

FEBRUARY 2012 FINANCIAL ADVISOR REPORT – THE AVIATION ENTERPRISE

INTRODUCTION

The Finance Committee has requested that the Aviation Enterprise Financial Advisor provide a monthly report on the status of the financing of the Capital Construction Program (CCP) and any related issues concerning the Airports Authority's Aviation Enterprise capital financing activities. The Financial Advisor presents this Monthly Report, focusing on the specific debt management projects underway, the debt policy framework guiding these projects and the financing of the CCP in general.

DISCUSSION SUMMARY

This paper is organized as follows:

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- II. Action Items
 - No Action Items
- III. Informational Items
 - A. Underwriter Solicitation
 - B. 2012 Plan of Finance Discussion
- IV. Monthly Updates
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I. EXECUTIVE SUMMARY

Action Items

- There are no action items this month.

Informational Items

- ***Underwriter Solicitation.*** A Request for Qualifications (RFQ) to provide investment banking services to the Airports Authority was issued on or around February 8, 2012. The responses are due February 29, 2012. If so directed, it is expected that Staff and Financial Advisors' recommendations for two syndicates of underwriters, one for the Airport System revenue bonds and another for the Dulles Toll Road revenue bonds, can be provided to the Finance Committee in March 2012.
- ***2012 Plan of Finance.*** The Financial Advisor continues to evaluate financing alternatives related to 2012 new money needs and refunding opportunities. In addition to refunding opportunities for debt service savings, Finance Staff, the Financial Advisor and the Airport Consultant are also evaluating a potential adjustment to the annual debt service profile. The financing team will be evaluating the impact of alternative strategies on projected debt service coverage, the rates and charges structure and Net Remaining Revenues and potential rating implications. Finance Staff and the Financial Advisor are targeting a new money bond issue in the third quarter of this year and are continuing to evaluate the appropriate timing for a refunding and/or additional financing strategies.
- ***Capital Construction Program (CCP).*** CCP expenditures in 2011 were budgeted at \$299.4 million including construction and capitalized interest costs. CCP expenditures totaled \$21.6 million in December 2011. Actual CCP expenditures in 2011 totaled \$167.4 million. CCP expenditures in 2012 are budgeted at \$274.6 million including construction and capitalized interest costs. CCP expenditures for January 2012 were not available prior to mailing this paper.

II. ACTION ITEMS

There are no Action Items this month.

III. INFORMATIONAL ITEMS

(III.A) Underwriter Solicitation

In 2007, the Airports Authority selected its underwriting team for the Aviation Enterprise. Since that time, pursuant to various Board actions, various firms were added, removed or replaced. On its most recent financing in 2011, the members of the underwriting team were, in alphabetical order:

- Bank of America/Merrill Lynch
- Barclays
- Citigroup
- JP Morgan
- Loop Capital
- Morgan Keegan
- Morgan Stanley
- Siebert Brandford and Shank
- Wells Fargo

The 2007 resolution selecting the underwriting team at that time set an expiration date in June 2012.

A Request for Qualifications (RFQ) to provide investment banking services to the Airports Authority was issued on or around February 8, 2012. The responses are due February 29, 2012. If so directed, it is expected that Staff and Financial Advisors' recommendations for two syndicates of underwriters, one for the Airport System revenue bonds and another for the Dulles Toll Road revenue bonds, can be provided to the Finance Committee in March 2012.

In addition, the RFQ as relates to the Aviation Enterprise may provide an opportunity for the Airports Authority to renew or refinance some portion of the \$530 million bank facilities expiring in 2013 and/or to restructure some portion of the Airports Authority's \$634.6 million interest rate swap portfolio.

(III.B) 2012 Plan of Finance

The Financial Advisor continues to evaluate financing alternatives related to 2012 new money needs and refunding opportunities and the potential impacts on or tradeoffs among projected debt service coverage, the rates and charges structure and Net Remaining Revenues.

Market Update.

Investors are facing a municipal market with historically low rates, and recovery from a 10-year low in supply. In January 2012, reinvestment money totaled roughly \$20 billion and contributed greatly to demand, in the context of January weekly issuance averaging \$2.9 billion. This strong demand coupled with lack of supply, as well as the continued uncertainty in the Eurozone, have led to a continued downward trend in tax-exempt

indices, credit spreads and AMT spreads in 2012-to-date, despite the sell off after the January employment numbers released on February 3. For example, since January 10 to February 6, the 10-year AMT rate for the Airports Authority has declined by 35 bps and the 20-year AMT rate has declined by 45 bps.

New Money Financing and Refinancing of CP. Based on current CCP expenditures, cash on hand (including prior bond proceeds) and available commercial paper capacity, new money borrowing requirements in 2012 could be as much as \$200 million. Such proceeds would be used to refinance all or a portion of the expected outstanding CP and to fund future capital expenditures, including capitalized interest. Finance Staff and the Financial Advisor are targeting a new money bond issue in the third quarter of this year.

Refunding Opportunities. In the current market,

- A current refunding of \$67.8 million AMT bonds would generate \$5.04 million of net present value savings.
- An advance refunding of \$31.1 million non-AMT bonds would generate \$2.67 million of net present value savings.

The Airports Authority also has \$268.5 million of AMT bonds that will become currently callable on July 3, 2012 (90 days prior to their call date). Assuming current rates, a refunding sold in early June (i.e. not incurring a forward premium) would generate \$29.1 million of net present value savings. Alternatively, the Airports Authority could organize a refunding (either using the existing team of underwriters or a new team selected as early as March) to be sold as early as April with a July 3 delivery date. (It should be noted that the Airports Authority's FY 2011 audited financial statements will be completed in early to mid-April.) We would expect this longer delayed delivery to incur a 10-15 bps forward premium in the current market.

