REOFFERING - BOOK ENTRY ONLY	RATINGS Insured Bond Ratings	 Underlying Bond Ratings
	Fitch: AA (negative outlook)	Fitch: A-
	Moody's: Aa3 (negative outlook)	Moody's: A2
	Standard & Poor's: AAA (negative outlook)	

In the opinion of Bond Counsel, under existing law, interest on the Series 2003-A Bonds (i) will be excludable from gross income for federal income tax purposes if the Authority complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the reoffering of the Series 2003-A Bonds in order that interest thereon be and remain excludable from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2003-A Bonds will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein for further information and certain other federal tax consequences arising with respect to the Series 2003-A Bonds.

BIRMINGHAM AIRPORT AUTHORITY

$20,820,000
Birmingham Airport Authority
Airport Revenue Refunding Bonds
Series 2003-A
(Non-AMT)

Original Issue Date: October 22, 2003 — **Due: July 1, as shown on inside cover**
Reoffering Date: December 1, 2009

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

The bonds being reoffered pursuant to this Reoffering Memorandum are Airport Revenue Refunding Bonds, Series 2003-A issued by the Birmingham Airport Authority (the "Authority"), which are currently outstanding in the aggregate principal amount of $20,820,000 (the "Series 2003-A Bonds").

The Series 2003-A Bonds were issued originally by the Authority in a variable weekly rate mode with the right to convert to term rate mode. The Series 2003-A Bonds are being converted to term rate mode and remarketed on the Reoffering Date. See "PURPOSE AND PLAN OF FINANCING" herein.

The converted Series 2003-A Bonds will be in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in denominations of $5,000 or any integral multiple thereof, under the book-entry only system maintained by DTC. The principal of, premium, if any, and interest on the Series 2003-A Bonds are payable by First Commercial Bank, Birmingham, Alabama, as trustee, to DTC, which in turn will remit such payments to its participants for subsequent disbursement to purchasers as described herein.

Interest on the Series 2003-A Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2010.

The Series 2003-A Bonds are subject to redemption prior to maturity as described herein.

THE SERIES 2003-A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2003-A BONDS SOLELY FROM THE NET REVENUES AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2003-A BONDS ARE NOT A DEBT OF THE CITY OF BIRMINGHAM, OR THE STATE OF ALABAMA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THE SERIES 2003-A BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Pursuant to the Indenture, the Authority may issue additional bonds from time to time secured by the Net Revenues on a parity basis with the Series 2003-A Bonds. The Series 2003-A Bonds are currently secured under the Indenture on a parity basis with the Authority's Airport Revenue Bonds, Series 2003-B (AMT) and the Authority's Airport Revenue Refunding Bonds, Series 2007 (AMT). See "SECURITY FOR THE SERIES 2003-A BONDS – Additional Parity Bonds" herein.

The scheduled payment of principal of and interest on the Bonds when due is guaranteed under a municipal bond insurance policy issued at the time of original delivery of the Series 2003-A Bonds by ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.)

ASSURED GUARANTY® MUNICIPAL

FOR MATURITIES, AMOUNTS, RATES, PRICES, AND CUSIPS AFTER CONVERSION TO TERM RATE MODE, SEE INSIDE COVER.

The Series 2003-A Bonds are reoffered subject to prior sale when, as and if reoffered by the Authority and accepted by the Remarketing Agents and subject to the approval of legality by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, Bond Counsel. Certain legal matters will be passed on for the Authority by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, Counsel to the Authority. It is expected that the Series 2003-A Bonds in definitive form will be ready for delivery through the facilities of The Depository Trust Company in New York, New York on or about December 1, 2009.

MORGAN KEEGAN & COMPANY, INC. — **STERNE, AGEE & LEACH, INC.**

The date of this Reoffering Memorandum is November 25, 2009.

MATURITIES, AMOUNTS, RATES, PRICES & CUSIPS

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP
July 1, 2014	$1,155,000	3.250%	2.810%	090888 FE3
July 1, 2015	2,225,000	4.000%	3.180%	090888 FF0
July 1, 2016	2,335,000	4.000%	3.420%	090888 FG8
July 1, 2017	2,465,000	4.000%	3.650%	090888 FH6
July 1, 2018	2,585,000	4.000%	3.870%	090888 FJ2
July 1, 2019	2,730,000	4.000%	4.040%	090888 FK9
July 1, 2020	2,875,000	4.500%	4.170%	090888 FL7
July 1, 2021	1,405,000	4.000%	4.320%	090888 FM5
July 1, 2022	1,485,000	4.250%	4.410%	090888 FN3
July 1, 2023	1,560,000	4.250%	4.490%	090888 FP8

BIRMINGHAM AIRPORT AUTHORITY

Members

Gaynell Hendricks, Board Chairwoman
Stephen Hoyt, Vice Chairman
Janice Allen
David Wood, II
John E. Burks
Ruffner Page
Michael Bell

Airport Management

Alfonso Denson	President and CEO
Mary Mindinghall	Senior Vice President of Finance and Administration
Walker Johnson	Vice President of Finance
James Ray, Jr.	Vice President of Engineering and Development
Jim Payne	Direction of Operations
Mike Thompson	Director of Facilities

Bond and Disclosure Counsel

Maynard, Cooper & Gale, P.C.
Birmingham, Alabama

General Counsel to Airport Authority

Maynard, Cooper & Gale, P.C.
Birmingham, Alabama

Financial Advisor

Waters and Company, LLC
Birmingham, Alabama

Auditors

Banks, Finley, White & Co.
Birmingham, Alabama

The information contained in this Reoffering Memorandum has been obtained from the Authority and other sources deemed to be reliable, but no representation or guarantee is made by the Remarketing Agents as to the accuracy or completeness of such information, and nothing contained in this Reoffering Memorandum is or shall be construed or relied upon as a promise or representation by the Remarketing Agents. This Reoffering Memorandum is submitted in connection with the sale of the securities described herein and may not be reproduced or used, in whole or in part, for any other purpose. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Reoffering Memorandum nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Reoffering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Series 2003-A Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. No dealer, salesman nor any other person has been authorized by the Authority to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2003-A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or any other person.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("Assured Guaranty Municipal") makes no representation regarding the Series 2003-A Bonds or the advisability of investing in the Series 2003-A Bonds. In addition, Assured Guaranty Municipal has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Reoffering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Municipal supplied by Assured Guaranty Municipal and presented under the heading "Bond Insurance" and "Exhibit F - The Bond Insurance Policy.".

THIS REOFFERING MEMORANDUM IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS REOFFERING MEMORANDUM MAY BE RELIED UPON ONLY IF IT IS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2003-A BONDS, THE REMARKETING AGENTS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2003-A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET; SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

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REOFFERING MEMORANDUM
relating to
$20,820,000
Birmingham Airport Authority
Airport Revenue Refunding Bonds
Series 2003-A
(Non-AMT)

INTRODUCTION

The purpose of this Reoffering Memorandum, which includes the cover page and Appendices hereto, is to set forth information concerning the Birmingham Airport Authority (the "Authority"), the Birmingham-Shuttlesworth International Airport (the "Airport"), and certain other information in connection with the reoffering of the Authority's $20,820,000 Airport Revenue Refunding Bonds, Series 2003-A (the "Series 2003-A Bonds"). The Series 2003-A Bonds were issued originally on October 22, 2003.

The Series 2003-A Bonds are being reoffered pursuant to this Reoffering Memorandum in connection with the Authority's conversion of the Series 2003-A Bonds from Weekly Rate Mode to Term Rate Mode in accordance with the terms and conditions of the Indenture described below. See "PURPOSE AND PLAN OF FINANCING".

The Series 2003-A Bonds were issued under a Trust Indenture dated as of June 1, 1990, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003 and a Fifth Supplemental Indenture dated October 1, 2003, which Trust Indenture was supplemented after the issuance of the Series 2003-A Bonds by a Sixth Supplemental Indenture dated July 1, 2007 (said Trust Indenture as so supplemented being herein called the "Indenture"), between the Authority and First Commercial Bank, Birmingham, Alabama, as Trustee (the "Trustee").

The Series 2003-A Bonds will be secured on a parity of lien with the Authority's Airport Revenue Refunding Bonds, Series 2003-B (AMT) and the Authority's Airport Revenue Refunding Bonds, Series 2007 (AMT). Subject to certain conditions, Additional Bonds may be issued under the Indenture on a parity with the Series 2003-A Bonds, the Series 2003-B Bonds and the Series 2007 Bonds. The Series 2003-A Bonds, the Series 2003-B Bonds, the Series 2007 Bonds and such Additional Bonds are herein referred to as the "Bonds." Capitalized terms not otherwise defined herein shall have the meanings set forth in Appendix C –"Summary of Certain Provisions of the Indenture."

The Series 2003-A Bonds are subject to optional and mandatory redemption at the times and under the circumstances set forth herein. See "DESCRIPTION OF THE SERIES 2003-A BONDS - Redemption Prior to Maturity". The Series 2003-A Bonds are being reoffered in the denomination of $5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See "DESCRIPTION OF THE SERIES 2003-A BONDS".

The Authority has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

The scheduled payment of the principal of and interest on the Series 2003-A Bonds is insured by a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) concurrently with the original issuance of the Series 2003-A Bonds. See "BOND INSURANCE."

This Reoffering Memorandum speaks only as of its date, and the information contained herein is subject to change. This Reoffering Memorandum and any continuing disclosure documents of the Authority are intended to be made available prior to the reoffering and sale of the Series 2003-A Bonds through its remarketing agents, Morgan Keegan & Company, Inc., D. J. Mehigan, Riverfront Plaza, Suite 930, 915 E. Byrd Street, Richmond, Virginia, telephone (800) 290-1330, and Sterne, Agee & Leach, Inc., Tom Barnett, 800 Shades Creek Parkway, Suite 775, Birmingham, Alabama, telephone (205) 949-3515. Following the reoffering and sale of the Series 2003-A Bonds, this Reoffering Memorandum and any continuing disclosure documents of the Authority will be made available through Walker Johnson, Vice President of Finance, Birmingham Airport Authority, 5900 Messer-Airport Highway, Birmingham, Alabama 35212, telephone (205) 595-0533.

THE AUTHORITY

The Authority is a public corporation organized under the provisions of Article 2, Chapter 3, Title 4 of the Code of Alabama 1975 (the "Act") on June 6, 1986, by filing its Certificate of Incorporation in the Office of the Judge of Probate of Jefferson County, Alabama, said Certificate of Incorporation being therein recorded in Real Volume 2921, pages 450 et seq. The Airport is owned by the City of Birmingham. Pursuant to an agreement dated September 16, 1986, as amended, the City transferred to the Authority custody, control and management of the Airport for a term ending on September 15, 2045, subject to certain conditions. The Authority operates the Airport for the accommodation of air commerce and transportation.

PURPOSE AND PLAN OF FINANCING

The Series 2003-A Bonds were issued originally on October 22, 2003, in Weekly Rate Mode. Pursuant to the Indenture, the Series 2003-A Bonds were subject to optional tender at any time. The purchase price of Series 2003-A Bonds tendered or deemed tendered for purchase was facilitated by a liquidity facility in the form of a Standby Bond Purchase Agreement (the "Liquidity Facility") provided by Dexia Credit Local, acting through its New York Agency (the "Liquidity Provider"). Scheduled payment of principal and interest on the Series 2003-A Bonds as originally issued was guaranteed pursuant to a Municipal Bond Insurance Policy (the "Policy") issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("Assured Guaranty Municipal").

On February 6, 2009, the Liquidity Provider notified the Authority that it would not renew or extend the Liquidity Facility beyond its then effective termination date of October 22, 2009. Pursuant to the Indenture, the Series 2003-A Bonds were subject to mandatory tender prior to the termination date of the Liquidity Facility.

On October 19, 2009, all outstanding Series 2003-A Bonds were subject to mandatory tender, and the purchase price for all tendered Series 2003-A Bonds was paid by the Liquidity Provider through a draw on the Liquidity Facility. On the date of this Reoffering Memorandum, the Series 2003-A Bonds are held by the Liquidity Provider, and the Authority is paying interest to the Liquidity Provider in accordance with the terms of the Liquidity Facility on the amount of the draw made to purchase the tendered Series 2003-A Bonds.

Pursuant to the Indenture, the Authority is authorized to convert the Series 2003-A Bonds from Weekly Rate Mode to Term Rate Mode. Concurrently with the reoffering of the Series 2003-A Bonds, the Authority will exercise its right to convert the Series 2003-A Bonds to Term Rate Mode and is reoffering the Series 2003-A Bonds in Term Rate Mode on the terms and conditions described herein in order to achieve interest cost savings.

Scheduled payment of principal and interest on the Series 2003-A Bonds in Term Rate Mode will be guaranteed pursuant to the Policy issued by Assured Guaranty Municipal. See "BOND INSURANCE."

The Liquidity Provider will be reimbursed in full for the draw on the Liquidity Facility with the reoffering proceeds for the Series 2003-A Bonds and other funds provided by the Authority. See "SOURCES AND USES OF FUNDS." Upon such reimbursement, the Liquidity Facility will be terminated, and the Series 2003-A Bonds in Term Rate Mode will not be secured or guaranteed in any way by the Liquidity Facility or Liquidity Provider.

No default exists under the Series 2003-A Bonds, the Indenture or the Liquidity Facility.

No Additional Bonds are being issued by the Authority contemporaneously with the reoffering of the Series 2003-A Bonds.

SOURCES AND USES OF FUNDS

The following table describes the estimated sources and uses of funds respecting the Series 2003-A Bonds:

Sources of Funds	
Principal amount of Series 2003-A Bonds	$20,820,000.00
Net Reoffering Premium	$238,512.75
Total Sources	$21,058,512.75
Uses of Funds	
Reimbursement to Liquidity Provider	$20,890,303.15
Expenses of reoffering (including remarketing agent fees, rating fees, legal, accounting and other reoffering expenses)	$168,209.60
Total Uses	$21,058,512.75

DESCRIPTION OF THE SERIES 2003-A BONDS

Form and Denomination

In accordance with the terms and conditions of the Indenture, all of the outstanding Series 2003-A Bonds will be converted to Term Rate Mode and remarketed in the aggregate principal amount of $20,820,000. The Series 2003-A Bonds in Term Rate Mode will be dated the date of delivery pursuant to the remarketing. The Series 2003-A Bonds will be remarketed in principal amounts of $5,000 each or any greater integral multiple thereof. The Series 2003-A Bonds will bear interest at the rate specified thereon from their date until the maturity thereof, which interest shall be payable semiannually on each January 1 and July 1 commencing July 1, 2010. Interest on the Series 2003-A Bonds in Term Rate Mode will be calculated on the basis of a 360-day year of 12 consecutive 30-day months. Interest will be payable by check or draft mailed by the Trustee to DTC as provided below. The principal and premium (if any) due on the Series 2003-A Bonds shall be payable at maturity or earlier redemption as provided in the Indenture.

The Series 2003-A Bonds are in fully registered form and when remarketed will be registered in the name of each Holder thereof.

Method and Place of Payment

The Series 2003-A Bonds will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method and place of payment will be as provided in the book-entry only system. For a summary of the Book-Entry Only System, see Appendix E. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2003-A Bonds is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date to the persons who were registered holders of the Series 2003-A Bonds on the regular record date for such interest payment date, which for Series 2003-A Bonds in Term Rate Mode will be the 15th day of the month preceding such interest payment date. Payment of the principal of (and premium, if any, on) the Series 2003-A Bonds and payment of accrued interest due upon redemption on any date other than an interest payment date will be made only upon surrender of the Series 2003-A Bonds at the principal office of the Trustee (First Commercial Bank) in Birmingham, Alabama.

Optional Redemption

Those of the Series 2003-A Bonds having a stated maturity on or after July 1, 2020 shall be subject to redemption by the Authority, at its option, prior to the maturity thereof, in whole or in part, on July 1, 2019, or any day thereafter, at a price equal to 100 percent of the principal amount as set forth below plus accrued interest to the date of redemption. Such redemption shall be in installments of $5,000 or any greater integral multiple thereof. In the event fewer than all of the Series 2003-A Bonds are to be redeemed, the Authority shall specify the maturity or maturities of the Series 2003-A Bonds to be redeemed. If fewer than all of the Series 2003-A Bonds of a particular maturity or maturities are to be redeemed, the Trustee shall select by lot those of such Series 2003-A Bonds (or portions of the principal thereof) of such maturity or maturities to be redeemed.

Extraordinary Redemption

In the event that all or a portion of the Airport Facilities are taken through an exercise of the power of eminent domain or damaged or destroyed by fire or other casualty and the Authority elects to use all or a portion of the Net Condemnation Award or the Net Insurance Proceeds, as the case may be, to redeem Series 2003-A Bonds, then Series 2003-A Bonds in a principal amount equal to the amount of the Net Condemnation Award or Net Insurance Proceeds to be applied for such purpose and in such maturities as shall be specified by the Authority shall be subject to redemption, at and for a redemption price, with respect to each Series 2003-A Bond (or principal portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. In case any of the Series 2003-A Bonds are to be redeemed pursuant to this provision of the Indenture, the date fixed for such redemption shall be the Interest Payment Date immediately succeeding the date upon which the moneys to be applied for such redemption are deposited into the Bond Fund.

Conversion of Series 2003-A Bonds to Term Rate Mode

The Directors of the Authority adopted a resolution calling for the conversion, effective on the date of delivery of the remarketed Series 2003-A Bonds pursuant to this Reoffering Memorandum, of all outstanding Series 2003-A Bonds from Weekly Rate Mode to Term Rate Mode. The Authority has obtained the consent of Assured Guaranty Municipal to this conversion and to the reoffering of the Series 2003-A Bonds in Term Rate Mode.

DEBT SERVICE REQUIREMENTS

General

The following table provides debt service requirements for the Series 2003-A Bonds, the Series 2003-B Bonds and the Series 2007 Bonds:

Bond Year Ending July 1	Existing Debt Service[1]	Principal	2003-A Interest	Subtotal	Total Debt Service
2010	6,358,563	0	749,305	749,305	7,107,868
2011	6,356,563	0	846,125	846,125	7,202,688
2012	6,358,375	0	846,125	846,125	7,204,500
2013	6,361,875	0	846,125	846,125	7,208,000
2014	5,203,725	1,155,000	846,125	2,001,125	7,204,850
2015	4,201,225	2,225,000	808,588	3,033,588	7,234,813
2016	4,194,225	2,335,000	719,588	3,054,588	7,248,813
2017	4,205,725	2,465,000	626,188	3,091,188	7,296,913
2018	4,199,475	2,585,000	527,588	3,112,588	7,312,063
2019	4,200,975	2,730,000	424,188	3,154,188	7,355,163
2020	4,199,475	2,875,000	314,988	3,189,988	7,389,463
2021	2,004,725	1,405,000	185,613	1,590,613	3,595,338
2022	2,002,288	1,485,000	129,413	1,614,413	3,616,701
2023	2,005,913	1,560,000	66,300	1,626,300	3,632,213
2024	2,005,075	0	0	0	2,005,075
2025	2,004,775	0	0	0	2,004,775
2026	1,999,750	0	0	0	1,999,750
	67,862,727	20,820,000	7,936,255	28,756,255	96,618,982

[1] Excludes debt service currently payable on the Series 2003-A Bonds but includes debt service payable on the Series 2003-B Bonds and the Series 2007 Bonds.

SECURITY FOR THE SERIES 2003-A BONDS

Source of Payment

The payment of all obligations due under the Series 2003-A Bonds is secured by the pledge by the Authority to the Trustee of all (i) Net Revenues, (ii) all moneys required to be deposited into the Revenue Fund, the Bond Fund, the Series 2003 Reserve Fund, the Subordinate Debt Fund and any investments, reinvestments, income and proceeds thereof (subject to certain permitted disbursements from said funds), and (iii) any other security transferred to the Trustee in trust as additional security for the payment of the Series 2003-A Bonds under the Indenture. "Net Revenues" are Revenues (including any transfers from funds to the Revenue Fund) less Current Expenses.

The Series 2003-A Bonds are secured on a parity of lien with (i) the Authority's Airport Revenue Refunding Bonds, Series 2003-B (AMT), dated October 1, 2003, currently outstanding in the aggregate principal amount of $8,625,000 and (ii) the Authority's Airport Revenue Refunding Bonds, Series 2007 (AMT), dated July 11, 2007, currently outstanding in the aggregate principal amount of $40,530,000. See "Additional Parity Bonds" under this heading.

The payment of the principal of and interest on the Series 2003-A Bonds is further secured by a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) See "BOND INSURANCE."

Special and Limited Obligations

THE SERIES 2003-A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2003-A BONDS SOLELY FROM THE NET REVENUES AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFORE UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2003-A BONDS ARE NOT A DEBT OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THE SERIES 2003-A BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Series 2003 Reserve Fund

Generally. The Fourth Supplemental Indenture created the "Birmingham Airport Authority 2003 Debt Service Reserve Fund" (the "Series 2003 Reserve Fund") for the benefit of the Series 2003-A Bonds and the Authority's Series 2003-B Bonds. The Authority is required to maintain the Series 2003 Reserve Fund in an amount equal to lesser of (A) 125 percent of the Average Annual Debt Service on the Series 2003-A Bonds and Series 2003-B Bonds, (B) the Maximum Annual Debt Service on the Series 2003-A Bonds and Series 2003-B Bonds, or (C) an amount equal to 10 percent of the stated principal amount of the Series 2003-A Bonds and Series 2003-B Bonds (the "Series 2003 Reserve Fund Requirement"). On the date of initial delivery of the Series 2003-A Bonds, the Authority funded a portion of the Series 2003 Reserve Fund Requirement in cash and funded the remainder of the requirements through a surety bond, as described below.

Series 2003 Reserve Fund Surety Bond. Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the "Surety Bond Provider") has issued a surety bond (the "Surety Bond") for the purpose of funding $1,500,000 of the Series 2003 Reserve Fund. The premium on the Surety Bond was fully paid at or prior to original issuance of the Series 2003-A Bonds. The Surety Bond provides that, upon the later of (a) one day after receipt by the Surety Bond Provider of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2003-A Bonds or Series 2003-B Bonds when due has not been made or (b) the interest payment date specified in the demand for payment submitted to the Surety Bond Provider, the Surety Bond Provider will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2003-A Bonds or Series 2003-B Bonds, but in no event exceeding the surety bond coverage provided by the Surety Bond.

Pursuant to the terms of the Surety Bond, the surety bond coverage is automatically reduced to the extent of each payment made by the Surety Bond Provider under the terms of the Surety Bond, and the Authority is required to reimburse the Surety Bond Provider for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the surety bond coverage. The reimbursement obligation of the Authority is subordinate to the Authority's obligations with respect to the Series 2003-A Bonds, the Series 2003-B Bonds, the Series 2007 Bonds and all other Additional Bonds issued under the Indenture.

So long as the amount on deposit in or credited to the Series 2003 Reserve Fund exceeds the amount of the Surety Bond, the Surety Bond may be drawn only after all cash deposits in the Series 2003 Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Series 2003 Reserve Fund, in addition to the amount available under the Surety Bond, including amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Series 2003 Reserve Fund shall be replenished in the following priority: (a) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available Net Revenues on a pro rata basis; (b) after all such amounts are paid in full, amounts necessary to fund the Series 2003 Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument, shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

For information with respect to the Surety Bond Provider, see "THE BOND INSURER" herein.

Adjustment of Series 2003 Reserve Fund on Conversion Date. After giving effect to the conversion and remarketing of the Series 2003-A Bonds described in this Reoffering Memorandum, the amount of the Series 2003 Reserve Fund will exceed the Series 2003 Reserve Fund Requirement. In accordance with the terms and conditions of the Fourth Supplemental Indenture, and in order to maintain compliance with federal tax requirements, the amount of cash on deposit in the Series 2003 Reserve Fund in excess of the Series 2003 Reserve Fund Requirement ($88,239.84) will be transferred to the Bond Fund and applied to payment of interest on the Series 2003-A Bonds on the next Interest Payment Date (July 1, 2010). The amount of cash remaining on deposit in the Series 2003 Reserve Fund ($1,689,987.50) will remain on deposit therein in accordance with the Fourth Supplemental Indenture for the benefit of the Series 2003-A Bonds and Series 2003-B Bonds. The terms and conditions of the Surety Bond are not affected by this adjustment in the cash balance in the Series 2003 Reserve Fund.

Rate Covenant

The Authority shall fix, charge and collect rates, fees, rentals and charges for use of the Airport Facilities, revising same whenever necessary or appropriate**,** in order to accomplish all of the following:

(1) produce Revenues in each Fiscal Year at least equal to the sum of the Current Expenses due in such Fiscal Year and the amounts required to be deposited into the Bond Fund, the Reserve Fund and the Subordinate Debt Fund in such Fiscal Year under the provisions of the Indenture,

(2) produce Net Revenues in each Fiscal Year at least equal to 125 percent of the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year under the provisions of the Indenture, and

(3) provide the Authority with sufficient cash in each Fiscal Year to pay Current Expenses due in such Fiscal Year and to make the deposits required to be made into the Bond Fund in such Fiscal Year.

