# JANUARY 2013
# 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:

I. Executive Summary

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   A. No items to report

III. Informational Items
   A. Review of 2012 Financing Accomplishments
   B. 2013 Plan of Finance
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# I. EXECUTIVE SUMMARY

**Action Items**

- ***No Action Items to report this month***

**Informational Items**

- ***Review of 2012 Financing Accomplishments.*** Over the course of the year, the Airports Authority has pursued various financings consistent with the 2012 Plan of Finance outlined in January, chief among these have been: renewal of the underwriting syndicate; current and advance refunding opportunities; Rating Agency strategy; and variable rate bonds and expiring bank facilities.

- ***2013 Plan of Finance*.** Finance Staff and the Financial Advisor met in December to develop the outlines of the 2013 Plan of Finance. Topics discussed included: current and advance refunding opportunities, timing, size and form of planned new money to be issued in 2013; ongoing monitoring of variable rate portfolio; ongoing monitoring of swap portfolio; and annual rating agency strategy.

- ***"Fiscal Cliff" Legislation.*** The Budget Control Act of 2011 required Congress to propose and enact legislation before January 2, 2013 that would reduce the federal deficit by $1.2 trillion. On January 2, 2013, the President signed into law the "American Taxpayer Relief Act of 2012" (the "2012 Act"). The 2012 Act extended the deadline for Congress to enact deficit reducing legislation until March 1, 2013. If Congress fails to enact specific deficit reduction measures by March 1, 2013, automatic comprehensive budget sequestration and cuts to defense and nondefense spending will occur, including a reduction of the FAA's and the TSA's operating budgets. Any budget reducing legislation enacted by Congress or any automatic sequestration and cuts that may occur could have an adverse effect including a reduction of AIP and TSA grants and funds and on the operations of the FAA and the TSA at DCA and IAD. While the 2012 Act contained several specific tax provisions favorable to municipal securities, much uncertainty overhangs the market because additional near-term Congressional challenges—including debate around raising the debt ceiling and the postponed sequestration—could again jeopardize municipal securities. That being said, in January to-date, the combination of greater demand and limited supply has helped to normalize spreads as compared to the mid-December sell-off. The municipal market awaits pricing leadership in the form of larger issues to better gauge current credit spreads and interest rate levels.

- ***Capital Construction Program (CCP).*** CCP expenditures in 2012 were budgeted at $274.6 million, including construction and capitalized interest costs. Through November 2012 expenditures totaled $102.4 million. Expenditures in December 2012 are not yet available. CCP expenditures in 2013 are budgeted at $235.9 million including construction and capitalized interest costs.

## II. ACTION ITEMS

No Action Items to report this month.

## III. INFORMATIONAL ITEMS

**(III.A) Review of 2012 Plan of Finance**

On January 18, 2012, we reported to the Finance Committee on the various components of the expected 2012 Plan of Finance. Chief among these items that have been addressed over the course of this year:

- Renewal of the Aviation Enterprise underwriting syndicate
- Current and advance refunding opportunities
- Rating Agency strategy
- Variable rate bonds and expiring bank facilities

**Renewal of Aviation Enterprise underwriting syndicate.** The prior Aviation Enterprise underwriting team was scheduled to expire in June 2012. The Aviation Enterprise Financial Advisor, the Dulles Corridor Enterprise Financial Advisors and Finance Staff developed a coordinated approach to re-evaluating the underwriting teams and, at the direction of the Board, initiated the Underwriting RFP process in the Spring. In March and April, the Finance Committee and Board selected the underwriting teams for the Aviation Enterprise and Dulles Corridor Enterprise and selected the co-senior managers for the Aviation Enterprise's sale of refunding bonds.

**Current and advance refunding opportunities.** On June 5, the Airports Authority sold $291.035 million of Series 2012A (AMT) Bonds and $20.790 million Series 2012B (non-AMT) Bonds to:

- Current refund $336.32 million Series 2001A, Series 2002A and Series 2002D (AMT) Bonds; and
- Advance refund $20.65 million Series 2003A (non-AMT) Bonds.

The combined refunding generated $40.6 million of net present value savings (over 11.1 percent of the refunded par amount). Total debt service savings through 2032 (the term of the Bonds) totals over $77.0 million. Debt service savings in years 2013-2015 are $11 million annually and $8 million in 2016, materially benefitting the Airports Authority's airline rate base at Dulles International Airport over the near term.

**Rating Agency strategy.** As part of the issuance of Series 2012A-B Refunding Bonds, the rating agencies affirmed the Airports Authority's prior ratings:

- Moody's: Aa3, negative outlook
- S&P: AA-, stable outlook
- Fitch: AA-, stable outlook

The financing team and Airports Authority Staff prepared presentations for each of the rating agencies highlighting the Airports Authority's unique credit strengths. The two main areas of concern cited by the rating agencies were the reduced coverage levels and high cost per enplanement levels. Despite these concerns, Fitch and S&P have maintained their stable outlooks and only Moody's continues to assign a negative outlook to the Airports Authority. This negative outlook was originally assigned to the Airports Authority in June 2010. Another specific concern cited by Moody's was that reduced Federal spending patterns may reduce local demand for air travel.