In addition to these refunding opportunities for debt service savings, Finance Staff, the Financial Advisor and the Airport Consultant are also evaluating a potential adjustment to the annual debt service profile. This financing component could take the form of taxable advance refundings. The financing team will be evaluating the impact of alternative strategies on projected debt service coverage, the rates and charges structure and Net Remaining Revenues (all primarily at Dulles International Airport) and potential rating implications. This work is expected to be completed by the end of February.

With respect to timing, while an updated Feasibility Report would not be required for the current/advance refundings, updated projections would be necessary to demonstrate the potential benefits of alternative financing strategies. Although a tax-exempt refunding and a taxable advance refunding can be undertaken separately, the Airports Authority could consider executing together depending on document timing.

Current Refunding Opportunities. The Airports Authority has \$67.8 million of AMT bonds that are currently callable as of today and \$268.5 million of AMT bonds that will become currently callable in July 2012 (90 days prior to their call date).

Current and Near-term Callable AMT Bonds			
Series	Callable Par (\$millions)	Call Date/Call Premium	Notes
2001A	\$67.800	October 1, 2011 @ 101% October 1, 2012 @ 100%	--
2002A	\$181.765	October 1, 2012 @ 100%	Can be refunded as early as July 3, 2012
2002D	\$86.735	October 1, 2012 @ 100%	Can be refunded as early as July 3, 2012

Current Refunding Savings at Current Rates (AMT Bonds)			
Series	Par that Meet Minimum Thresholds (\$ millions)	NPV Savings \$ / %	Assumed Delivery Date
2001A	\$67.820	\$5,042,987 (7.4%)	March 1, 2012
2002A	\$181.765	\$20,242,083 (11.1%)	July 3, 2012
2002D	\$86.735	\$8,877,721 (10.2%)	July 3, 2012
Total	\$336.320	\$34,162,791 (10.2%)	

Advance Refunding Opportunities. The Airports Authority has \$34.0 million of non-AMT bonds callable in 2013-2014 that can be advance refunded.

Advance Refunding Opportunities (non-AMT Bonds)		
Series	Callable Par (\$millions)	Call Date/Call Premium
2003B	\$20.645	October 1, 2013 @ 100%
2004A	\$13.530	October 1, 2014 @ 100%

Advance Refunding Savings at Current Rates (non-AMT Bonds)			
Series	Par that Meet Minimum Thresholds (\$ millions)	NPV Savings \$ / %	Assumed Delivery Date
2003B	\$17.615	\$1,710,927 (9.7%)	March 1, 2012
2004A	\$13.490	\$964,000 (7.2%)	March 1, 2012
Total	\$31.105	\$2,674,927 (8.6%)	

Financing Schedule. Finance Staff and the Financial Advisor are targeting a new money bond issue in the third quarter of this year and are continuing to evaluate the appropriate timing for a refunding and/or additional financing strategies.

IV. MONTHLY UPDATES

(IV.A) CCP: Actuals vs. Projections

Exhibit A sets forth the major 2001-2016 Capital Construction Program (“CCP”) projects underway at the Airports Authority, as well as historical CCP actual versus projected expenditures. For 2011, CCP expenditures including construction and capitalized interest costs were budgeted at \$299.4 million. CCP expenditures totaled \$21.6 million in December 2011. Through the end of December 2011, CCP expenditures totaled \$167.4 million.

CCP Projections vs. Actuals (\$ millions)

	<i>General Ledger Actual</i>	<i>Original Projection</i>	<i>Variance</i>	<i>Variance (%)</i>
January-11	\$10.36	\$14.20	(\$3.84)	(27.0%)
February-11	\$19.45	\$22.30	(\$2.85)	(12.8%)
March-11	\$18.44	\$13.10	\$5.34	40.8%
April-11	\$9.45	\$31.90	(\$22.45)	(70.4%)
May-11	\$5.26	\$24.20	(\$18.94)	(78.3%)
June-11	\$2.34	\$20.40	(\$18.06)	(88.5%)
July-11	\$19.60	\$27.20	(\$7.60)	(27.9%)
August-11	\$23.20	\$32.90	(\$9.70)	(29.5%)
September-11	\$7.90	\$16.80	(\$8.90)	(53.0%)
October-11	\$5.40	\$43.50	(\$38.10)	(87.6%)
November-11	\$24.40	\$26.90	(\$2.50)	(9.3%)
December-11	\$21.61	\$26.00	(\$4.39)	(16.9%)
2011 Totals	\$167.40	\$299.40	(\$131.99)	(44.1%)

For 2012, CCP expenditures including construction and capitalized interest costs were budgeted at \$274.6 million. CCP expenditures for January 2012 were not available prior to mailing this paper.