If the Authority does not satisfy its obligation to fix, charge and collect sufficient sums to satisfy the requirements set forth in items (1), (2) and (3) above, as set forth in the audit report for any Fiscal Year, the Authority shall employ an Airport Consultant to recommend action to be taken to ensure that said requirements shall be met. After receipt of such recommendations, the Authority shall, in accordance with the Indenture, take such action as it deems necessary to fulfill its obligations under the Rate Covenant. If the Authority fails to fulfill such obligations, the Trustee may take action as set forth in the Indenture to compel such compliance by the Authority.

Application of Revenues

The Indenture requires that all Revenues of the Authority be deposited, daily, in a Revenue Fund established pursuant to the Indenture. The Indenture also establishes certain other funds and accounts, some of which are to be held under the control of the Trustee and some of which are to be held under the control of the Authority. The funds and accounts controlled by the Trustee are the Bond Fund and the Reserve Fund. The funds and accounts controlled by the Authority are the Revenue Fund, the Subordinate Debt Fund and the Capital Improvement Fund.

On or before the last day of each calendar month, monies on deposit in the Revenue Fund to the extent available shall be applied by the Authority for the following purposes and in the following order:

(1) payment of all Current Expenses then due and incurred in the then current month or any preceding month,

(2) payment into the Bond Fund Primary Account of amounts sufficient to provide for the payment when due of the principal of and interest on the Bonds,

(3) retention of an amount equal to one-sixth of the total Current Expenses budgeted for the current Fiscal Year of the Authority; provided that such retention shall not be required in the event that the Authority has obtained a line of credit or other credit facility in an amount sufficient to provide for the payment of such amount of Current Expenses,

(4) payment into the Reserve Fund of an amount equal to the sum required to maintain the Reserve Fund Requirement (as hereinbefore defined) in said Fund,

(5) payment into the Subordinate Debt Fund of an amount equal to the debt service on any Subordinate Debt becoming due and payable during the next succeeding calendar month, and

(6) on the last day of the Authority's Fiscal Year, payment into the Capital Improvement Fund of all moneys remaining in the Revenue Fund after all required payments under the Indenture have been made.

Additional Parity Bonds

Subject to the provisions of the Indenture, the Authority may issue Additional Bonds if:

(1) Prior to issuance, (A) a certificate of an Independent Accountant is delivered to the Trustee certifying that, taking into account all outstanding Bonds, but not the Additional Bonds then proposed to be issued, for the most recently completed Fiscal Year for which audited financial statements are then available, the requirements of the Rate Covenant were satisfied; and (B) a report of an Airport Consultant is delivered to the Trustee to the effect that taking the proposed Additional Bonds into account, the requirements of the Rate Covenant will be projected to be satisfied for (I) in the case of Additional Bonds to finance Additional Facilities (a) the earlier to conclude of (i) each of the first three full Fiscal Years succeeding the date on which such Additional Facilities are expected to be completed and in operation, or (ii) each of the first three full Fiscal Years with respect to which full provision for capitalized interest has not been made from the proceeds of the proposed Additional Bonds, or (b) each of the first five Fiscal Years succeeding the date on which such Additional Bonds are to be issued, whichever period is concluded later, or (II) in the case of Additional Bonds not financing Additional Facilities, each of the first five Fiscal Years succeeding the date on which such Additional Bonds are issued.

(2) Notwithstanding the provisions of paragraph (1) above, Completion Bonds may be issued without satisfaction of an earnings test if the principal amount thereof does not exceed 15 percent of the principal amount of the Bonds originally issued to finance the acquisition, construction or equipment of the facilities for the completion of which such Completion Bonds are to be issued, and may be issued in excess of 15 percent of such principal amount, but only if any of the tests set forth in (1) above are met.

(3) Additional Bonds may be issued, without satisfying the tests set forth in the foregoing paragraph (1), for the purpose of refunding all or any part of the outstanding Bonds if the Annual Debt Service payable in each Fiscal Year with respect to all Bonds that will be outstanding after the issuance of such Additional Bonds will not be greater than the Annual Debt Service in such Fiscal Year with respect to all Bonds that were outstanding immediately prior to the issuance of such Additional Bonds.

The Series 2003-A Bonds were issued originally as Additional Bonds pursuant to paragraph (3) above.

After giving effect to the reoffering of the Series 2003-A Bonds, the following bonds will be outstanding under the Indenture and will be secured by the lien of the Indenture on a parity basis:

(1) The Series 2003-A Bonds being reoffered pursuant to this Reoffering Memorandum in the aggregate principal amount of $20,820,000.

(2) the Authority's Airport Revenue Refunding Bonds, Series 2003-B (AMT) dated October 1, 2003, in the aggregate principal amount of $8,625,000 (the "Series 2003-B Bonds").

(3) the Authority's Airport Revenue Refunding Bonds, Series 2007 (AMT) dated July 11, 2007, in the aggregate principal amount of $40,580,000 (the "Series 2007 Bonds").

For a summary of the debt service due on the Bonds outstanding under the Indenture see "DEBT SERVICE REQUIREMENTS" herein.

The Authority expects to issue Additional Bonds within the next eighteen months in order to finance a portion of the costs of its upcoming capital improvements but does not know the amount of Additional Bonds that will be issued. See "FUTURE CAPITAL IMPROVEMENTS" herein. If and when issued, the Additional Bonds will be issued in accordance with the Additional Bond tests summarized above and will be secured by the lien of the Indenture on a parity basis with the Series 2003-A Bonds, the Series 2003-B Bonds, the Series 2007 Bonds and any other Additional Bonds outstanding from time to time.

Other Additional Indebtedness

The Authority may incur Working Capital Indebtedness without satisfying the above-stated conditions, if immediately after the incurrence of such indebtedness, the aggregate principal amount of all outstanding Working Capital Indebtedness does not exceed 10 percent of Total Operating Revenues for the then most recently completed Fiscal Year for which audited financial statements are available; provided, however, that for a period of at least twenty consecutive calendar days in each Fiscal Year no such Working Capital Indebtedness shall be outstanding.

The Authority may incur Subordinate Debt provided that no indebtedness shall be issued or incurred which will have a lien on Net Revenues prior to the lien established by the Indenture.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the original issuance of the Series 2003-A Bonds, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.) ("Assured Guaranty Municipal") issued its Municipal Bond Insurance Policy for the Series 2003-A Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2003-A Bonds when due, after giving effect to the conversion to Term Rate Mode, as set forth in the form of the Policy included as an exhibit to this Reoffering Memorandum.

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

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

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

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

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

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

Recent Developments

Ratings. On November 12, 2009, Moody's issued a press release stating that it had confirmed the "Aa3" insurance financial strength rating of Assured Guaranty Municipal, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Financial Security, now known as Assured Guaranty Municipal, to "AA" (Negative Outlook) from "AA+" (Ratings Watch Negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Financial Security Assurance Inc. ("Financial Security"), now known as Assured Guaranty Municipal. At the same time, S&P continued its negative outlook on Assured Guaranty Municipal. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

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

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

Capitalization of Assured Guaranty Municipal. At June 30, 2009, Assured Guaranty Municipal's consolidated policyholders' surplus and contingency reserves were approximately $1,964,241,223 and its total net unearned premium reserve was approximately $2,454,208,373 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by Holdings or AGL with the SEC that relate to Assured Guaranty Municipal are incorporated by reference into this Reoffering Memorandum and shall be deemed to be a part hereof:

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

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

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

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

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

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

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

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

THE AIRPORT

Composition of the Authority

The Authority is governed by a seven-member Board of Directors. Directors are nominated by the Mayor of the City and elected by the City Council. Directors are elected for staggered six-year terms. The Mayor is a non-voting ex-officio director.

The members of the Board of Directors of the Authority are as follows:

Name	Office	Term Expires
Gaynell Hendricks	Board Chairwoman	July 29, 2012
Steven Hoyt	Vice Chairman	July 29, 2010
Janice Allen	Member	July 29, 2014
David Wood, II	Member	July 29, 2014
John E. Burks	Member	July 29, 2012
Ruffner Page	Member	July 29, 2012
Michael Bell	Member	July 29, 2012

Management

The Airport is operated by the Authority, which is governed by the Board of Directors. The Board of Directors appoints the President and CEO to serve as chief operating officer.

Description of the Airport Facilities

The Airport is located four miles northeast of downtown Birmingham in Jefferson County, Alabama within the city limits of the City of Birmingham. It occupies approximately 2,600 acres of land, of which approximately 300 acres have not yet been developed.

Terminal Facilities. The terminal complex is located within the open V of the Airport's two runways. The complex consists of the passenger terminal building (the "Terminal") and Terminal A.

The Terminal follows a semi-circular layout with two linear piers (Concourses B and C). It consists of 244,000 square feet, of which approximately 63 percent has revenue-producing potential. Concourses B and C collectively provide 19 second-level aircraft gate positions: 15 second-level boarding positions for air carrier aircraft, 2 ground-level boarding positions, and 2 expansion gates (which can be equipped with loading bridges). Utilization of the Airport's aircraft gates by concourse and airline (including codeshares) is as follows:

Concourse B		Concourse C	
Airline	Gates	Airline	Gates
US Airways	2	Delta	4
Continental	1	Southwest	3
American	1	United Express	2

Terminal A is adjacent to the Terminal. Terminal A, which consists of approximately 50,000 square feet, has been converted from a passenger facility to a general purpose facility used principally for small package processing, and administrative offices.

Parking Facilities. Public parking is available in a seven-level central garage located across the terminal access roadway from the Terminal. It contains 4,756 long-term public parking spaces, 347 short-term spaces, and 327 ready-return spaces for rental cars, for a total of 5,430 spaces. A remote lot contains 773 spaces for both short-term and long-term parking.

Ground Access. Birmingham is the nexus for three interstate highways: (a) I-65 between Huntsville-Decatur to the north and Montgomery to the south; (b) I-59 from Gadsden in the northeast and (c) I-20 from Anniston in the east which merge in Birmingham as I-20/59 serving Tuscaloosa to the southwest. Messer-Airport Highway, which provides access to the Airport from the east, is directly accessible via I-20/59.

Airfield Facilities. The runway system is comprised of two runways, 6/24 and 18/36, arranged in an open V configuration. Runway 6/24, an air carrier runway, is 12,000 feet long and 150 feet wide and equipped with instrument landing systems for arrivals. Runway 18/36, an air carrier runway, is 7,100 feet long and 150 feet wide.

Other Facilities. The Pemco aircraft maintenance complex, comprised of 12 maintenance hangars with associated aircraft parking aprons and taxiways, leases approximately 200 acres on the southwest side of the Airport adjacent to the Messer-Airport Highway.

The Authority has two air cargo buildings. One contains approximately 50,000 square feet and is located adjacent to Terminal A. The other contains approximately 44,000 square feet of space, and is located just south of Runway 6/24.

A fixed based operator (FBO), Atlantic Aviation, serves general aviation and executive aircraft operators at the Airport. There are presently 21 parcels being leased from the Authority for executive hangar facilities; these facilities are located east of runway 18/36 and north of runway 6/24, near the FBOs. The potential exists for 4 additional sites for executive hangars.

Four of the six rental car companies operating on the Airport lease land for automobile service facilities located on the southeast side of the Airport.

The Alabama Air National Guard operates on the north side of runway 6/24 from facilities occupying approximately 50 acres of land.

In addition to the foregoing, there are various other facilities located at the Airport, including, among others, an Authority maintenance building, a Federal Aviation Administration (FAA) tower and an FAA flight service station.

City Lease

The Airport is owned by the City of Birmingham (the "City") and is operated by the Authority pursuant to a 59-year lease (the "City Lease"), which became effective September 16, 1986. The City Lease transferred to the Authority "all airport properties and functions and all outstanding obligations of the City with respect thereto." Pursuant to the City Lease, all real property acquired by the Authority is conveyed to the City and becomes subject to the terms and conditions of the City Lease. The City Lease provides that the Authority's annual operating budget, its five-year capital improvement budget and any changes to these budgets are subject to approval by the City Council. Pursuant to the City Lease, the Authority is required to maintain financial records in accordance with generally accepted accounting principles and practices and is subject to an independent audit at any time at the discretion of the City. The Authority's most recent audited financial statements are attached to this Reoffering Memorandum as Appendix B – "Audited Financial Statements for Fiscal Year ended June 30, 2009."

On June 1, 1990, the City Lease was amended, and the Authority's financial obligation under the lease was subordinated to any pledge or mortgage by the Authority of its revenues to secure any indebtedness.

The City Lease expires on September 15, 2045.

ECONOMIC BASE FOR AIR TRANSPORTATION

The demand for air transportation is significantly related to the demographic and economic characteristics of the air trade area (i.e., the geographical area served by the Airport). Approximately 97 percent of the Airport's enplaning passengers originate their air travel from the air trade area.

Air Trade Area

The air trade area of the Airport primarily consists of the Birmingham-Hoover Metropolitan Area (the "Birmingham-Hoover MA") which includes: Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby and Walker Counties, encompassing a total land area of 3,188 square miles and an estimated population in 2008 of 1,113,610. The air trade area also includes cities outside the Birmingham-Hoover MA, where travelers find it more convenient because of travel distance and flight availability to use the Airport, as opposed to the airport facilities of their respective metropolitan area (an "MA") or city.

The Birmingham-Hoover MA is located in north central Alabama within 200 miles of Atlanta, Georgia; Nashville, Tennessee; Memphis, Tennessee; and Montgomery, Alabama. For additional information concerning the Birmingham-Hoover MA, see "Appendix A – Economic and Demographic Information."

AIR TRAFFIC

Enplaned Passengers at the Airport

Domestic enplanements at the Airport were approximately 1.5 million in FY 2009, reflecting an average annual growth rate of 1.3 percent over the past five years. Enplanements decreased by 9.5 percent between FY2008 and FY2009, following an increase of 5.2 percent between FY2007 and FY2008. The Airport functions in the national air transportation system as a "spoke" to various regional connecting hubs through which on-line connecting service is available throughout the national system. Virtually all nonstop flights are short-haul flights and the majority are to connecting hubs.

Airlines Serving Birmingham

The principal air carrier airlines serving the Airport (and their respective shares of the FY2009 enplaned passenger market) include Southwest (42.1 percent) and Delta (20.6 percent). The enplanement share of the top two airlines has averaged about 62 percent since 2004. The table below shows the air carrier airlines and cargo airlines with activity at the Airport during September, 2009.

CARRIERS REPORTING ENPLANED PASSENGERS AND AIR CARGO
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
(During September, 2009)

U.S.-FLAG AIRLINES (13)

Passenger Services-Scheduled:

American	Continental	Skywest Airlines (UN)
Air Wisconsin (UN)	Delta/Northwest	Southwest
Atlantic Southeast Airlines (DL)	Mesa Airlines (US & UN)	Trans States (UN)
Chautauqua Airlines (DL)	Pinnacle Airlines, Inc. (DL and NW)	
Comair (DL)	PSA (US)	

All-Cargo Services:
Federal Express
United Parcel Service
Mountain Air

Source: Birmingham Airport Authority.
Notes: DL = Codeshares with Delta; NW = Northwest; US = US Airways; UN = United

Passenger Airline Market Shares

Although annual growth in passenger enplanements at the Airport averaged an increase of 1.3 percent from FY2004 to FY2009, there was considerable variation by individual airlines. Airlines showing traffic increases over the five-year period included United (15.7 percent, average annual compounded growth), American (5.5 percent), US Airways (4.5 percent), Southwest (4.0 percent) and Continental (3.7 percent). Airlines showing a decline at the Airport over the same period were Delta (6.8 percent) and Northwest (2.0 percent).

From FY2004 to FY2009, the combined share of passengers enplaned at the Airport by the top three airlines decreased from 74.8 percent to 70.7 percent. Southwest's share of enplanements increased from 36.9 percent to 42.1 percent. Delta's share of enplanements (including Delta code-sharing partners) fell from 31.2 percent to 20.6 percent. US Airways (including US Airways code-sharing partners) increased its share of enplanements from 6.7 percent to 8.0 percent.

In FY2009, the Airport experienced an overall year-over-year decrease of 155,022 enplaned passengers from FY2008 (down 9.5 percent).

MARKET SHARES: TOTAL ENPLANED PASSENGERS
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
(for years ending June 30; ranked as of 2009)

Rank	Airline	2005	2006	2007	2008	2009
1	Southwest	520,062	556,226	542,860	616,971	623,113
2	Delta (1)	453,252	439,615	390,005	358,631	304,188
3	US Airways (1)	121,589	130,780	155,830	134,927	118,854
4	American (1)	94,540	115,649	129,955	159,563	115,799
5	Continental (1)	111,984	125,773	129,038	127,168	113,399
6	Northwest (1)	131,702	120,573	108,490	98,538	109,609

7	United (1)	77,041	76,022	87,994	116,405	94,425
8	All Others	-	-	10,041	22,206	-
	Total	1,510,170	1,564,638	1,554,213	1,634,409	1,479,387

PERCENTAGE DISTRIBUTION
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
(for years ending June 30; ranked as of 2009)

Rank	Airline	2005	2006	2007	2008	2009
1	Southwest	34.4%	35.5%	34.9%	37.7%	42.1%
2	Delta (1)	30.0%	28.1%	25.1%	21.9%	20.6%
3	US Airways (1)	8.1%	8.4%	10.0%	8.3%	8.0%
4	American (1)	6.3%	7.4%	8.4%	9.8%	7.8%
5	Continental (1)	7.4%	8.0%	8.3%	7.8%	7.7%
6	Northwest (1)	8.7%	7.7%	7.0%	6.0%	7.4%
7	United (1)	5.1%	4.9%	5.7%	7.1%	6.4%
8	All Others	0.0%	0.0%	0.6%	1.4%	0.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes enplanements from code sharing partners

Source: Birmingham Airport Authority

Recent Passenger Activity

For the three months ending September 30, 2009, the Airport experienced a decrease in enplaned passengers of 16,890 when compared to the same period a year earlier. This equates to a 4.4 percent decrease in enplaned passengers for the period.

FINANCIAL FACTORS

Federal Law Affecting Airport Rates and Charges

Federal aviation law requires, in general, that airport fees be reasonable and that, subject to the "grandfather provisions" discussed below, in order to receive federal grant funding, all airport-generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. See "Federal Grants-in-Aid." Pursuant to the requirements of the Federal Aviation Administration Authorization Act of 1994 (the "1994 Aviation Act"), DOT and FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of airport rates and charges (the "Procedural Regulations"), and have also promulgated two policy statements, the first regarding airport rates and charges, effective June 21, 1996 (the "Rates and Charges Policy"), and the second, a proposed policy regarding the revenue retention requirement set forth at 49 U.S.C. § 47107 (b), dated February 10, 1996 and supplemented on December 11, 1996 (the "Revenue Retention Policy"). On August 1, 1997, the United States Court of Appeals for the District of Columbia Circuit (the "US Court of Appeals") vacated the Rates and Charges Policy in part and remanded it to the DOT. The Revenue Retention Policy, while not final, reflects the FAA's position concerning the legally permissible uses of airport revenue.

The US Court of Appeals determined that a portion of the Rates and Charges Policy was arbitrary and capricious, and therefore vacated the policy and remanded it to the DOT. The Rates and Charges Policy had provided that unless aeronautical users agreed otherwise, revenues from fees imposed for use of the airfield and public use roadways may not exceed the costs of providing such public use roadways and airfield services and airfield assets currently in use, valued at their historical cost. The policy further provided, however, that any reasonable methodology could be used to determine fees for facilities and land not associated with the airfield. Until DOT promulgates a new policy regarding rates and charges, the guiding principle for determining whether rates and charges established for use of airport assets is the requirement of federal law that such charges be "reasonable."

Under the procedures contained in the Procedural Regulations, if a complaint filed within 60 days after notification of the new fee or fee increase presents a "significant dispute," the Secretary of Transportation is required to issue a final order within 120 days determining whether the challenged new fee or fee increase is reasonable. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute that is due during the 120-day period. The 1994 Aviation Act specifically provides that these expedited procedures do not apply to (1) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (2) a fee imposed pursuant to a financing agreement or covenant entered into prior to the date of enactment of the section, or (3) any other existing fee not in dispute as of August 23, 1994. The 1994 Aviation Act also provides that nothing in the Act shall adversely affect (1) the rights of any party under any existing written agreement between an air carrier and the owner of an airport or (2) the ability of an airport to meet its obligations under a financing agreement or covenant that is in force as of August 23, 1994.

The Authority is not aware of any formal dispute involving the Airport over any existing rates and charges. The Authority believes that the rates and charges methodology utilized by the Authority and the rates and charges imposed by it upon air carriers and other aeronautical users are reasonable and consistent with applicable law. See "FINANCIAL FACTORS – Airport Use and Lease Agreements." However, there can be no assurance that a complaint will not be brought against the Authority in the future challenging such methodology and the rates and charges established by the Authority and, if a judgment is rendered against the Authority, that rates and charges paid by aeronautical users of the Airport will not be reduced. On at least one occasion, airlines were permitted to raise an administrative challenge to certain aeronautical fees imposed by an airport outside the Procedural Regulations. In *Union Flights, Inc. v. San Francisco Int'l Airport*, FAA Docket No. 16-99-11, 2000 FAA LEXIS 316 (Feb. 15, 2000), the Federal Aviation Administration investigated an airline complaint of unreasonable airport rates and charges pursuant to the agency's Rules of Practice for Federally-Assisted Airport Enforcement Proceedings, 14 C.F.R. Part 16.

Airport Use and Lease Agreements

Prior to December 31, 2005, airlines operated at the Airport under a long-term Airport Use and Lease Agreement that credited the airlines' landing fee requirement with 50 percent of all non-airfield net revenues. From January 1, 2006 until March 1, 2009, the airlines operated without an agreement in place, but were charged rental rates and landing fees based on the methodology contained in the expired agreement. As of March 1, 2009, in the absence of a long-term agreement with the airlines, the Authority transitioned to a policy whereby airline rates are set by ordinance. The Authority is currently operating under a cost center residual rate-making methodology for the airfield cost center and has removed any non-airfield revenue surplus credit from the airfield requirement. For the terminal building cost center, the Authority transitioned away from a compensatory approach and moved to a hybrid commercial compensatory rate-making methodology whereby the airline requirements, net of a concessions credit, are prorated over rentable space. As of the date of this Reoffering Memorandum, all airlines that operate at the Airport are in compliance with the current methodology.

Concession Revenue

The sources of concession revenue include public parking, rental car, and various other concession activities (collectively, "Concession Revenue"). Concession Revenue increased from $14,972,000 in FY2004 to $19,902,000 in FY2009 at an average compound rate of 5.9 percent per year. Concession Revenue accounted for 57.6 percent of operating revenues in FY2009.

Passenger Facility Charges

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the FAA Administrator may grant authority to a public agency that controls a commercial service airport to impose a passenger facility charge (PFC) of $1, $2, $3, or $4.50 on passengers enplaned at such airport. PFC revenue, including interest thereon, may be used only to finance the allowable costs of eligible projects contained in an application approved by the FAA Administrator. Prior to submitting an application, a public agency must comply with a user consultation process which requires the agency to give written notice to, and consult with, virtually all airlines operating at such airport.

The Authority initially received approval from the FAA to impose a PFC of $3.00 per enplaned passenger beginning August 1, 1997, principally to finance the rehabilitation of the main runway. Subsequently, the Authority has periodically requested and received approval to increase the charge per enplanement, which is currently $4.50, and to increase the aggregate collection amount (including investment income thereon), which is currently $56,434,085. The Authority has used PFCs to finish the rehabilitation of the main runway, to pay for the rehabilitation of the air carrier apron, to relocate a sanitary sewer lift station, to remove obstructions from beyond the end of the main runway, and to design a terminal modernization program. Through June 30, 2009, the Authority has collected PFCs, including interest earnings thereon, totaling $52,209,501.

The Authority's current collection period for PFC's is scheduled to end in July 2010. On September 16, 2009, the Authority notified the airlines of its plans to submit an application to the FAA to collect an additional $7,310,680 in aggregate PFC funds. The funds would be used to pay for a portion of noise land acquisition, a portion of preconstruction services and a portion of terminal area demolition. The Authority plans to seek approval for this PFC application at the highest level allowed – currently $4.50 per enplaned passenger - and if the application is approved, the Authority estimates that its collection period for PFC's would be extended to October 1, 2011. As of the date of this Reoffering Memorandum, the airlines serving Birmingham are aware of the Authority's plans, but no formal PFC application has been submitted.