**Variable rate bonds and expiring bank facilities.** In January, Finance Staff and the Financial Advisor discussed the potential of replacing all or some portion of the $530 million of scheduled facility expirations in 2013 in advance of the termination dates. At the direction of the Finance Committee, Finance Staff and the Financial Advisor ran a bank solicitation process that included over 40 banks. In August, the Airports Authority received nine proposals offering nearly $2 billion of bank facilities at attractive pricing. In December, the Airports Authority closed on the following:

1) direct purchase of Airport System Revenue Variable Rate Bonds, Series 2003D and termination of the prior Syncora[1] Bond Insurance Policy (term through December 2016);
2) substitution of Letter of Credit (LOC) for Airport System Revenue Variable Rate Bonds, Series 2009D (term through December 2017);
3) extension of LOC for Airport System Revenue Variable Rate Bonds, Series 2010C (term through December 2015); and
4) extension of the Index Rate Period for Airport System Revenue Variable Rate Bonds, Series 2010D (term through December 2015).

| | | | Prior Facilities | | | Current Facilities | | |
|---|---|---|---|---|---|---|---|---|
| Series | Amount ($ millions) | Hedged? | Bank/Product | Costs (bps) | Expiration | Bank/Product | Costs (bps) | Expiration |
| 2003D1 | $63.2 | No | Wells LoC | 27 | Mar 2013 | New BofA DF | +65[2] | Dec 2016 |
| 2009D | $130.2 | Yes | BofA LoC | 55 | Jul 2013 | New TD LoC | 56 | Dec 2017 |
| 2010C | $162.7 | Partial | Barclays LoC | 55 | Sept 2013 | Extend LOC | 55/50[3] | Dec 2015 |
| 2010D | $164.7 | Yes | Wells DF | +75[4] | Sept 2013 | Extend DF | +65[5] | Dec 2015 |

Following the completion of these bank refinancings, the Airports Authority will have (i) no bank facility expirations until 2014, (ii) maintained the diversity of its bank group and (iii) diversified its renewal risk. Prior to the execution of this bank plan, the weighted average cost of the bank facilities (excluding commercial paper) is 63.1 basis points and the weighted average expiration occurs in 2.0 years. Upon execution, the weighted average cost of the bank facilities are 62.9 basis points and the weighted average expiration date is 3.6 years.[6]

[1] Syncora is currently rated "Ca" by Moody's (four notches below "Baa3" investment grade) and is unrated by S&P and Fitch.
[2] The fee for the proposed BofA Direct Funded Indexed Floater is 72% of one month LIBOR plus 65 bps.
[3] Barclays proposed to keep the existing LoC cost at 55 bps through the existing term through September 2013 and then lower the fee to 50 bps for two years after.
[4] The fee for the current Wells Direct Funded Indexed Floater is 72% of one month LIBOR plus 75 bps.
[5] The proposed fee for the Direct Funded Indexed Floater is the spread over 72% of one-month LIBOR.
[6] To determine the weighted average costs, the cost for indexed floaters is assumed at just the spread and does not take into account the type of index.

**(III.B) 2013 Plan of Finance**

Finance Staff and the Financial Advisor met in December to develop the outline of the 2013 Plan of Finance. Topics discussed included: current and advance refunding opportunities; the timing, size and form of new money to be issued in 2013; ongoing monitoring of variable rate portfolio; ongoing monitoring of swap portfolio; and annual rating agency strategy. Specific topics discussed included:

1) 2013-2014 new money needs is minimal, potentially $80 million to fund ongoing CCP expenditures in 2013-2014 based on the current capital budget;
2) $180 million of Bonds callable in 2013 (please see below for a more detailed discussion of this refunding opportunity), with a refunding potentially structured to provide some level of upfront debt service savings like was done with the 2012 refundings;
3) The potential use of newly created reserves as rolling debt service coverage;
4) A potential bank solicitation in the second half of 2013 to replace the $250 million JP Morgan letter of credit that supports the commercial paper program; and
5) The potential reduction in interest rate swap exposure, depending on market conditions.

**Refunding Update.** The Financial Advisor and Finance Staff continue to monitor the economics of certain refunding opportunities the Airports Authority could consider pursuing, including a taxable advance or forward AMT refunding of outstanding 2003A (AMT) and a taxable advance refunding of 2003C (Taxable) Bonds. Board approval would be required to proceed with these refundings. It should be noted that recently the taxable market (both absolute rate levels and credit spreads) has been significantly more volatile than the tax-exempt market. Therefore, the results summarized below could vary significantly from day-to-day.

