

JULY 2014

FINANCIAL ADVISOR REPORT – THE AVIATION ENTERPRISE

INTRODUCTION

The Finance Committee has requested that the Aviation Enterprise Financial Advisors 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 Advisors 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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 - A. 2014 Financing
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I. EXECUTIVE SUMMARY

Action Items

- ➔ **Bank Solicitation for Certain 2015 Expiring Bank Facilities.** On May 23, the Airports Authority distributed a bank solicitation to over 40 financial institutions to replace or renew up to approximately \$347 million of existing bank facilities that expire in 2015. On June 16, a total of eleven banks submitted responses: eight firms offered to provide a Letter of Credit (LoC) and eight firms offered to provide a direct funded index floater. Under separate cover, the results of the solicitation will be presented in Executive Session. Finance Staff and the Financial Advisor plan to seek Finance Committee and Board approval of final documents in September and are targeting a closing in late September 2014.

Informational Items

- ➔ **2014 Financing.** On May 29, the Airports Authority's underwriting team, led by Bank of America Merrill Lynch as the book-running senior manager and Citigroup as the co-senior manager, sold \$539.250 million of Series 2014A (AMT) refunding and new money Bonds. The Series 2014A Bond transaction was successfully closed and the bonds were delivered on July 3. The refunded bonds have been defeased and will be redeemed on the first call date, October 1.
- ➔ **Capital Construction Program.** For 2014, CCP expenditures are budgeted at \$209.5 million including construction and capitalized interest costs. Expenditures in June 2014 totaled \$7.7 million, including capitalized interest expenditures. Through the end of June 2014 year-to-date capital expenditures were \$65.1 million.

II. ACTION ITEMS

(II.A) Bank Solicitation for Certain 2015 Expiring Bank Facilities

The Airports Authority has \$1.115 billion of bank facilities currently outstanding supporting variable rate bonds. Three bank facilities scheduled to expire in 2015 support approximately \$500 million of outstanding variable rate bonds.

| PORTFOLIO OF BANK FACILITIES | | | | | |
|------------------------------|--------------------|---------------------|--------------------|----------------------|----------------|
| SCHEDULED EXPIRATION | AMOUNT OUTSTANDING | SERIES (TAX STATUS) | AMOUNT HEDGED (\$) | AMOUNT UNHEDGED (\$) | BANK FACILITY |
| 2015 | \$506,540,000 | 2010C1 (AMT) | – | 61,350,000 | BARCLAYS LOC |
| | | 2010C2 (NON-AMT) | 98,210,000 | – | BARCLAYS LOC |
| | | 2010D (NON-AMT) | 161,785,000 | – | WELLS FLOATERS |
| | | 2011B (AMT) | – | 185,195,000 | CITI FLOATERS |
| 2016 | 280,865,000 | 2011A (AMT) | 219,340,000 | – | WELLS FLOATERS |
| | | 2003D1 (AMT) | – | 61,525,000 | BOFA FLOATERS |
| 2017 | 327,755,000 | CP 2 | – | 200,000,000 | SUMITOMO LOC |
| | | 2009D (NON-AMT) | 127,755,000 | | TD LOC |
| TOTALS | \$1,115,160,000 | | \$607,090,000 | \$508,070,000 | |

At the May Finance Committee meeting, Finance Staff and the Financial Advisors recommended a bank solicitation to replace or renew the Series 2010D and/or Series 2011B bank facilities. (The Series 2010C1 and Series 2010C2 bank facilities would incur a penalty if terminated prior to the expiration date.) Following the concurrence of the Finance Committee, on May 23 the Airports Authority distributed a bank solicitation to over 40 financial institutions to replace or renew up to approximately \$347 million of existing bank facilities that support the Series 2010D and Series 2011B Bonds.