No assurance can be given that PFCs will actually be received in the amount or at the time contemplated by the Authority. The amount of actual PFC revenues will vary depending on actual levels of qualified passenger enplanements at the Airport. In addition, the FAA may terminate the Authority's ability to impose PFCs, subject to informal and formal procedural safeguards, if (1) the Authority's PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder or (2) the Authority otherwise violates the PFC Act or regulations. The Authority's ability to impose a PFC may also be terminated if the Authority violates certain provisions of the Airport Noise and Capacity Act of 1990 and its implementing regulations. Furthermore, no assurance can be given that the Authority's authority to impose a PFC may not be terminated by Congress or the FAA, or that the PFC program may not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Authority.

Federal Grants-In-Aid

The Airport and Airway Improvement Act of 1982 created the Airport Improvement Grant Program ("AIP"), which is administered by the Federal Aviation Administration and funded by the Airport and Airway Trust Fund. This fund is financed by airline ticket taxes. AIP grants are available to airport operators. For the most recent five fiscal years, the Authority has received the following AIP grants:

	FY2005	FY2006	FY2007	FY2008	FY2009
AIP Funds Received	$16,611,000	$19,378,000	$17,706,000	$17,250,000	$27,069,000

REVENUES AND EXPENSES OF THE AUTHORITY

Revenues of the Authority

The Revenues of the Authority are derived principally from rates, fees, and charges assessed airlines; the operation of public parking facilities; and fees assessed operators under concession agreements. The Authority has covenanted in the Indenture that, among other things, it will establish and maintain rates, charges, and fees for the use of the Airport sufficient to meet its obligations under the Rate Covenant.

In FY2009, the three largest airlines at the Airport, Southwest, Delta, and US Airways enplaned 42.1 percent, 20.6 percent, and 8.0 percent, respectively, of the passengers at the Airport. Collectively, these three airlines had 70.7 percent of the enplaned passenger market share. Enplanement shares among the top three airlines have decreased from 74.8 percent in FY2004 to 70.7 percent in FY2009. The combined landing fees, apron fees, and terminal rentals paid by these three airlines accounted for 19.4 percent of the Authority's FY2009 operating revenues. The equivalent payments for all airlines, including the three largest, were 28.4 percent of the operating revenues.

Operating revenues increased from $27,676,000 in FY2004 to $34,524,000 in FY2009; this increase represents an average annual growth rate of 4.5 percent. Operating revenues, excluding payments from the airlines, increased 2.9 percent per year on average between FY2004 and FY2009. Revenues from the airlines increased from $6,277,000 in FY2004 to $9,801,000 in FY2009; which represents an average annual revenue increase of 9.3 percent.

Expenses of the Authority

Current Expenses increased from $16,464,000 in FY2004 to $22,925,000 in FY 2009. Current Expenses increased between FY 2004 and FY2009 at an average annual compound rate of 6.8 percent per year.

Management's Discussion of Recent Financial Results

The Authority's operating revenues for the fiscal year ending June 30, 2009, were $34,524,000, a decrease of $44,000 or 0.1 percent from FY2008. Landing fee revenues were up 6.3 percent, driven by a rate increase. Concession fees were down by 9.1 percent due to decreased passenger activity.

Operating expenses before depreciation for the fiscal year ending June 30, 2009, were $22,925,000, a decrease of $879,000 or 3.7 percent from the prior fiscal year. Operating expenses benefited from reduced personnel costs, as well as reductions to materials and supplies related to decreased passenger activity.

Management is of the opinion that future revenues and expenses will be directly impacted by the level of passenger activity at the Airport. For additional information concerning recent financial results, see "Appendix B – Audited Financial Statements for the Fiscal Year ended June 30, 2009."

Historical Revenues and Expenses of the Authority. The following table sets forth historical data with respect to the revenues and expenses of the Authority:

Birmingham Airport Authority
Historical Revenue and Expenses
(For the 12 Months Ending June 30)
(Expressed in Thousands)
(UNAUDITED)

	2005	2006	2007	2008	2009
AIRFIELD:					
Landing Fees	$1,837	$3,476	$2,826	$5,464	$5,987
Apron Fees	257	374	379	372	393
Fuel Flowage Fees	453	475	456	431	330
Other Airfield Revenues	392	405	505	658	545
TOTAL AIRFIELD	2,939	4,730	4,167	6,926	7,254
NON-AIRFIELD:					
Terminal Space Rentals	2,716	3,181	3,148	3,189	3,422
Parking Concession	10,586	11,327	11,712	13,371	12,836
Rental Car Concession	4,488	5,276	5,280	5,640	5,529
Other Concessions	1,185	1,241	1,400	1,803	1,537
Pemco Aeroplex	1,921	1,049	780	501	611
Land & Other Bldg Rentals	2,007	3,298	1,779	2,673	2,713
Other Operating Revenues	272	223	289	466	622
Interest Income	400	607	815	623	309
TOTAL NON-AIRFIELD	23,574	26,201	25,204	28,266	27,579
SUBTOTAL REVENUES	26,513	30,931	29,371	35,191	34,833
Rev Bond Debt Service Coverage Transfer	1,944	1,745	1,808	1,834	1,715
TOTAL REVENUES	$28,457	$32,677	$31,179	$37,025	$36,548
CURRENT EXPENSES:					
Personnel Costs	$5,546	$5,718	$5,386	$6,992	$9,524
Security	2,995	3,183	3,182	3,471	3,963
Utilities	1,477	1,658	1,741	2,087	2,555
Contractual Services	3,829	3,457	4,164	5,113	1,249
Materials and Supplies	1,083	1,164	848	1,209	950
Repairs and Maintenance	2,179	1,597	2,498	2,576	2,194
Other Expenses	1,474	1,931	2,016	2,357	2,490
Total Current Expenses	$18,584	$18,708	$19,835	$23,805	$22,925
ALLOCATION OF EXPENSES TO COST CENTERS					
Airfield	5,457	5,468	5,484	6,636	6,886
Apron	475	475	477	577	599
Non-Airfield:					
Terminal Building	6,614	6,611	6,881	7,619	8,488
Other Non-Airfield	6,038	6,154	6,993	8,973	6,953
Total Non-Airfield	12,652	12,764	13,875	16,592	15,441
Total Allocated (100%)	$18,584	$18,708	$19,835	$23,805	$22,925

SOURCE: Birmingham Airport Authority

RATE COVENANT TESTS

The Rate Covenant contained in the Indenture provides that the Authority shall fix, charge and collect rates, fees, rentals and charges for use of the Airport Facilities in order to meet the following three tests:

(1) Test 1 requires the Authority to produce Revenues in each Fiscal Year at least equal to the sum of the Current Expenses due in such Fiscal Year and the amounts required to be deposited into the Bond Fund, the Reserve Fund and the Subordinate Debt Fund in such Fiscal Year under the provisions of the Indenture,

(2) Test 2 requires the Authority to produce Net Revenues in each Fiscal Year at least equal to 125 percent of the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year under the provisions of the Indenture, and

(3) Test 3 requires the Authority to provide sufficient cash in each Fiscal Year to pay Current Expenses due in such Fiscal Year and to make the deposits required to be made into the Bond Fund in such Fiscal Year.

During the period beginning July 1, 2005 through June 30, 2009, the Authority has produced Revenues, as reflected in the following table, sufficient to meet the annual requirements of the Rate Covenant.

Birmingham Airport Authority
Rate Covenant Tests
(For the 12 Months Ending June 30)
(Expressed in Thousands)
(UNAUDITED)

	2005	2006	2007	2008	2009
TEST 1					
Revenues net of transfers	$26,513	$30,931	$29,371	$35,191	$34,833
Transfers from Capital Improvement Fund					
For revenue bond debt service coverage	1,944	1,745	1,808	1,834	1,715
Total Revenues	28,457	32,677	31,179	37,025	36,548
Less:					
Current Expenses	18,584	18,708	19,835	23,805	22,925
Bond Fund Deposit (Debt Serv)	6,981	7,123	7,336	7,042	6,858
Subordinated Debt Payments	108	102	96	92	-
Must Not Be Less Than Zero	$2,785	$6,744	$3,912	$6,086	$6,764
TEST 2					
Revenues net of transfers	$26,513	$30,931	$29,371	$35,191	$34,833
Transfers from Capital Improvement Fund					
For revenue bond debt service coverage	1,944	1,745	1,808	1,834	1,715
Total Revenues	28,457	32,677	31,179	37,025	36,548
Less:					
Current Expenses	18,584	18,708	19,835	23,805	22,925
Net Revenues	9,873	13,969	11,344	13,221	13,622
Less:					
Rev Bond Debt Service times 125%	8,726	8,903	9,169	8,803	8,573
Must Not Be Less Than Zero	$1,147	$5,066	$2,175	$4,418	$5,050
TEST 3					
Revenues net of transfers	$26,513	$30,931	$29,371	$35,191	$34,833
Transfers from Capital Improvement Fund					
For revenue bond debt service coverage	1,944	1,745	1,808	1,834	1,715
Total Revenues	28,457	32,677	31,179	37,025	36,548
Less:					
Current Expenses	18,584	18,708	19,835	23,805	22,925
Revenue Bond Debt Service	6,981	7,123	7,336	7,042	6,858
Allowable Amount of Non-Cash Revenue	$2,893	$6,846	$4,008	$6,178	$6,764

SOURCE: Birmingham Airport Authority

Historical Debt Service Coverage

For illustrative purposes, the table below summarizes the historic ratio of (a) the Net Revenues of the Authority for each fiscal year indicated to (b) the aggregate debt service paid during such fiscal year on the Series 2003-A Bonds, Series 2003-B Bonds and Series 2007 Bonds, based on the methodology described above with respect to Test 2. This ratio is not a covenant by the Authority and is offered here solely for illustrative purposes.

	2005	2006	2007	2008	2009
Coverage Ratio Calculation					
Revenues net of transfers	$ 26,513	$ 30,931	$ 29,371	$ 35,191	$ 34,833
Transfers from Capital Improvement Fund					
For revenue bond debt service coverage	1,944	1,745	1,808	1,834	1,715
Total Revenues	28,457	32,677	31,179	37,025	36,548
Less:					
Current Expenses	18,584	18,708	19,835	23,805	22,925
Net Revenues	9,873	13,969	11,344	13,221	13,622
Aggregate Debt Service	6,981	7,123	7,336	7,042	6,858
Debt Service Coverage Ratio	1.41	1.96	1.55	1.88	1.99

Source: Birmingham Airport Authority

FUTURE CAPITAL IMPROVEMENTS

Terminal Modernization Program

The Authority plans to undertake a major renovation of the existing main terminal building. The Authority's architect has completed a preliminary design that shows approximately $193,000,000 of possible improvements to the terminal building. The improvements, if pursued by the Authority, would include new concession areas, new baggage screening equipment, new passenger loading bridges, new heating and air conditioning equipment, three new elevators for the automobile parking garage with connecting walkways to the terminal building, new and renovated passenger hold rooms, and renovated and enlarged public spaces. The architect was recently authorized to begin detailed design of the improvements funded primarily with PFC funds. The Authority does not know at this time how much, if any, of the improvements will be constructed. The Authority believes that any terminal improvements will require funding from multiple sources, including but not limited to, FAA grants, TSA Grants, PFCs and Additional Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR SERIES 2003-A BONDS – Additional Parity Bonds."

Rental Car Facilities

The Authority is contemplating the construction of new rental car facilities. No architects have been hired nor have any studies been performed. The cost is unknown.

AVIATION INDUSTRY CONSIDERATIONS

The Airlines

Certain airlines are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. In accordance therewith, certain information, including financial information, concerning such airlines or their respective parent corporations, is disclosed in certain reports and statements filed with the Securities and Exchange Commission (the "SEC"). Such reports and statements can be inspected at the public reference facilities maintained by the SEC at 450 Fifth Street, NW, Washington, DC 20549; 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549, and at the Commission's regional offices at, among others, Woolworth Building, 233 Broadway, New York, New York 10249, at prescribed rates. The SEC also maintains a website that contains information filed electronically with the SEC, which may be accessed via the Internet at http://www.sec.gov. In addition, airlines are required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the following locations: Office of Aviation Information Management, Data Requirements and Public Reports Division; Research and Special Programs Administration, and the Department of Transportation, Room 4201, 400 Seventh Street, SW, Washington, DC 20590. Copies of such reports can be obtained from the Department of Transportation at prescribed rates. The information under this caption is for informational purposes only, is not intended to be incorporated by reference into this Reoffering Memorandum and will not be subject to update by the Authority. See "CONTINUING DISCLOSURE."

Federal Law Affecting Airport Rates and Charges

The Federal Aviation Administration Authorization Act (the "1994 Act") and FAA regulations require that airline rates and charges set by airports receiving federal assistance be "reasonable," and the 1994 Act authorizes the Secretary of Transportation to review rates and charges complaints brought by air carriers. The 1994 Act also requires the Secretary of Transportation to promulgate policy statements, regulations, or guidelines establishing standards to be used in determining whether airport rates and charges are reasonable. The Secretary of Transportation is currently in the process of preparing new guidelines to replace guidelines partially vacated in 1997 by the United States Court of Appeals for the District of Columbia. When issued, the new regulations may affect the costs that will be permitted to be included in determining an airport's rate base and may limit the Authority's flexibility in negotiating new "use and lease" agreements with airlines or in setting rates and charges for use of the Airport's airfield and non-airfield facilities. There is currently no set date for the release of the new guidelines. The 1994 Act and regulations do not apply to rates and charges set in accordance with written Airline Agreements.

At this time, the Authority does not have written Airline Agreements with any of the airlines operating at the Airport but is setting airline rates and charges by ordinance. See "FINANCIAL FACTORS – Airport Use and Lease Agreements."

Federal statutes and regulations also require that an airport maintain a rate structure that is as "self-sustaining" as possible and limit the use of all revenue generated by an airport receiving federal assistance (including local taxes on aviation fuel and other airport-related receipts) to purposes related only to the airport. The statutes provide, with certain limited exceptions, that the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations. On February 16, 1999, the Department of Transportation published final policy guidelines implementing these statutory provisions. The Authority is not aware of any deviation by the Authority from these restrictions and guidelines.

The Authority is not aware of any dispute involving the Airport over any existing airline rates and charges. The Authority believes that the rates and charges methodology utilized by the Authority and the rates and charges imposed by it upon air carriers and other aeronautical users are reasonable and consistent with the final policy guidelines. However, there can be no assurance that a complaint will not be brought against the Authority in the future challenging such methodology and the rates and charges established by the Authority or that, if a judgment is rendered against the Authority that rates and charges paid by aeronautical users of the Airport will not be reduced. See "FINANCIAL FACTORS-Airport Use and Lease Agreements."

General Factors Affecting the Airline Industry

General. No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future Fiscal Years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and economy of the area served by the Airport, (2) national and international economic conditions, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport system. Slow or negative traffic growth in many areas; increased competition among air carriers; consolidation and mergers among air carriers; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for many air carriers.

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

National and International Economic and Political Conditions. Historically, air carriers' passenger traffic nationwide has correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth.

As international trade and air travel have increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect air carrier travel demand.

Air Carrier Service and Routes. While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service, at will.

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

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 October 30, 2009, the price of a barrel of crude oil was approximately $77. 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.

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

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

Capacity of National Air Traffic Control and Airport Systems. Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect air carrier schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

World Health Concerns. Periodically, outbreaks of infectious diseases may adversely affect air travel. Most recently an outbreak of influenza A (H1N1) virus in Mexico and cases reported in the United States have caused travel concerns that could adversely affect air traffic. Americans are also concerned about exposure to the virus from contact with other airline passengers, and many have curtailed domestic and foreign travel. Although the World Health Organization has raised the influenza pandemic alert to phase 6, it did not recommend travel restrictions related to the outbreak of influenza A.

Seat Capacity Cuts and Other Airline Cost-Cutting Reductions. The United States Government Accountability Office reports that the U.S. passenger airline industry reduced domestic capacity in 2008 by the largest percentage since the 2001 terrorist attacks in response to high fuel prices and a weakening economy. Compared with the same quarter in 2007, the industry reduced domestic capacity by 9 percent in the fourth quarter of 2008.

Airlines including Northwest, Delta, American, and United have announced substantial reductions in nationwide capacity, including removing numerous aircraft from their fleets, as well as job eliminations. Northwest cut 8.5 percent to 9.5 percent of its nationwide flights in the fourth quarter of 2008 and cut 2,500 jobs in such quarter. Delta announced that it would cut 3 percent of its domestic flights, in addition to the 10 percent it previously cut in the spring of 2008. In January 2009, United announced it would cut an additional 1,000 jobs resulting in 2,500 total salaried and management staff positions cut. In March 2009 American announced that it planned to cut 9 percent of domestic capacity and 2.5 percent international capacity.

In addition to seat capacity reductions, the airlines are taking various cost-cutting actions, including reducing flights and instituting baggage fees, ticket-change fees, in-flight catering fees, and frequent flyer reservation surcharges.

In the first half of 2009 Southwest Airlines cut nationwide capacity. During fiscal year 2008, Southwest Airlines provided 21.4 percent of the passenger traffic at the Airport, representing the largest market share for the Airport. During October of 2008, 27 of the Airport's 72 daily flights (or approximately 37.5 percent) were Southwest Airlines. One year later during October of 2009, the Airport had 68 daily flights of which 24 (or approximately 35.3 percent) were served by Southwest Airlines. The Authority makes no assurance that the nationwide reduction in capacity announced by Southwest Airlines will not significantly impact future airline activity levels at the Airport.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns have intensified in the aftermath of the September 11, 2001 terrorist attacks on the United States. 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.

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

The TSA implemented a Congressional mandate for the screening of all checked baggage. Accordingly, there is the potential for significantly increased inconveniences and delays at many airports. These increased inconveniences and delays may affect air travel demand at the Airport and throughout the air transportation system.

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

General Factors Affecting Air Carrier Revenues and Airline Activity

In recent years, a number of airlines, including, but not limited to, Air Canada, ATA, Aloha Airlines ("Aloha"), Delta, Frontier Airlines ("Frontier"), Hawaiian Airlines ("Hawaiian"), Independence Air, Maxjet, Mesaba Airlines, Midway Airlines ("Midway"), Northwest Airlines ("Northwest"), Skybus Airlines ("Skybus"), United, US Airways, Vanguard Airlines ("Vanguard Air") and Varig Airlines ("Varig"), filed for bankruptcy reorganization. Vanguard Air ceased operations in 2002, Midway ceased operations in 2003, Varig ceased operations in 2005, Independence ceased operations in 2006 and Maxjet ceased operations in 2007. Aloha ceased passenger operations on March 31, 2008. ATA ceased operations on April 3, 2008. SkyBus ceased operations in April 2008. A number of these airlines remain under bankruptcy protection.

Faced with the growth of lower–cost airlines and evolving business technology, legacy airlines (United, Delta, Northwest, Continental, American and US Airways) have changed 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. These events are likely to have an impact, directly or indirectly, on the Airport or the airlines that serve the Airport, but the extent of that impact is not possible to predict.

Effect of Bankruptcy of Air Carriers

The profitability of the airline industry has been in turmoil since 2001, with many airlines reporting substantial financial losses and many airlines filing for bankruptcy protection, due not only to the events of September 11, 2001, but also to a general economic slowdown, increased aviation fuel costs, inclement weather throughout the nation, labor disruptions and other factors.

In the event a bankruptcy case is filed with respect to any of the airlines that serve the Airport, a bankruptcy court could determine that any agreement between the Authority and that airline was an executory contract or unexpired lease pursuant to Section 365 of the Federal Bankruptcy Code. In that event, a trustee in bankruptcy or a debtor-in-possession might reject any such agreement.

Airline Consolidation and Mergers

Published news reports have discussed the possibility of consolidation and merger of the legacy carriers. Following its emergence from bankruptcy protection in September 2005, US Airways merged with America West Airlines, and following its emergence from bankruptcy protection in April 2007, Mesaba was acquired by Northwest.

On October 29, 2008, Delta and Northwest merged to become the world's largest airline. While Delta has acquired 100 percent ownership of Northwest and has announced its plans to fully integrate Northwest into Delta's operations, during the process of such integration, the airlines continue to operate independently. While the effect of this merger cannot be fully known at this time, the Airport currently anticipates that the merger will have no material impact on the operations or financial condition of the Airport. The Authority does not expect any financial impact resulting from the combination of Northwest and Delta at the Airport, but makes no assurance that the combination of Northwest and Delta would not significantly impact the operation of the Airport, or the Airport's future activity levels.

Environmental Regulations

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Under the FAA's noise reduction regulations, the air transportation industry is under a mandate to gradually replace or retrofit Stage 2 (noisier) aircraft in order to quiet fleet operations. Airport noise remains a significant federal and local issue at certain airports, including the

Airport, which may require substantial capital investments by the industry and/or airport operators, including the Authority, from time to time to meet applicable standards. Finally, other environmental regulations of general applicability (such as hazardous waste handling and disposition requirements, underground storage tank rules, storm water permitting requirements, and the like) which are enforced by the Federal Environmental Protection Agency and the Alabama Department of Environmental Management, not the FAA, apply to the Airport; compliance with those requirements may impose costs from time to time.

Certain Events Affecting the Air Transportation Industry and the Airport

The September 11, 2001 events significantly adversely affected the North American air transportation system. Specifically, since September 11, 2001, enplanements have been adversely affected and, while the impact may be less severe than at other airports in the United States, the Airport may continue to be negatively affected by restrictions on the Airport and the financial condition of the air travel industry. It is not possible to predict the likelihood of future incidents similar to the September 11, 2001 events, the likelihood of future air transportation disruptions, or the impact on the Airport or the airlines that serve the Airport from such incidents or disruptions.

Airport Capacity Provided at Birmingham

In addition to other future constraints that may affect future growth in airline traffic at Birmingham, the growth in traffic at the Airport could, in the long term, be affected by the capacity of the Airport itself.

The Authority has developed a capital improvement program that includes increased terminal building capacity to accommodate future growth in airline traffic. Studies prepared by the Authority indicate that existing airfield capacity will be sufficient to accommodate growth in aircraft operations for the foreseeable future. See "FUTURE CAPITAL IMPROVEMENTS" herein.

CONTINUING DISCLOSURE

General

The Authority will enter into a continuing disclosure agreement (the "CDA") for the benefit of the Bondholders meeting the requirements for such agreements set forth in SEC Rule 15c2-12 (the "Rule"). The proposed form of the CDA is attached as APPENDIX G. The CDA will require the Authority to provide only limited information at specified times, and such information may not constitute all information necessary to determine the value at any time of the Bonds. Pursuant to changes in the Rule promulgated by the Securities and Exchange Commission, which became effective July 1, 2009, informational filings under the CDA will be made through the Electronic Municipal Market Access ("EMMA") system, established by the Municipal Securities Rulemaking Authority. The terms under which the CDA may be amended are set forth therein. The Authority may, in its discretion, file additional information, but it is not obligated to provide such additional information for the benefit of the Bondholders.

The intent of the Authority's undertaking in the CDA is to provide on a continuing basis the information described in the Rule. Accordingly, the Authority has reserved the right to modify the disclosure hereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the information the Authority has agreed to provide in the CDA, the obligation of the Authority to provide such information under the CDA also shall cease immediately.

The Authority has executed the CDA for the express purpose of conforming to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the remarketing agents of the Series 2003-A Bonds, any registered owner or beneficial owner of the Series 2003-A Bonds, any municipal securities broker or dealer, any potential purchaser of the Series 2003-A Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the CDA shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of its undertakings shall not constitute an event of default under the Indenture.

Authority Compliance with Prior Undertakings

The Authority has filed its Annual Financial Information as required by Rule 15c2-12 for the fiscal years ended September 30, 2004 through 2008, and except as indicated below, has otherwise complied with the terms of the Authority's Continuing Disclosure Agreements executed by the Authority in connection with the issuance of its Series 2003-B Bonds and Series 2007 Bonds.

The Authority's Series 2003-A Bonds and Series 2003-B Bonds are and have been secured by a municipal bond insurance policy issued by Financial Security, and the Authority's Series 2007 Bonds are secured by a bond insurance policy issued by Ambac Assurance Corporation ("Ambac"). The credit ratings of Financial Security and Ambac have been downgraded at various times in the past 18 months. Information about the downgrades was publicly reported. The Authority may not have filed a continuing disclosure notice with respect to each downgrade.

No Continuing Disclosure Undertakings by Airlines

No airline has made any agreement regarding the continuing disclosure of information for the benefit of the holders and beneficial owners of the Bonds. However, certain of the major domestic airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and thus must file reports and other information with the Commission. See "AVIATION INDUSTRY CONSIDERATIONS - The Airlines." In addition, pursuant to Commission Rule 15c2-12 certain airlines may have agreed to continuing disclosure undertakings in connection with the issuance and sale of obligations other than the Series 2003-A Bonds. In those instances, the airlines would have undertaken, in a written agreement or contract for the benefit of the holders of such obligations, to provide to various information repositories, including NRMSIRs and SIDs, certain annual financial information and operating data, including audited financial statements, and to provide notice to such repositories and the MSRB of certain specified material events. Such information is available to securities brokers and others who subscribe to receive the information from such repositories.