**Refunding Savings at Current Rates Assuming February 1, 2013 Delivery Date**

| Refunded Series | Refunding Series | Callable Par ($ millions) | Call Date/ Call Premium | Par that Meet Min. Thresholds ($ millions)* | NPV Savings $ / % | Negative Arbitrage | Breakeven** |
|---|---|---|---|---|---|---|---|
| 2003A (AMT) | Taxable Advance | $149.030 | 10/1/13 @ 100% | $149.030 | $9.7 mm / 6.4% | $3.9 mm | 60-65 |
| 2003A (AMT) | AMT Forward | $149.030 | 10/1/13 @ 100% | $149.030 | $13.8 mm / 9.0% | $1.3 mm | 30-35 |
| 2003C (Taxable) | Taxable Advance | $31.305 | 10/1/13 @ 100% | $31.305 | $4.8 mm / 14.3% | $0.5 mm | 25-30 |
| **Total** | | **$180.335** | | **$180.335** | **$18.6 mm / 10.3%** | **$1.8 mm** | |

* Assumes that the 2013 maturity would also be refunded in order to allow for the release of the reserve funds.
**Rates could rise this much by July 3, 2012 and the Airports Authority would be able to achieve the same net present value savings by executing a current AMT or taxable refunding.

In today's market, a forward delivery AMT refunding of all outstanding Series 2003A Bonds is more cost effective than a taxable advance refunding. We estimate that forward delivery AMT refunding bonds would carry a monthly premium of 6 basis points per month, allowing the Airports Authority to lock in rates for refunding bonds to be delivered on or around July 3, 2013. As currently structured, a forward refunding would incur a total premium of 30 basis points.

Rather than an advance refunding, a bond sale as early as June 2013 with a July 2013 closing would be a *current* refunding: the current refunding of the Series 2003A could be done on a tax-exempt AMT basis; the current refunding of the Series 2003C would still need to be done on a taxable basis. In addition, in each case the escrow would be limited to 90 days, thus reducing the previously cited negative arbitrage by approximately half and increasing the savings by a like amount, all else being equal.

**Financing Schedule.** Should the Airports Authority elect to pursue a new money and refunding bond sale in June, the Finance Committee and Board would be requested to approve the transaction at the April and May meetings, respectively.

**(III.C) "Fiscal Cliff" Legislation**

For much of 2012, the municipal market was characterized by trends toward lower interest rates, tighter credit spreads and tighter AMT premium. However, starting in mid-December, in large part due to the uncertainties related to federal deficit reduction negotiations, there was a significant run-up in interest rates as retail investors took gains ahead of expected higher taxes and investors feared the possible loss of the tax-exempt treatment of municipal bonds (either in whole or capped); in addition, many broker-dealers faced year-end pressures. As a result, one measure of the increase in rates is that from December 3 to December 24, the 20-year Municipal Market Data index increased 32 basis points from 2.11 percent to 2.43 percent and credit spreads widened, too.

The Budget Control Act of 2011 (the "2011 Budget Act") required Congress to propose and enact legislation before January 2, 2013 that would reduce the federal deficit by $1.2 trillion. On January 2, 2013, the President signed into law the "American Taxpayer Relief Act of 2012" (the "2012 Act"), which had previously been approved by Congress. The 2012 Act, among other things, revised income tax rates on ordinary and capital gain income, modified estate tax rates, permanently extended a number of tax provisions that had already expired at the end of 2011 and 2012, and extended unemployment benefits, Medicare payments and farm subsidies. However, the 2012 Act did not include the deficit reducing legislation that is required by the 2011 Budget Act. Instead, the 2012 Act extended the deadline for Congress to enact deficit reducing legislation until March 1, 2013. If Congress fails to enact specific deficit reduction measures by March 1, 2013, automatic comprehensive budget sequestration and cuts to defense and nondefense spending will occur. Such reductions will include a reduction of the FAA's and the TSA's operating budgets. Any budget reducing legislation enacted by Congress or any automatic sequestration and cuts that may occur could have an adverse effect including a reduction of AIP and TSA grants and funds, and on the operations of the FAA and the TSA at DCA and IAD.

The 2012 Act does contain several specific tax provisions favorable to municipal securities:

- the top marginal tax rate (for individuals above $400,000 and couples above $450,000) is increased to 39.6 percent, up from 35 percent;
- tax payers' thresholds subject to the Alternative Minimum Tax ("AMT") is fixed permanently and indexed to inflation; and
- interest on municipal securities remain fully tax-exempt (i.e. not subject to limits on itemized deductions)

While these tax provisions should put municipal securities on sound footing for the time being all else being equal, much uncertainty overhangs the market because when the postponed sequestration budget cuts and raising of the debt ceiling is debated as early as February, when the current continuing resolutions expire in March or if and when broader tax reform is addressed, the question of municipal tax-exemption may again be included in the negotiations.

We expect the municipal market will take some time to digest the specifics of the 2012 Act and will remain volatile over the near term as the potential for change remains. Treasury volatility and lack of conviction in the municipal market could lead to periods of extreme volatility. That being said, in January to-date, the combination of coupon payments and redemptions has supported demand while a lighter forward calendar of new municipal issuance has tempered supply, helping to normalize spreads as compared to the mid-December sell-off. The municipal market awaits pricing leadership in the form of larger issues to better gauge current credit spreads and interest rate levels. For example, the Triborough Bridge and Tunnel Authority is scheduled to sell $800 million of refunding bonds on January 10; the San Diego Regional Airport Authority is expected to sell approximately $400 million of new money non-AMT and AMT bonds on January 17; and Phoenix Sky Harbor International Airport is scheduled to sell approximately $200 million of AMT refunding bonds in mid-February.