On June 16, a total of eleven banks submitted responses: eight firms offered to provide a LoC and eight firms offered to provide a direct funded index floater. Under separate cover, the results of the solicitation will be presented in Executive Session. Finance Staff and the Financial Advisor plan to seek Finance Committee and Board approval of final documents in September and are targeting a closing in late September 2014.

III. INFORMATIONAL ITEMS

(III.A) 2014 Financing

On May 29, the Airports Authority's underwriting team, led by Bank of America Merrill Lynch as the book-running senior manager and Citigroup as the co-senior manager, sold \$539.250 million of Series 2014A (AMT) refunding and new money Bonds. The Series 2014A Bond transaction was successfully closed and the bonds were delivered on July 3. The refunded bonds have been defeased and will be redeemed on the first call date, October 1.

IV. MONTHLY UPDATES

(IV.A) CCP: Actuals vs. Projections

Exhibit A sets forth the major 2001-2016 CCP projects underway at the Airports Authority, as well as historical CCP actual versus projected expenditures. For 2014, CCP expenditures are budgeted at \$209.5 million including construction and capitalized interest costs. Expenditures in June 2014 totaled \$7.7 million, including capitalized interest expenditures. Through the end of June 2014, year-to-date capital expenditures were \$65.1 million.

| 2014 CCP Projections vs. Actuals (\$ millions) | | | | |
|---|--|--------------------------------|------------------|---------------------|
| | <i>General Ledger Actual¹</i> | <i>Original Projection</i> | <i>Variance</i> | <i>Variance (%)</i> |
| 14-Jan | \$13.10 | \$11.60 | \$1.50 | 12.93% |
| 14-Feb | \$5.40 | \$17.55 | (\$12.15) | (69.23%) |
| 14-Mar | \$10.50 | \$15.22 | (\$4.72) | (31.01%) |
| 14-Apr | \$14.80 | \$25.05 | (\$10.25) | (40.92%) |
| 14-May | \$13.60 | \$12.55 | \$1.05 | 8.37% |
| 14-Jun | \$7.70 | \$12.97 | (\$5.27) | (40.63%) |
| 14-Jul | | \$19.14 | | |
| 14-Aug | | \$22.17 | | |
| 14-Sep | | \$15.95 | | |
| 14-Oct | | \$24.18 | | |
| 14-Nov | | \$16.58 | | |
| 14-Dec | | \$16.59 | | |
| 2014 Totals (Through June) | \$65.10 | \$94.94 | (\$29.84) | (31.43%) |

¹ As provided by the Airports Authority.

