

JANUARY 2015

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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I. EXECUTIVE SUMMARY

Action Items

- ➔ ***Current Refunding of Certain Bonds Callable in 2016.*** As reported at the December Finance Committee Meeting, Finance Staff, the Financial Advisor and Bond Counsel evaluated the potential economic benefit of refinancing certain Bonds callable in 2015 and 2016. Finance Staff and the Financial Advisor recommended proceeding with refunding the Bonds callable in 2016. As of January 6, this refunding would generate \$19.8 million of present value savings, over 10 percent of the refunded par. Finance Staff is seeking Finance Committee and Board approval of the issuance of Airport System Revenue Refunding Bonds, Series 2015A to refund a portion of the Series 2006A and 2006B Bonds and thereby extending their call date to 2024. Substantially final documents including the Authorizing Resolution, Tender Purchase Agreement and Forty-sixth Supplemental Indenture of Trust have been submitted for approval. The transaction is scheduled to close by the end of this month.

Informational Items

- ➔ ***Debt Service Fund Investment Strategy.*** The financing team has been considering the potential investment of certain monies periodically deposited to the Aviation Enterprise Debt Service Fund. If Finance Staff determines that it is appropriate to recommend proceeding with a solicitation for a debt service fund forward purchase agreement, such recommendation would be made in the first quarter 2015.
- ➔ ***Capital Construction Program.*** For 2014, CCP expenditures were budgeted at \$209.5 million including construction and capitalized interest costs. Expenditures in November 2014 totaled \$5.3 million including accrued capitalized interest expenditures. Through the end of November 2014 year-to-date capital expenditures were \$101.1 million. (Monthly CCP expenditures for December 2014 were not available at the time this paper was finalized.)

II. ACTION ITEMS

(II.A) Current Refunding of Certain Bonds callable in 2016

The Airports Authority has \$227.5 million of Series 2005A Bonds that are callable on October 1, 2015, \$245.0 million of Series 2006A Bonds that are callable on October 1, 2016 and \$375.3 million of Series 2006B Bonds that are also callable on October 1, 2016. None of these Bonds can be advanced refunded because these are private activity bonds. However, one of the Airport Authority's underwriters holds \$234.3 million of these Bonds (\$51.9 million of the Series 2005A, \$91.4 million of the Series 2006A and \$91.0 million of the Series 2006B) and has proposed to pay the Airports Authority an upfront amount or reduce the par amount of the outstanding bonds in exchange for extending the optional call dates to between 2019 and 2024. This savings (i.e. upfront payment or reduced annual debt service) and call modification can be effectuated through a tender and current refunding of the \$234.3 million Bonds held by the underwriter.

(\$ millions)

Series	Call Date	Total Callable Bonds	Underwriter-held Bonds (Par)	Underwriter-held Bonds (Term)
2005A	October 1, 2015	\$227.455	\$51.900	2035
2006A	October 1, 2016	245.000	91.445	2035
2006B	October 1, 2016	375.320	91.000	2036
Totals		\$847.775	\$234.345	

As reported at the December Finance Committee Meeting, Finance Staff and the Financial Advisor recommended proceeding with refunding the Bonds callable in 2016. As of January 6, 2015, in exchange for extending the call dates of the Series 2006A and 2006B Bonds from 2016 to 2024, the Airports Authority would reduce annual debt service through the final term of the refunding bonds, generating net present value savings of approximately \$19.8 million (representing 10.9 percent of the "refunded" par amount). As shown in the table below, this proposal compares favorably to several benchmarks.

Metropolitan Washington Airports Authority Call Modification Proposal
(Results below reflect savings only on the \$182.4 million of 06A and 06B Bonds)

Series	Par	NPV of Call Modification*		Hyp. Adv. Ref. (SLGs Escrow)		As % of Hyp. Adv. (SLGs)		Hyp. Adv. Ref. (Perfect Escrow)		As % of Hyp. Adv. (Perfect)		Current Ref.** (Current Rates)		As % of Current Ref. Breakeven	
		\$	%	\$	%			\$	%			\$	%		
Series 2006A	91,445,000	9,929,458	10.9%	5,835,533	6.4%	170.2%		10,066,209	11.0%	98.6%		12,796,438	14.0%	77.6%	Plus 35 bps
Series 2006E	91,000,000	9,865,836	10.8%	5,916,056	6.5%	166.8%		10,104,150	11.1%	97.6%		12,839,195	14.1%	76.8%	Plus 35 bps
	182,445,000	19,795,294	10.9%	11,751,589	6.4%	168.4%		20,170,358	11.1%	98.1%		25,635,632	14.1%	77.2%	

*Assumes call modified further out 10 years (10/1/24 call date).