In addition, while not related to the 2011 Budget Act or the 2012 Act, as a direct consequence of the U.S. government reaching its debt ceiling, Treasury has temporarily halted the sale of State and Local Government Securities making advance refundings less efficient. Any refundings with an escrow would require such funds to be held uninvested or be used to purchase Treasury securities in the open market.

# 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 2012, CCP expenditures including construction and capitalized interest costs were budgeted at $274.6 million. CCP expenditures for December were not available at the time this paper was finalized. Through November 2012 expenditures totaled $102.4 million.

**CCP Projections vs. Actuals**
**($ millions)**

| | *General Ledger Actual* | *Original Projection* | *Variance* | *Variance (%)* |
|---|---|---|---|---|
| 12-Jan | $4.51 | $14.20 | ($9.69) | -68.24% |
| 12-Feb | $13.21 | $22.30 | ($9.09) | -40.76% |
| 12-Mar | $12.55 | $13.10 | ($0.55) | -4.20% |
| 12-Apr | $12.00 | $31.90 | ($19.90) | -62.38% |
| 12-May | $7.08 | $24.20 | ($17.12) | -70.74% |
| 12-Jun | $7.01 | $20.40 | ($13.39) | -65.64% |
| 12-Jul | $7.38 | $27.20 | ($19.82) | -72.87% |
| 12-Aug | $10.06 | $32.90 | ($22.84) | -69.42% |
| 12-Sep | $14.77 | $16.80 | ($2.03) | -12.08% |
| 12-Oct | $5.13 | $18.70 | ($13.57) | -72.57% |
| 12-Nov | $8.70 | $25.90 | ($17.20) | -66.41% |
| ***2012 Totals*** | **$102.40** | **$247.60** | **($145.20)** | **-58.64%** |

## (IV.B) Short-term Liquidity Forecast

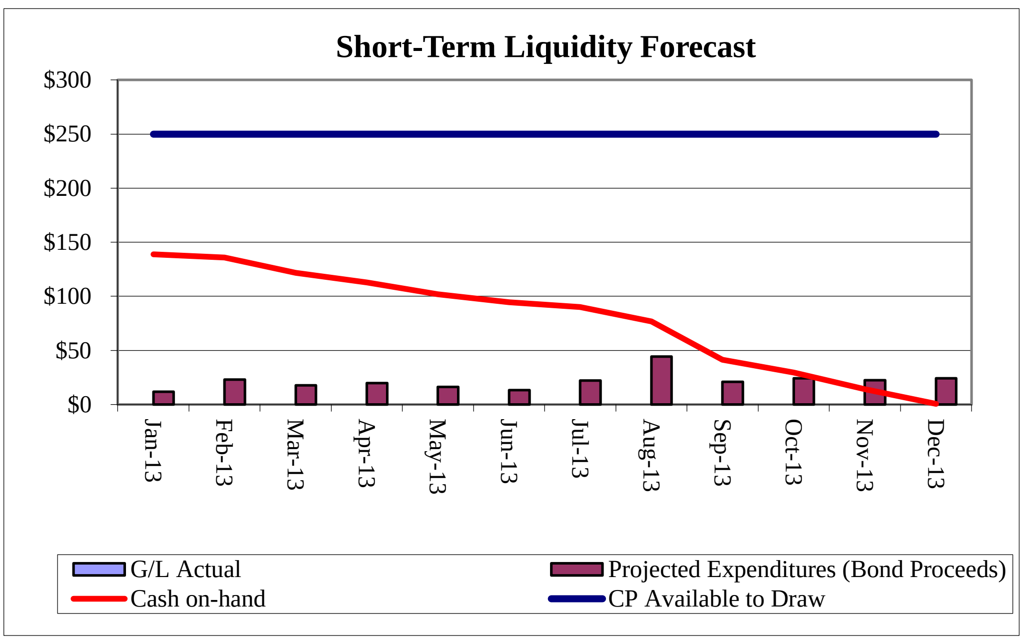
***The following (including the table and chart) is based on information provided to the Financial Advisor by Finance Staff.***

As of January 1, 2013, the Airports Authority had $138.9 million of cash-on-hand[7] and $250 million of additional available liquidity in the form of undrawn CP One capacity. CCP and capitalized interest are budgeted to total $260.2 million in 2013.

[7] The cash-on-hand includes Funds 63 and 64

**Short-term Liquidity Forecast ($ millions)**

| Beginning of Month | Cash Available | CP Available to Draw | PFCs | Grants | Projected Expenditures |
|---|---|---|---|---|---|
| Jan-13 | 138.9 | 250.0 | 4.1 | 4.8 | -12.0 |
| Feb-13 | 135.8 | 250.0 | 4.1 | 4.8 | -23.0 |
| Mar-13 | 121.7 | 250.0 | 4.1 | 4.8 | -17.7 |
| Apr-13 | 112.8 | 250.0 | 4.1 | 4.8 | -19.7 |
| May-13 | 102.0 | 250.0 | 4.1 | 4.8 | -16.2 |
| Jun-13 | 94.6 | 250.0 | 4.1 | 4.8 | -13.3 |
| Jul-13 | 90.2 | 250.0 | 4.1 | 4.8 | -22.3 |
| Aug-13 | 76.8 | 250.0 | 4.1 | 4.8 | -44.2 |
| Sep-13 | 41.5 | 250.0 | 4.1 | 4.8 | -20.9 |
| Oct-13 | 29.4 | 250.0 | 4.1 | 4.8 | -24.2 |
| Nov-13 | 14.1 | 250.0 | 4.1 | 4.8 | -22.4 |
| Dec-13 | 0.6 | 250.0 | 4.1 | 4.8 | -24.3 |