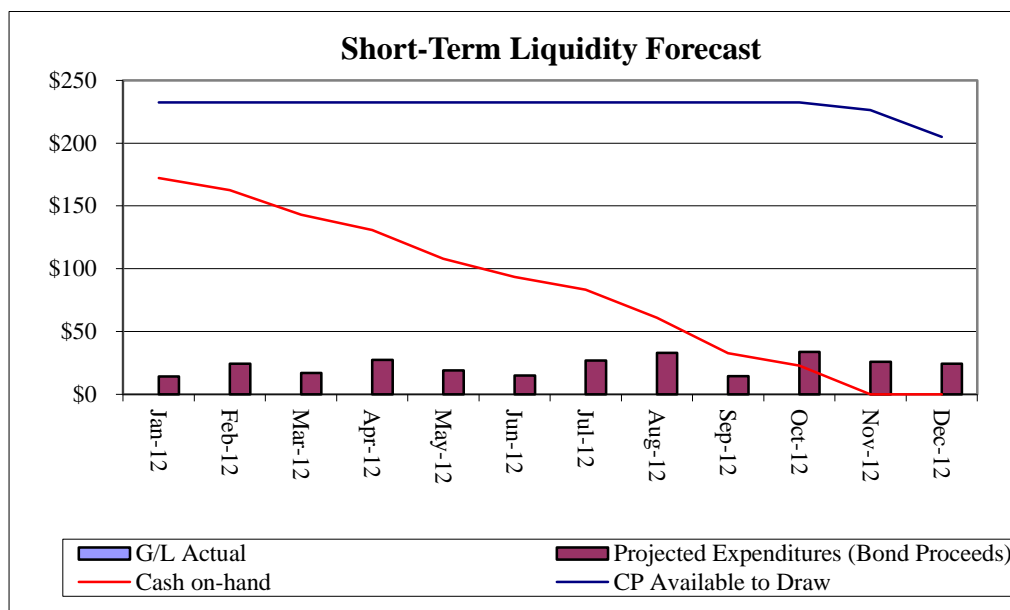
(IV.B) Short-term Liquidity Forecast

The following (including the table and chart) is based on information provided to the Financial Advisor by Finance Staff.

As of February 1, 2012, the Airports Authority had \$170.4 million of cash-on-hand and \$232.5 million of additional available liquidity in the form of undrawn CP One capacity. CCP and capitalized interest are budgeted to total \$274.6 million in 2012.

Short-term Liquidity Forecast (\$ millions)

Beginning of Month	Cash Available	CP Available to Draw	PFCs	Grants	Projected Expenditures
February-12	170.4	232.5	0.4	4.2	-24.2
March-12	150.8	232.5	0.4	4.2	-17
April-12	138.4	232.5	0.4	4.2	-27.4
May-12	115.6	232.5	0.4	4.2	-19
June-12	101.2	232.5	0.4	4.2	-14.8
July-12	91	232.5	0.4	4.2	-26.9
August-12	68.7	232.5	0.4	4.2	-32.9
September-12	40.4	232.5	0.4	4.2	-14.4
October-12	30.6	232.5	0.4	4.2	-33.7
November-12	1.5	232.5	0.4	4.2	-25.9
December-12	0	212.7	0.4	4.2	-24.3



(IV.C) Variable Rate Programs

In addition to the approximately \$1.01 billion of variable rate debt that the Airports Authority has currently outstanding, the Airports Authority can issue up to \$232.5 million of CP One Notes which are currently “on-the-shelf.”

The approximately \$375.6 million in unhedged variable rate debt outstanding represents approximately 7.2 percent of the outstanding \$5.2 billion indebtedness.

Gross Variable Rate Exposure

Fixed Rate Debt Percentage:		
Fixed Rate Debt	\$4,245,315,000	
2009D VRDOs (Hedged)	132,505,000	
2010C2 VRDOs (Hedged)	101,045,000	
2010D VRDOs (Hedged)	167,392,200	
2011A VRDOs (Hedged)	233,635,000	
	\$4,879,892,200	92.85%
Variable Rate Debt Percentage:		
2003D VRDOs	64,825,000	
2010C1 VRDOs	64,650,000	
2011B VRDOs	207,640,000	
CP Notes	38,500,000	
	\$375,615,000	7.15%
Combined Total	\$5,255,507,200	100.00%

The Airports Authority’s current \$367.2 million unrestricted cash balances in short-term investments can be netted against variable rate debt exposure to produce a “net variable rate exposure”. Currently, the net variable rate exposure is less than 0.1 percent at \$8.4 million.

Exhibit C-2 illustrates for the current year the rolling three-month average spreads to the SIFMA of the Airports Authority’s variable rate programs, as well as, historic spreads to SIFMA by quarter.

(IV.D) Swaps – Monthly Swap Performance

2002 Swap: Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 4.45 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of 1-month LIBOR based upon the outstanding notional amount of the swap. The 2002 Swap originally hedged the Series 2002C Bonds and now hedges the 2011A-2 Indexed Floaters which refunded the Series 2002C Bonds in full. The Airports Authority pays 72 percent of LIBOR plus 77 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 4.45 percent plus the spread of 77 basis points: 5.22 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is no longer included in Exhibit D.

2009 Swaps: Under the terms of the swap agreements, the Airports Authority pays to the counterparties an average fixed rate of 4.10 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparties 72 percent of 1-month LIBOR based upon the outstanding notional amount of their respective swaps. The 2009 Swap originally hedged the Series 2009A and 2009D Bonds. The Series 2009A were partially refunded by the Series 2010C2 Bonds and the remaining portion was fully refunded by the Series 2011A-3 Bonds. The 2009 swaps now hedge the 2011A-3 Indexed Floaters and the 2009D and 2010C2 VRDOs. On the Indexed Floaters, the Airports Authority pays 72 percent of LIBOR plus 77 basis points. The All-In Effective Rate of the swap related to these Bonds is therefore equal to the fixed swap rate of 4.10 percent plus the spread of 77 basis points: 4.87 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap associated with the Indexed Floaters is no longer included in Exhibit D. **Exhibit D-3** provides the historical monthly cashflow history of the 2009 swaps associated with the hedged VRDOs (currently the 2009D and 2010C2).

