012 Bonds and certain other matters set forth therein.

As to questions of fact material to our opinion and the expectations of the Authority with regard to the use of the proceeds of the 2012 Bonds, we have relied upon representations of the Authority in respect thereto. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2012 Bonds and we express no opinion relating thereto (except only as to any matter set forth as our opinion in the Official Statement).

Based upon and subject to the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Authority has been duly and legally incorporated and is presently subsisting under the laws of the Commonwealth of Pennsylvania.

2. The Authority has the corporate power to issue the 2012 Bonds.

3. The proceedings of the Authority authorizing the execution and delivery of the Sixth Supplemental Indenture and the 2012 Bonds are valid and legally sufficient, and the Sixth Supplemental Indenture and the 2012 Bonds have been duly authorized, executed and delivered by appropriate action of the Authority.

4. Each of the Sixth Supplemental Indenture and the 2012 Bonds (when the 2012 Bonds are authenticated by the Trustee and delivered to the purchasers thereof), are legal and binding instruments enforceable in accordance with its respective terms.

5. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the 2012 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2012 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

6. Under existing law as in effect on the date hereof:

(1)(a) interest on the 2012A-1 Bonds is excludable from gross income for federal income tax purposes except for any period a 2012A-1 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" or a "related person" to a "substantial user" of the facilities financed with the proceeds of the 2012A-1 Bonds, and (b) the 2012A-1 Bonds are "private activity bonds" under the Code and, as such, interest on the 2012A-1 Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations; and

(2)(a) interest on the 2012B Bonds is excludable from gross income for federal income tax purposes; and (b) the 2012B Bonds are not "private activity bonds" under the Code, and, as such, interest on the 2012B Bonds is not subject to the alternative minimum tax on individuals and corporations, however, with respect to corporations, interest on the 2012B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations.

The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2012 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2012 Bonds to be included in gross income retroactive to the date of issuance of the 2012 Bonds.

We express no opinion regarding any other federal tax consequences arising with respect to the 2012 Bonds.

It is understood that the rights of the owners of the 2012 Bonds and the enforceability of the 2012 Bonds, the Indenture and the other instruments and agreements delivered in connection therewith, may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the scope and enforcement of creditors' rights generally and to the effect of judicial discretion on the availability of certain remedies.

This opinion speaks as of its date and we undertake no obligation to update any matter set forth herein. Certain actions taken after the date hereof may affect the matters set forth herein, and we express no opinion or view as to the effects, if any, of such actions unless the same are taken in accordance with and in reliance upon an opinion provided by us.

Yours truly,

BUCHANAN INGERSOLL & ROONEY PC

APPENDIX F

DTC AND THE BOOK ENTRY ONLY SYSTEM

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Authority takes no responsibility for the accuracy thereof.

General

The 2012 Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the 2012 Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each series of the 2012 Bonds, each in the aggregate principal amount of such issue or series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (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 Incoming Clearing Corporation, all of which are registered agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2012 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 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 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 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 2012 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2012 Bonds may wish to ascertain that the nominee holding the 2012 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.

Redemption notices shall be sent to DTC. If less than all of the 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2012 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 Authority or Trustee ("Agent") on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, Agent, or Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2012 Bonds at any time by giving reasonable notice to Authority or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2012 Bond certificates will be printed and delivered to DTC.

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

Notices

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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial owners of the 2012 Bonds may wish to ascertain that the nominee holding the 2012 Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners, or in the alternative, beneficial owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Authority, the Underwriter or the Trustee will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Trustee.

Discontinuance of Book-Entry-Only System

In the event (i) DTC determines not to continue to act as securities depository for the 2012 Bonds or (ii) the Authority, with the consent of the Trustee, determines in accordance with the terms of the Indenture that (a) DTC is incapable of discharging its duties or (b) it is in the best interests of the holders of the 2012 Bonds not to continue the Book-Entry-Only System or that interests of the beneficial owners of the 2012 Bonds might be adversely affected if the Book-Entry-Only System is continued, then the Authority will discontinue the Book-Entry-Only System with DTC. Upon the occurrence of the event described in (i) or (ii)(a) above, the Authority will attempt to locate another qualified securities depository. If the Authority fails to identify another qualified securities depository to replace DTC or makes the determination noted in (ii)(b) above, the Trustee will authenticate and deliver the 2012 Bonds in accordance with the Indenture.

So long as Cede & Co. is the registered owner of the 2012 Bonds as nominee of DTC, references herein to the holders or registered owners of the 2012 Bonds will mean Cede & Co. and will not mean the beneficial owners of the 2012 Bonds.

None of the Authority, the Trustee or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any beneficial owner to receive payment in the event of a partial redemption of the 2012 Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the 2012 Bonds.