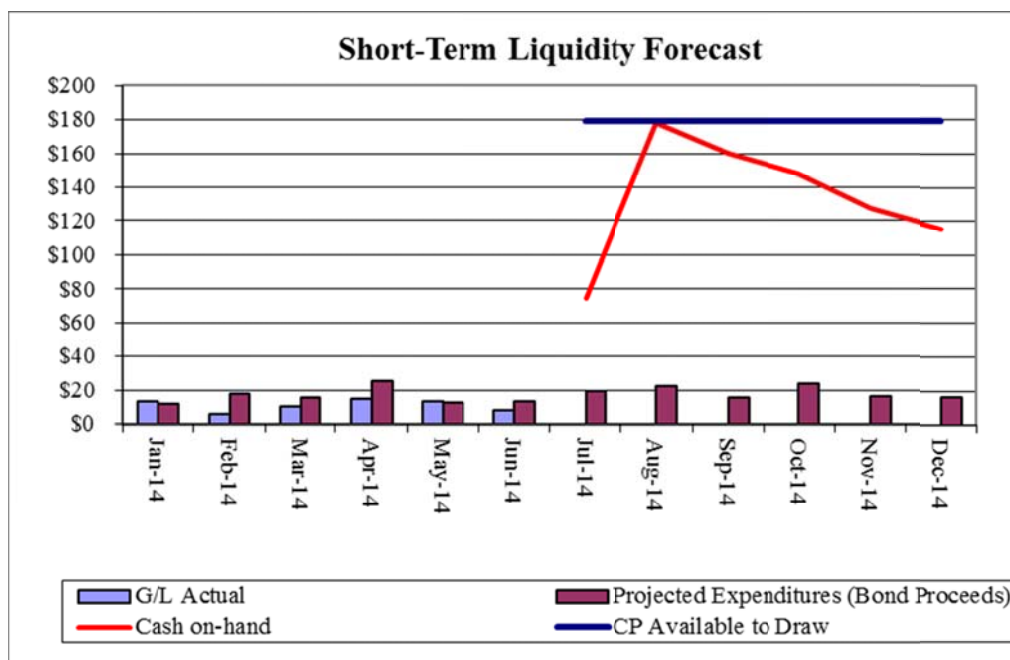
(IV.B) Short-term Liquidity Forecast

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

As of the beginning of July 2014, the Airports Authority had \$82.8 million of cash-on-hand² and \$179 million of additional available liquidity in the form of undrawn CP Series Two capacity.

| Short-term Liquidity Forecast (\$ millions) | | | | | |
|---|----------------|----------------------|------|--------|------------------------|
| Beginning of Month | Cash Available | CP Available to Draw | PFCs | Grants | Projected Expenditures |
| Jul-14 | 74.6 | 179.0 | 0.1 | 4.0 | (19.1) |
| Aug-14 | 177.9 | 179.0 | 0.1 | 4.0 | (22.2) |
| Sep-14 | 159.8 | 179.0 | 0.1 | 4.0 | (16.0) |
| Oct-14 | 147.9 | 179.0 | 0.1 | 4.0 | (24.2) |
| Nov-14 | 127.8 | 179.0 | 0.1 | 4.0 | (16.6) |
| Dec-14 | 115.3 | 179.0 | 0.1 | 4.0 | (16.6) |

Note: the table above reflects the new money bond sale closing July 3, 2014.



² The cash-on-hand includes proceeds of the Series 2014A Bonds received in July and Funds 63 and 64.

(IV.C) Variable Rate Programs

In addition to the approximately \$936.2 million of variable rate debt that the Airports Authority has currently outstanding, it can issue up to \$179 million of CP Two Notes which are currently “on-the-shelf.”

The approximately \$329.1 million in unhedged variable rate debt outstanding represents approximately 6.5 percent of the outstanding \$5 billion indebtedness.

Gross Variable Rate Exposure

| Fixed Rate Debt Percentage: | | | |
|--------------------------------|----------------------|------------------------|----------------|
| Fixed Rate Debt | \$4,092,565,000 | | |
| 2009D VRDOs (Hedged) | 127,755,000 | | |
| 2010C2 VRDOs (Hedged) | 98,210,000 | | |
| 2010D Index Floater (Hedged) | 161,785,000 | | |
| 2011A Index Floater (Hedged) | 219,340,000 | | |
| | Fixed Rate | \$4,699,655,000 | 93.46% |
| Variable Rate Debt Percentage: | | | |
| 2003D Index Floater | 61,525,000 | | |
| 2010C1 Index Floater | 61,350,000 | | |
| 2011B Index Floater | 185,195,000 | | |
| CP Notes | 21,000,000 | | |
| | Variable Rate | \$329,070,000 | 6.54% |
| Combined Total | | \$5,028,725,000 | 100.00% |

The Airports Authority’s current \$401 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 unrestricted cash balances exceed the amount of short-term debt.