2010 Swap: Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 4.11 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of 1-month LIBOR based upon the outstanding notional amount of the swap. The 2010 Swap hedges the Series 2010D Indexed Floaters. The Airports Authority pays 72 percent of LIBOR plus 75 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 4.11 percent plus the spread of 75 basis points: 4.86 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is not included in Exhibit D.

2011 Swap: Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 3.86 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of 1-month LIBOR based upon the outstanding notional amount of the swap. The 2011 Swap hedges the Series 2011A-1 Indexed Floaters. The Airports Authority pays 72 percent of LIBOR plus 77 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 3.86 percent plus the spread of 77 basis points: 4.63 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is not included in Exhibit D.

Exhibit A Airports Authority's CCP

Major projects under construction at Reagan National include:

- Runway 1-19 Overlay and Taxiway Rehabilitation;
- Runway 1-19 Runway Safety Area – General Construction Package;
- NAVAIDS – ALSF 2; and
- TV-900 Blast Fence

Major projects under construction at Dulles International include:

- South Baggage Basement In Line High Volume Baggage Screening;
- East Baggage Basement In Line High Volume Baggage Screening – Advance Utility Relocation;
- Concourse C/D Rehabilitation;
- Deicing Enhancements (4th Runway);
- Taxilane E and Concourse C/D Apron Rehabilitation;
- Main Terminal Commissioning Phase 1; and
- Airfield Tree Clearing and Site Preparation

Historical CCP Projections vs. Actuals (2001-2011) (\$ millions)

	<i>General Ledger Actual</i>	<i>Projection*</i>	<i>Variance</i>	<i>Variance (%)</i>
2001 Totals	\$370.8	\$429.8	(\$58.9)	(13.7%)
2002 Totals	\$295.6	\$346.5	(\$50.9)	(18.4%)
2003 Totals	\$282.7	\$321.9	(\$39.2)	(12.2%)
2004 Totals	\$349.3	\$349.9	(\$0.6)	(0.0%)
2005 Totals**	\$555.8	\$574.4	(\$18.6)	(3.2%)
2006 Totals	\$672.2	\$713.2	(\$41.0)	(5.7%)
2007 Totals	\$719.4	\$689.7	\$29.7	4.3%
2008 Totals	\$537.7	\$672.8	(\$135.1)	(20.1%)
2009 Totals	\$349.8	\$474.2	(\$124.3)	(26.2%)
2010 Totals	\$220.2	\$327.3	(\$107.1)	(32.7%)
2011 Totals	\$167.4	\$299.4	(\$131.9)	(44.1%)

*Historical projections for 2001-2003 do not reflect periodic revisions. 2002: the last revision for 2002 projected \$271 million of capital spending for the year. 2003: the last revision for 2003 projected a total of \$287.5 million.

** Projection reflects December 2005 budget amendment.

Exhibit B-1 Airport System Revenue Bonds Summary of Outstanding Bonds

Security: General Airport Revenue Bonds ("GARB") are secured by the pledge of Net Airport Revenues
Lien: Senior
Credit Ratings:

	<u>Rating</u>	<u>Outlook</u>	<u>As of</u>
Moody's	Aa3	Negative	September 8, 2011
S&P	AA-	Stable	September 12, 2011
Fitch	AA-	Stable	September 9, 2011

Series	Dated Date	Originally Issued Par Amount	Current Outstanding Par Amount	Tax Status	Tenor	Credit Enhancement Provider ⁽¹⁾	Purpose
2001A	April 1, 2001	286,165,000	67,820,000	AMT	Fixed	MBIA	New Money
2002A	June 4, 2002	222,085,000	186,750,000	AMT	Fixed	FGIC	New Money
2002B	June 4, 2002	27,915,000	650,000	Non-AMT	Fixed	FGIC	New Money
2002D	August 28, 2002	107,235,000	89,195,000	AMT	Fixed	FSA	Refunding
2003A	October 1, 2003	185,000,000	157,425,000	AMT	Fixed	FGIC	New Money/Refunding
2003B	October 1, 2003	44,135,000	26,370,000	Non-AMT	Fixed	FGIC	Refunding
2003C	October 1, 2003	52,565,000	36,275,000	Taxable	Fixed	FGIC	New Money/Refunding
2003D	October 1, 2003	150,000,000	64,825,000	AMT	Variable	Wachovia/ Syncora (XL)	New Money
2004A	August 26, 2004	13,600,000	13,540,000	Non-AMT	Fixed	MBIA	Refunding
2004B	May 18, 2004	250,000,000	245,000,000	AMT	Fixed	FSA	New Money
2004C-1	July 7, 2004	97,730,000	31,300,000	AMT	Fixed	FSA	Refunding
2004C-2	August 12, 2004	111,545,000	94,090,000	AMT	Fixed	FSA	Refunding
2004D	August 26, 2004	218,855,000	168,070,000	AMT	Fixed	MBIA	Refunding
2005A	April 12, 2005	320,000,000	263,685,000	AMT	Fixed	MBIA	New Money/Refunding
2005B	April 12, 2005	19,775,000	18,120,000	Non-AMT	Fixed	MBIA	Refunding
2005C	April 12, 2005	30,000,000	30,000,000	Taxable	Fixed	MBIA	New Money
2005D	October 12, 2005	11,450,000	7,650,000	Non-AMT	Fixed	AMBAC	Refunding
2006A	January 25, 2006	300,000,000	245,000,000	AMT	Fixed	FSA	New Money/Refunding
2006B	December 6, 2006	400,000,000	375,320,000	AMT	Fixed	FGIC	New Money
2006C	December 6, 2006	37,865,000	36,180,000	Non-AMT	Fixed	FGIC	Refunding
2007A	July 2, 2007	164,460,000	134,495,000	AMT	Fixed	AMBAC	Refunding
2007B	September 27, 2007	530,000,000	432,805,000	AMT	Fixed	AMBAC	New Money
2008A	June 24, 2008	250,000,000	229,965,000	AMT	Fixed	-	New Money/Refunding
2009B	April 1, 2009	236,825,000	231,435,000	Non-AMT	Fixed	BHAC	New Money/Refunding
2009C	July 2, 2009	314,435,000	304,285,000	Non-AMT	Fixed	-	Refunding PFC
2009D*	July 2, 2009	136,825,000	132,505,000	Non-AMT	Variable	Bank of America	Refunding PFC
2010A	July 28, 2010	348,400,000	344,575,000	Non-AMT	Fixed	-	New Money/OMP
2010B	July 28, 2010	229,005,000	217,720,000	AMT	Fixed	-	Refunding
2010C**	September 22, 2010	170,000,000	165,695,000	C1 AMT, C2 Non-AMT	Variable	Barclays	Refunding
2010D*	September 22, 2010	170,000,000	167,392,200	Non-AMT	Variable	Wells Fargo	New Money/Refunding
2010F1	November 17, 2010	61,820,000	61,820,000	Non-AMT	Fixed	-	OMP
2011A*	September 21, 2011	233,635,000	233,635,000	AMT	Variable	Wells Fargo	New Money/Refunding
2011B	September 21, 2011	207,640,000	207,640,000	Non-AMT	Variable	Citi	New Money/Refunding
2011C	September 29, 2011	185,390,000	185,390,000	AMT	Fixed	-	Refunding
2011D	September 29, 2011	10,385,000	10,385,000	Non-AMT	Fixed	-	Refunding
Total		6,134,740,000	5,217,007,200				