**Current refunding executed 90 days prior to call date; assuming current rates and 3.9% discount rate and target date of 1/29/15 for pv calculations.

A primary benefit of executing this transaction for the Series 2006A-B Bonds is that the Airports Authority could monetize the debt service savings available at current market rates rather than being subject to the interest rate risk of waiting for the current refunding dates in 2016. The breakeven increase in rates is approximately 35 basis points. Moreover, the underwriter is willing to pay a premium above the price appreciation from simply extending the optional call date. (For example, on January 6, 2015, an extension

of the call date to 2024 for the 2006A Bonds would change the value of the bonds by 9.4 percent and the underwriter has offered to pay 10.9 percent.) The financing team continues to negotiate with the underwriter to maximize the premium.

Although the underwriter also proposed a refunding of the Series 2005A Bonds, Finance Staff and the Financial Advisor do not recommend proceeding with this because the Series 2005A Bonds can be refunded and restructured with a conventional refunding strategy that can close as early as July 3, 2015. If current rates hold through the issuance of the conventional refunding, net present savings would be \$7.8 million, or \$0.9 million higher than that generated by the current proposal. Furthermore, a conventional refunding has more capacity to restructure savings in the early years to directly benefit the rates and charges and Dulles International Airport.

Approval and Financing Schedule. Finance Staff is seeking Finance Committee and Board approval of the issuance of Airport System Revenue Refunding Bonds, Series 2015A to refund a portion of the Series 2006A and 2006B Bonds and thereby extending their call date to 2024. Substantially final documents including the Authorizing Resolution, Tender Purchase Agreement and Forty-sixth Supplemental Indenture of Trust have been submitted for approval. Following this approval, the transaction would be scheduled to close by the end of the month.

III. INFORMATIONAL ITEMS

(III.A) Debt Service Fund Investment Strategy

Over the next five years, the annual Aviation Enterprise debt service is between \$390 million and \$420 million. To meet this requirement, the Airports Authority makes monthly deposits to the Debt Service Fund. These periodic deposits are invested in short-term instruments because funds are needed to make debt service payments to bondholders each April 1 and October 1. In the current market, these periodic short-term investments average approximately 0.11 percent per annum. One of the Airports Authority's underwriters has proposed that a portion of these periodic debt service funds could be invested through a forward purchase agreement (an FPA). In an FPA, on each monthly deposit date the Airports Authority would transfer a portion of the Debt Service money in exchange for delivery of a highly-rated security (U.S. Treasury or Agency security) that would mature on or before the following April 1 or October 1). These series of forward purchases would generate a guaranteed investment rate over the term of the agreement—approximately 1.30 percent for a five year agreement in the current market.

Finance Staff and the Financial Advisor continue to (i) review the mechanics of this proposal, including the appropriate amount of debt service funds to consider locking-up in an agreement, (ii) consider the potential economic and legal impacts of subjecting some amount of debt service funds to an agreement, and (iii) review, with Bond and Tax Counsel, the potential legal terms of a forward purchase agreement. If Finance Staff determines that it is appropriate to recommend proceeding with a solicitation for a debt service fund forward purchase agreement, such recommendation would be made in the first quarter 2015.

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 November 2014 totaled \$5.3 million including accrued capitalized interest expenditures. Through the end of November 2014, year-to-date capital expenditures were \$101.1 million. (Monthly CCP expenditures for December 2014 were not available at the time this paper was finalized.)