**(IV.C) Variable Rate Programs**

In addition to the approximately $966.6 million of variable rate debt that the Airports Authority has currently outstanding, the Airports Authority can issue up to $250 million of CP One Notes which are currently "on-the-shelf."

The approximately $343.9 million in unhedged variable rate debt outstanding represents approximately 6.8 percent of the outstanding $5.1 billion indebtedness.

***Gross Variable Rate Exposure***

| | | |
|---|---|---|
| **Fixed Rate Debt Percentage:** | | |
| Fixed Rate Debt | $4,090,855,000 | |
| 2009D VRDOs (Hedged) | 130,185,000 | |
| 2010C2 VRDOs (Hedged) | 99,660,000 | |
| 2010D Index Floater (Hedged) | 164,655,000 | |
| 2011A Index Floater (Hedged) | 228,165,000 | |
| **Fixed Rate** | **$4,713,520,000** | **93.20%** |
| **Variable Rate Debt Percentage:** | | |
| 2003D Index Floater | 63,225,000 | |
| 2010C1 Index Floater | 63,050,000 | |
| 2011B Index Floater | 196,675,000 | |
| CP Notes | 21,000,000 | |
| **Variable Rate** | **$343,950,000** | **6.80%** |
| **Combined Total** | **$5,057,470,000** | **100.00%** |

The Airports Authority's current $408.0 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 investments.

**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 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 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:

- Runway 1-19 Runway Safety Area – General Construction Package;
- NAVAIDS – ALSF 2;
- River Rescue Facility;
- Terminal A Building Rehabilitation, Lobby Improvements;
- Terminal A Outbound Baggage Makeup Facility; and
- North Substation Gear Replacement

Major projects under construction at Dulles International include:

- South Baggage Basement In Line High Volume Baggage Screening;
- East and West Baggage Basement EDS In Line High Volume Baggage Screening;
- Concourse C/D Rehabilitation;
- Main Terminal Commissioning Phase 1;
- Fire Station Alerting Systems for Station 302 and 303;
- North – South Domestic Water Connection Improvements;
- Jet Fuel Pipeline – Fuel Inbound Particle Separators;
- High Temperature Hot Water Generator Procurement; and
- Taxiway Z1 Widening and UAL Hangar Facility Enabling Projects

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

| | *General Ledger Actual* | *Projection** | *Variance* | *Variance (%)* |
|---|---|---|---|---|
| 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:** | | Rating | Outlook | As of |
| | Moody's | Aa3 | Negative | May 23, 2012 |
| | S&P | AA- | Stable | May 25, 2012 |
| | Fitch | AA- | Stable | May 23, 2012 |

| Series | Dated Date | Originally Issued Par Amount | Current Outstanding Par Amount | Tax Status | Tenor | Credit Enhancement Provider[1] | Purpose |
|---|---|---|---|---|---|---|---|
| 2003A | October 1, 2003 | 185,000,000 | 153,310,000 | AMT | Fixed | FGIC | New Money/CP Refunding |
| 2003B | October 1, 2003 | 44,135,000 | 2,920,000 | Non-AMT | Fixed | FGIC | Current Refunding |
| 2003C | October 1, 2003 | 52,565,000 | 33,850,000 | Taxable | Fixed | FGIC | New Money/Current Refunding |
| 2003D | October 1, 2003 | 150,000,000 | 63,225,000 | AMT | Variable | BofA Indexed Floaters | New Money |
| 2004A | August 26, 2004 | 13,600,000 | 13,530,000 | Non-AMT | Fixed | MBIA | Current 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 | Current Refunding |
| 2004C-2 | August 12, 2004 | 111,545,000 | 93,980,000 | AMT | Fixed | FSA | Current Refunding |
| 2004D | August 26, 2004 | 218,855,000 | 150,430,000 | AMT | Fixed | MBIA (except 2015) | Current Refunding/Pay Termination |
| 2005A | April 12, 2005 | 320,000,000 | 254,525,000 | AMT | Fixed | MBIA | New Money/CP Refunding |
| 2005B | April 12, 2005 | 19,775,000 | 16,410,000 | 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 | 35,570,000 | Non-AMT | Fixed | FGIC | Advance Refunding |
| 2007A | July 3, 2007 | 164,460,000 | 126,040,000 | AMT | Fixed | AMBAC | Current Refunding |
| 2007B | September 27, 2007 | 530,000,000 | 420,355,000 | AMT | Fixed | AMBAC | New Money |
| 2008A | June 24, 2008 | 250,000,000 | 220,450,000 | AMT | Fixed | - | New Money/CP Refunding |
| 2009B | April 1, 2009 | 236,825,000 | 228,655,000 | Non-AMT | Fixed | BHAC (partially) | New Money/CP Refunding/ Swap Term. |
| 2009C | July 2, 2009 | 314,435,000 | 298,965,000 | Non-AMT | Fixed | - | Refunding PFC |
| 2009D* | July 2, 2009 | 136,825,000 | 130,185,000 | Non-AMT | Variable | TD Bank | Refunding PFC |
| 2010A | July 28, 2010 | 348,400,000 | 340,565,000 | Non-AMT | Fixed | - | New Money/OMP |
| 2010B | July 28, 2010 | 229,005,000 | 205,055,000 | AMT | Fixed | - | Current Refunding |
| 2010C** | September 22, 2010 | 170,000,000 | 162,710,000 | C1 AMT, C2 Non-AMT | Variable | Barclays | Current Refunding |
| 2010D* | September 22, 2010 | 170,000,000 | 164,655,000 | 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 | 228,165,000 | AMT | Variable | Wells Fargo Indexed Floaters | New Money/Current Refunding |
| 2011B | September 21, 2011 | 207,640,000 | 196,675,000 | Non-AMT | Variable | Citi Indexed Floaters | New Money/Current Refunding |
| 2011C | September 29, 2011 | 185,390,000 | 178,315,000 | AMT | Fixed | - | Current Refunding |
| 2011D | September 29, 2011 | 10,385,000 | 10,015,000 | 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 | 20,790,000 | Non-AMT | Fixed | - | Advance Refunding |
| Total | | 5,803,165,000 | 5,036,470,000 | | | | |