*All of the 2009D, 2010D and 2011A are subject to a floating-to-fixed rate swap.

**\$101,045,000 of the outstanding amount of the Series 2010C is the subject of a floating-to-fixed rate swap.

⁽¹⁾ Approximately 65% of the GARB portfolio is additionally secured through bond insurance.

Insurer Splits as % of Total Bond Portfolio	
Insurer	Insured
Ambac	11.02%
BHAC	4.44%
FGIC	15.70%
FSA	13.51%
National (MBIA)	10.76%
Syncora (XL)	1.24%
Uninsured	43.34%

Insurer Splits as % of Insured Bond Portfolio	
Insurer	Insured
Ambac	19.45%
BHAC	7.83%
FGIC	23.84%
FSA	23.84%
National (MBIA)	18.99%
Syncora (XL)	2.19%

Aviation Enterprise Total TIC of Fixed Rate Debt
4.82%

Exhibit B-2 Airport System Revenue Bonds Refunding Monitor

Current Refunding Opportunities (As of July 3, 2012) - AMT

The Series 2001A Bonds (AMT) are currently callable. The Series 2002A and Series 2002D Bonds become currently callable 90 days prior to their call date of October 1, 2012. The results below assume current refunding bonds are issued on March 1 for the 2001A Bonds and July 3 for the 2002A and 2002D Bonds. The required savings are applicable to current refunding bonds issued 90 days prior to the call date. Each of these series has a debt service reserve requirement of maximum annual debt service. If a series is only partially refunded, the reserve fund implications could affect cashflow savings.

<i>Series</i>	<i>Callable Par</i>	<i>Callable Maturities</i>	<i>Range of Interest Rates</i>	<i>Call Date</i>	<i>Call Premium</i>	<i>Savings Required</i>	<i>Net PV Savings</i>
2001A	\$67,820,000	2028-2031	5.00%	10/1/2011	101%	1%	\$5.04 mm; 7.4% \$67.8 mm refunded
2002A	\$181,765,000	2013-2032	5.125%-5.75%	10/1/2012	100%	1%	\$20.2 mm; 11.1% \$181.8 mm refunded
2002D	\$86,735,000	2013-2032	5.00%-5.375%	10/1/2012	100%	1%	\$8.9 mm; 10.2% \$86.7 mm refunded

Advance Refunding Candidates – Non-AMT

The Series 2003B and 2004A Non-AMT Bonds may be advance refunded¹. The results below and required savings assume bonds are issued on March 1, 2012. The Series 2003B Bonds have a debt service reserve requirement of maximum annual debt service. If the series is only partially refunded, the reserve fund implications could affect cashflow savings.

<i>Series</i>	<i>Callable Par</i>	<i>Callable Maturities</i>	<i>Range of Interest Rates</i>	<i>Call Date</i>	<i>Call Premium</i>	<i>Savings Required</i>	<i>Net PV Savings</i>
2003B	\$20,645,000	2014-2019	4.10% - 5.25%	10/1/2013	100%	2%	\$1.71 mm; 9.7% \$17.6 mm refunded
2004A	\$13,530,000	2015-2022	4.50% - 5.00%	10/1/2014	100%	3%	\$964,000; 7.2% \$13.49 mm refunded

Refunding Candidates – AMT

The Series 2003A Bonds may NOT be advance refunded with the proceeds of tax-exempt bonds. However, it is illustrative to consider hypothetical advance refunding results to use as a benchmark in evaluating the efficiency of other refunding strategies.