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	\$3.60	\$19.14	(\$15.54)	(81.19%)
14-Aug	\$10.00	\$22.17	(\$12.17)	(54.89%)
14-Sep	\$8.40	\$15.95	(\$7.55)	(47.34%)
14-Oct	\$8.70	\$24.18	(\$15.48)	(64.02%)
14-Nov	\$5.30	\$16.58	(\$11.28)	(68.03%)
14-Dec		\$16.59		
2014 Totals (Through Nov.)	\$101.10	\$192.96	(\$91.86)	(47.61%)

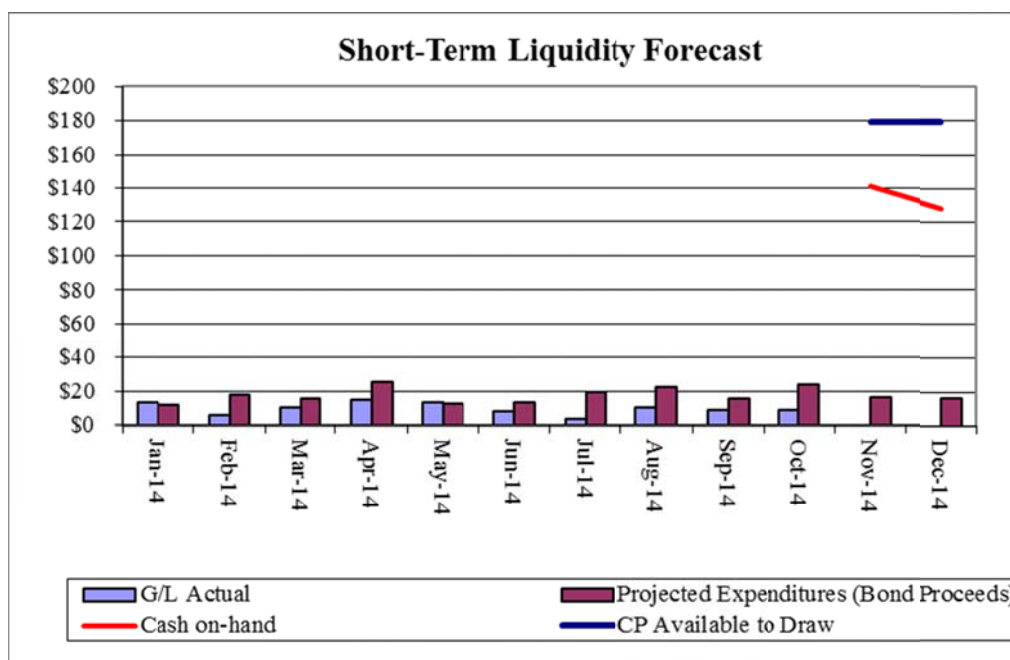
¹ As provided by the Airports Authority.

(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 November 2014, the Airports Authority had \$141.1 million of cash-on-hand² and \$179 million of additional available liquidity in the form of undrawn CP Series Two capacity. (The cash-on-hand for the beginning of December 2014 was not available at the time this paper was finalized.)

Short-term Liquidity Forecast (\$ millions)					
Beginning of Month	Cash Available	CP Available to Draw	PFCs	Grants	Projected Expenditures
Nov-14	141.1	179.0	0.1	4.0	(16.6)
Dec-14	128.6	179.0	0.1	4.0	(16.6)



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 \$904.3 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 \$313.5 million in unhedged variable rate debt outstanding represents approximately 6.4 percent of the outstanding \$4.9 billion indebtedness.

Gross Variable Rate Exposure

Fixed Rate Debt Percentage:			
Fixed Rate Debt	\$3,986,715,000		
2009D VRDOs (Hedged)	125,205,000		
2010C2 VRDOs (Hedged)	96,690,000		
2010D Index Floater (Hedged)	158,775,000		
2011A Index Floater (Hedged)	210,135,000		
Fixed Rate	\$4,577,520,000	93.59%	
Variable Rate Debt Percentage:			
2003D Index Floater	59,750,000		
2010C1 VRDOs	59,575,000		
2011B Index Floater	173,185,000		
CP Notes	21,000,000		
Variable Rate	\$313,510,000	6.41%	
Combined Total	\$4,891,030,000	100.00%	

The Airports Authority’s current \$216 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 Airports Authority has \$97 million of net variable rate exposure.

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 82 basis points on the Indexed Floaters. The effective rate of the swap is therefore equal to the fixed swap rate of 4.45 percent plus the spread of 82 basis points: 5.27 percent.

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 82 basis points. The 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 82 basis points: 4.92 percent. **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 32.5 basis points on the Indexed Floaters. The effective rate of the swap is therefore equal to the fixed swap rate of 4.11 percent plus the spread of 32.5 basis points: 4.44 percent.

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 82 basis points on the Indexed Floaters. The effective rate of the swap is therefore equal to the fixed swap rate of 3.86 percent plus the spread of 82 basis points: 4.68 percent.