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 one-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 one-month LIBOR based upon the outstanding notional amount of its respective swaps. The 2009 Swap originally hedged the Series 2009A Bonds 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 Variable Rate Demand Obligations (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 cash flow 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 one-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 one-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:

- North Substation Gear Replacement;
- Runway 15-33 and 4-22 Runway Safety Area Enhancements;
- Combined Electrical System Upgrades; and
- Hangar 6 Roof Replacement

Major projects under construction at Dulles International include:

- East and West Baggage Basement In Line High Volume Baggage Screening;
- Concourse C/D Rehabilitation;
- High Temperature Hot Water Generator Procurement & Replacement;
- Cargo Buildings 1-4 Exterior Rehabilitation;
- Taxiway Y Reconstruction at Taxiway B;
- Historic Air Traffic Control Tower Exterior Rehabilitation;
- Gate B42/44 Gate Modifications and Passenger Boarding Bridge Install for A380 Aircraft; and
- Snow Equipment Storage Facility

Historical CCP Projections vs. Actuals (2001-2013) (\$ 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) | (14.7%) |
| 2003 Totals | \$282.7 | \$321.9 | (\$39.2) | (12.2%) |
| 2004 Totals | \$349.3 | \$349.9 | (\$0.6) | (0.2%) |
| 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%) |
| 2012 Totals | \$118.8 | \$274.6 | (\$155.8) | (56.7%) |
| 2013 Totals | \$152.3 | \$235.9 | (\$83.6) | (35.4%) |

* 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 | A1 | Stable | May 22, 2014 |
| S&P | AA- | Stable | May 28, 2014 |
| Fitch | AA- | Stable | May 22, 2014 |

| Series | Dated Date | Originally Issued Par Amount | Current | | Tax Status | Tenor | Credit Enhancement Provider* | Purpose |
|--------------|--------------------|---------------------------------|---------------------------|--------------------|------------|----------|---------------------------------|-----------------------------------|
| | | | Outstanding Par Amount | | | | | |
| 2003D | October 1, 2003 | 150,000,000 | 61,525,000 | | AMT | Variable | BofA Indexed Floaters | New Money |
| 2004A | August 26, 2004 | 13,600,000 | 10,000 | | Non-AMT | Fixed | MBIA | Current Refunding |
| 2004C-2 | August 12, 2004 | 111,545,000 | 125,000 | | AMT | Fixed | FSA | Current Refunding |
| 2004D | August 26, 2004 | 218,855,000 | 19,540,000 | | AMT | Fixed | MBIA (except 2015) | Current Refunding/Pay Termination |
| 2005A | April 12, 2005 | 320,000,000 | 244,920,000 | | AMT | Fixed | MBIA | New Money/CP Refunding |
| 2005B | April 12, 2005 | 19,775,000 | 14,640,000 | | Non-AMT | Fixed | MBIA | Advance 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 | Advance Refunding |
| 2006A | January 25, 2006 | 300,000,000 | 245,000,000 | | AMT | Fixed | FSA | New Money/CP Refunding |
| 2006B | December 6, 2006 | 400,000,000 | 375,320,000 | | AMT | Fixed | FGIC | New Money |
| 2006C | December 6, 2006 | 37,865,000 | 34,225,000 | | Non-AMT | Fixed | FGIC | Advance Refunding |
| 2007A | July 3, 2007 | 164,460,000 | 117,165,000 | | AMT | Fixed | AMBAC | Current Refunding |
| 2007B | September 27, 2007 | 530,000,000 | 407,275,000 | | AMT | Fixed | AMBAC | New Money |
| 2008A | June 24, 2008 | 250,000,000 | 210,365,000 | | AMT | Fixed | - | New Money/CP Refunding |
| 2009B | April 1, 2009 | 236,825,000 | 225,745,000 | | Non-AMT | Fixed | BHAC (partially) | Term. |
| 2009C | July 2, 2009 | 314,435,000 | 293,410,000 | | Non-AMT | Fixed | - | Refunding PFC |
| 2009D** | July 2, 2009 | 136,825,000 | 127,755,000 | | Non-AMT | Variable | TD Bank | Refunding PFC |
| 2010A | July 28, 2010 | 348,400,000 | 336,435,000 | | Non-AMT | Fixed | - | New Money/OMP |
| 2010B | July 28, 2010 | 229,005,000 | 191,755,000 | | AMT | Fixed | - | Current Refunding |
| 2010C*** | September 22, 2010 | 170,000,000 | 159,560,000 | C1 AMT, C2 Non-AMT | Variable | Barclays | - | Current Refunding |
| 2010D** | September 22, 2010 | 170,000,000 | 161,785,000 | | Non-AMT | Variable | Wells Fargo Indexed Floaters | New Money/Current Refunding |
| 2010F1 | November 17, 2010 | 61,820,000 | 61,820,000 | | Non-AMT | Fixed | - | OMP |
| 2011A** | September 21, 2011 | 233,635,000 | 219,340,000 | | AMT | Variable | Wells Fargo Indexed Floaters | New Money/Current Refunding |
| 2011B | September 21, 2011 | 207,640,000 | 185,195,000 | | AMT | Variable | Citi Indexed Floaters | New Money/Current Refunding |
| 2011C | September 29, 2011 | 185,390,000 | 171,060,000 | | AMT | Fixed | - | Current Refunding |
| 2011D | September 29, 2011 | 10,385,000 | 9,635,000 | | Non-AMT | Fixed | - | Current Refunding |
| 2012A | July 3, 2012 | 291,035,000 | 291,035,000 | | AMT | Fixed | - | Current Refunding |
| 2012B | July 3, 2012 | 20,790,000 | 20,570,000 | | Non-AMT | Fixed | - | Advance Refunding |
| 2013A | July 11, 2013 | 207,205,000 | 207,205,000 | | AMT | Fixed | - | Current Refunding/New Money |
| 2013B | July 11, 2013 | 27,405,000 | 27,405,000 | | Taxable | Fixed | - | Current Refunding |
| 2013C | July 11, 2013 | 11,005,000 | 11,005,000 | | Non-AMT | Fixed | - | Advance Refunding |
| 2014A | July 3, 2014 | 539,250,000 | 539,250,000 | | AMT | Fixed | - | Current Refunding |
| Total | | 5,958,600,000 | 5,007,725,000 | | | | | |