<i>Series</i>	<i>Callable Par</i>	<i>Callable Maturities</i>	<i>Range of Interest Rates</i>	<i>Call Date</i>	<i>Call Premium</i>	<i>Savings Required</i>	<i>Net PV Savings</i>
2003A	\$149,030,000	2014-2033	4.25% - 5.50%	10/1/2013	100%	3-4%	\$7.16 mm; 7.0% \$101.9 mm refunded

¹ The Series 2005B, Series 2005D and Series 2006C Bonds are non-AMT. However, they may not be advance refunded since the proceeds were used to advance refund other Airports Authority Bonds. The Non-AMT fixed-rate Bonds issued since 2009 (2009B, 2009C, 2010A) were current refundings but given the length of time to the call date are not viable refunding candidates.

Below are the refunding guidelines previously adopted by the Board:

Time Between Call Date and Issuance of Refunding Bonds	Traditional Financing Products Minimum PV % Savings	Non-Traditional Financing Products Minimum PV % Savings
0 to 90-days (Current)	Greater of Call Premium or 1%	Call Premium + 1% - 2%
90-days to 1-year	Call Premium + 1%	Call Premium + 2% - 3%
1-year to 2-years	Call Premium + 2%	Call Premium + 3% - 4%
> 2-years	Call Premium + 3%	Call Premium + 4% - 5%

Exhibit C-1 Variable Rate Programs - Overview

Summary of Dealers, Credit Enhancement and Bank Facilities.

Details of Dealers.

<i>Dealer</i>	<i>Program/ Series</i>	<i>Amount (\$MM)</i>	<i>Remarketing Fees</i>
<i>JP Morgan</i>	<i>CP: Series One*</i>	<i>Up to \$250</i>	<i>0.04%</i>
<i>Merrill Lynch</i>	<i>CP: Series Two**</i>	<i>Up to \$21</i>	<i>0.05%</i>
<i>Wells Fargo</i>	<i>VRDO: 2003 D-1 Bonds</i>	<i>\$64.825</i>	<i>0.08%</i>
<i>Bank of America</i>	<i>VRDO: 2009D Bonds***</i>	<i>\$132.505</i>	<i>0.10 – 0.15%</i>
<i>Barclays</i>	<i>VRDO: 2010C Bonds</i>	<i>\$165.695</i>	<i>0.08%</i>
<i>Wells Fargo</i>	<i>Index Floater: 2010D Bonds</i>	<i>\$167.392</i>	<i>None</i>
<i>Wells Fargo</i>	<i>Index Floater: 2011A Bonds</i>	<i>\$233.635</i>	<i>None</i>
<i>Citi</i>	<i>Index Floater: 2011B Bonds</i>	<i>\$207.640</i>	<i>None</i>

**The CP Series One is authorized to be issued up to \$250 million effective March 14, 2011.*

*** The CP Series Two is authorized to be issued up to \$21 million effective March 15, 2011.*

****The Series 2009D Bonds in a daily mode have a 0.15 percent remarketing fee and those bonds in a weekly mode have a 0.10 percent remarketing fee.*

Details of Facilities.

<i>Bank Provider</i>	<i>Facility</i>	<i>Program/ Series</i>	<i>Amount (\$MM)</i>	<i>Utilized Costs (bps)</i>	<i>Unutilized Costs (bps)</i>	<i>Expiration Date</i>
<i>JP Morgan</i>	<i>Letter of Credit</i>	<i>CP: Series One</i>	<i>\$250.000</i>	<i>70</i>	<i>70</i>	<i>March 13, 2014</i>
<i>LBBW</i>	<i>Letter of Credit</i>	<i>CP: Series Two</i>	<i>\$21.000</i>	<i>110</i>	<i>90</i>	<i>December 29, 2015</i>
<i>Wells Fargo*</i>	<i>Letter of Credit</i>	<i>2003 D1 VRDO</i>	<i>\$64.825</i>	<i>27.0</i>	<i>N/A</i>	<i>March 12, 2013</i>
<i>Banc of America</i>	<i>Letter of Credit</i>	<i>2009 D VRDO</i>	<i>\$132.505</i>	<i>55.0**</i>	<i>N/A</i>	<i>July 2, 2013</i>
<i>Barclays Capital</i>	<i>Letter of Credit</i>	<i>2010 C VRDO</i>	<i>\$165.695</i>	<i>55.0</i>	<i>N/A</i>	<i>September 23, 2013</i>
<i>Wells Fargo</i>	<i>Index Floater</i>	<i>2010 D</i>	<i>\$167.392</i>	<i>75.0***</i>	<i>N/A</i>	<i>September 23, 2013</i>
<i>Wells Fargo</i>	<i>Index Floater</i>	<i>2011A</i>	<i>\$233.635</i>	<i>77.0***</i>	<i>N/A</i>	<i>September 21, 2016</i>
<i>Citi</i>	<i>Index Floater</i>	<i>2011B</i>	<i>\$207.640</i>	<i>55.0****</i>	<i>N/A</i>	<i>September 21, 2015</i>

**In addition to the LoCs, Syncora (XL) provides bond insurance on these VRDOs. The annualized bond insurance is approximately 16 bps.*

*** On August 2, 2010, Bank of America provided an unsolicited term sheet to lower the entire cost of its facility to 55 bps and extend the term by one year.*

****This is a fixed spread to the 72 percent of LIBOR Index.*

*****This is a fixed spread to the SIFMA Index.*

Exhibit C-2 Variable Rate Programs Historical Performance

The following tables illustrate (i) rolling three-month average spreads to SIFMA and (ii) rolling 12-month average spread to SIFMA including credit and remarketing fees.