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;
- Dedicated Fire System Surge Prevention;
- Hydrant Fuel Line Improvements; and
- Combined Taxiway C and Taxiway Z Reconstruction

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>
	Moody's	A1	Stable
	S&P	AA-	Stable
	Fitch	AA-	Stable
			<u>As of</u>
			May 22, 2014
			May 28, 2014
			May 22, 2014

Series	Dated Date	Originally Issued Par Amount	Current		Tax Status	Tenor	Credit Enhancement Provider*	Purpose
			Outstanding Par Amount	Amount				
2003D	October 1, 2003	150,000,000	59,750,000		AMT	Variable	BofA Indexed Floaters	New Money
2005A	April 12, 2005	320,000,000	234,810,000		AMT	Fixed	MBIA	New Money/CP Refunding
2005B	April 12, 2005	19,775,000	12,800,000		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	32,915,000		Non-AMT	Fixed	FGIC	Advance Refunding
2007A	July 3, 2007	164,460,000	107,850,000		AMT	Fixed	AMBAC	Current Refunding
2007B	September 27, 2007	530,000,000	393,540,000		AMT	Fixed	AMBAC	New Money
2008A	June 24, 2008	250,000,000	199,630,000		AMT	Fixed	-	New Money/CP Refunding
2009B	April 1, 2009	236,825,000	221,845,000		Non-AMT	Fixed	BHAC (partially)	Term.
2009C	July 2, 2009	314,435,000	287,605,000		Non-AMT	Fixed	-	Refunding PFC
2009D**	July 2, 2009	136,825,000	125,205,000		Non-AMT	Variable	TD Bank	Refunding PFC
2010A	July 28, 2010	348,400,000	332,095,000		Non-AMT	Fixed	-	New Money/OMP
2010B	July 28, 2010	229,005,000	177,795,000		AMT	Fixed	-	Current Refunding
2010C***	September 22, 2010	170,000,000	156,265,000		C1 AMT, C2 Non-AMT	Variable	Barclays	Current Refunding
2010D**	September 22, 2010	170,000,000	158,775,000		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	210,135,000		AMT	Variable	Wells Fargo Indexed Floaters	New Money/Current Refunding
2011B	September 21, 2011	207,640,000	173,185,000		AMT	Variable	PNC Indexed Floaters	New Money/Current Refunding
2011C	September 29, 2011	185,390,000	163,585,000		AMT	Fixed	-	Current Refunding
2011D	September 29, 2011	10,385,000	9,245,000		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	17,310,000		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		5,614,600,000	4,870,030,000					

* Approximately 32 % 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	10.5%
BHAC	2.3%
FGIC	8.4%
FSA	5.0%
National (MBIA)	5.7%
Uninsured	68.1%

Insurer Splits as % of Insured Bond Portfolio	
Insurer	Insured
Ambac	32.8%
BHAC	7.2%
FGIC	26.3%
FSA	15.8%
National (MBIA)	17.9%

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 2005A-B and 2005D 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. The table below illustrates results of hypothetical AMT advance refundings.

<i>Series</i>	<i>Callable Par/ 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>	<i>Negative Arbitrage</i>
2005A AMT	\$227,455,000 (2016-2035)	4.25% - 5.25%	10/1/2015	0% (at par)	1%	\$22.4 mm; 9.8% \$227.4 mm refunded	\$4.6 mm
2005B Non-AMT	\$10,890,000 (2016-2020)	4.00% - 5.25%	10/1/2015	0% (at par)	1%	\$1.0 mm; 9.0% \$10.9 mm refunded	\$0.1 mm
2005D Non-AMT	\$7,650,000 (2021-2023)	5.00%	10/1/2015	0% (at par)	1%	\$1.3 mm; 17.2% \$7.6 mm refunded	\$0.1 mm

Since these bonds may not be advance refunded with tax-exempt bonds, alternative strategies include, but are not limited to, taxable advance or forward refundings.

Refunding Candidates – Taxable

The Series 2005C Bonds may be advance refunded with the proceeds of taxable bonds.