* Approximately 42% of the GARB portfolio is additionally secured through bond insurance.

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

*** \$96,690,000 of the outstanding amount of the Series 2010C is the subject of a floating-to-fixed rate swap.

| Insurer Splits as % of Total Bond Portfolio | |
|---|---------|
| Insurer | Insured |
| Ambac | 10.6% |
| BHAC | 2.2% |
| FGIC | 8.2% |
| FSA | 4.9% |
| National (MBIA) | 6.2% |
| Uninsured | 67.9% |

| Insurer Splits as % of Insured Bond Portfolio | |
|---|---------|
| Insurer | Insured |
| Ambac | 33.1% |
| BHAC | 7.0% |
| FGIC | 25.5% |
| FSA | 15.2% |
| National (MBIA) | 19.2% |

| Aviation Enterprise Total TIC of Fixed Rate Debt |
|---|
| 4.51% |

Exhibit B-2 **Airport System Revenue Bonds Refunding Monitor**

Current Refunding Opportunities

There are no current refunding opportunities at this time.

Advance Refunding Candidates – Non-AMT

There are no advance refunding opportunities at this time³.

Refunding Candidates – AMT

The Series 2004B-D Bonds are callable on October 1, 2014 at par. These Bonds were currently refunded by the Series 2014A Bonds upon the delivery date of July 3, 2014.

Refunding Candidates – Taxable

The Series 2005C Bonds may be advance refunded with the proceeds of taxable bonds. At the current time savings do not meet the required threshold.

Below are the refunding guidelines previously accepted 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% |

³ The Series 2005B, Series 2005D, Series 2006C, Series 2012B and Series 2013C 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 Bonds (2009B, 2009C, 2010A, 2010F1) were issued as private activity Non-AMT Bonds and cannot be advance refunded. The 2011D Bonds were issued as a current refunding but given the length of time to the call date is not a viable refunding candidate.