LITIGATION

In the opinion of Counsel to the Authority, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or to said Counsel's knowledge, threatened against or affecting the Authority or, to said Counsel's knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Reoffering Memorandum or the validity of the Series 2003-A Bonds, the Indenture or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the transactions contemplated by this Reoffering Memorandum. The Authority's Counsel will deliver an opinion and the Authority will deliver a certificate to this effect at the time of reoffering of the Series 2003-A Bonds.

REMARKETING

Pursuant to a Remarketing Agreement (the "Remarketing Agreement"), between the Authority, as issuer, and Morgan Keegan & Company, Inc. and Sterne, Agee & Leach, Inc., as remarketing agents (the "Remarketing Agents") in connection with the conversion to Term Rate Mode and remarketing of the Series 2003-A Bonds, the Remarketing Agents will receive a fee of $72,878.90 in connection with remarketing the Series 2003-A Bonds in Term Rate Mode.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Moody's Investor Services, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned to the Series 2003-A Bonds the respective municipal bond ratings shown on the cover of this Reoffering Memorandum, with the understanding that upon delivery of the reoffered Series 2003-A Bonds, payment when due of the principal of and interest on the Series 2003-A Bonds will be insured pursuant to a municipal bond insurance policy issued by Financial Security. See Appendix F for "The Bond Insurance Policy." See also "BOND INSURANCE" herein. No application has been made to any other rating agency for the purpose of obtaining an additional rating on the Series 2003-A Bonds.

Moody's and Fitch have also assigned underlying ratings to the Authority as shown on the cover of this Reoffering Memorandum.

A rating reflects only the view of the rating agency and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2003-A Bonds. The Authority and the Remarketing Agents have undertaken no responsibility either to bring to the attention of the owners of the Series 2003-A Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

TAX EXEMPTION

General

In the opinion of Maynard, Cooper & Gale, P.C., under existing law, interest on the Series 2003-A Bonds will be excluded from gross income for federal income tax purposes if the Authority complies with all requirements of the Internal Revenue Code of 1986 (the "Internal Revenue Code") that must be satisfied subsequent to the reoffering of the Series 2003-A Bonds in order that interest thereon be and remain excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2003-A Bonds to be included in gross income, retroactive to the date of issuance of the Series 2003-A Bonds. The Authority has covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2003-A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2003-A Bonds other than the opinions expressed in the two preceding paragraphs. The form of Bond Counsel's opinion is expected to be substantially as set forth in Appendix D to this Reoffering Memorandum.

Prospective purchasers of the Series 2003-A Bonds should be aware that ownership of the Series 2003-A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to a branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2003-A Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2003-A Bonds should consult their tax advisors as to collateral federal income tax consequences.

Bond Counsel are also of the opinion that, under existing law, interest on the Series 2003-A Bonds will be exempt from State of Alabama income taxation.

Original Issue Discount

Under existing law, the original issue discount in the selling price of a Series 2003-A Bond, to the extent properly allocable to each owner of such Series 2003-A Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2003-A Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2003-A Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2003-A Bond during any accrual period generally equals (i) the issue price of such Series 2003-A Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2003-A Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Series 2003-A Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2003-A Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Series 2003-A Bond will be treated as gain from the sale or exchange of such Series 2003-A Bond.

Premium

An amount equal to the excess of the purchase price of the Series 2003-A Bond over its stated redemption price at maturity constitutes premium on such Series 2003-A Bond. A purchaser of a Series 2003-A Bond must amortize any premium over such Series 2003-A Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2003-A Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2003-A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2003-A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2003-A Bonds.

BANK QUALIFICATION

The Series 2003-A Bonds have been designated by the Authority as "qualified tax-exempt obligations" for purposes of paragraph (3) of subsection (b) of Section 265 of the Code.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2009 included in this Reoffering Memorandum have been audited by Banks, Finley, White & Co., independent certified public accountants, as stated in their report appearing herein.

FINANCIAL ADVISOR

Waters and Company, LLC, Birmingham, Alabama, is serving as Financial Advisor to the Authority with respect to the reoffering of the Series 2003-A Bonds. The Financial Advisor assisted in the preparation of this Reoffering Memorandum and in other matters relating to the planning, structuring and reoffering of the Series 2003-A Bonds and provided other advice.

LEGAL MATTERS

The legality and validity of the Series 2003-A Bonds will be passed upon by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, as Bond Counsel. The proposed form of the legal opinion to be delivered by Bond Counsel at closing is attached hereto as Appendix D. Certain legal matters will be passed on for the Authority by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, Counsel to the Authority.

MISCELLANEOUS

There are appended to this Reoffering Memorandum audited financial statements of the Birmingham Airport Authority for the fiscal year ended June 30, 2009, and the report thereon of Banks, Finley, White & Co., dated October 13, 2009, a summary of certain provisions of the Indenture, the proposed form of Opinion of Bond Counsel and the existing municipal bond insurance policy.

The references herein to the Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Indenture for full and complete statements of its provisions. Copies of the Indenture are available from the President & CEO of the Authority at 5900 Messer-Airport Highway, Birmingham, Alabama 35212.

Any statements made in this Reoffering Memorandum involving matters of opinion or 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 information contained herein regarding Assured Guaranty Municipal Corp. and the bond insurance policy was provided by Assured Guaranty Municipal Corp. and has not been independently verified by the Authority.

Certain statements contained in this Reoffering Memorandum including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Authority to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those factors described in this Reoffering Memorandum under "FINANCIAL FACTORS" and "AVIATION INDUSTRY CONSIDERATIONS". Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Authority disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

The distribution of this Reoffering Memorandum and its use in the reoffering and remarketing of the Series 2003-A Bonds have been authorized by the Authority.

BIRMINGHAM AIRPORT AUTHORITY

By: *_/s/ Gaynell Hendricks_*
Gaynell Hendricks, Board Chairwoman

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Birmingham-Shuttlesworth International Airport is located in Birmingham, Alabama (the "City" or "Birmingham") the most populous city in the State, with a 2000 Census population of 242,820. The City is the county seat of Jefferson County and is located in north central Alabama within 200 miles of Atlanta, Nashville, Memphis and Montgomery.

In 2000, the Birmingham Metropolitan Statistical Area (MSA) was expanded to include additional counties and was officially designated the Birmingham-Hoover MSA by the federal Office of Management and Budget. The Birmingham-Hoover MSA encompasses seven counties: Bibb, Blount, Chilton, Jefferson, Saint Clair, Shelby and Walker. Jefferson County, which had a 2000 census population of 662,047, is the geographic center of the Birmingham-Hoover MSA. The seven counties comprising the Birmingham-Hoover MSA cover approximately 5,310 square miles and had a 2000 census population of 1,052,238.

Birmingham is the principal health care, financial, transportation, distribution and wholesale and retail center of the State. The Medical Center of the University of Alabama at Birmingham and the facilities of Birmingham's other hospitals serve as a State and regional center for health care.

The economic and demographic information included in this Appendix A demonstrates generally that the population of the City is declining but that population in the Birmingham-Hoover MSA is growing.

Population

The Birmingham-Hoover MSA has experienced steady population growth in recent decades. Although the City of Birmingham experienced an 8.7 percent loss in population between 1990 and 2000, the Birmingham-Hoover MSA grew 16.8 percent from 1990 to 2008. The suburban counties of Blount, Shelby and St. Clair experienced some of the fastest population growth in the State. It is anticipated that most of the population growth in the Birmingham-Hoover MSA will continue to occur outside the present city limits of the City but that the City will continue to serve as an employment, service and cultural center for residents of these suburban areas. The following table summarizes historical population trends for the City, Jefferson County, the Birmingham-Hoover MSA and the State of Alabama.

	1970	1980	1990	2000	2008*
Birmingham	300,910	286,799	265,968	242,820	228,798
Jefferson County	644,991	671,324	651,527	662,047	659,503
Birmingham-Hoover MSA	794,083	884,040	956,858	1,052,238	1,117,608
Alabama	3,444,165	3,893,888	4,040,587	4,447,100	4,661,900

*Estimated.
Source: U.S. Census Bureau; Alabama Department of Industrial Relations.

Employment Statistics

Since 1970 the City and Jefferson County have undergone restructuring from a manufacturing-based to a service-based economy. During that time, there have been significant declines in durable goods manufacturing, particularly in the steel industry. The local economy, however, became more diversified as a result of significant growth in fields such as health services and health sciences research. The following table presents comparative unemployment statistics for the time periods indicated (in thousands), using the figure "100" as a constant representing a level of employment equal to 100 percent employment within the City:

COMPARATIVE EMPLOYMENT TRENDS

	2003	2004	2005	2006	2007	2008	August 2009*
Birmingham							
Employed	100.4	100.2	96.1	96.3	95.7	93.3	85.1
Unemployed	8.5	8.0	4.7	4.4	4.3	6.0	12.7
Unemployment Rate	7.8%	7.4%	4.7%	4.4%	4.3%	6.0%	13.0%
Birmingham-Hoover MSA							
Employed	498.2	501.7	507.1	518.0	518.1	505.4	460.9
Unemployed	24.5	23.0	18.4	17.2	16.8	23.7	52.6
Unemployment Rate	4.7%	4.4%	3.5%	3.2%	3.1%	4.5%	10.2%
Jefferson County							
Employed	302.8	302.1	302.2	305.5	304.1	296.6	270.5
Unemployed	15.9	15.0	11.9	11.0	10.7	14.9	33.0
Unemployment Rate	5.0%	4.7%	3.8%	3.5%	3.4%	4.8%	10.9%
Shelby County							
Employed	85.0	88.1	91.5	96.2	97.5	95.1	86.8
Unemployed	2.8	2.7	2.5	2.3	2.3	3.3	7.2
Unemployment Rate	3.2%	3.0%	2.6%	2.4%	2.3%	3.3%	7.6%
State of Alabama							
Employed	1,989.8	2,007.2	2,042.9	2,090.4	2,099.6	2,053.5	1,878.9
Unemployed	114.4	106.6	81.2	75.7	76.1	109.0	225.1
Unemployment Rate	5.4%	5.0%	3.8%	3.5%	3.5%	5.0%	10.7%
United States							
Employed	137,736	139,252	141,730	144,427	146,047	145,362	140,074
Unemployed	8,774	8,149	7,591	7,001	7,078	8,924	14,823
Unemployment Rate	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.6%

* Preliminary
Source: U.S. Department of Labor, Bureau of Labor Statistics.
Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

The following table lists the largest employers in the Birmingham-Hoover MSA in 2009 according to the Birmingham Regional Chamber of Commerce:

BIRMINGHAM-HOOVER MSA
LARGEST EMPLOYERS
2009

Employer	Product/Service	Number of Employees
University of Alabama at Birmingham	Education, Healthcare	18,750
Regions Financial Corporation	Banking and Financial Services	6,000
AT&T	Telecommunications	5,750
Birmingham Board of Education	Education	5,000
City of Birmingham	Municipal government	4,989
Jefferson County Board of Education	Education	4,800
St. Vincent's Health System	Healthcare & Management Services	4,703
Honda Manufacturing of Alabama	Manufacturing	4,500
Baptist Health System, Inc.	Healthcare & Management Services	4,000
Cingular Wireless	Telecommunications	4,000
Jefferson County	Government	3,875
Children's Health System	Healthcare & Management Services	3,652
Shelby County Board of Education	Education	3,625
Mercedes-Benz U.S. International, Inc.	Automobile Manufacturing	3,500
Southern Nuclear Operating Company	Electric, Gas & Sanitary Services	3,200
Alabama Power Company	Electric, Gas & Sanitary Services	3,000
Blue Cross-Blue Shield of Alabama	Insurance	3,000
BBVA Compass	Banking and Financial Services	2,804
United States Postal Service	Mail Service	2,800
Univ. of Alabama Health Services Foundation	Healthcare & Management Services	2,800
Brookwood Medical Center	Healthcare & Management Services	2,600
Southern Company Generation	Electric, Gas & Sanitary Services	2,500
American Cast Iron Pipe Company	Metal Fabricating	2,400
U.S. Steel-Fairfield Works	Manufacturing	2,400
Hoover City Schools	Education	2,000
Marshall Durbin Food Corporation	Manufacturing – Food & Beverage	2,000
Trinity Medical Center	Healthcare & Management Services	1,879
EBSCO Industries, Inc.	Publishing	1,800
Social Security Administration	Government	1,800

Source: Birmingham Business Alliance

The following table sets forth major industry statistics for the Birmingham-Hoover MSA as of the fourth quarter, 2008:

Birmingham-Hoover MSA
Employment by Industry

	Total Number Employed	Percentage of Overall Employment
Health Care and Social Assistance	69,301	15.5
Retail Trade	62,878	14.1
Manufacturing	41,092	9.2
Accommodation and Food Services	38,648	8.7
Finance and Insurance	30,251	6.8
Construction	28,567	6.4
Admin., Support, Waste Management, Remediation	26,876	6.0
Wholesale Trade	26,728	6.0
Professional, Scientific & Technical Services	26,362	5.9
Public Administration	25,024	5.6
Transportation and Warehousing	16,165	3.6
Other Services (except Public Admin.)	14,090	3.2
Information	10,823	2.4
Utilities	8,307	1.9
Management of Companies and Enterprises	8,012	1.8
Real Estate and Rental and Leasing	7,059	1.6
Arts, Entertainment, and Recreation	4,843	1.1
Agriculture, Forestry, Fishing & Hunting	1,047	0.2
Total wage and salary employees	446,073	100.0%

Source: Alabama Department of Industrial Relations

The area's 21 hospitals and numerous specialized health care facilities have turned Birmingham into a major medical center. The University of Alabama at Birmingham, the area's largest employer, is home to a world-known patient-care and research medical center. The Kirklin Clinic, opened in June 1992 by the University of Alabama Health Services Foundation, has enhanced Birmingham's reputation in healthcare.

Within the past three years, the University of Alabama at Birmingham spent over $275 million dollars on improvements and expansion of its Hospital and research facilities and over $90 million to construct a new biomedical research facility. The University of Alabama at Birmingham has also begun construction of a 640,000 square foot facility for neonatal, obstetrical and gynecological services.

In addition to healthcare, Birmingham hosts a significant number of high-technology firms involved in industries such as telecommunications, engineering, aerospace design and computer services. Southern Research Institute, located on Birmingham's Southside, is the largest nonprofit independent research laboratory in the Southeast. The University of Alabama at Birmingham is ranked in the top 30 universities receiving federal research and development funds and is ranked 22nd among institutions receiving funding from the National Institutes of Health.

Per Capita Personal Income

Per Capita Personal Income is defined as the current income from all sources received by one resident in an area. It is measured before deduction of income and other personal taxes, but after deduction of personal contributions for social security, government retirement, and other social insurance programs. Per capita personal income in the Birmingham-Hoover MSA and the County are above average for the State. Per capita personal incomes in the Birmingham-Hoover MSA are at the national average, while per capita personal incomes in the County are above national average.

The following chart provides a comparison of per capita income among the Birmingham-Hoover MSA, Jefferson County, the State and the United States:

	Jefferson County		Birmingham MSA*		State of Alabama		United States	
	Income	% of National Average	Income	% of National Average	Income	% of National Average	Income	% of National Average
2007	$42,834	111%	$39,401	102%	$32,419	84%	$38,615	100%
2006	40,460	110%	37,326	101%	30,873	84%	36,794	100%
2005	38,769	112%	35,818	103%	29,468	85%	34,690	100%
2004	36,963	111%	33,899	102%	28,019	85%	33,157	100%
2003	34,008	108%	31,362	99%	26,380	84%	31,530	100%
2002	33,049	107%	30,573	99%	25,467	83%	30,838	100%
2001	31,804	104%	29,589	97%	24,742	81%	30,582	100%
2000	30,400	102%	28,383	95%	23,768	80%	29,847	100%
1999	28,211	101%	26,757	96%	22,722	81%	27,939	100%
1989	17,848	96%	16,905	91%	14,865	80%	18,520	100%
1979	8,755	96%	8,254	90%	7,137	78%	9,146	100%
1969	3,370	88%	3,155	82%	2,728	71%	3,836	100%

Source: U.S. Department of Commerce, Bureau of Economic Analysis
*Information for 2006-2007 is for the new Birmingham-Hoover MSA. The statistics used for years prior to 2006 are for the Birmingham MSA.

Per Capita Personal Income

Median family income is defined by the U.S. Census Bureau as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, half having incomes below the median.

National, State and Birmingham MSA
Median Family Income

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
United States	$50,200	$52,500	$54,400	$56,500	$57,500	$58,000	$62,400	$59,000	$61,500	$64,000
State of Alabama	38,700	41,500	44,300	46,100	47,000	46,900	51,400	48,700	51,700	53,200
Birmingham-Hoover MSA*	44,000	47,900	51,100	51,100	52,700	54,200	57,400	55,500	59,100	60,900

Source: Alabama Department of Industrial Relations.
*Information for 2006-2009 is for the new Birmingham-Hoover MSA. The statistics used for years prior to 2006 are for the Birmingham MSA.

Education

The Birmingham public school system enrolled approximately 27,525 students in 57 schools as of the 2008-2009 academic year.

The County is the home of four four-year colleges and universities, four business schools and five junior colleges and trade schools. These schools have a combined enrollment of approximately 47,000.

The largest institution is the University of Alabama at Birmingham (UAB), which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 18,000. The UAB Medical Center hosts the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding $1.15 billion and is the largest employer in the County.

Institutions of Higher Education
Jefferson County

Name	Type	Enrollment
Four-Year		
University of Alabama at Birmingham	State Supported	18,047
Samford University	Private	4,658
Miles College	Private	1,800
Birmingham-Southern College	Private	1,400
Junior Colleges and Trade Schools		
Jefferson State Community College	State Supported	7,300
Lawson State Community College	State Supported	6,500
ITT Technical Institute	Private	3,700
Virginia College	Private	2,711
Herzing College of Business & Technology	Private	400

In the 2000 Census, Birmingham-Hoover MSA led both the State of Alabama and the nation in the percentage of its residents who are college graduates.

Educational Levels

	Percent of Population High School Graduates	Percent of Population with Completed Bachelor's Degree or More*
City	75.5%	18.5%
Birmingham-Hoover MSA	**80.6%**	**24.7%**
State of Alabama	75.3%	19.0%
United States	80.4%	24.4%

*25 years old or older
Source: U.S. Census Bureau.

Housing and Construction

The City has aggressively promoted renovation and construction of its housing supply through a number of programs intended to stimulate housing.

The following table provides comparative information on housing units in the City, Jefferson County, Shelby County and the Birmingham MSA in 1970, 1980, 1990 and 2000.

Birmingham-Hoover MSA Housing Units

	Housing Units				Percent Change		
	1970	1980	1990	2000	1970-1980	1980-1990	1990-2000
City of Birmingham	105,370	114,503	117,691	111,927	8.7%	2.8%	(4.9%)
Jefferson County	212,937	259,805	273,097	288,162	22.0%	5.1%	5.5%
Shelby County	12,144	24,644	39,201	59,302	102.9%	29.1%	51.3%
Birmingham-Hoover MSA	263,146	340,968	376,897	395,925	29.6%	10.5%	5.0%

Source: U.S. Census Bureau.

Recent residential construction activities in the City and the Birmingham-Hoover MSA, respectively, are summarized in the following tables.

New Privately-Owned Residential Building Permits
City of Birmingham

	Single-Family		Multi-Family (Two or more families)		
Year	Permits Issued and Units	Construction Cost (000s)	Permits Issued	Units	Construction Cost (000s)
2000	118	$14,605	13	328	$14,655
2001	108	13,833	2	24	1,113
2002	188	25,489	12	76	4,275
2003	152	23,868	7	238	18,180
2004	144	23,581	53	828	57,407
2005	220	39,153	22	445	34,579
2006	303	54,557	56	980	71,539
2007	232	44,084	11	234	18,884
2008	132	24,724	18	312	23,205

Source: U.S. Census Bureau.

New Privately-Owned Residential Building Permits
Birmingham-Hoover MSA

	Single-Family		Multi-Family (Two or more families)	
Year	Permits Issued and Units	Construction Cost (000s)	Units	Construction Cost (000s)
2000	4,352	$569,298	781	$42,454
2001	4,652	627,149	430	15,987
2002	4,918	716,830	259	14,218
2003	5,970	912,511	703	43,501
2004	6,358	1,029,479	1,442	92,483
2005	6,873	1,148,340	795	54,965
2006	6,437	1,072,600	1,370	118,267
2007	4,930	865,318	503	39,964
2008	2,325	415,270	1,034	110,242

Source: U.S. Census Bureau.

Bank Deposits

Between 2003 and 2009, there has been an increase in deposits at FDIC-insured commercial banks in Jefferson County, Shelby County, the Birmingham-Hoover MSA. The following table illustrates this growth.

Deposits in FDIC-Insured Commercial Banks
(As of June 30 of each year, in thousands)

	2003	2004	2005	2006	2007	2008	2009
Jefferson County	$15,352,000	$15,328,000	$14,599,000	$16,178,000	$17,094,000	$17,660,000	$20,471,000
Shelby County	1,336,000	1,520,000	1,585,000	1,959,000	2,183,000	2,221,000	2,484,000
Birmingham-Hoover MSA	18,929,000	19,187,000	18,646,000	20,796,000	21,911,000	22,482,000	25,614,000
State of Alabama	58,497,000	60,909,000	63,239,000	68,332,000	70,989,000	73,024,000	79,622,000

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2009

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BIRMINGHAM AIRPORT AUTHORITY

FINANCIAL STATEMENTS

June 30, 2009

With Independent Auditor's Report

BIRMINGHAM AIRPORT AUTHORITY
Birmingham, Alabama

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BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

We have audited the accompanying statements of net assets of the Birmingham Airport Authority ("the Authority") a component unit of the City of Birmingham, Alabama as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Birmingham Airport Authority as of June 30, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

617 THIRTY-SEVENTH STREET SOUTH • BIRMINGHAM, AL 35222 • (205) 326-6660

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations,"* and is not a required part of the basic financial statements of the Authority. The accompanying Schedule of Passenger Facility Charges Collected and Expended for the year ended June 30, 2009, which is also the responsibility of the Authority's management, is also presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements. The information in these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

October 13, 2009

Banks, Finley, White & Co.

BIRMINGHAM AIRPORT AUTHORITY
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2009

The following Management Discussion and Analysis (MD&A) of the Birmingham-Shuttlesworth International Airport's activities and financial performance provides the reader with an introduction and overview to the financial statements of the Birmingham Airport Authority ("the Authority") for the fiscal year ended June 30, 2009.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

AIRPORT ACTIVITIES AND HIGHLIGHTS

Birmingham-Shuttlesworth International Airport activities decreased by more than 9% in every major area during 2009, as follows:

	2009	2008
Enplanements	1,479,387	1,634,409
% increase/(decrease)	(9.5)%	5.2%
Total Passengers	2,957,181	3,266,581
% increase/(decrease)	(9.5)%	5.4%
Air Carrier Operations	49,970	55,434
% increase/(decrease)	(9.9)%	11.9%
Air Carrier Landed Weight	2,152,804	2,367,931
% increase/(decrease)	(9.1)%	12.1%

Despite these reduced activity levels, the Authority achieved another year with an increase in its net assets.

As of June 30, 2009, five major passenger carriers, ten regional carriers, and two regularly scheduled all-cargo carriers served the Airport.

FINANCIAL OPERATIONS HIGHLIGHTS

The increase in net assets for 2009 was $29.7 million as compared to $21.3 million in 2008.

- Operating Revenues decreased by 0.1% from $34.6 million to $34.5 million. Landing fee revenues were up 8.4%, driven by a rate increase. Automobile parking fees were down by 4.0% due to a decrease in passenger activity.

- Operating Expenses decreased by 3.7% from $23.8 million to $23.0 million. Operating expenses were down due to decreased costs for professional services, which were down 28.8%, and decreased costs for personnel costs, which were down 8.0%.

- Depreciation Expenses increased by 39.2% from $8.3 million to $11.5 million. Depreciation expense was impacted by taking a full year of depreciation on two large construction projects placed in service during the fiscal year. The Runway 24 Extension project was placed in service at a cost of $51.1 million, and the Cargo Apron project was finished and placed in service at a cost of $18.8 million. Both of these projects are being depreciated over a 30-year useful life.

- The net result of the above was operating revenues before depreciation increased from $10.8 million to $11.6 million or 7.8%. The operating income before non-operating revenues and expenses decreased from $2.5 million in 2008 to $53 thousand in 2009.

- Non-Operating Revenues/(Expenses) increased from $1.6 million in 2008 to $2.6 million in 2009, due primarily to increased collections of passenger facility charges.