<i>Series</i>	<i>Callable Par/ 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>	<i>Negative Arbitrage</i>
2005C Taxable	\$30,000,000 (2020-2035)	5.59% - 5.73%	10/1/2015	0% (at par)	1%	\$4.3 mm; 14.5% \$30.0 mm refunded	\$0.8 mm

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	\$59.750	None
<i>Bank of America</i>	VRDO: 2009D Bonds**	\$125.205	0.08 – 0.10%
<i>Barclays</i>	VRDO: 2010C Bonds	\$156.265	0.08%
<i>Wells Fargo</i>	Index Floater: 2010D Bonds	\$158.775	None
<i>Wells Fargo</i>	Index Floater: 2011A Bonds	\$210.135	None
<i>PNC</i>	Index Floater: 2011B Bonds	\$173.185	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	\$59.750	70.0*	December 16, 2016
TD Bank	LOC	2009 D VRDO	\$125.205	61.0	December 2, 2017
Barclays Capital	LOC	2010 C VRDO	\$156.265	70.0	September 23, 2015
Wells Fargo	Index Floater	2010 D	\$158.780	32.5*	September 23, 2017
Wells Fargo	Index Floater	2011A	\$210.135	82.0*	September 21, 2016
PNC	Index Floater	2011B	\$173.185	32.0*	October 2, 2017

* This is a fixed spread to the 72 percent of LIBOR 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%	0.684%	0.703%	0.783%	0.780%	0.621%	0.881%	0.597%	0.05%
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%
July-14 – Sept-14	0.765%	0.685%	0.703%	0.784%	0.781%	0.684%	0.886%	0.414%	0.05%
Oct-14 – Dec-14	0.772%	0.685%	0.706%	0.789%	0.783%	0.398%	0.893%	0.403%	0.04%

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 was previously a fixed spread to SIFMA and was not tracked here. It is now a spread to 72 percent of LIBOR and will be tracked here once there is sufficient data available.

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%	-0.006%	-0.007%	0.003%	0.000%	0.060%	0.061%	0.040%	0.05%
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%
July-14 – Sept-14	0.065%	-0.005%	-0.007%	0.004%	0.001%	0.062%	0.066%	0.034%	0.05%
Oct-14 – Dec-14	0.072%	-0.005%	-0.004%	0.009%	0.003%	0.073%	0.073%	0.023%	0.04%

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 was previously a fixed spread to SIFMA and was not tracked here. It is now a spread to 72 percent of LIBOR and will be tracked here once there is sufficient data available.

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	\$38.8	2011A-2	(4,935,000)	4.445%
6/15/06	10/1/09	10/1/39	JPMorgan Chase Bank of America	Aa3/A+/A+ A2/A/A	\$173.9 <u>\$100.6</u> \$274.5	2011A-3 2009D 2010C2	(\$52,212,000) <u>(\$29,769,000)</u> (\$81,981,000)	4.099%
6/15/06	10/1/10	10/1/40	Wells Fargo	Aa3/AA-/AA-	\$158.8	2010D	(\$49,398,000)	4.112%
5/13/05	10/1/11	10/1/39	Wells Fargo	Aa3/AA-/AA-	<u>\$118.7</u>	2011A-1	<u>(\$29,799,000)</u>	3.862%
Aggregate Swaps					\$590.8		(\$166,113,000)	

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 effective rate is therefore equal to the fixed swap rate plus the agreed upon spread (82 basis points on the 2011A Bonds and 32.5 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	\$38.8	2011A-2 (Indexed Floaters)	4.445%	5.265%**
10/1/09	\$52.6	2011A-3 (Indexed Floaters)	4.099%	4.919%**
10/1/09	\$221.9	2009D&2010C2 (VRDOs)	4.099%	4.931%
10/1/10	\$158.8	2010D (Indexed Floaters)	4.112%	4.437%
10/1/11	\$118.7	2011A-1 (Indexed Floaters)	3.862%	4.682%

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

¹⁰ Amounts as of December 31, 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
12/1/14 – 1/1/15	0.16%	0.12%	0.77%	4.099%	4.752%	4.931%
11/1/14 – 12/1/14	0.15%	0.11%	0.78%	4.099%	4.769%	4.934%
10/1/14 – 11/1/14	0.15%	0.11%	0.77%	4.099%	4.762%	4.936%
9/1/14 – 10/1/14	0.15%	0.11%	0.77%	4.099%	4.762%	4.939%
8/1/14 – 9/1/14	0.16%	0.11%	0.78%	4.099%	4.766%	4.941%
7/1/14 – 8/1/14	0.15%	0.11%	0.78%	4.099%	4.768%	4.944%
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.

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.