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>Merrill Lynch</i> | CP: Series Two* | Up to \$200 | 0.05% |
| <i>Bank of America</i> | Index Floater: 2003 D1 Bonds | \$61.525 | None |
| <i>Bank of America</i> | VRDO: 2009D Bonds** | \$127.755 | 0.08 – 0.10% |
| <i>Barclays</i> | VRDO: 2010C Bonds | \$159.560 | 0.08% |
| <i>Wells Fargo</i> | Index Floater: 2010D Bonds | \$161.785 | None |
| <i>Wells Fargo</i> | Index Floater: 2011A Bonds | \$219.340 | None |
| <i>Citi</i> | Index Floater: 2011B Bonds | \$185.195 | None |

* The CP Series One has been suspended and the CP Series Two is authorized to be issued up to \$200 million effective March 6, 2014.

** The Series 2009D Bonds in a daily mode have a 0.10 percent remarketing fee and those bonds in a weekly mode have a 0.08 percent remarketing fee.

Details of Facilities.

| <i>Bank Provider</i> | <i>Facility</i> | <i>Program/ Series</i> | <i>Amount (\$MM)</i> | <i>Costs (bps)</i> | <i>Expiration Date</i> |
|----------------------|-----------------|----------------------------|--------------------------|------------------------|------------------------|
| Sumitomo | LOC | CP: Series Two | \$200.000 | 33.0 | March 6, 2017 |
| Bank of America | Index Floater | 2003 D1 | \$61.525 | 70.0* | December 16, 2016 |
| TD Bank | LOC | 2009 D VRDO | \$127.755 | 61.0 | December 2, 2017 |
| Barclays Capital | LOC | 2010 C VRDO | \$159.560 | 70.0 | September 23, 2015 |
| Wells Fargo | Index Floater | 2010 D | \$161.785 | 65.0* | December 18, 2015 |
| Wells Fargo | Index Floater | 2011A | \$219.340 | 82.0* | September 21, 2016 |
| Citi | Index Floater | 2011B | \$185.195 | 75.0** | September 17, 2015 |

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

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

Note: The fees above reflect the increases due to the Moody's downgrade.

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.

2014 Interest Rates (by quarter)

| Quarter | 2003D1 BofA Index ⁴ | 2009D1 BoA Weekly | 2009D2 BoA Daily | 2010C1 Barclay 2-Day | 2010C2 Barclay Weekly | 2010D Wells Index | 2011A Wells Index | CP 2 ML | SIFMA |
|-----------------------------|--------------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|------------|-------|
| 12-month Rolling Average | 0.761% | 0.685% | 0.701% | 0.777% | 0.778% | 0.710% | 0.880% | 1.071% | 0.06% |
| Jan-14 – Mar-14 | 0.775% | 0.680% | 0.702% | 0.785% | 0.776% | 0.723% | 0.893% | 1.098% | 0.04% |
| Apr-14 – Jun-14 | 0.732% | 0.686% | 0.702% | 0.776% | 0.778% | 0.682% | 0.852% | 0.383% | 0.08% |

2004 – 2013 Historical All-in Costs (annually)

| Year | 2003 D-1 ⁵ | 2003 D-2 MS ⁵ | 2002C UBS/ BoA ⁶ | 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 (Tax.) | CP A/2 ML | SIFMA |
|------|--------------------------|--------------------------------|-----------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|-------------|----------------------|--------------|-------|
| 2013 | 0.724% | n.a. | n.a. | 0.662% | 0.676% | 0.707% | 0.709% | 0.696% | 0.866% | n.a. | n.a. | 1.347% | 0.09% |
| 2012 | 0.415% | n.a. | n.a. | 0.671% | 0.682% | 0.624% | 0.629% | 0.754% | 0.828% | n.a. | n.a. | 1.339% | 0.16% |
| 2011 | 0.405% | n.a. | n.a. | 0.648% | 0.668% | 0.599% | 0.606% | 0.745% | n.a. | 0.721% | n.a. | 1.468% | 0.17% |
| 2010 | 0.413% | n.a. | 0.338% | 1.243% | 1.307% | n.a. | 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% |

⁴ On December 18, 2012, Bank of America purchased the 2003D-1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

⁵ 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.