- Capital contributions received in the form of grants from the Federal government increased from $17.3 million in 2008 to $27.1 million in 2009, as the airport continued to receive substantial funding for its noise land acquisition program.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	2009	2008
Operating revenues	$ 34,523,546	$ 34,567,806
Operating expenses	(22,925,265)	(23,804,577)
Excess before depreciation and other non-operating revenues and expenses	11,598,281	10,763,229
Depreciation	(11,545,273)	(8,294,814)
Income before other non-operating revenues and expenses	53,008	2,468,415
Other non-operating revenues and expenses, net	2,555,422	1,575,408
Income before capital contributions	2,608,430	4,043,823
Capital contributions	27,068,506	17,250,076
Increase in net assets	$ 29,676,936	$ 21,293,899

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's net assets exceeded liabilities by $321.1 million at June 30, 2009, a $29.7 million increase from June 30, 2008.

A condensed summary of the Authority's net assets at June 30 is shown below:

	2009	2008
ASSETS		
Current assets	$ 46,075,554	$ 36,024,816
Capital assets and other assets	351,762,962	334,034,047
Total assets	397,838,516	370,058,863
LIABILITIES		
Current liabilities	7,762,273	6,113,729
Long-term debt and non-current liabilities	68,997,497	72,543,324
Total liabilities	76,759,770	78,657,053
NET ASSETS		
Invested in capital assets, net of debt	279,379,164	258,197,025
Restricted	19,554,425	17,580,312
Unrestricted	22,145,157	15,624,473
TOTAL NET ASSETS	$ 321,078,746	$ 291,401,810

The largest portion of the Authority's net assets each year (87.0% at June 30, 2009) represents its investment in capital assets (e.g., land, buildings, infrastructure improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Authority's net assets (6.1% at June 30, 2009) represents bond reserve funds and federal program funds that are subject to external restrictions on how they can be used under bond resolutions and by Federal regulations. The remaining unrestricted net assets (6.9% at June 30, 2009) may be used to meet any of the Authority's ongoing obligations.

AIRLINE RATES AND CHARGES

Prior to December 31, 2005, the airlines operated at Birmingham under a long-term Airport Use and Lease Agreement that credited the airlines' landing fee requirement with 50% of all non-airfield net revenues.

From January 1, 2006 until March 1, 2009, the airlines operated without an agreement in place, but were charged rental rates and landing fees based on the methodology contained in the expired agreement. As of March 1, 2009, the Authority changed its rate setting methodology to an approach of crediting the airport's terminal cost center with 25% of all terminal building non-airline revenues, and calculating landing fees based on a full compensatory methodology.

The revenues realized from the airlines are shown below. Because the rate cycles began at times other than the start of the Authority's fiscal year, each fiscal year embraces different rate cycles, and it is not possible to have a rental rate or landing fee rate for a specific fiscal year.

	2009	2008
Terminal Building Charges	$ 3,421,565	$ 3,188,824
Aircraft Parking Charges	392,973	372,393
Landing Fees	5,986,565	5,463,756
Total Airline Charges	$ 9,801,103	$ 9,024,973
Cost per Enplaned Passenger	$6.63	$5.52

The airline cost per enplaned passenger is calculated by adding all the airport charges to the airlines during a fiscal year and dividing that sum by the number of passengers enplaned by the airlines during the twelve-month period.

REVENUES

A summary of revenues for the year ended June 30, 2009, and the amount and percentage of change in relation to prior year amounts is as follows:

	2009 Amount	Percent of Total	Increase (Decrease) From 2008	Percent Increase (Decrease)
Operating:				
Space rentals	$ 5,343,369	13.1 %	$ 263,628	5.2 %
Concession fees - parking	12,835,802	31.5 %	(535,658)	(4.0)%
Concession fees - other	7,065,940	17.3 %	(376,445)	(5.1)%
Landing fees and fuel flowage	6,817,657	16.7 %	401,587	6.3 %
Ground hangar rentals	1,795,730	4.4 %	45,642	2.6 %
Other revenues	665,048	1.7 %	156,983	30.9 %
Total operating	34,523,546	84.7 %	(44,263)	(0.1)%
Non-Operating:				
Passenger facility charges	5,753,740	14.1 %	1,225,784	27.1 %
Interest income	395,143	1.0 %	(371,930)	(48.5)%
Unrealized gain on investments	73,431	0.2 %	45,595	163.8 %
Total non-operating	6,222,314	15.3 %	899,449	16.9 %
TOTAL REVENUES	$ 40,745,860	100.0 %	$ 855,186	2.1 %

EXPENSES

A summary of expenses for the year ended June 30, 2009, and the amount and percentage of change in relation to prior year amounts is as follows:

	2009 Amount	Percent of Total	Increase (Decrease) From 2008	Percent Increase (Decrease)
Operating:				
Personnel costs	$ 9,523,862	25.0 %	$ (827,695)	(8.0)%
Security	3,963,366	10.4 %	492,846	14.2 %
Utilities	2,555,068	6.7 %	468,058	22.4 %
Professional services	1,249,083	3.3 %	(504,855)	(28.8)%
Materials and supplies	949,569	2.5 %	(259,560)	(21.5)%
Repairs and maintenance	2,194,177	5.8 %	(381,411)	(14.8)%
Other services	2,490,140	6.5 %	133,305	5.7 %
Total operating	22,925,265	60.2 %	(879,312)	(3.7)%
Depreciation	11,545,273	30.2 %	3,250,459	39.2 %
Non-Operating:				
Interest expense	3,359,044	8.8 %	(240,836)	(6.7)%
Amortization of bond issuance expense	140,698	0.4 %	(6,881)	(4.7)%
Loss on disposal of assets	167,150	0.4 %	167,150	100.0 %
Total non-operating	3,666,892	9.6 %	(80,567)	(2.1)%
TOTAL EXPENSES	$ 38,137,430	100.0 %	$ 2,357,898	6.6 %

SUMMARY OF CASH FLOW ACTIVITIES

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

	2009	2008
Cash flow from Operating Activities	$ 13,034,096	$ 10,023,739
Cash flow from Investing Activities	1,804,769	(2,453,965)
Cash flow from Capital and Related Financing Activities	(5,970,326)	(2,514,304)
Net Increase (Decrease) in Cash and Cash Equivalents	8,868,539	5,055,470
Cash and Cash Equivalents:		
Beginning of the Year	26,806,580	21,751,110
End of the Year	$ 35,675,119	$ 26,806,580

The Authority's available cash and cash equivalents increased from $26.8 million at the end of 2008 to $35.7 million at the end of 2009 due to the funds provided from operating activities and investing activities, offset partially by the use of funds for capital expenditures.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During 2009, the Authority expended $29.6 million on capital activities. Major capital activities were as follows: purchase of noise-impacted land - $24.7 million, security measures - $2.0 million, new cargo apron - $1.1 million, and other projects - $1.8 million.

Capital assets acquisitions and improvements, exceeding $5,000 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including Federal grants with matching Airport funds, Passenger Facility Charges, debt issuance, and Airport revenues.

LONG-TERM DEBT OUTSTANDING

In 2003, the Authority issued $20,820,000 of Series 2003-A Airport Revenue Refunding Bonds dated October 22, 2003, maturing annually from 2014 through 2023, with interest on a variable rate determined weekly.

Balance outstanding June 30, 2009 - $20,820,000; 2008 - $20,820,000

In 2003, the Authority issued $18,875,000 of Series 2003-B Airport Revenue Refunding Bonds dated October 22, 2003, maturing annually from 2004 through 2014, with interest coupons ranging from 2.00 percent to 5.00 percent, with a net interest cost of 3.91 percent.

Balance outstanding June 30, 2009 - $10,335,000; 2008 - $11,965,000

In 2007, the Authority issued $44,635,000 of Series 2007 Airport Revenue Refunding Bonds, dated July 11, 2007, maturing annually from 2008 through 2026, with interest coupons ranging from 5.00 percent to 5.25 percent, with a net interest cost of 4.82 percent.

Balance outstanding June 30, 2009 - $42,625,000; 2008 - $44,635,000

The total Authority debt outstanding at June 30, 2009, totals $73,780,000 compared to 2008 - $77,420,000.

PASSENGER FACILITY CHARGE (PFC)

The Authority initially received approval from the FAA to impose a PFC of $3.00 per enplaned passenger beginning August 1, 1997, not to exceed $7,657,558, principally to finance the rehabilitation of the main runway. Subsequently, the Authority requested and received approval to increase the charge per enplanement to $4.50, and to increase the total collection amount to $56,434,085. The Authority has used PFCs to finish the rehabilitation of the main runway, to pay for the rehabilitation of the air carrier apron, to relocate a sanitary sewer lift station, to remove obstructions from beyond the end of the main runway, and to design a terminal modernization program. The collection period is scheduled to end in July 2010. Through June 30, 2009, the Authority has collected PFCs, including interest earnings thereon, totaling $52,209,501. For further details related to the current year activity, see the Schedule of Passenger Facility Charges in the Compliance Section of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Vice-President of Finance, Birmingham Airport Authority, 5900 Airport Highway, Birmingham, Alabama 35212, or call 205-595-0533.

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$ 20,018,301	$ 14,443,813
Grants receivable	2,154,409	1,304,198
Accounts receivable (net of allowance for uncollectibles of $32,682 and $100,000 in 2009 and 2008, respectively)	855,404	567,120
Other accounts receivable	12,532	19,996
Prepaid insurance	401,611	425,988
Total unrestricted assets	23,442,257	16,761,115
Restricted Assets:		
Federal Capital Funds:		
Grants receivable	1,139,678	139,407
Passenger Facility Charges Funds:		
Cash and cash equivalents	8,500,439	6,241,954
Accounts receivable	1,227,930	742,481
Revenue Bond Funds:		
Cash and cash equivalents	7,156,379	6,120,813
Investments	4,588,652	5,989,202
Accrued interest receivable	20,219	29,844
Total restricted assets	22,633,297	19,263,701
Total current assets	46,075,554	36,024,816
NON-CURRENT ASSETS		
Capital Assets:		
Land	127,754,607	105,163,038
Buildings	106,262,985	106,303,485
Infrastructure improvements	194,959,568	122,113,834
Machinery and equipment	14,267,235	7,853,779
Furniture and fixtures	809,722	809,722
Construction in progress	37,868,651	112,080,525
Less: accumulated depreciation	(131,331,651)	(121,602,879)
Total capital assets	350,591,117	332,721,504
Other Assets:		
Bond issuance costs	1,171,845	1,312,543
Total non-current assets	351,762,962	334,034,047
TOTAL ASSETS	$ 397,838,516	$ 370,058,863

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS (CONTINUED)
June 30, 2009 and 2008

	2009	2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable From Unrestricted Assets:		
Accounts payable and accrued expenses	$ 928,401	$ 790,340
Total payable from unrestricted assets	928,401	790,340
Payable From Restricted Assets:		
Construction contracts payable	1,734,386	263,734
Accrued interest payable	1,344,486	1,419,655
Current maturities of revenue bonds payable	3,755,000	3,640,000
Total payable from restricted assets	6,833,872	5,323,389
Total current liabilities	7,762,273	6,113,729
NON-CURRENT LIABILITIES		
Compensated employee absences	368,699	346,302
Revenue bonds payable, net of unamortized bond discount and unamortized loss on refunding	68,628,798	72,197,022
Total non-current liabilities	68,997,497	72,543,324
Total liabilities	76,759,770	78,657,053
NET ASSETS		
Invested in capital assets, net of related debt	279,379,164	258,197,025
Restricted:		
For debt service	10,420,764	10,720,204
Federal grants and programs	9,133,661	6,860,108
Total restricted	298,933,589	275,777,337
Unrestricted	22,145,157	15,624,473
Total net assets	321,078,746	291,401,810
TOTAL LIABILITIES AND NET ASSETS	$ 397,838,516	$ 370,058,863

See Accompanying Notes to the Financial Statements.

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Space rentals	$ 5,343,369	$ 5,079,741
Concession fees - parking	12,835,802	13,371,460
Concession fees - other	7,065,940	7,442,385
Landing fees	6,488,079	5,984,979
Fuel flowage	329,578	431,091
Ground hangar rentals	1,795,730	1,750,088
Other revenues	665,048	508,062
Total operating revenues	34,523,546	34,567,806
OPERATING EXPENSES		
Personnel costs	9,523,862	10,351,557
Security	3,963,366	3,470,520
Utilities	2,555,068	2,087,010
Professional services	1,249,083	1,753,938
Materials and supplies	949,569	1,209,129
Repairs and maintenance	2,194,177	2,575,588
Other services	2,490,140	2,356,835
Total operating expenses before depreciation	22,925,265	23,804,577
Depreciation	11,545,273	8,294,814
Total operating expenses	34,470,538	32,099,391
Operating income (loss) before non-operating revenues (expenses)	53,008	2,468,415
NON-OPERATING REVENUES (EXPENSES)		
Passenger facility charges	5,753,740	4,527,956
Interest income	395,143	767,074
Interest expense	(3,359,044)	(3,599,879)
Amortization of bond issuance expense	(140,698)	(147,579)
Gain (loss) on disposal of assets	(167,150)	
Unrealized gain (loss) on investments (net)	73,431	27,836
Total non-operating revenues (expenses)	2,555,422	1,575,408
Gain (loss) before capital contributions	2,608,430	4,043,823
Capital contributions from federal agency	27,068,506	17,250,076
NET ASSETS		
Increase in net assets	29,676,936	21,293,899
Total net assets, beginning of the year	291,401,810	270,107,911
Total net assets, end of the year	$ 321,078,746	$ 291,401,810

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 34,242,726	$ 35,207,938
Cash paid to suppliers for goods and services	(11,707,165)	(14,819,935)
Cash paid for personnel costs	(9,501,465)	(10,364,264)
Net cash provided (used) by operating activities	13,034,096	10,023,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investment securities	1,400,000	1,350,000
Interest on investments	404,769	756,347
Purchase of investment securities		(4,560,312)
Net cash provided by investing activities	1,804,769	(2,453,965)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(29,582,036)	(19,660,902)
Federal grants and passenger facility charges	30,486,315	24,318,728
Interest paid on capital debt	(3,234,605)	(3,530,034)
Principal paid on capital debt	(3,640,000)	(48,170,000)
Proceeds from debt issuance		44,635,000
Cost of bond issuance		(107,096)
Net cash used by capital and related financing activities	(5,970,326)	(2,514,304)
Net increase (decrease) in cash and cash equivalents	8,868,539	5,055,470
Cash and cash equivalents, beginning of the year	26,806,580	21,751,110
Cash and cash equivalents, end of the year	$ 35,675,119	$ 26,806,580
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 53,008	$ 2,468,415
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,545,273	8,294,814
Bad debt expense	61,148	10,657
Change in Assets and Liabilities:		
Receivables (net)	(288,284)	650,668
Other receivable	7,464	(10,536)
Prepaid insurance	24,377	10,011
Compensated employee absences	22,397	(12,708)
Accounts payable and accrued expenses	1,608,713	(1,387,582)
Total adjustments	12,981,088	7,555,324
Net cash flows from operating activities	$ 13,034,096	$ 10,023,739

NOTE 1 ORGANIZATION AND REPORTING ENTITY

A. Organization

The Birmingham Airport Authority ("the Authority") was incorporated on June 6, 1986, as a nonprofit corporation under the provisions of the Code of Alabama, Title 4, Chapter 3, Article 2. The Authority is governed by a seven (7) member, board of directors, who are nominated by the Mayor and elected by the City Council of the City of Birmingham ("the City").

B. Reporting Entity

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City's general purpose financial statements based on the City's responsibility for the appointment of the authority members, and their approval of capital programs and certain debt issuances and the Authority's annual operating budget. As a component unit of the City, the Authority's financial statements are discretely presented on the City's general purpose financial statements. The accompanying financial statements present the financial position of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements and interpretations except those which contradict applicable GASB pronouncements.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses. The following is a summary of the more significant policies:

A. **Revenue Recognition**

Airline Landing Fee Charges - Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee rate is determined based on the revenues and expenses incurred in the airfield cost center during the prior fiscal year, and is adjusted each year for actual revenues, expenses and landed weight of aircraft. Landing fees are recognized as revenue during the period the runways are utilized.

Terminal Rents, Concessions and Ground Transportation - Rental and Concession fees are generated from airlines, food and beverage, retail, rental cars, advertising and other commercial tenants. Leases are for terms from one to ten years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized based on reported concessionaire revenue.

Other - All other types of revenues are recognized when earned.

B. **Federal Capital Contributions**

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the FAA, with 5% provided by the Authority. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

C. **Passenger Facilities Charges**

The Authority is authorized to impose a Passenger Facility Charge (PFC), based on enplaning passengers. The PFC can be collected until the date on which the total net PFC revenue collected, plus interest thereon, equal the allowable cost of the approved projects, which is $56,434,085. The PFC funds are available for the design, construction and administration of capital improvements of the Airport.

PFCs, along with related interest earnings are recorded as deferred revenue until authorized for construction and related debt service payments under an FAA approved Application to use. Once authorized to use, PFC receipts are recognized and recorded as non-operating revenue in the year collected by the air carriers, net of an allowance for estimated ticket refunds.

D. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and demand deposits.

E. **Investments**

State statutes authorize the Authority to invest in U.S. government obligations, or in bonds of the State of Alabama or in any county or municipality therein, or in certificates of deposit collaterally secured by a pledge of U.S. government obligations.

The current and noncurrent portfolios of investments are marketable debt securities and are carried at cost plus amortized premium, or fair value, at the balance sheet date. Related premiums are amortized to income over the terms of the investments. Interest income on investments is accrued as earned.

F. **Receivables**

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

G. **Restricted Assets**

Restricted assets consist of monies and other resources which are restricted legally as described below:

Capital Funds - These assets represent capital debt proceeds that are restricted for designated capital projects and can not be expended for any other item.

Federal Grants and Programs - These assets represent federal grants and Passenger Facility Charge (PFC) collections based on an approved FAA application to "Impose" such charges on enplaned passengers at the Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects.

Debt Service Funds - These assets represent 2003 and 2007 general airport revenue bond (GARB) proceeds. In accordance with the Trust Indenture dated June 1, 1990 and its supplemental indentures dated September 15, 1993, October 1, 1996, January 1, 1999, October 1, 2003, and July 11, 2007, between the Authority and the Trustee, bond proceeds were deposited in the Debt Service Reserve Account, which must at least equal one year's principal and interest payments, and the Primary Account which contains funds to make scheduled payments of principal and interest.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives by asset category are as follows:

Buildings	10-35 years
Infrastructure improvements	5-30 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-15 years

Cost of constructed fixed assets includes interest during the construction period. No depreciation is provided on construction in progress until construction is substantially complete and the asset is placed in service.

When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in current operations. The Authority capitalizes all capital assets in excess of $5,000. Maintenance and repairs are expended as incurred.

I. Interest Capitalization

Interest cost related to construction financing is capitalized, net of interest revenue earned on the borrowed proceeds, from the time of borrowing until construction is substantially complete and the asset is placed in service. No interest was capitalized in fiscal years 2009 and 2008.

J. Bond Issue Costs, Original Issue Discount and Deferred Loss on Bond Refundings

Bond issue costs, original issue discount and deferred loss on refundings on long-term indebtedness are deferred and amortized using the effective interest method over the life of the debt to which it relates.

K. Compensated Absences

The Authority's employees earn vacation leave at graduated rates based on their length of service (one day per month of service initially) and up to forty days of unused leave may be carried over to the following year. Sick leave is earned at the rate of eight hours for each month of service and can accumulate up to sixty days. The Authority funds sick leave as taken.

An accrual is recorded for accumulated unpaid vacation pay. As of June 30, 2009 and 2008, accrued vacation pay totaled $368,699 and $346,302, respectively. Because sick pay does not vest and will only be paid to employees on approved sick leave, no accrued liability has been recorded.

L. Arbitrage Rebate

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits, calculating arbitrage penalties, and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. For the year ended June 30, 2009 and 2008, the Authority had no arbitrage rebate liability.

M. Use of Accounting 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 estimated.

NOTE 3 CASH AND CASH EQUIVALENTS AND INVESTMENTS

It is the Authority's policy to invest only in obligations of the U.S. Treasury, U.S. Government Agencies, State of Alabama obligations, and short-term bank certificates of deposit.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits (in excess of FDIC insurance) may not be returned to it. The carrying amount of the Authority's deposits, certificates of deposits and cash on hand was $20,018,301 and $14,443,813 and the bank balance was $18,626,820 and $15,206,984 at June 30, 2009 and 2008, respectively. The Authority also had restricted cash deposited with a trustee, which had a carrying amount and cash on hand of $15,758,085 and $12,362,767 and a bank balance of $17,325,274 and $12,525,491 at June 30, 2009 and 2008, respectively.

The Authority's deposit policy for custodial credit risk limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the Authority's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance.

Credit Risk

Credit risk is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The Debt Service Funds (U.S. Treasury/Agency Securities) had a market value of $4,588,652 and $5,989,202 as of June 30, 2009 and 2008, respectively and was invested in direct obligations of the U.S. Government. U.S. Government obligations are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk

Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The Authority's cash deposits are held in several financial institutions and are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the SAFE Program. Also, the Authority's Debt Service Funds (U.S. Treasury/Agency Securities) are not considered a risk because the securities are guaranteed by the U.S. Government.

The Authority's investment policy limits its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Authority's total investment portfolio will be invested in a single security type or with a single financial institution.

Interest Rate Risk

Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value.

	Investment Maturities at Fair Value (in Years)				Totals 6/30/09	Totals 6/30/08
Type of Investment	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Totals**	**Totals**
Debt Services:						
U.S. Treasury/ Agency Securities	$ 3,088,020	$ 1,500,632	$	$	$ 4,588,652	$ 5,989,202
Total Debt Securities	$ 3,088,020	$ 1,500,632	$	$	$ 4,588,652	$ 5,989,202

The Authority's investment policy is to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than three years from the date of purchase. However, the Authority may collateralize its certificates of deposit using longer-dated investments not to exceed five years for maturity.

Reserve funds may be invested in securities exceeding three years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

NOTE 4 FAIR VALUE MEASUREMENTS

In 2009, the Authority adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of inputs other than quoted prices included within Level 1 that are observable market data; and Level 3 inputs consist of unobservable inputs for the asset and have the lowest priority. The Authority uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. For fiscal year ended June 30, 2009, all of the Authority's investments were measured using Level 1 inputs.

		Fair Value Measurements Using:
Description	FYE 6/30/09 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	$ 4,588,652	$ 4,588,652
Total	$ 4,588,652	$ 4,588,652

NOTE 5 OPERATING LEASES

The Authority is the lessor of terminal space, land and buildings at the Birmingham International Airport under various operating leases for periods through 2026. Some of the leases, in addition to noncancellable amounts at fixed rates, provide for additional payments based on usage or activity. The following is a table of future minimum noncancellable lease payments to the Authority:

2010	$ 1,502,078
2011	745,036
2012	745,036
2013	513,551
2014	513,551
2015 - 2019	1,833,251
2020 - 2024	770,187
2025 - 2026	152,574
	$ 6,775,264

NOTE 6 REVENUE BONDS PAYABLE

On October 22, 2003, the Authority issued the Birmingham Airport Authority Airport Revenue Refunding Bonds, Series 2003-A and the Airport Revenue Refunding Bonds, Series 2003-B in the amounts of $20,820,000 and $17,875,000 respectively. The Series 2003-A Bonds and the Series 2003-B were issued to provide funds to refund the Authority's Series 1993-A and 1993-B Bonds outstanding in the principal amounts of $20,390,000 and $18,060,000 respectively.

The Series 2003-A Bonds pay interest on a variable rate determined each week and paid monthly in arrears. Principal payments on the Series 2003-A Bonds are due annually beginning July 1, 2014, and the final principal payment is due on July 1, 2023.

The Series 2003-A net bond proceeds of $20,258,123 (after payment of $750,909 in issuance cost and depositing $1,778,227 into the 2003 Reserve Fund) plus an additional $1,967,259 of Series 1993-A and 1993-B sinking fund monies were deposited into the 1993 Escrow Fund.

The Series 2003-B Bonds mature no later than July 1, 2014, and require semiannual interest payments on January 1 and July 1 beginning January 1, 2004, at rates ranging between 2 and 5 percent. Principal payments on the Series 2003-B Bonds are due annually beginning July 1, 2004.

The Series 2003-B net bond proceeds of $19,764,504 (after payment of $577,619 in issuance cost) plus an additional $2,012,283 of Series 1993-A and 1993-B sinking fund monies were deposited into the 1993 Escrow Fund.

In refunding the Series 1993-A and Series 1993-B Bonds, the Authority incurred a loss of approximately $1,802,751 which was deferred and is being amortized over the life of the new debt in accordance with GASB 23. The Authority is expected to reduce its aggregate debt service payments over the next 20 years and will obtain an economic gain (difference between the present value of debt service of the refunded bonds and the Series 2003-A and 2003-B Airport Revenue Refunding Bonds) estimated to be approximately $2,177,000.