2001 Interest Rates (by quarter)

Quarter	2003 D-1 Wells ²	2002C BoA ³	2009A MS	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 1 JPM	CP 2 ML	SIFMA
12-month Rolling Average	0.401%	n.a.	n.a.	0.655%	0.656%	0.591%	0.608%	0.754%	n.a.	0.763%	1.484%	0.17%
Nov-11 – Jan-12	0.397%	n.a.	n.a.	0.651%	0.643%	0.618%	0.614%	0.841%	0.888%	0.858%	1.561%	0.11%

2004 – 2011 Historical All-in Costs (annually)

Year	2003 D-1 GS	2003 D-2 MS ⁴	2002C UBS/ BoA	2009A MS	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	CP 1 JPM	CP 2 ML (Tax.)	CP A/2 ML	SIFMA
2011	0.405%	n.a.	n.a.	n.a.	0.648%	0.668%	0.599%	0.606%	0.745%	0.721%	n.a.	1.468%	0.17%
2010	0.413%	n.a.	0.338%	1.109%	1.243%	1.307%	n.a.	n.a.	n.a.	0.293%	0.462%	0.323%	0.26%
2009	0.390%	2.291%	1.439%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.694%	1.659%	0.791%	0.40%
2008	2.079%	1.207%	0.960%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.470%	0.116%	2.21%
2007	0.649%	0.603%	0.370%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.989%	0.281%	3.62%
2006	0.474%	0.426%	0.463%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.381%	3.45%
2005	0.364%	0.398%	0.436%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.306%	2.47%
2004	0.438%	0.415%	0.427%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.258%	1.24%

² On April 16, 2009 Wells took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

³ Bank of America replaced UBS as Remarketing Agent in April 2008.

⁴ On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009 Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding. Note: 2011B is a fixed spread to SIFMA and will not be tracked here.

The following tables illustrate (i) rolling three-month average spreads to SIFMA and (ii) rolling 12-month average spread to SIFMA excluding credit and remarketing fees.

2011 Interest Rates (by quarter)

Quarter	2003 D-1 WA ⁵	2002C BoA ⁶	2009A MS	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 1 JPM	CP 2 ML	SIF- MA
12-month Rolling Average	0.051%	n.a.	n.a.	0.005%	-0.044%	-0.039%	-0.022%	0.004%	n.a.	0.081%	0.334%	0.17%
Nov-11– Jan-12	0.047%	n.a.	n.a.	0.001%	-0.057%	-0.012%	-0.016%	0.091%	0.118%	0.118%	0.411%	0.11%

October 2004-2011 Historical Interest Rates (by calendar year)

Year	2003 D-1 GS	2003 D-2 MS ⁷	2002C UBS/ BoA	2009A MS	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	CP 1 JPM	CP 2 ML (Tax.)	CP A/2 ML	SIFMA
2011	0.055%	n.a.	n.a.	n.a.	0.004%	-0.033%	-0.033%	-0.024%	-0.013%	0.073%	n.a.	0.315%	0.17%
2010	0.063%	n.a.	0.092%	0.159%	-0.014%	-0.000%	n.a.	n.a.	n.a.	0.073%	0.252%	0.113%	0.26%
2009	0.040%	0.841%	1.193%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.474%	1.449%	0.581%	0.40%
2008	1.673%	0.860%	0.713%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.260%	-0.094%	2.21%
2007	0.239%	0.193%	0.091%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.739%	0.032%	3.62%
2006	-0.026%	-0.074%	-0.026%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.099%	3.54%
2005	-0.046%	-0.012%	0.037%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.084%	2.47%
2004	0.028%	0.005%	0.040%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.012%	1.24%

⁵ On April 16, 2009 Wells took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

⁶ Bank of America replaced UBS as Remarketing Agent in April 2008.

⁷ On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009 Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding. Note: 2011B is a fixed spread to SIFMA and will not be tracked here.

Exhibit D-1 Swap Profile

The table below summarizes the Airports Authority's current swap profile. All of the Airports Authority's swaps call for a fixed rate to be paid by the Airports Authority to the counterparty and a variable rate to be received by the Airports Authority based upon 72 percent of LIBOR.

Trade Date	Effective Date	Termination Date ("final maturity")	Swap Providers	Ratings Moody's/S&P/ Fitch	Outstanding Notional Amount (\$millions)	Hedged Series	Current Termination Value ⁸	Fixed Rate
7/31/01	8/29/02	10/1/21	Bank of America	A2/A/A+	\$51.7	2011A-2	(\$9,717,000)	4.445%
6/15/06	10/1/09	10/1/39	JPMorgan Chase Bank of America	Aa1/A+/AA- A2/A/A+	\$184.0 <u>\$106.5</u> \$290.5	2011A-3 2009D 2010C2	(\$62,292,000) <u>(\$36,040,000)</u> (\$98,332,000)	4.099%
6/15/06	10/1/10	10/1/40	Wells Fargo	Aa3/AA-/AA-	\$167.4	2010D	(\$58,297,000)	4.112%
5/13/05	10/1/11	10/1/39	Wells Fargo	Aa3/AA-/AA-	\$125.0	2011A-1	(\$36,536,000)	3.862%
Aggregate Swaps					\$634.6		(\$202,882,000)	

The table below presents the all-in effective rate of the swaps. The 2002, 2010 and 2011 swaps hedge only indexed floaters. The 2009 swaps hedge both indexed floaters and VRDOs (separate all-in effective rates are presented for each). The interest rate paid on each of the indexed floaters is equal to 72 percent of LIBOR plus an agreed upon spread. The all-in effective rate is therefore equal to the fixed swap rate plus the agreed upon spread (77 basis points on the 2011A Bonds and 75 basis points on the 2010D Bonds). In Exhibit D-2, we track the monthly performance and all-in effective rate of the 2009 swap in relation to the hedged VRDOs.