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

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.

2014 Interest Rates (by quarter)

| Quarter | 2003D1 BofA Index ⁷ | 2009D1 BoA Weekly | 2009D2 BoA Daily | 2010C1 Barclay 2-Day | 2010C2 Barclay Weekly | 2010D Wells Index | 2011A Wells Index | CP 2 ML | SIF- MA |
|-----------------------------|--------------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|------------|------------|
| 12-month Rolling Average | 0.061% | -0.005% | -0.009% | -0.003% | -0.002% | 0.060% | 0.060% | 0.100% | 0.06% |
| Jan-14 – Mar-14 | 0.075% | -0.010% | -0.008% | 0.005% | -0.004% | 0.073% | 0.073% | 0.099% | 0.04% |
| Apr-14 – Jun-14 | 0.032% | -0.004% | -0.008% | -0.004% | -0.002% | 0.032% | 0.032% | 0.003% | 0.08% |

October 2004-2013 Historical Interest Rates (by calendar year)

| Year | 2003 D-1 ⁸ | 2003 D-2 MS ⁸ | 2002C UBS/ BoA ⁹ | 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 (Tax.) | CP A/2 ML | SIF MA |
|------|--------------------------|--------------------------------|-----------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|-------------|----------------------|--------------|-----------|
| 2013 | 0.047% | n.a. | n.a. | -0.004% | -0.010% | -0.003% | -0.001% | 0.046% | 0.046% | n.a. | n.a. | 0.144% | 0.09% |
| 2012 | 0.054% | n.a. | n.a. | 0.021% | -0.017% | -0.007% | -0.001% | 0.007% | 0.008% | 0.031% | n.a. | 0.189% | 0.16% |
| 2011 | 0.055% | n.a. | n.a. | 0.004% | -0.033% | -0.033% | -0.024% | -0.013% | n.a. | 0.073% | n.a. | 0.315% | 0.17% |
| 2010 | 0.063% | n.a. | 0.092% | -0.014% | -0.000% | n.a. | 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% |

⁷ On December 18, 2012, Bank of America purchased the 2003D-1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

⁸ 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.

⁹ Bank of America replaced UBS as Remarketing Agent in April 2008.

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 ¹⁰ | Fixed Rate |
|------------------------|----------------|-------------------------------------|-----------------------------------|----------------------------------|---|----------------------------|---|---------------|
| 7/31/01 | 8/29/02 | 10/1/21 | Bank of America | A2/A/A | \$43.3 | 2011A-2 | (\$5,528,000) | 4.445% |
| 6/15/06 | 10/1/09 | 10/1/39 | JPMorgan Chase Bank of America | Aa3/A+/A+ A2/A/A | \$177.4 <u>\$102.7</u> \$280.1 | 2011A-3 2009D 2010C2 | (\$43,585,000) <u>(\$24,977,000)</u> (\$68,562,000) | 4.099% |
| 6/15/06 | 10/1/10 | 10/1/40 | Wells Fargo | Aa3/AA-/AA- | \$161.8 | 2010D | (\$41,026,000) | 4.112% |
| 5/13/05 | 10/1/11 | 10/1/39 | Wells Fargo | Aa3/AA-/AA- | <u>\$121.9</u> | 2011A-1 | <u>(\$24,926,000)</u> | 3.862% |
| Aggregate Swaps | | | | | \$607.1 | | (\$140,042,000) | |

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 (82 basis points on the 2011A Bonds and 65 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 | \$43.3 | 2011A-2 (Indexed Floaters) | 4.445% | 5.265%** |
| 10/1/09 | \$54.1 | 2011A-3 (Indexed Floaters) | 4.099% | 4.919%** |
| 10/1/09 | \$226.0 | 2009D&2010C2 (VRDOs) | 4.099% | 4.947% |
| 10/1/10 | \$161.8 | 2010D (Indexed Floaters) | 4.112% | 4.762% |
| 10/1/11 | \$121.9 | 2011A-1 (Indexed Floaters) | 3.862% | 4.682% |

*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.