On July 11, 2007, the Authority issued the Birmingham Airport Authority Airport Revenue Refunding Bonds, Series 2007, in the amount of $44,635,000. The Series 2007 Bonds were issued to provide funds to refund the Authority's Series 1996 and 1999 Bonds outstanding in the principal amounts of $24,220,000 and $20,515,000, respectively.

The Series 2007 Bonds mature no later than July 1, 2026, and require semi-annual interest payments on January 1 and July 1, beginning January 1, 2008, at rates ranging between 5 and 5.25 percent. Principal payments on the Series 2007 Bonds are due annually beginning July 1, 2008.

The Series 2007 net bond proceeds of $45,622,343 (after payment of $343,478 in issuance cost) plus an additional $141,713 of Series 1996 and 1999 sinking fund monies were deposited into the 1996 and 1999 Escrow Fund.

In refunding the Series 1996 and Series 1999 Bonds, the Authority incurred a loss of approximately $1,375,552, which was deferred and is being amortized over the life of the new debt in accordance with GASB 23. The Authority is expected to reduce its aggregate debt service payments over the next 19 years and will obtain an economic gain (difference between the present value of debt service of the refunding bonds and the Series 2007 Airport Revenue Refunding Bonds) estimated to be approximately $1,496,970.

Long-term revenue bonds payable consist of the following:

	2009	2008
Total principal outstanding	$ 70,025,000	$ 73,780,000
Unamortized bond premium	1,306,281	1,445,693
Deferred loss on defeasance	(2,702,483)	(3,028,671)
Total	$ 68,628,798	$ 72,197,022

The following shows debt service to maturity for the Series 2003-A and B Bonds and the Series 2007 Bonds:

FYE June 30,	Principal	Interest	Total
2010	$ 3,940,000	$ 3,251,363	$ 7,191,363
2011	4,135,000	3,054,363	7,189,363
2012	4,320,000	2,872,515	7,192,515
2013	4,520,000	2,673,335	7,193,335
2014	4,725,000	2,466,525	7,191,525
2015 - 2019	27,475,000	8,862,975	36,337,975
2020 - 2024	17,200,000	2,997,860	20,197,860
2025 - 2026	3,710,000	294,525	4,004,525
Total	$ 70,025,000	$ 26,473,461	$ 96,498,461

NOTE 7 CAPITAL CONTRIBUTIONS AND NET ASSETS

Since its inception, the Authority has received capital contributions from the City of Birmingham, in the form of net assets transferred as of the date of inception and through Federal grants and programs as follows:

	Inception To-Date	Year Ended 2009	Year Ended 2008
City of Birmingham	$ 12,359,477		
Federal	320,757,920	$ 32,907,915	$ 21,921,707
Total	$ 333,117,397	$ 32,907,915	$ 21,921,707

All unrestricted net assets were undesignated as of June 30, 2009.

NOTE 8 CHANGES IN CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2009 and 2008, is as follows:

Governmental Activities	Balance at 07/01/08	Additions	Deductions	Balance at 06/30/09
Capital assets not being depreciated:				
Land	$ 105,163,038	$ 22,691,569	$ (100,000)	$ 127,754,607
Construction in progress	112,080,525	30,553,086	(104,764,960)	37,868,651
Total capital assets, not being depreciated	217,243,563	53,244,655	(104,864,960)	165,623,258
Capital assets being depreciated:				
Buildings	106,303,485		(40,500)	106,262,985
Infrastructure improvements	122,113,834	74,445,390	(1,599,656)	194,959,568
Machinery and equipment	7,853,779	6,756,951	(343,495)	14,267,235
Furniture and fixtures	809,722			809,722
Total capital assets being depreciated	237,080,820	81,202,341	(1,983,651)	316,299,510
Less accumulated depreciation on:				
Buildings	(54,842,032)	(2,456,079)	40,500	(57,257,611)
Infrastructure improvements	(59,813,877)	(7,615,609)	1,452,530	(65,976,956)
Machinery and equipment	(6,123,439)	(1,467,896)	323,471	(7,267,864)
Furniture and fixtures	(823,531)	(5,689)		(829,220)
Total accumulated depreciation	(121,602,879)	(11,545,273)	1,816,501	(131,331,651)
Total capital assets depreciated, net	115,477,941	69,657,068	(167,150)	184,967,859
Total capital assets, net	$ 332,721,504	$ 122,901,723	$ (105,032,110)	$ 350,591,117

Governmental Activities	Balance at 07/01/07	Additions	Deductions	Balance at 06/30/08
Capital assets not being depreciated:				
Land	$ 105,113,038	$ 50,000		$ 105,163,038
Construction in progress	96,133,748	22,351,261	$ (6,404,484)	112,080,525
Total capital assets, not being depreciated	201,246,786	22,401,261	(6,404,484)	217,243,563
Capital assets being depreciated:				
Buildings	106,303,485			106,303,485
Infrastructure improvements	118,759,051	3,354,783		122,113,834
Machinery and equipment	7,544,437	309,342		7,853,779
Furniture and fixtures	809,722			809,722
Total capital assets being depreciated	233,416,695	3,664,125		237,080,820
Less accumulated depreciation on:				
Buildings	(52,385,873)	(2,456,159)		(54,842,032)
Infrastructure improvements	(54,640,626)	(5,173,251)		(59,813,877)
Machinery and equipment	(5,488,544)	(634,895)		(6,123,439)
Furniture and fixtures	(793,022)	(30,509)		(823,531)
Total accumulated depreciation	(113,308,065)	(8,294,814)		(121,602,879)
Total capital assets depreciated, net	120,108,630	(4,630,689)		115,477,941
Total capital assets, net	$ 321,355,416	$ 17,770,572	$ (6,404,484)	$ 332,721,504

NOTE 9 PENSION PLAN

Plan Description

The Authority contributes to the City of Birmingham Retirement and Relief System--a single employer defined benefit pension plan ("the Plan"). This system covers substantially all employees and certain elected officials and appointed employees. Membership is mandatory for covered employees and is effective upon employment. Employees contribute 6.5% of payroll, exclusive of overtime. The City is required by statute to fund that part of current service cost and past service cost which exceeds participants' contributions as determined by annual actuarial studies. The City of Birmingham ("the City") acts as trustee for the Plan.

Funding Policy

The funding methods and determination of benefits payable were established by the legislative acts creating the Plan and provide that the Plan's fund is to be accumulated from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plan is funded by the City. The Plan's financial statements and required supplementary information is presented in the City's, June 30, 2009, comprehensive annual financial report.

Summary of Significant Accounting Policies

The activities and the financial statements of the Plan is accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made.

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan's cash assets are invested in equity and fixed-income securities and are reported at fair value. Investments are traded on the national exchange.

The Authority's payroll for employees covered by the pension plan was $4,337,304 and $4,133,288, and the total payroll was $5,183,032 and $4,487,835 for the years ended June 30, 2009 and 2008, respectively.

The Authority's measurements of assets and pension benefit obligations are not shown separately from the City of Birmingham Retirement and Relief System's actuarial assumption valuation. The following are disclosure requirements of that all-inclusive actuarial assumption valuation, as of the last actuarial study of June 30, 2008, for the Plan.

City of Birmingham Retirement and Relief System
Schedule of Employer Contributions

Plan Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2003	$ 9,756,787	$ 10,697,621	109.6%
2004	11,290,871	11,347,715	100.5%
2005	12,875,198	10,881,632	84.5%
2006	13,742,543	11,398,732	82.9%
2007	14,173,353	12,006,508	84.7%
2008	14,818,900	12,061,584	81.4%
2009	17,050,689	-	-

City of Birmingham Retirement and Relief System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2003	$ 785,646,456	$ 796,083,861	$ 10,437,405	98.69%	$ 152,242,441	6.86%
7/1/2004	801,612,266	838,485,603	36,873,337	95.60%	158,062,119	23.33%
7/1/2005	819,166,736	875,792,038	56,625,302	93.53%	158,898,488	35.64%
7/1/2006	898,671,013	946,584,547	47,913,534	94.94%	162,849,137	29.42%
7/1/2007	935,821,094	992,864,448	57,043,354	94.25%	167,807,596	33.99%
7/1/2008	953,079,670	1,050,785,799	97,706,129	90.70%	174,113,556	56.12%

City of Birmingham Retirement and Relief System
Actuarial Methods and Assumptions

Actuarial Valuation:	
Frequency	Annual
Latest Date	7/1/2008
Basis for Contributions	7/1/2008
Cost Method	Entry Age Normal
Amortization:	
Method	Level Dollar
Open/Closed	Open/Rolling 30 years
Equivalent Single Period Remaining	30
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Assumptions:	
Investment Earnings	7.00%
Salary Increase:	
Inflation	3.5%
Merit, Longevity, etc.	Varies from .00% to 6.00%
Plan Membership:	
Retired participants and beneficiaries receiving benefits	2,464
Terminated participants entitled to, but not yet receiving benefits	205
Active participants	3,782
Total membership	6,451

City of Birmingham Retirement and Relief System
Development of the Net Pension Obligation and the Annual Pension Cost

Plan Year Ended June 30	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NPO @ 7%	ARC Adjustment	Amortization Factor	Pension Cost	Change in NPO	NPO Balance
2003	$ 9,756,787	$ 10,697,621	$ (1,332,150)	$ (2,022,300)	8.7831	$ 10,446,937	$ (250,684)	$ (18,012,681)
2004	11,290,871	11,347,715	(1,350,951)	(2,089,340)	8.6212	12,029,259	681,544	(17,331,137)
2005	12,875,198	10,881,632	(1,299,835)	(2,035,605)	8.514	13,610,968	2,729,336	(14,601,802)
2006	13,742,543	11,398,732	(1,095,135)	(1,150,095)	12.6962	13,797,503	2,398,771	(12,203,031)
2007	14,173,353	12,006,508	(915,227)	(919,064)	13.2777	14,177,190	2,170,682	(10,032,349)
2008	14,818,900	12,061,584	(702,264)	(755,580)	13.2777	14,872,216	2,810,632	(7,221,717)

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Authority adopted a policy to pay for the cost of post-employment health insurance for eligible employees. Employees of the Authority must meet the following eligibility requirements for pension benefits as defined by the City of Birmingham Retirement and Relief System for retirement:

- Retirees with 30 years of services at any age
- Retirees with 5 or more years of service and age 60 or older
- Retirees receiving ordinary or extraordinary disability pension benefits

Retirees may elect to continue their health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA). COBRA provides the retirees with health insurance coverage generally for a period of 18 months. Retirees may continue the same coverage (single or family) at the time of retirement. The retiree must elect health insurance coverage under COBRA within 60 days of the retirement date.

Retirees who meet the eligibility requirements, as listed above, are entitled to receive a subsidy amount equal to the amount the Authority pays for single coverage for an active employee. Retirees may receive the subsidy until they reach the age 65, become Medicare eligible, covered under another policy or deceased.

The retiree is responsible for paying the applicable balance of the monthly health insurance premium. The retiree may elect to have their portion of the health insurance deducted from their monthly pension benefit or elect to mail a check to the Authority by the 10th of each month for their portion.

The plan is a single-employer defined benefit plan. The Authority reserves the right to make changes to retiree benefits, insurance providers and co-payments that are considered necessary and at the Authority's discretion. Retirees will be notified whenever premium and/or benefits change. Benefits under the plan will be reviewed on an annual basis. The Authority intends no implied promise to continue the benefits for future retirees.

Funding Policy

The funding policy under the plan is to provide payments on a pay-as-you-go basis. During the fiscal year ended June 30, 2009 and 2008, the Authority paid $14,361 and $9,648, respectively, for health care insurance premiums for retired employees.

The Authority adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB 45), as of October 1, 2007. This statement requires governmental entities to recognize and match other post-retirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The adoption of GASB 45 did not have a material impact on the Authority's financial statements.

NOTE 11 MAJOR CUSTOMERS

Six major airlines operate at Birmingham. Prior to December 31, 2005, the airlines operated at Birmingham under a long-term Airport Use and Lease Agreement that credited the airlines' landing fee requirement with 50% of all non-airfield net revenues. From January 1, 2006 until March 1, 2009, the airlines operated without an agreement in place, but were charged rental rates and landing fees based on the methodology contained in the expired agreement. As of March 1, 2009, the Authority changed its rate setting methodology to an approach of crediting the airport's terminal cost center with 25% of all terminal building non-airline revenues, and calculating landing fees based on a full compensatory methodology. The airlines continue to operate at Birmingham on a month-to-month basis. The Authority received approximately 28% and 26% of its revenue during 2009 and 2008, respectively, from rentals and services provided to the commercial airlines.

NOTE 12 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority has purchased commercial insurance for all risk above minimal deductible amounts. In addition, all tenants and users of the Airport are required to have commercial insurance coverages naming the Authority as additional insured.

Following the events of September 11, 2001, all insurance companies canceled their war risk liability coverage for airlines and airports. During fiscal year 2008, the Authority was able to obtain $100,000,000 of coverage for an additional $128,550.

No liability is recorded at June 30, 2009, for outstanding claims or for any potential claims incurred but not reported as of that date. Settled claims have not exceeded these commercial coverages by any material amounts during the year ended June 30, 2009.

NOTE 13 RELATED PARTY TRANSACTIONS

The Authority reimburses the City for the cost of providing security and fire protection services to the Airport. Amounts charged by the City are reported as operating expenses during the year incurred and totaled $3,963,366 and $3,114,095 for the fiscal years ended June 30, 2009 and 2008, respectively.

NOTE 14 COMMITMENTS

At June 30, 2009, the Authority is committed under contracts for the following construction and planning projects:

	Committed Amount
Terminal Modernization Design	$ 13,357,125

NOTE 15 RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), in June 2007. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of GASB 51 is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB 51 is effective for financial statements for periods beginning after June 15, 2009. The provisions of GASB 51 generally are required to be applied retroactively. The Authority is currently evaluating the impact, if any, that GASB 51 will have on its financial statements.

The GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* (GASB 52), in November 2007. Accounting standards have historically required permanent and term endowments, including permanent funds, to report land and other real estate held as investments at their historical cost. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes--pension and other post-employment benefits plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans--however, report land and other real estate held as investments at their fair value. GASB 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. GASB 52 requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. GASB 52 is effective for financial statements for periods beginning after June 15, 2008. The Authority is currently evaluating the impact that GASB 52 will have on its financial statements.

NOTE 16 RECLASSIFICATION

The prior year's financial statements include reclassifications of certain revenues and expenses to conform to the 2009 year presentation. The reclassifications have no impact on the Authority's net assets.

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

We have audited the financial statements of the Birmingham Airport Authority ("the Authority") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

October 13, 2009

Banks, Finley, White & Co.

BANKS, FINLEY,
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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

Compliance

We have audited the compliance of the Birmingham Airport Authority ("the Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information of management, the board of directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

October 13, 2009

Banks, Finley White & Co.

BANKS, FINLEY,
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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

Compliance

We have audited the compliance of the Birmingham Airport Authority ("the Authority") with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration ("the Guide"), that are applicable to its Passenger Facility Charge ("PFC") program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts and grants applicable to its PFC program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its PFC program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the PFC program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the PFC program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer the passenger facility charge program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the passenger facility charge program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented or detected by the Authority's internal control.

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

This report is intended solely for the information of the board of directors, management and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

October 13, 2009

Banks, Finley, White & Co.

BIRMINGHAM AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2009

	ID Number	CFDA Number	Federal Revenue	Funds Expended
U. S. DEPARTMENT OF TRANSPORTATION				
Airport Improvement Program	AIP-3-01-0014-054-2003	20.106	$ 118,460	$ 118,460
Airport Improvement Program	AIP-3-01-0014-057-2004	20.106	37,671	37,671
Airport Improvement Program	AIP-3-01-0014-059-2005	20.106	1,078,470	1,078,470
Airport Improvement Program	AIP-3-01-0014-060-2005	20.106	24,462	24,462
Airport Improvement Program	AIP-3-01-0014-062-2006	20.106	864,823	864,823
Airport Improvement Program	AIP-3-01-0014-063-2006	20.106	492,185	492,185
Airport Improvement Program	AIP-3-01-0014-064-2007	20.106	1,921,226	1,921,226
Airport Improvement Program	AIP-3-01-0014-065-2007	20.106	1,312,441	1,312,441
Airport Improvement Program	AIP-3-01-0014-067-2008	20.106	371,788	371,788
Airport Improvement Program	AIP-3-01-0014-068-2008	20.106	16,026,383	16,026,383
Airport Improvement Program	AIP-3-01-0014-069-2008	20.106	1,890,356	1,890,356
Airport Improvement Program	AIP-3-01-0014-071-2008	20.106	2,206,352	2,206,352
Airport Improvement Program	AIP-3-01-0014-072-2008	20.106	393,125	393,125
Airport Improvement Program	AIP-3-01-0014-073-2008	20.106	130,794	130,794
Airport Improvement Program	AIP-3-01-0014-075-2009	20.106	71,846	71,846
Airport Improvement Program	AIP-3-01-0014-076-2009	20.106	128,124	128,124
Total U.S. Department of Transportation			27,068,506	27,068,506
Total Expenditures of Federal Awards			$ 27,068,506	$ 27,068,506

BIRMINGHAM AIRPORT AUTHORITY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of the Birmingham Airport Authority ("the Authority") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

BIRMINGHAM AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
For the year ended June 30, 2009

Charges collected:	
Charges collected from airlines	$ 5,753,740
Interest income	85,670
Total charges collected	5,839,410
Charges expended	(1,589,745)
Charges collected in excess of charges expended	4,249,665
Balance of collections, beginning of the year	7,147,159
Balance of collections, end of the year	$11,396,824

BIRMINGHAM AIRPORT AUTHORITY
NOTE TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED

BASIS OF PRESENTATION

The accompanying Schedule of Passenger Facility Charges ("PFC") Collected and Expended includes the PFC activity of the Birmingham Airport Authority ("the Authority") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the PFC Audit Compliance and Reporting Guide for Public Agencies.

BIRMINGHAM AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______Yes __X__ None reported

Noncompliance material to financial statements noted? ______Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____Yes __X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: $812,055

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II--Financial Statement Findings

None reported.

Section III--Federal Award Findings and Questioned Costs

None Reported

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture. This summary should be qualified by reference to descriptions or summaries of certain provisions of the Indenture referred to elsewhere in this Reoffering Memorandum (including, without limitation, those provisions referred to or described under the captions "DESCRIPTION OF THE SERIES 2003-A BONDS"). All references and summaries pertaining to the Indenture in this Appendix C or elsewhere in this Reoffering Memorandum are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Authority.

Definitions

Capitalized Terms used in this Appendix C without being defined herein shall have the meanings assigned thereto elsewhere in this Reoffering Memorandum.

"**Additional Bonds**" means those of the Bonds issued subsequent to the issuance of the Series 1990-A Bonds and Series 1990-B Bonds pursuant to the provisions of the Indenture.

"**Additional Facilities**" means:

(a) any airport facilities, including all land, buildings, structures, equipment and appurtenances constituting a part thereof,

(b) all enlargements of and improvements and additions to any existing or future buildings and structures that constitute the Airport Facilities, and

(c) all renewals and replacements of any of the foregoing,

which airport facilities, enlargements, improvements, additions, renewals and replacements are financed as a whole or in part through the issuance of Bonds other than Bonds heretofore issued under the Indenture.

"**Airport Consultant**" means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified person, firm or corporation of favorable repute for skill and experience in performing the duties for which it is employed by the Authority under the Indenture.

"**Airport Facilities**" means the Birmingham-Shuttlesworth International Airport, as now located within Jefferson County, Alabama, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the Authority in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto, to the fullest extent permitted by the Authorizing Statute. The term "Airport Facilities" excludes any Special Purpose Facilities so long as any indebtedness issued to finance such Special Purpose Facilities is outstanding.

"**Airport Lease**" means that certain Lease, Assignment and Operating Agreement dated as of September 16, 1986, between the City of Birmingham and the Authority, as said agreement now exists and as it may be supplemented, modified or amended from time to time in accordance with the provisions thereof.

"**Ambac Assurance**" means Ambac Assurance Corporation, the issuer of municipal bond insurance policy that insures the payment of the principal of and interest on the Series 2007 Bonds.

"**Annual Debt Service**" means, with respect to any outstanding Bonds or series thereof, the amount of principal maturing and interest becoming due with respect to such outstanding Bonds in the then current or any subsequent Fiscal Year; provided

(a) that the principal amount of any such Bonds required by the terms thereof to be redeemed or prepaid during any Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption or prepayment is required and not in the Fiscal Year in which their stated maturity or due date occurs;

(b) that any principal of or interest on the Bonds shall be deemed to mature or become due (1) on the date or dates on which moneys are required to be deposited into the Bond Fund to provide for the payment of such principal or interest and (2) in the respective amounts required to be so deposited into the Bond Fund on each such date;

(c) that for purposes of determining interest on any Variable Rate Bonds for any period for which the actual rate cannot be determined, the rate of interest on such Bonds shall, except as otherwise provided in clause (d) below, be assumed to be (1) the average rate of interest borne by such Variable Rate Bonds during the period of twenty-four (24) months immediately preceding the pertinent date of determination of Annual Debt Service, if such Variable Rate Bonds have been outstanding at least twenty-four (24) months as of such date of determination, or (2) the Prevailing Rate, if such Variable Rate Bonds have been outstanding less than twenty-four (24) months as of such date of determination;

(d) that the principal of any such Bonds that at the time constitute Balloon Indebtedness shall be deemed to mature over a period (commencing on the due date of such principal that constitutes Balloon Indebtedness) equal to thirty (30) years less the number of years (counting a fraction of a year as a whole year) that elapse between the date such Bonds were issued and the date they mature, to bear interest at the Prevailing Rate on the then unpaid principal balance and to be payable as to principal and interest in equal annual installments; and

(e) there shall be excluded any principal of or interest on any Bonds to the extent there are available and held in escrow or under a trust agreement (1) moneys sufficient to pay such principal or interest, (2) Permitted Defeasance Obligations which, if the principal thereof and the interest thereon are paid according to their tenor, will produce moneys sufficient to pay such principal or interest, or (3) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest.

If, in any case where a portion of the principal of any Bonds is to be excluded in determining Annual Debt Service, all of such principal does not mature or otherwise come due on that same date, there shall be excluded from each maturing installment of such principal an amount bearing the same ratio to such principal installment as the total amount of principal to be excluded with respect to such Bonds bears to the total outstanding principal of such Bonds. Further, in any case where, for purposes of determining Annual Debt Service with respect to any Bonds, a portion of the principal is to be excluded, there shall also be excluded interest on the principal so excluded.

"**Average Annual Debt Service**" means the average amount payable in a Fiscal Year as principal of and interest on the Bonds then outstanding and the Additional Bonds then proposed to be issued; provided that, for purposes of this definition, the due dates of principal of Bonds shall be determined and calculated as provided in the foregoing definition of the term "Annual Debt Service".

"**Balloon Indebtedness**" means, with respect to any Bonds having a term of five years or less, any principal that equals or exceeds 25 percent of the total principal of such Bonds and that becomes due (either by maturity or as a result of mandatory redemption requirements) during any period of twelve (12) consecutive calendar months, no part of which principal so becoming due is required to be redeemed prior to such due date.

"**Bond Fund**" means the fund created in the Indenture and designated the Birmingham Airport Authority Bond Fund.

"**Bonds**" means the Series 2003-A Bonds, the Series 2003-B Bonds, the Series 2007 Bonds and any other Additional Bonds at the time outstanding.

"**Capital Improvement Fund**" means the fund created in the Indenture and designated the Birmingham Airport Authority Capital Improvement Fund.

“**Completion Bonds**” means any Bonds issued for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Bonds have theretofore have issued in accordance with the provisions of the Indenture, to the extent necessary to provide a completed facility of the type and scope contemplated at the time that such Bonds theretofore issued were originally issued, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Bonds theretofore issued were originally issued.

“**Current Expenses**” means the Authority’s current expenses for the operation, maintenance and repair of the Airport Facilities as determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing, (a) all ordinary and usual expenses of operation, maintenance and repair, (b) administrative expenses, (c) salaries, (d) any payment of principal or interest on Working Capital Indebtedness, (e) payments to any retirement plan or plans properly chargeable to the Airport Facilities, (f) insurance expenses, (g) engineering expenses relating to the operation, maintenance or repair of the Airport Facilities, (h) fees and expenses of the Trustee, legal expenses and fees of consultants, and (i) any other expenses required to be paid by the Authority under the Indenture or by law, but Current Expenses shall not include (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation or amortization, (iii) any interest (other than interest on Working Capital Indebtedness), (iv) any payments made by the Authority pursuant to Section 3.03 of the Airport Lease, (v) any principal payment in respect of the Bonds or capital leases or indebtedness (other than Working Capital Indebtedness), or, (vi) any deposits to any fund or account created under the Indenture and payments of principal, premium, if any, and interest from such funds and accounts.