Effective Date	Notional Amount (\$millions)	Hedged Series	Fixed Rate	All-In Effective Rate*
8/29/02	\$55.5	2011A-2 (Indexed Floaters)	4.445%	5.215%**
10/1/09	\$57.0	2011A-3 (Indexed Floaters)	4.099%	4.869%**
10/1/09	\$233.5	2009D&2010C2 (VRDOs)	4.099%	5.089%
10/1/10	\$170	2010D (Indexed Floaters)	4.112%	4.862%
10/1/11	\$125	2011A-1 (Indexed Floaters)	3.862%	4.632%

*The All-In Effective Rate takes into account the agreed upon spread on indexed floaters and remarketing and bank facility costs on the VRDOs.

**Note that the all-in effective rate is effective as of October 1, 2011 and does not take into account performance prior to that date when the swaps hedged the Series 2002C and 2009A Bonds (VRDOs). The Series 2002C and 2009A Bonds are no longer outstanding.

⁸Amounts as of January 31, 2012; A negative value represents a payment by the Airports Authority to the counterparty if the swap is terminated in the current market; a positive value represents a receipt by the Airports Authority if the swap is unwound in the current market.

Exhibit D-2

2009 Swap Effective Interest Rate to-date and Monthly Performance

The Airports Authority's 2009 Swap is a fixed-payor interest rate swap. Under the 2009 Swap, (a) the Airports Authority pays a fixed rate, 4.099 percent, to the swap counterparty; (b) in return, the swap counterparty pays the Airports Authority a variable rate of interest equal to 72 percent of 1-month LIBOR. This variable rate received from the counterparty was designed to closely correlate the interest rate the Airports Authority pays on the underlying variable rate bonds, thereby creating essentially fixed rate debt (synthetic fixed rate debt). The Swap Agreement was dated June 15, 2006 and effective October 1, 2009. The 2009 Swap counterparties were Bear Stearns and Bank of America. However, Bear Stearns was bought by JP Morgan in March 2008. The table below presents the 72 percent of 1-month LIBOR rate received from the counterparties, the average monthly interest rate on the hedged variable rate bonds paid by the Airports Authority (excludes hedged indexed floaters), and the resulting effective all-in interest rate on the swap. The 2009 swap hedges the Series 2009D Bonds and the Series 2010C2 Bonds. The swap previously hedged the Series 2009A Bonds until these bonds were refunded by the 2011A-3 Indexed Floaters (the calculated effective rate does take into account the 2009A Bonds prior to being refinanced).

Hedged VRDOs and Swaps

Period	1-month LIBOR ⁹	72% 1-month LIBOR	Average All-In Aggregate Interest Rate ¹⁰	Average Fixed Swap Rate	Effective Interest Rate ¹¹	All-In Effective Rate to Date
1/1/12 - 2/1/12	0.29%	0.21%	0.71%	4.099%	4.595%	5.089%
12/1/11 - 1/1/12	0.28%	0.20%	0.74%	4.099%	4.641%	5.107%
11/1/11 - 12/1/11	0.25%	0.18%	0.77%	4.099%	4.687%	5.125%
10/1/11 - 11/1/11	0.24%	0.17%	0.79%	4.099%	4.718%	5.142%
9/1/11 - 10/1/11	0.23%	0.17%	0.89%	4.099%	4.824%	5.160%
8/1/11 - 9/1/11	0.21%	0.15%	0.90%	4.099%	4.851%	5.175%
7/1/11 - 8/1/11	0.20%	0.14%	0.79%	4.099%	4.743%	5.189%
6/1/11 - 7/1/11	0.20%	0.14%	0.82%	4.099%	4.770%	5.211%
5/1/11 - 6/1/11	0.20%	0.14%	0.90%	4.099%	4.857%	5.233%
4/1/11 - 5/1/11	0.22%	0.16%	0.95%	4.099%	4.890%	5.252%
3/1/11 - 4/1/11	0.26%	0.19%	0.95%	4.099%	4.857%	5.272%
2/1/11 - 3/1/11	0.26%	0.19%	0.98%	4.099%	4.887%	5.297%
1/1/11 - 2/1/11	0.26%	0.19%	0.96%	4.099%	4.876%	5.323%
Historical Data:						
1/1/10 - 1/1/11	0.27%	0.20%	1.41%	4.099%	5.31%	5.35%
10/1/09 - 1/1/10	0.24%	0.17%	1.59%	4.099%	5.52%	5.52%

⁹ 1-month LIBOR is weighted average of weekly 1-month LIBOR as reset each Tuesday for a Thursday effective date except for the Bank of America swap where the two London Banking Days are replaced by one London Banking Day.

¹⁰ The 2009D1 and 2010C2 variable rate bonds are currently in a weekly mode, with interest rate resets each Wednesday for a Thursday effective date. The 2009D2 variable rate bonds are currently in a daily mode. The 2009A variable rate bonds were in a weekly mode, with interest rate resets each Tuesday for a Wednesday effective date. The interest rate is the all-in interest rate including bank facility costs.

¹¹ Totals will not add due to the day count difference of 30/360-day basis for the fixed swap rate and actual/actual day basis for the floating swap rate.