**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 50% of the GARB portfolio is additionally secured through bond insurance.

**Insurer Splits as % of Total Bond Portfolio**

| Insurer | Insured |
|---|---|
| Ambac | 11.0% |
| BHAC | 4.5% |
| FGIC | 11.9% |
| FSA | 12.2% |
| National (MBIA) | 9.2% |
| Syncora (XL) | 1.3% |
| Uninsured | 49.8% |

**Insurer Splits as % of Insured Bond Portfolio**

| Insurer | Insured |
|---|---|
| Ambac | 21.9% |
| BHAC | 9.0% |
| FGIC | 23.8% |
| FSA | 24.3% |
| National (MBIA) | 18.4% |
| Syncora (XL) | 2.5% |

| Aviation Enterprise Total TIC of Fixed Rate Debt |
|---|
| 4.74% |

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

### Current Refunding Opportunities
The Airports Authority does not have any currently callable bonds outstanding.

### Advance Refunding Candidates – Non-AMT
The 2004A Non-AMT Bonds may be advance refunded[8].

| *Series* | *Callable Par/ Maturities* | *Range of Interest Rates* | *Call Date* | *Call Premium* | *Savings Required* | *Net PV Savings* | *Negative Arbitrage* | *Breakeven* |
|---|---|---|---|---|---|---|---|---|
| 2004A | $13,510,000 (2015-2022) | 4.50% - 5.00% | 10/1/2014 | 100% | 2% | $1.7 mm; 12.4% $13.5 mm refunded | $0.5 mm | 50 bps |

### Refunding Candidates – AMT
The Series 2003A 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. While we present in Section III of this paper a potential taxable advance and AMT forward refunding of certain outstanding Series 2003A Bonds, the table below illustrates results of a hypothetical AMT advance refunding.

| *Series* | *Callable Par/ Maturities* | *Range of Interest Rates* | *Call Date* | *Call Premium* | *Savings Required* | *Net PV Savings* | *Negative Arbitrage* | *Breakeven* |
|---|---|---|---|---|---|---|---|---|
| 2003A | $149,030,000 (2014-2033) | 4.25% - 5.50% | 10/1/2013 | 100% | 2-3% | $15.3 mm; 10.6% $144 mm refunded* | $3.0 mm | 20-25 bps |

*Note that not all of the Series 2003A Bonds meet the refunding criteria. Due to the maximum annual debt service requirement for the 2003A DSRF Requirement, cashflow savings would be affected by a partial refunding.

### Refunding Candidates – Taxable
The Series 2003C and 2005C Bonds may be advance refunded with the proceeds of taxable bonds. Under current market conditions, the 2005C Bonds do not meet the savings requirement.

| *Series* | *Callable Par/ Maturities* | *Range of Interest Rates* | *Call Date* | *Call Premium* | *Savings Required* | *Net PV Savings* | *Negative Arbitrage* | *Breakeven* |
|---|---|---|---|---|---|---|---|---|
| 2003C | $31,305,000 (2014-2023) | 5.29% - 6.00% | 10/1/2013 | 100% | 1% | $4.8 mm; 14.3% $31.3 mm refunded* | $0.5 mm | 25 bps |

* All of the Series 2003C Bonds would need to be refunded (even those below the required savings threshold, if any) so that the reserve fund could be released. Otherwise, cashflow savings are negatively affected.

[8] The Series 2005B, Series 2005D, Series 2006C and Series 2012B 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 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.