“**Federal Obligations**” means (i) any direct general obligations of the United States of America, (ii) any obligations the payment of the principal of and the interest on which is unconditionally and irrevocably guaranteed by, or entitled to the full faith and credit of, the United States of America, and (iii) Treasury Receipts.

“**Fiscal Year**” means the period commencing on the first day of July in any year and ending on the last day of June of the following year, unless the Trustee is notified in writing by the Authority of a change in such period, in which case the Fiscal Year shall be the 12-month period set forth in such notice.

“**FSA**” means Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), the issuer of municipal bond insurance policies that insure the payment of the principal of and interest on the Series 2003-A Bonds and the Series 2003-B Bonds.

“**Holder**”, when used in conjunction with a Bond, means the Person in whose name such Bond is registered.

“**Indenture**” means the Trust Indenture dated as of June 1, 1990, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003 and a Fifth Supplemental Indenture dated October 1, 2003, and a Sixth Supplemental Indenture dated July 1, 2007, and as it as it may from time to time be supplemented, modified or amended by any Supplemental Indenture in accordance with the provisions of the Indenture.

“**Indenture Funds**” means the Bond Fund, the Reserve Fund and the Series 2003 Reserve Fund.

“**Independent Accountant**” means a certified public accountant or a firm of certified public accountants that has no continuing employment or business relationship or other connection with the Authority which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such accountant or firm of accountants in the performance of any services to be performed under the Indenture as an Independent Accountant.

“**Independent Investment Adviser**” means a municipal securities dealer having no continuing employment or business relationship or other connection with the Authority that, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such securities dealer in the performance of any services to be performed under the Indenture as an Independent Investment Adviser.

"**Interest Payment Date**" means, with respect to any series of Bonds, the interest payment dates provided for in the Indenture or in the Supplemental Indenture relating to such series.

"**Maximum Annual Debt Service**" means the maximum amount payable in a Fiscal Year as principal of and interest on the Bonds then outstanding and any Additional Bonds proposed to be issued; provided that, for purposes of this definition, the due dates of principal of Bonds shall be determined and calculated as provided in the definition of the term "Annual Debt Service."

"**Net Condemnation Award**" means the total amount received as compensation for any part of the Airport Facilities taken under the exercise of the power of eminent domain, plus damages to any part of the Airport Facilities not taken, which compensation shall consist of (i) all awards received pursuant to administrative or judicial proceedings conducted in connection with the exercise of the power of eminent domain, plus (ii) all amounts received as the result of any settlement of compensation claims (whether in whole or in part) negotiated with the condemning authority, less (iii) all attorneys' fees and other expenses incurred in connection with the receipt of such compensation, including attorneys' fees and expenses relating to such administrative or judicial proceedings and to such settlement negotiations.

"**Net Insurance Proceeds**" means the total insurance proceeds recovered by the Authority on account of any damage to or destruction of the Airport Facilities or any part thereof, less all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such proceeds.

"**Net Revenues**" for any period means the Revenues for such period reduced by the Current Expenses for such period.

"**Permitted Defeasance Obligations**" means direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

"**Permitted Encumbrances**" means, with respect to the Airport Facilities:

(a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the Authority;

(b) covenants, easements, encumbrances, defects of title, reservations, restrictions, and conditions existing at the time of delivery of the Original Indenture;

(c) the reversionary interest of the City of Birmingham, as lessor, under the Airport Lease;

(d) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, none of which materially impairs the use of the property affected thereby for its intended purposes;

(e) mechanics', workers', repairmen's, architects', engineers', surveyors', or carriers' liens or other similar liens with respect to the Airport Facilities, provided that the same shall be discharged in the ordinary course of business and without undue delay or the validity of the same shall be contested in good faith with any pending execution thereof appropriately stayed;

(f) liens in respect of judgments or awards relative to claims which (i) are fully covered by insurance, or (ii) have been in force for less than the applicable appeal period, provided execution is not levied thereunder, and/or (iii) with respect to which an appeal or proceeding for review is being prosecuted in good faith and a stay of execution has been obtained pending such appeal or review; and other liens, charges and encumbrances that do not prevent or materially impair the use of the property affected thereby for its intended purposes; and

(g) other liens, charges and encumbrances that do not prevent or materially impair the use of the property affected thereby for its intended purposes.

"**Prevailing Rate**" means the average per annum rate of interest, as determined by a certificate of an Independent Investment Adviser made and dated not more than thirty (30) days prior to the date of calculation, borne by obligations (a) the interest on which is generally excluded from gross income for purposes of federal income taxation but subject to the alternative minimum tax imposed by Section 55 of the Code (or, in the event that tax-exempt financing is not expected to be available for the refinancing of the indebtedness for which interest is being imputed, the interest on which is subject to federal income taxation), (b) that mature over a term of thirty (30) years, and (c) that are incurred by entities engaged in the operation of facilities similar to the Airport Facilities and whose obligations enjoy a credit rating similar to that of the obligations of the Authority payable from the revenues derived from the Airport Facilities.

"**Reserve Fund**" means the fund created in the Indenture and designated the Birmingham Airport Authority Debt Service Reserve Fund.

"**Reserve Fund Requirement**" means, as of the date of any determination thereof, the lesser of (A) 125 percent of the Average Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, (B) the Maximum Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, or (C) an amount equal to the aggregate of 10 percent of the original principal amount (or, in the case of any series of Bonds sold with original issue discount in an amount greater than 2 percent of its original principal amount, the issue price) of each series of Bonds at the time secured by the Reserve Fund.

"**Resolution**" means a resolution duly adopted by the Directors.

"**Revenue Fund**" means the fund created in the Indenture and designated the Birmingham Airport Authority Revenue Fund.

"**Revenues**" means

(a) except to the extent hereinafter excluded, the total revenues received by the Authority with respect to the Airport Facilities and any funds and accounts maintained with respect thereto, as determined in accordance with generally accepted accounting principles for airports consistently applied, including, without limitation, all payments, proceeds, fees, charges, rents and other income derived by the Authority from the operation or ownership of the Airport Facilities and all investment income from funds and accounts established under the Indenture; and

(b) amounts which the Authority is authorized, but not obligated, to pay or transfer to the Revenue Fund to the extent of any such payments or transfers, including transfers from the Capital Improvement Fund, but excluding amounts transferred to the Capital Improvement Fund pursuant to Section 10.5 in the current Fiscal Year, which amounts shall become Revenues only at the time of payment or transfer to the Revenue Fund; provided, however, that for any given Fiscal Year the amount that may be included pursuant to this subparagraph (b) in the computation of Revenues may not be greater than 25% of the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year pursuant to the provisions of Section 10.2 of the Original Indenture.

Except as otherwise required by generally accepted accounting principles, there shall not be included in Revenues, unless in the case of (v) or (vi) paid or transferred pursuant to (b) above,

(i) any gifts, grants, bequests, contributions or donations;

(ii) proceeds from the sale and disposition of all or any part of the Airport Facilities;

(iii) to the extent and for so long as such payments are pledged to secure the financing of the same, rentals or other payments (including debt service) from the financing of Special Purpose Facilities, except to the extent otherwise provided by the Authority in respect of any such facilities;

(iv) any Net Insurance Proceeds or Net Condemnation Awards;

(v) per passenger taxes collected at the Airport Facilities;

(vi) any taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport Facilities or noise abatement with respect to Airport Facilities operations, except to the extent such amounts are received as payment for use of the Airport Facilities; and

(vii) the proceeds of any indebtedness.

"**Series 2003-A Bonds**" means the Authority's Airport Revenue Refunding Bonds, Series 2003-A (non-AMT), dated originally October 22, 2003, which are being reoffered in Term Rate Mode, dated the date of delivery, described on the cover page of this Reoffering Memorandum.

"**Series 2003-B Bonds**" means the Authority's Airport Revenue Refunding Bonds, Series 2003-B (AMT), dated October 1, 2003.

"Series 2007 Bonds" means Authority's Airport Revenue Refunding Bonds, Series 2007 (AMT), dated July 11, 2007.

"**Special Purpose Facilities**" means any land, building, structure or other facilities, including equipment, acquired or constructed, which are financed by the issuance of obligations which are issued in compliance with the provisions of the Indenture, but are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture.

"**Subordinate Debt**" means (i) payments, if any, that the Authority is required to make pursuant to Section 3.03 of the Airport Lease and (ii) any other indebtedness hereafter incurred by the Authority that is not secured by a pledge of the Net Revenues (or any portion thereof) or that is secured by a pledge of the Net Revenues (or any portion thereof) that is subordinate to the pledge contained in the Indenture.

"**Subordinate Debt Fund**" means the fund created in the Indenture and designated the Birmingham Airport Authority Subordinate Debt Fund.

"**Supplemental Indenture**" means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture.

"**Total Operating Revenues**" means, as to any period of time, total operating revenues with respect to the Airport Facilities, as determined in accordance with generally accepted accounting principles for airports consistently applied.

"**Treasury Receipts**" means custodial receipts evidencing ownership in future principal or interest payments, or both, with respect to United States Treasury obligations that have been deposited with a custodian pursuant to a custody agreement which provides for the United States Treasury obligations underlying such custodial receipts to be held in a separate account and for all payments of principal and interest received by such custodian with respect to such underlying obligations to be immediately paid to the holders of such custodial receipts in accordance with their respective ownership in such underlying obligations, provided that (i) the custodian issuing such custodial receipts shall be a bank that is acceptable to the Trustee, that is organized under the laws of the United States of America or any state thereof, and that, at the time of the issuance of such custodial receipts, shall have capital, surplus and undivided profits in excess of $100,000,000 and (ii) the custody agreement pursuant to which such custodial receipts are issued shall be acceptable to nationally recognized bond counsel.

"**Variable Rate Bonds**" means any Bonds that bear interest at a rate which is not fixed or constant, but which is established from time to time in accordance with a formula or procedure set forth in such Bonds or in the proceedings of the Authority providing for their issuance.

"**Working Capital Indebtedness**" means any indebtedness having a term of one year or less that is incurred by the Authority pursuant to applicable provisions of the Indenture to provide for the payment of Current Expenses.

Pledge of Revenues

As security for the payment of the principal, interest and premium (if any) on the Bonds and the performance of all obligations of the Authority under the Indenture, the Authority has pledged to the Trustee all presently owned or after acquired interests and rights in and to:

(a) Net Revenues,

(b) All moneys required by the Indenture to be deposited from time to time into the Bond Fund and the Reserve Fund, any investments or reinvestments of said moneys, and any income or proceeds thereof,

(c) All moneys required by the Indenture to be deposited from time to time into the Revenue Fund, any investments or reinvestments of said moneys, and any income or proceeds thereof, subject to the disbursement of moneys from the Revenue Fund to any other fund established under the Indenture for use as set forth in the Indenture,

(d) All moneys required by the Indenture to be deposited from time to time into the Subordinate Debt Fund, any investments or reinvestments of said moneys, and any income or proceeds thereof, subject to the disbursement of moneys from the Subordinate Debt Fund for payment of Subordinate Debt pursuant to the provisions of the Indenture, and

(e) Any moneys, rights, and properties of any kind or description transferred to the Trustee in trust as additional security for payment of any specified series or all of the Bonds or which otherwise may be possessed or owned by the Trustee as additional security under the Indenture.

The Trustee shall hold all security pledged by the Authority under the Indenture in trust for the benefit of the Holders, equally and ratably, without preference or priority of one Holder over another Holder except as the Indenture provides that preferential application of certain moneys with respect to specific series of the Bonds shall be made.

Liability Under Bonds

The Bonds are special and limited obligations of the Authority and the principal, interest and premium (if any) thereon shall be payable solely out of the Net Revenues and moneys pledged to the Trustee under the Indenture and not from any other moneys held by the Authority which are not pledged under the Indenture. The Bonds and the agreements of the Authority in the Indenture are not general obligations of the Authority or of the City of Birmingham or of any other municipality or county in the State of Alabama. The Authority shall have no personal or pecuniary liability for payment of the Bonds or for any agreements of the Authority made in the Indenture, except to the extent of Net Revenues and other moneys pledged to the Trustee in the Indenture.

Establishment of Funds and Accounts

The Indenture establishes certain funds and accounts into which the proceeds from the sale of the Bonds and the pledged revenues and other moneys are to be deposited. Following the issuance of the Series 2003-A Bonds and the Series 2003-B Bonds, the funds which are to be held by the Trustee are as follows: the Bond Fund, the Reserve Fund and the Series 2003 Reserve Fund (such funds being referred to collectively as the "Indenture Funds"). The Indenture Funds shall be, at all times, public funds impressed with a trust for the purposes for which said funds were created. The funds that are to be held by the Authority pursuant to the provisions of the Indenture are as follows: the Revenue Fund, the Subordinate Debt Fund and the Capital Improvement Fund (all such funds referred to collectively as the "Authority Funds"). The Authority may designate one or more banking institutions as depositories for the Authority Funds provided that any such depository must be a member of the Federal Deposit Insurance Corporation qualified to do business in the State of Alabama.

The Trustee shall, to the extent practicable, keep all moneys on deposit in the Bond Fund, the Reserve Fund and the Series 2003 Reserve Fund continuously invested in Federal Obligations as set forth in the Indenture.

Revenue Fund. All Revenues of the Authority shall be deposited daily into the Revenue Fund. On or before the last day of each month, the moneys in the Revenue Fund will be applied for the purposes specified in this Reoffering Memorandum under "SECURITY FOR THE SERIES 2003-A BONDS—Application of Revenues". The Authority shall not make any payments from the Revenue Fund except as set forth in the Indenture.

Bond Fund. The Trustee shall make payments of principal of and interest on the Bonds as they become due and shall redeem the Bonds as set forth in the Indenture from moneys on deposit in the Bond Fund. Monthly payments shall be made from the Revenue Fund into the Bond Fund in amounts sufficient to provide for payment of principal and interest on the Bonds. To the extent that moneys from the Revenue Fund are not sufficient to fund the

Bond Fund as required in any month, the difference shall be paid into the Bond Fund from the Revenue Fund in the succeeding month until required payments into the Bond Fund are current.

At any point when the moneys on deposit in the Bond Fund equal or exceed the aggregate of principal and interest then remaining unpaid on the Bonds, no further payments shall be made into the Bond Fund from the Revenue Fund except to the extent that Additional Bonds are issued or the moneys therein become lost or shall not be immediately available for disbursement for the purposes of the Bond Fund.

Reserve Fund. Certain proceeds from the sale of the Authority's previously issued Bonds have been deposited into the Reserve Fund. At present, only the Series 2007 Bonds are secured by the Reserve Fund. The Series 2003-A Bonds and Series 2003-B Bonds are not secured by the Reserve Fund; instead, as described elsewhere in this Reoffering Memorandum, the Series 2003-A Bonds and Series 2003-B Bonds are secured by the Series 2003 Reserve Fund. See "SECURITY FOR SERIES 2003-A BONDS – Series 2003 Reserve Fund." If Additional Bonds are issued by the Authority and the Authority elects to have those Additional Bonds secured by the Reserve Fund, the moneys on deposit in the Reserve Fund shall be increased by an amount sufficient to satisfy the Reserve Fund Requirement under the Indenture for the Bonds and such Additional Bonds.

When moneys on deposit in the Bond Fund are not sufficient to pay a maturing installment of principal or interest, moneys from the Reserve Fund shall be deposited into the Bond Fund. Upon any such transfer to the Bond Fund, the Authority shall make additional deposits to the Reserve Fund from the Revenue Fund until the moneys transferred from the Reserve Fund have been restored to the Reserve Fund. In the event the total Reserve Fund exceeds the then applicable Reserve Fund Requirement, the Trustee shall transfer such excess to the Bond Fund. When the aggregate of the Reserve Fund and the Bond Fund equals or exceeds the aggregate of principal and interest then remaining unpaid on the Bonds, no further payments shall be made into the Reserve Fund except to the extent that Additional Bonds are issued.

At some time in the future, the Authority may seek to amend the Indenture to permit the substitution of a surety bond or insurance policy for all or a portion of the cash and securities then held in the Reserve Fund. Such an amendment would require the consent of the holders of a majority in principal amount of the Bonds then outstanding. The Third Supplemental Indenture, the Fourth Supplemental Indenture, and the Fifth Supplemental Indenture provide that, in the event that the Authority seeks to effect such an amendment to the Indenture, all the holders of the then outstanding Series 2003-A Bonds, Series 2003-B Bonds, and Series 2007 Bonds and all holders of the Bonds (if any) issued subsequent to the issuance of the Series 2003-A Bonds, the Series 2003-B Bonds and the Series 2007 Bonds, will be deemed to have consented to such amendment for purposes of the Bondholder consent requirement in the Indenture if either (a) the claims-paying ability of the insurer providing such surety bond or insurance policy is rated "AAA" by Standard & Poor's Rating Services or "Aaa" by Moody's Investors Service or (b) such surety bond or insurance policy and the issuer thereof are approved by all municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds.

Subordinate Debt Fund. The Authority shall deposit into the Subordinate Debt Fund on or before the last day of each calendar month moneys remaining in the Revenue Fund after prior required payments into other Indenture Funds sufficient to pay the Subordinate Debt becoming due and payable during the then succeeding calendar month. The Authority shall pay principal and interest due and payable on the Subordinate Debt from the Subordinate Debt Fund.

Capital Improvement Fund. Any excess moneys remaining in the Revenue Fund on the last day of the Authority's Fiscal Year, after all required payments have been made into other funds under the Indenture, shall be deposited into the Capital Improvement Fund. Moneys deposited into the Capital Improvement Fund shall be held by the Authority free and clear of any lien or encumbrance of the Indenture and may be withdrawn from said fund by the Authority and used for any lawful purpose, including the making of deposits to the Revenue Fund.

General Covenants and Representations of the Authority

Payment of Bonds and Performance Under Indenture. The Authority shall cause to be paid the principal, interest and premium (if any) on the Bonds when due, at the time and place due as set forth in the Bonds. The Authority shall perform all covenants, undertakings and agreements to be performed by it under the Indenture or the Bonds.

Operation of Airport Facilities. The Authority shall operate and maintain the Airport Facilities in an efficient and economical manner, in good repair and in sound operating condition. The Authority shall comply with all valid governmental or judicial acts, rules, regulations, orders or directions applicable to the Airport Facilities.

Budget; Accounts and Records. At least ninety days prior to the beginning of each Fiscal Year, the Authority shall prepare and deliver to the governing body of the City of Birmingham a proposed budget for said year for the Airport Facilities. Upon approval by the City, the Authority shall deliver a copy of such approved budget to the Trustee. If the City fails to approve the proposed budget, said proposed budget shall be used as the budget for the Authority until a budget is approved by the City. The Authority may, from time to time, request approval by the City of an amended or supplemental budget. The Authority shall request such approval if the Authority will be unable to maintain and operate the Airport Facilities and comply with the Rate Covenant requirements under the budget.

The Indenture Funds and the Authority Funds shall be kept separate from all other funds, accounts, moneys and investments of the Authority. The Authority shall keep accurate records and accounts of all costs and expenditures relating to the Airport Facilities and of Revenues collected and the application of such Revenues. All interested persons may inspect said records and accounts.

Within 180 days after the end of each Fiscal Year, the Authority shall cause an Independent Accountant to prepare an audit of its book and accounts. Such audit reports shall be accompanied by an opinion stating that the examination of the financial statements was conducted in accordance with generally accepted accounting standards, stating whether such financial statements present fairly the financial position of the Authority and the results of its operations and changes in its financial position for the period covered by such report in conformity with generally accepted accounting principles applied on a consistent basis for public entities of like type. The audit reports shall be filed with the Trustee, shall be available for inspection at the office of the Authority and shall be mailed to each Holder requesting same.

Within 180 days of the end of each Fiscal Year, the Authority shall also file with the Trustee a report identifying all Events of Default that occurred during the preceding Fiscal Year, setting forth all Revenues and Current Expenses for said Fiscal Year and for the next preceding Fiscal Year, and setting forth the amount of moneys contained in each of the Indenture Funds and Authority Funds at the end of such Fiscal Year.

Insurance. The Authority shall obtain and maintain hazard and public liability insurance in such amounts as are customarily carried by enterprises of a similar nature. The Authority shall further obtain and maintain fidelity insurance or bonds on all officers or employees handling or responsible for any Revenues or funds of the Authority.

The Authority may provide the required insurance coverage through “Qualified Self Insurance,” that is, insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority has a material interest or of which the Authority has control either singly or with others. If the Authority chooses to provide Qualified Self Insurance, it must establish the plan of insurance in accordance with law, must provide for the establishment of reserves or acquisition of other insurance upon the termination of the plan in order to cover any potential retained liability and the plan must be reviewed no less than once each year by a qualified insurance consultant experienced with insurance requirements of enterprises similar to the Airport Facilities.

Condemnation Proceedings. The Authority shall take prompt and appropriate measures to protect and enforce its rights and interest and the rights and interest of the Trustee and the Holders in the event any public authority attempts to take or damage all or any part of the Airport Facilities through Eminent Domain proceedings. The Authority shall deliver to the Trustee written notice of the institution of eminent domain proceedings upon receipt of any notice thereof.

Disposition of Insurance and Eminent Domain Proceeds. All Net Insurance Proceeds and Net Condemnation Awards shall be paid to the Trustee and shall be used to replace, repair, rebuild or restore the Airport Facilities or to redeem Bonds at the election of the Authority subject to the provisions of the Indenture.

No Encumbrances. Except as permitted under the Indenture, the Authority shall not create or suffer to be created any lien or charge upon the Airport Facilities or any part thereof, or on the Net Revenues, except for Permitted Encumbrances.

Disposition of Airport Facilities. The Authority may, subject to the provisions of the Indenture, sell or otherwise dispose of all or any part of the Airport Facilities if it determines that the articles to be sold or disposed of are no longer needed or useful and that the sale or disposition will not materially impair the operating efficiency of the Airport Facilities or reduce the Authority's ability to satisfy the Rate Covenant requirements. Any proceeds from such sale or disposition shall be deposited into the Capital Improvement Fund.

Financing Special Purpose Facilities. The Authority may, subject to the provisions of the Indenture, finance the acquisition or construction of any Special Purpose Facilities permitted by law so long as such facilities are not directly or indirectly secured by the pledge of Net Revenues and other security under the Indenture, such financing does not constitute a default under the Indenture and such facilities shall not be contracted to provide services, facilities or supplies which may be made available at the Airport Facilities.

Actions Inconsistent With Indenture. The Authority covenants that it shall not use any of the Revenues for purposes other than as set forth in the Indenture and shall not enter into any contracts or take any actions by which the rights of the Holders might be impaired or diminished.

No Arbitrage Covenant. The Authority covenants that moneys on deposit in any Indenture Funds or Authority Funds shall not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder. The Authority further covenants to comply with the arbitrage rebate requirements of such Code and applicable regulations.

Events of Default

Any of the following shall constitute an "Event of Default" under the Indenture:

(a) failure by the Authority to pay principal or interest on any of the Bonds when due and payable, whether by maturity or otherwise,

(b) a final judgment for payment of money in excess of $1,000,000 is rendered against the Authority as a result of the ownership, control or operation of the Airport Facilities which is not discharged (or provision made therefor) within sixty days from the entry thereof or an appeal is not taken therefrom in such manner as to stay the execution or levy under or enforcement of such judgment,

(c) the Authority becomes insolvent, is unable to pay its debts as they mature, makes a general assignment for the benefit of its creditors, seeks reorganization or similar relief, applies for the appointment of a receiver for it or the Airport Facilities, has a receiver appointed for it or the Airport Facilities (which receiver is not discharged in ninety days), or takes certain similar action related to insolvency, liquidation, reorganization or readjustment of debts,

(d) failure by the Authority to satisfy the rate covenant in the Indenture, provided that such failure shall not constitute an Event of Default if the Authority employs an Airport Consultant and makes a good faith effort to comply with its recommendations (see "SECURITY FOR THE SERIES 2003-A BONDS—Rate Covenant" in this Reoffering Memorandum), or

(e) the Authority defaults in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or the Indenture and such default continues for thirty days after receipt of written notice from the Trustee, provided however, that the Authority shall have a cure period in excess of thirty days if it commences cure and pursues same with reasonable diligence.

Trustee's Remedies on Default

Upon the occurrence of any Event of Default, the Trustee may (a) collect the Revenues from the Authority daily, (b) accelerate the principal due and payable on all the Bonds (c) bring an action or actions to enforce the agreements of the Authority in the Indenture or to enjoin any act of the Authority which is unlawful or which violates the rights of the Holders, or (d) appoint a receiver to administer and operate the Airport Facilities and to perform the obligations of the Authority under the Indenture. The Trustee or the Holders shall not have the authority to compel a sale of the Airport Facilities or any part thereof nor to conduct a foreclosure proceeding or sale with respect to the Airport Facilities or any part thereof under the authority of the Indenture.