¹⁰ Amounts as of June 30, 2014; 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 one-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 following table presents the 72 percent of one-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 ¹¹ | 72% 1-month LIBOR | Average All-In Aggregate Interest Rate ¹² | Average Fixed Swap Rate | Effective Interest Rate ¹³ | All-In Effective Rate to Date |
|-------------------|-----------------------------|-------------------|--|-------------------------|---------------------------------------|-------------------------------|
| 6/1/14 – 7/1/14 | 0.15% | 0.11% | 0.79% | 4.099% | 4.784% | 4.947% |
| 5/1/14 – 6/1/14 | 0.15% | 0.11% | 0.81% | 4.099% | 4.801% | 4.949% |
| 4/1/14 – 5/1/14 | 0.15% | 0.11% | 0.82% | 4.099% | 4.810% | 4.952% |
| 3/1/14 – 4/1/14 | 0.16% | 0.11% | 0.78% | 4.099% | 4.769% | 4.954% |
| 2/1/14 – 3/1/14 | 0.16% | 0.11% | 0.76% | 4.099% | 4.748% | 4.957% |
| 1/1/14 – 2/1/14 | 0.16% | 0.12% | 0.76% | 4.099% | 4.747% | 4.960% |
| 12/1/13 – 1/1/14 | 0.17% | 0.12% | 0.78% | 4.099% | 4.760% | 4.964% |
| 11/1/13 – 12/1/13 | 0.17% | 0.13% | 0.79% | 4.099% | 4.768% | 4.968% |
| 10/1/13 – 11/1/13 | 0.18% | 0.13% | 0.81% | 4.099% | 4.778% | 4.971% |
| 9/1/13 – 10/1/13 | 0.18% | 0.13% | 0.79% | 4.099% | 4.764% | 4.974% |
| 8/1/13 – 9/1/13 | 0.18% | 0.13% | 0.79% | 4.099% | 4.759% | 4.978% |
| 7/1/13 – 8/1/13 | 0.19% | 0.14% | 0.80% | 4.099% | 4.757% | 4.982% |
| 6/1/13 – 7/1/13 | 0.19% | 0.14% | 0.75% | 4.099% | 4.709% | 4.987% |
| 5/1/13 – 6/1/13 | 0.20% | 0.14% | 0.79% | 4.099% | 4.750% | 4.992% |
| 4/1/13 – 5/1/13 | 0.20% | 0.14% | 0.81% | 4.099% | 4.769% | 4.997% |
| 3/1/13 – 4/1/13 | 0.20% | 0.15% | 0.75% | 4.099% | 4.700% | 5.002% |
| 2/1/13 – 3/1/13 | 0.20% | 0.14% | 0.74% | 4.099% | 4.693% | 5.008% |
| 1/1/13 – 2/1/13 | 0.20% | 0.15% | 0.73% | 4.099% | 4.682% | 5.014% |

Historical Data:

| | | | | | | |
|------------------|-------|-------|-------|--------|-------|-------|
| 1/1/12 – 1/1/13 | 0.24% | 0.17% | 0.82% | 4.099% | 4.75% | 5.06% |
| 1/1/11 – 1/1/12 | 0.23% | 0.17% | 0.87% | 4.099% | 4.80% | 5.21% |
| 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% |

¹¹ One-month LIBOR is weighted average of weekly one-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.

¹² The 2009D-1 and 2010C-2 variable rate bonds are currently in a weekly mode, with interest rate resets each Wednesday for a Thursday effective date. The 2009D-2 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.

¹³ 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.