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.***

| *Dealer* | *Program/ Series* | *Amount ($MM)* | *Remarketing Fees* |
|---|---|---|---|
| *JP Morgan* | CP: Series One* | Up to $250 | 0.04% |
| *Merrill Lynch* | CP: Series Two** | Up to $21 | 0.05% |
| *Bank of America* | Index Floater: 2003 D1 Bonds | $63.225 | None |
| *Bank of America* | VRDO: 2009D Bonds*** | $130.185 | 0.08 – 0.10% |
| *Barclays* | VRDO: 2010C Bonds | $162.710 | 0.08% |
| *Wells Fargo* | Index Floater: 2010D Bonds | $164.655 | None |
| *Wells Fargo* | Index Floater: 2011A Bonds | $228.165 | None |
| *Citi* | Index Floater: 2011B Bonds | $196.675 | None |

**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 0.10 percent remarketing fee and those bonds in a weekly mode have a 0.08 percent remarketing fee.*

***Details of Facilities.***

| *Bank Provider* | *Facility* | *Program/ Series* | *Amount ($MM)* | *Utilized Costs (bps)* | *Unutilized Costs (bps)* | *Expiration Date* |
|---|---|---|---|---|---|---|
| JP Morgan | LOC | CP: Series One | $250.000 | 70 | 70 | March 13, 2014 |
| LBBW | LOC | CP: Series Two | $21.000 | 110 | 90 | December 29, 2015 |
| Bank of America | Index Floater | 2003 D1 | $63.225 | 65.0* | N/A | December 16, 2016 |
| TD Bank | LOC | 2009 D VRDO | $130.185 | 56.0 | N/A | December 2, 2017 |
| Barclays Capital | LOC | 2010 C VRDO | $162.710 | 55.0*** | N/A | September 23, 2015 |
| Wells Fargo | Index Floater | 2010 D | $164.655 | 65.0* | N/A | December 18, 2015 |
| Wells Fargo | Index Floater | 2011A | $228.165 | 82.0* | N/A | September 21, 2016 |
| Citi | Index Floater | 2011B | $196.675 | 55.0** | N/A | September 21, 2015 |

**This is a fixed spread to the 72 percent of LIBOR Index.*
***This is a fixed spread to the SIFMA Index.*
****Decreases to 50 basis points in September 2013 through December 2015.*

# 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 <u>including</u> credit and remarketing fees.

***2012 Interest Rates*** *(by quarter)*

| Quarter | 2003D1 BofA Index[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 | SIFMA |
|---|---|---|---|---|---|---|---|---|---|---|
| 12-month Rolling Average | 0.415% | 0.671% | 0.676% | 0.624% | 0.629% | 0.754% | 0.828% | n.a. | 1.340% | 0.16% |
| Oct-12 – Dec-12 | 0.449% | 0.648% | 0.670% | 0.626% | 0.632% | 0.715% | 0.801% | n.a. | 1.297% | 0.17% |
| July-12 – Sept-12 | 0.414% | 0.682% | 0.695% | 0.627% | 0.633% | 0.769% | 0.839% | 0.790% | 1.338% | 0.15% |
| Apr-12 – June-12 | 0.401% | 0.682% | 0.685% | 0.622% | 0.637% | 0.715% | 0.785% | 0.722% | 1.318% | 0.21% |
| Jan-12 – Mar-12 | 0.396% | 0.671% | 0.677% | 0.619% | 0.613% | 0.815% | 0.885% | 0.800% | 1.401% | 0.12% |

***2004 – 2011 Historical All-in Costs*** *(annually)*

| Year | 2003 D-1 GS | 2003 D-2 MS[10] | 2002C UBS/ BoA[11] | 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% |

[9] On December 18, 2012, Bank of America purchased the 2003D1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.
[10] 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.
[11] 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.

***2012 Interest Rates** (by quarter)*

| Quarter | 2003D1 BofA Index[12] | 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 | 0.054% | 0.022% | -0.018% | -0.006% | -0.001% | 0.008% | 0.008% | n.a. | 0.190% | 0.16% |
| Oct-12– Dec-12 | 0.053% | -0.001% | -0.024% | -0.004% | 0.002% | -0.020% | -0.019% | n.a. | 0.147% | 0.17% |
| July-12– Sept-12 | 0.064% | 0.032% | -0.005% | -0.003% | 0.003% | 0.019% | 0.019% | 0.050% | 0.188% | 0.15% |
| Apr-12– June-12 | 0.051% | 0.032% | -0.015% | -0.008% | 0.007% | -0.035% | -0.035% | -0.018% | 0.168% | 0.21% |
| Jan-12– Mar-12 | 0.046% | 0.021% | -0.023% | -0.011% | -0.017% | 0.065% | 0.065% | 0.060% | 0.251% | 0.12% |

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

| Year | 2003 D-1 GS | 2003 D-2 MS[13] | 2002C UBS/ BoA[14] | 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% |