Any remedies held by the Trustee under the Indenture shall be vested exclusively in the Trustee for the equal and pro rata benefit of all the Holders. Subject to the provisions of the Indenture, if the Trustee fails or refuses to act on such remedies the Holders have certain rights to act in the name and behalf of the Trustee.

As discussed below under "Rights of Bond Insurers", the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds have the right to control certain of the remedies on default.

No delay or omission by the Trustee or the Holders to exercise any right, power or remedy under the Indenture shall waive or impair such right, power or remedy. Any such right, power or remedy may be exercised from time to time and as often as deemed expedient.

Application of Moneys Received After Default

Any moneys received by the Trustee or a receiver from the operation of the Airport Facilities that remain after the payment of (i) all related costs, including the receiver's fees and expenses and the fees and expenses of the receiver's attorney, (ii) the costs of administration and operation of the Airport Facilities and the maintenance thereof in good repair and working order, and (iii) all charges and expenses of the Trustee shall be applied for the following purposes and in the following order:

(a) Unless the principal of all of the Bonds shall have become or shall have been declared due and payable, such moneys shall be applied:

> FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, with interest on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full any particular installment plus said interest thereon, then to the payment ratably, according to the amounts due on such installments and with respect to said interest, to the persons entitled thereto, without any discrimination or privilege;
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> SECOND: to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of the maturities of such principal and premium, with interest on overdue installments of principal and premium, if any, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, due on any particular date, together with such interest, then to the payment of such principal, premium, if any, and interest, ratably, without any discrimination or privilege; and
>
> THIRD: the surplus, if any, into the Bond Fund and then, on a pro rata basis, into the Reserve Fund and the Series 2003 Reserve Fund, in the order named, to such extent as will result in there being on deposit therein the respective amounts at the time required to be maintained therein, or in the event the Bonds have been fully paid, to the Authority or to whomsoever may be entitled thereto.

(b) If the principal of all Bonds shall have been declared due and payable, all such moneys shall be applied as follows:

FIRST: to the payment of the principal and interest then due and payable upon the Bonds (with interest on overdue principal and interest), 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, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto; and

SECOND: the surplus, if any there be, to the Authority or to whomsoever may be entitled thereto.

The Trustee

The Trustee shall not be liable under the Indenture except for noncompliance with the provisions of the Indenture, willful misconduct or gross negligence.

The Trustee may, in its own name, and at any time, institute or intervene in any action for the enforcement of all rights under the Bonds or under the Indenture without joining as parties to such action, any Holders of the Bonds. The Holders of said Bonds shall be deemed to appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all rights of action under the Indenture, but such appointment shall not include the power to agree to accept new securities of any nature in lieu of the Bonds or to alter or amend the terms of the Indenture except as provided in the Indenture.

The Trustee and any successor Trustee may resign at any time upon the giving of thirty (30) days' written notice to the Authority, Ambac Assurance and FSA and to each Bondholder. The Trustee may be removed at any time by a written instrument delivered to the Trustee and to the Authority signed by the Holders of a majority in aggregate principal amount of the Bonds then outstanding for breach of any provision of the Indenture. If the Trustee resigns, is removed, or is otherwise incapable of acting, a successor Trustee may be appointed by the Holders of a majority in aggregate principal amount of the Bonds then outstanding, provided that any resignation, removal or termination shall not be effective until a successor Trustee, acceptable to the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds, has been appointed. Until such successor Trustee is appointed, the Authority may appoint a temporary Trustee.

Supplemental Indentures

The Authority and the Trustee may, without notice to or consent of the Holders, enter into Supplemental Indentures for the purposes of adding to the Authority's covenants and agreements, of providing for the surrender of any right or power of the Authority under the Indenture, of curing or correcting any defect in the Indenture, or of subjecting additional revenues to the lien of the Indenture, all as more particularly set forth in the Indenture. Except for such purposes no Supplemental Indentures shall be permitted without the consent of the Holders of a majority in principal amount of the outstanding Bonds. Written consent of the Holders of all of the outstanding Bonds shall be required to extend the maturity of any principal or interest installment on any Bond, reduce the principal amount or postpone the redemption date of any Bond required to be redeemed, create a lien or charge on Net Revenues prior to or on a parity with the lien of the Indenture (except for Additional Bonds), establish priorities or preferences between the Bonds, or reduce the aggregate principal amount of Bonds for which the Holders are required to consent to any Supplemental Indenture.

At some time in the future, the Authority may seek to amend the Indenture to provide that any amendment or supplement to the Indenture shall be subject to the prior written consent of all municipal bond insurers that at the time insure the payment of any of the then outstanding Bonds and to provide that such insurers shall be deemed to be the Holders of all outstanding Bonds for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the Holder of each outstanding Bond). The Third Supplemental Indenture, the Fourth Supplemental Indenture, and the Fifth Supplemental Indenture provide that, in the event that the Authority seeks to effect such an amendment to the Indenture, all the Holders of the then outstanding Series 2003-A Bonds, Series 2003-B Bonds and Series 2007 Bonds, and all Holders of the Bonds (if any) issued subsequent to the issuance of the Series 2003-A Bonds, the Series 2003-B Bonds and Series 2007 Bonds, will be deemed to have consented to such amendment for purposes of the Bondholder consent requirements in the Indenture.

As discussed below under "Rights of Bond Insurers", the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds have the right to approve certain Supplemental Indentures.

Satisfaction of Indenture

Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee thereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture. For purposes of the Indenture (including, without limitation, the provisions pertaining to the issuance of Additional Bonds), any of the Bonds shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium if any) due or to be due thereon until and at maturity, and, further, any Bond subject to redemption shall also be deemed to have been paid when the Authority shall have deposited with the Trustee the applicable redemption price of such Bond, together with evidence that such Bond has been called for redemption in accordance with the Indenture.

In addition, the Bonds shall for all purposes of the Indenture be deemed fully paid if the Authority and the Trustee enter into a trust agreement making provision for the retirement of all the Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of all such Bonds (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (a) Permitted Defeasance Obligations which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient to provide the payment and retirement of such Bonds, or, (b) both cash and Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (c) cash sufficient for such purpose.

Rights of Bond Insurers

The Indenture grants powers and rights to the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds. These powers and rights may be limited if there exists a default under a specific municipal bond insurance policy. Certain rights of the municipal bond insurers for the Bonds currently outstanding under the Indenture are described below.

Ambac Assurance. Any provision of the Indenture expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner that affects the rights of Ambac Assurance under the Indenture without the prior written consent of Ambac Assurance. Unless otherwise provided in the Indenture, Ambac Assurance's consent is required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture, (ii) removal of the Trustee and selection and appointment of any successor Trustee, and (iii) initiation or approval of any action not described in (i) or (ii) above that requires Bondholder consent. Any reorganization or liquidation plan with respect to the Authority must be acceptable to Ambac Assurance. In the event of any reorganization or liquidation, Ambac Assurance has the right to vote on behalf of all Series 2007 Bonds. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, Ambac Assurance is entitled to control and direct the enforcement of all rights and remedies granted to the Holders of Series 2007 Bonds or the Trustee for the benefit of the Holders of Series 2007 Bonds under the Indenture, including, without limitation, (i) the right to accelerate the principal of the Series 2007 Bonds as described in the Indenture and (ii) the right to annul any declaration of acceleration, and Ambac Assurance also is entitled to approve all waivers of Events of Default.

FSA. FSA will be deemed to be the sole Holder of the Series 2003-A Bonds and Series 2003-B Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2003-A Bonds and Series 2003-B Bonds are entitled to take pursuant to the article of the Indenture pertaining to defaults and remedies and the article of the Indenture pertaining to the duties and obligations of the Trustee. No modification or amendment to the Indenture may become effective except upon obtaining the prior written consent of FSA.

Municipal bond insurers for Additional Bonds may require other rights or impose additional requirements.

Fourth Supplemental Indenture and the Series 2003-A Bonds

General. The Authority issued the Series 2003-A Bonds originally on October 22, 2003, as variable rate demand obligations. On the date of the reoffering, the Series 2003-A Bonds will be converted to Term Rate Mode in the manner described in this Reoffering Memorandum.

The following constitutes a summary of certain portions of the Indenture that relate to the Series 2003-A Bonds in Term Rate Mode. This summary should be qualified by reference to descriptions or summaries of certain provisions of the Indenture referred to elsewhere in this Reoffering Memorandum (including, without limitation, those provisions referred to or described under the captions "DESCRIPTION OF THE SERIES 2003-A BONDS" and "SECURITY FOR THE SERIES 2003-A BONDS"). All references and summaries pertaining to the Indenture in this Appendix C or elsewhere in this Reoffering Memorandum are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Authority.

Definitions Relating to the Series 2003-A Bonds. Certain capitalized terms used frequently in this Reoffering Memorandum with respect to the Series 2003-A Bonds are defined in this section of the Reoffering Memorandum. Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

"**Affiliate**" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect, common control with such specified person. For purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Bond Documents**" means the Series 2003-A Bonds and the Indenture.

"**Bond Insurance Policy**" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and interest on the Series 2003-A Bonds.

"**Bond Insurer Default**" means any one or more of the following events: (i) the Bond Insurer fails to pay a claim properly made under the terms of the Bond Insurance Policy; (ii) the Bond Insurer declares that it is not obligated to honor future claims on the Bond Insurance Policy; or (iii) an act of bankruptcy occurs with respect to the Bond Insurer, or the Bond Insurer or a receiver (or other similar person with authority to control the disposition of the Bond Insurer's assets) declares that the Bond Insurer will not be able to pay in full, on a timely basis, future claims on the Bond Insurance Policy. A Bond Insurer Default shall "exist" if a Bond Insurer Default shall have occurred and be continuing.

"**Conversion Date**" means the day on which conversion from one Interest Rate Mode to a different Interest Rate Mode becomes effective.

"**Interest Rate Mode**" means the Weekly Rate Mode or the Term Rate Mode.

"**Maturity**" when used with respect to any Series 2003-A Bond, means the date specified in the Indenture and in such Series 2003-A Bond as the fixed date on which principal of such Series 2003-A Bond is due and payable.

"**Remarketing Agent**" means Morgan Keegan & Company, Inc., a Tennessee corporation, and Sterne, Agee & Leach, Inc., a Delaware corporation, in their capacities as remarketing agent with respect to the Series 2003-A Bonds, until one or more successor Remarketing Agents shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Remarketing Agent" means such successor or successors.

"**Substitute Bond Insurance Policy**" means a bond insurance policy delivered in substitution for the bond insurance policy then held by the Trustee.

"**Term Rate**" means the fixed interest rate borne by the Series 2003-A Bonds during a Term Rate Period.

"**Term Rate Interest Payment Date**" means a date on which interest calculated according to the Term Rate is payable on the Series 2003-A Bonds.

“**Term Rate Mode**” means the Interest Rate Mode in which a Series 2003-A Bond bears interest at the Term Rate.

“**Term Rate Period**” means a period specified by the Authority during which the Series 2003-A Bonds shall bear interest at a Term Rate.

“Weekly Rate” means the variable interest rate borne by the Series 2003-A Bonds while such Bonds are in the Weekly Rate Mode.

“**Weekly Rate Mode**” means the Interest Rate Mode in which a Series 2003-A Bond bears interest at a variable rate of interest established weekly in accordance with the terms of the Indenture.

Substitute Bond Insurance Policy. If the rating of the Bond Insurer is lowered by both Moody’s and S & P below the two top rating categories assigned by such rating agencies (without giving effect to numeric or other qualifiers), the Authority may deliver another insurance policy (a “Substitute Bond Insurance Policy”) to the Trustee in substitution for the Bond Insurance Policy then held by the Trustee, provided that certain conditions in the Indenture are met. No substitution of the Bond Insurance Policy is permitted during any Term Rate Period.

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APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

[Conversion Date]

Holders of the Series 2003-A Bonds
referenced below

Re: $20,820,000 Airport Revenue Refunding Bonds, Series 2003-A (non-AMT) issued by the Birmingham Airport Authority

We acted as bond counsel in connection with the issuance of the above-referenced bonds (the "Bonds") by the Birmingham Airport Authority, a public corporation organized under the laws of the State of Alabama (the "Authority"). The Bonds were issued pursuant to a Fourth Supplemental Indenture dated October 1, 2003 (the "Fourth Supplemental Indenture"), which supplemented a Trust Indenture dated as of June 1, 1990 (the "Original Indenture") between the Authority and First Commercial Bank, an Alabama banking corporation, as trustee (the "Trustee"). The Bonds are outstanding under the Original Indenture, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, the Fourth Supplemental Indenture, a Fifth Supplemental Indenture dated October 1, 2003, and a Sixth Supplemental Indenture dated July 1, 2007 (collectively, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

On the date hereof, the Authority is exercising its option to convert the Bonds to Term Rate Mode, with Term Rate Periods to Maturity (the "Conversion"), and the Bonds in Term Rate Mode are being remarketed by Morgan Keegan & Company, Inc. and Sterne, Agee & Leach, Inc. (together, the "Remarketing Agents"), as described more particularly in a Reoffering Memorandum dated November 25, 2009 (the "Reoffering").

We have acted as bond counsel to the Authority in connection with the Conversion and Reoffering.

As to various questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the Indenture, other representations and agreements made by the Authority in connection with the Conversion and Reoffering, and in the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinions that:

1. The Conversion and Reoffering will not cause interest on the Bonds to become includible in the gross income of the Holders for purposes of federal income taxation.

2. Commencing on the date hereof, after giving effect to the Conversion, the Series 2003-A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code and, in the case of a financial institution (as defined in Section 265(b)(5) of the Internal Revenue Code), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Series 2003-A Bonds.

We express no opinion regarding federal tax consequences arising with regard to the Bonds other than the opinion expressed in paragraphs 1 and 2.

The rights of the holders of the Series 2003-A Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Reoffering Memorandum relating to the Conversion and Reoffering.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Faithfully yours,

MAYNARD, COOPER & GALE, P.C.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The information contained in this section concerning The Depository Trust Company and its book-entry only system has been obtained from materials furnished by The Depository Trust Company to the Authority. The Authority and the Remarketing Agents do not make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003-A Bonds. The Series 2003-A Bonds are fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2003-A Bond certificate will be issued for each maturity of the Series 2003-A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also are subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 beneficial ownership interests in the Series 2003-A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003-A Bonds on DTC's records. The ownership interest of each beneficial owner of a Series 2003-A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written communication 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2003-A Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2003-A Bonds, except in the event that use of the book-entry system for the Series 2003-A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003-A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003-A Bonds with DTC and their registration in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003-A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003-A

Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2003-A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003-A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the terms of the Series 2003-A Bonds. For example, Beneficial Owners of Series 2003-A Bonds may wish to ascertain that the nominee holding the Series 2003-A 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 Trustee and request that copies of notices be provided to them directly.

Redemption notices shall be sent to DTC. If less than all of the Series 2003-A Bonds 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 Series 2003-A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003-A Bonds are credited on the record date identified in a listing attached to the "Omnibus Proxy".

Principal, premium and interest payments on the Series 2003-A Bonds will be made to Cede & Co., or such nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon receipt of funds and corresponding detail information, in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participants and Indirect Participants and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. (or any other DTC nominee) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

The Authority and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2003-A Bonds (i) payments of principal of or interest and premium, if any, on the Series 2003-A Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2003-A Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2003-A Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Reoffering Memorandum. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Authority nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2003-A Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series 2003-A Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to bondholders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2003-A Bonds; or (6) any consent given or other action taken by DTC as bondholder.

DTC may discontinue providing its services as a depository with respect to the Series 2003-A Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depositor is not obtained, certificates for the Series 2003-A Bonds are required to be printed and delivered. In addition, the Authority may discontinue the book-entry only system for the Series 2003-A Bonds at any time by giving reasonable notice to DTC.

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APPENDIX F

THE BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:	Birmingham Airport Authority, Alabama	Policy No.: 201885A-N
BONDS:	$20,820,000 in aggregate principal amount of Airport Revenue Refunding Bonds, Series 2003-A Non-AMT	Effective Date: October 22, 2003 Premium: $483,893.42

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (Bank Bonds)

ISSUER: Birmingham Airport Authority, Alabama

Policy No.: 201885A-N

BONDS: $20,820,000 in aggregate principal amount of Airport Revenue Refunding Bonds, Series 2003-A Non-AMT

Effective Date: October 22, 2003

Notwithstanding the terms and provisions contained in this Policy, it is further understood that, with respect to Bank Bonds, as defined in the Fourth Supplemental Indenture dated October 1, 2003, between the Issuer and First Commercial Bank, Birmingham, Alabama, as Trustee (the "Fourth Supplemental Indenture"), (i) the term "interest" shall include scheduled interest due and payable on Bank Bonds (including Differential Interest Amount) at an interest rate equal to the Bank Rate, but not in excess of the lesser of (x) the maximum rate permitted by applicable law and (y) 25% per annum and (ii) the term "Due For Payment" as used in the Policy shall further mean the date upon which principal is due and payable in respect of Bank Bonds upon the redemption thereof pursuant to and in accordance with Section 4.1(k)(2) of the Trust Indenture. Defined terms used herein and not otherwise defined shall have the meaning assigned to them in the Trust Indenture.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 626NY (NY 5/02)

FINANCIAL
SECURITY
ASSURANCE®

ENDORSEMENT NO. 2 TO MUNICIPAL BOND INSURANCE POLICY (Cancellation of Policy)

ISSUER: Birmingham Airport Authority, Alabama

BONDS: $20,820,000 in aggregate principal amount of Airport Revenue Refunding Bonds, Series 2003-A Non-AMT

Policy No.: 201885A-N

Effective Date: October 22, 2003

Attached to Policy No. 201885A-N (the "Policy") issued by Financial Security Assurance Inc. (the "Insurer"), as defined in the Policy issued with respect to the Bonds.

Notwithstanding the terms and conditions contained in the Policy, the Policy shall be cancelled upon the date of delivery to the Trustee (as hereinafter defined) of a Substitute Bond Insurance Policy (as defined in the hereinafter described Indenture) in accordance with the provisions of the Fourth Supplemental Indenture relating to the Bonds dated October 1, 2003 (the "Fourth Supplemental Indenture") between the Issuer and First Commercial Bank, Birmingham, Alabama, as trustee (together with any successor to the trust granted therein, the "Trustee"), in accordance with the provisions of Section 8.2 of the Fourth Supplemental Indenture; provided, however, that the Policy shall remain in effect with respect to any claims for amounts due for payment as described in the second paragraph of the Policy resulting from Nonpayment by or on behalf of the Issuer prior to the effective date of the cancellation of the Policy. This endorsement forms a part of the Policy, effective on the inception date of the Policy. Terms not defined herein shall have the meanings ascribed thereto in the Policy.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed in facsimile on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form No. 620NY (NY 4/02)

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT is entered into by BIRMINGHAM AIRPORT AUTHORITY, an Alabama public corporation (the "Obligated Entity"), for the benefit of the holders of the Obligated Entity's $20,820,000 Airport Revenue Refunding Bonds, Series 2003-A (the "Series 2003-A Bonds").

Recitals

A. The Series 2003-A Bonds were issued originally in Weekly Rate Mode pursuant to a Trust Indenture dated as of June 1, 1990, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003 and a Fifth Supplemental Indenture dated October 1, 2003, which Trust Indenture was supplemented after the issuance of the Series 2003-A Bonds by a Sixth Supplemental Indenture dated July 1, 2007 (said Trust Indenture as so supplemented being herein called the "Indenture"), between the Authority and First Commercial Bank, as trustee (the "Trustee").

B. The Authority has exercised its right to convert the Series 2003-A Bonds from Weekly Rate Mode to Term Rate Mode in accordance with the Indenture.

C. On the conversion date, the Authority is reoffering the Series 2003-A Bonds in Term Rate Mode on the terms and conditions described in a Reoffering Memorandum dated November 25, 2009 (the "Reoffering Memorandum"), which has been prepared for distribution to prospective purchasers of the Series 2003-A Bonds.

D. The Series 2003-A Bonds in Term Rate Mode are subject to the provisions of Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"). This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

E. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Reoffering Memorandum.

F. There is no Obligated Person with respect to the Series 2003-A Bonds other than the Obligated Entity.

NOW, THEREFORE, for and in consideration of the premises, the Obligated Entity hereby covenants, agrees and binds itself as follows:

1. **Definitions**.

The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires:

"EMMA" means the MSRB's Electronic Municipal Market Access system, as provided by the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Repository" means the MSRB and its EMMA system.

2. **Financial Information**.

(a) The Obligated Entity will provide to the Repository financial information and operating data (collectively referred to as "Annual Financial Information") with respect to the Obligated Entity of the type contained in the Reoffering Memorandum (1) in the table entitled "Historical Revenues and Expenses" under the heading "REVENUES AND EXPENSES OF THE AUTHORITY," and (2) under the heading "RATE COVENANT TESTS." Such Annual Financial Information will include audited financial statements prepared in accordance with accounting principles described in the audited financial statements included in the Reoffering Memorandum as an appendix.

(b) Such Annual Financial Information will be provided to the Repository within 180 days after the end of each fiscal year of the Obligated Entity, commencing with the fiscal year ending June 30, 2009.

3. **Event Notices**.

(a) The Obligated Entity will provide to the Repository notice of any of the following events with respect to the Series 2003-A Bonds, if material:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the security;

(7) Modifications to rights of security holders;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities;

(11) Rating changes;

(12) Notice of a failure of the Obligated Entity to provide required Annual Financial Information, on or before the date specified in this Agreement.

(b) The Obligated Entity may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of such Obligated Entity, such other event is material with respect to the Series 2003-A Bonds, but the Obligated Entity does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

(c) The event notices required by this section shall be made in a timely manner, reflecting the time necessary to discover any such event, assess its materiality, and prepare and disseminate the notice.

4. **Limitation of Remedies Hereunder**. The Obligated Entity shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Series 2003-A Bonds for breach by the Obligated Entity of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the Obligated Entity to obtain performance of the Obligated Entity's obligations hereunder. Any action for such specific performance or mandamus may be filed only in Jefferson County, State of Alabama. Any failure by the Obligated Entity to comply with the provisions of this Agreement shall not be an event of default with respect to the Series 2003-A Bonds under the Indenture.

5. **Responsibility for Compliance**.

(a) No person other than the Obligated Entity shall have any liability or responsibility for compliance by the Obligated Entity with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The Obligated Entity will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any consultants, advisers, accountants, legal counsel or other persons that may be retained by the Obligated Entity to assist in the performance of the Obligated Entity's obligations.

6. **Additional Obligated Persons**. If any other person becomes an "obligated person" within the meaning of the Rule while the Series 2003-A Bonds are Outstanding, the Obligated Entity shall cause such person to execute and deliver an undertaking pursuant to the Rule substantially in the form of this Agreement.

7. **Modification and Termination**.

(a) The provisions of this Agreement may be modified at any time by the Obligated Entity as long as such modification is done in a manner consistent with the Rule. Any such modification shall be in writing and shall be accompanied by an Opinion of Counsel stating in effect that such modification is permitted by the Rule. A copy of any such modification shall be delivered to the Trustee.

(b) The Obligated Entity (or any additional Obligated Person) reserves the right to terminate its obligation hereunder if and when (i) the Series 2003-A Bonds are retired, or an escrow for the retirement of all Series 2003-A Bonds is established pursuant to the defeasance provisions of the Indenture, or (ii) the Obligated Entity (or such additional Obligated Person) ceases to be an Obligated Person with respect to the Series 2003-A Bonds within the meaning of the Rule.

8. **Dissemination Agent**. The Obligated Entity may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. Any such dissemination agent shall be designated as such in writing by the Obligated Entity, and any such dissemination agent shall file with the Obligated Entity a written acceptance of such designation.

9. **Beneficiaries**. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule in order to assist participating underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Obligated Entity, the Dissemination Agent, if any, and the beneficial owners of the Series 2003-A Bonds, and shall create no rights in any other person or entity.

10. **Recordkeeping**. The Obligated Entity shall maintain records of all disclosure filings made pursuant to this Agreement, including the content of such disclosure, the names of the entities with whom such disclosure was filed, and the date of filing such disclosure.

11. **MSRB; EMMA**. Documents submitted to the MSRB, including EMMA, pursuant to this Agreement shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule.

12. **Governing Law**. This Agreement shall be governed by the laws of the State of Alabama.

IN WITNESS WHEREOF, this Agreement has been duly authorized by the Obligated Entity and has been executed by and on behalf of the Obligated Entity by its duly authorized officer, all as of the 1st day of December, 2009.

BIRMINGHAM AIRPORT AUTHORITY

By:____

Alfonso Denson
President and CEO

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