[12] On December 18, 2012, Bank of America purchased the 2003D1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.
[13] 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.
[14] 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)[8] | Hedged Series | Current Termination Value[15] | Fixed Rate |
|---|---|---|---|---|---|---|---|---|
| 7/31/01 | 8/29/02 | 10/1/21 | Bank of America | A3/A/A | $47.6 | 2011A-2 | ($8,663,000) | 4.445% |
| 6/15/06 | 10/1/09 | 10/1/39 | JPMorgan Chase<br>Bank of America | Aa3/A+/A+<br>A3/A/A | $180.8<br>$104.7<br>$285.5 | 2011A-3<br>2009D<br>2010C2 | ($59,271 ,000)<br>($34,239,000)<br>($93,510,000) | 4.099% |
| 6/15/06 | 10/1/10 | 10/1/40 | Wells Fargo | Aa3/AA-/AA- | $164.7 | 2010D | ($56,403,000) | 4.112% |
| 5/13/05 | 10/1/11 | 10/1/39 | Wells Fargo | Aa3/AA-/AA- | $125.0 | 2011A-1 | ($35,345,000) | 3.862% |
| | | | | **Aggregate Swaps** | $622.8 | | ($193,921,000) | |

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 | $47.6 | 2011A-2 (Indexed Floaters) | 4.445% | 5.215%** |
| 10/1/09 | $55.6 | 2011A-3 (Indexed Floaters) | 4.099% | 4.869%** |
| 10/1/09 | $229.8 | 2009D&2010C2 (VRDOs) | 4.099% | 5.022% |
| 10/1/10 | $164.7 | 2010D (Indexed Floaters) | 4.112% | 4.862% |
| 10/1/11 | $125.0 | 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.*

[15] Amounts as of December 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 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 table below 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[16] | 72% 1-month LIBOR | Average All-In Aggregate Interest Rate[17] | Average Fixed Swap Rate | Effective Interest Rate[18] | All-In Effective Rate to Date |
|---|---|---|---|---|---|---|
| 12/1/12 - 1/1/13 | 0.21% | 0.15% | 0.77% | 4.099% | 4.722% | 5.022% |
| 11/1/12 - 12/1/12 | 0.21% | 0.15% | 0.84% | 4.099% | 4.786% | 5.028% |
| 10/1/12 - 11/1/12 | 0.21% | 0.15% | 0.84% | 4.099% | 4.788% | 5.034% |
| 9/1/12 - 10/1/12 | 0.22% | 0.16% | 0.82% | 4.099% | 4.761% | 5.039% |
| 8/1/12 - 9/1/12 | 0.24% | 0.17% | 0.80% | 4.099% | 4.729% | 5.046% |
| 7/1/12 - 8/1/12 | 0.25% | 0.18% | 0.83% | 4.099% | 4.746% | 5.054% |
| 6/1/12 - 7/1/12 | 0.24% | 0.17% | 0.85% | 4.099% | 4.773% | 5.062% |
| 5/1/12 - 6/1/12 | 0.24% | 0.17% | 0.87% | 4.099% | 4.800% | 5.069% |
| 4/1/12 - 5/1/12 | 0.24% | 0.17% | 0.89% | 4.099% | 4.819% | 5.076% |
| 3/1/12 - 4/1/12 | 0.24% | 0.17% | 0.81% | 4.099% | 4.735% | 5.083% |
| 2/1/12 - 3/1/12 | 0.25% | 0.18% | 0.80% | 4.099% | 4.716% | 5.093% |
| 1/1/12 - 2/1/12 | 0.29% | 0.21% | 0.71% | 4.099% | 4.595% | 5.104% |
| 12/1/11 - 1/1/12 | 0.28% | 0.20% | 0.74% | 4.099% | 4.641% | 5.119% |
| 11/1/11 - 12/1/11 | 0.25% | 0.18% | 0.77% | 4.099% | 4.687% | 5.134% |
| 10/1/11 - 11/1/11 | 0.24% | 0.17% | 0.79% | 4.099% | 4.718% | 5.148% |
| 9/1/11 - 10/1/11 | 0.23% | 0.17% | 0.89% | 4.099% | 4.824% | 5.162% |
| 8/1/11 - 9/1/11 | 0.21% | 0.15% | 0.90% | 4.099% | 4.851% | 5.176% |
| 7/1/11 - 8/1/11 | 0.20% | 0.14% | 0.79% | 4.099% | 4.743% | 5.191% |
| 6/1/11 - 7/1/11 | 0.20% | 0.14% | 0.82% | 4.099% | 4.770% | 5.212% |
| 5/1/11 - 6/1/11 | 0.20% | 0.14% | 0.90% | 4.099% | 4.857% | 5.234% |
| 4/1/11 - 5/1/11 | 0.22% | 0.16% | 0.95% | 4.099% | 4.890% | 5.254% |
| 3/1/11 - 4/1/11 | 0.26% | 0.19% | 0.95% | 4.099% | 4.857% | 5.274% |
| 2/1/11 - 3/1/11 | 0.26% | 0.19% | 0.98% | 4.099% | 4.887% | 5.298% |
| 1/1/11 - 2/1/11 | 0.26% | 0.19% | 0.96% | 4.099% | 4.876% | 5.324% |

**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% |

[16] 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.

[17] 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-ion interest rate including bank facility costs.

[18] 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.