JUNE 2012
FINANCIAL ADVISOR REPORT – THE AVIATION ENTERPRISE

INTRODUCTION

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

DISCUSSION SUMMARY

This paper is organized as follows:

I. Executive Summary

II. Action Items
   - A. None

III. Informational Items
   - A. Series 2012A-B Refunding
   - B. Bank Request for Proposals
   - C. 2012 Fall Financing
   - D. Bank Ratings

IV. Monthly Updates
   - A. CCP: Actuals vs. Projections
   - B. Short-term Liquidity Forecast
   - C. Variable Rate Programs
   - D. Swaps –Swap Performance

Exhibits

- A. Airports Authority's Capital Construction Program
- B. Airport System Revenue Bonds
  - Summary of Bonds Outstanding
  - Refunding Monitor
- C. Variable Rate Programs
  - Overview
  - Historical performance
- D. Swap Program
  - Airports Authority Swap Profile
  - Historic Performance of 2009 Swaps

I. EXECUTIVE SUMMARY

Action Items

- None to report this month

Informational Items

- ***Series 2012A-B Refunding.*** As part of the issuance of the Series 2012A-B Refunding Bonds, the rating agencies affirmed the Airports Authority's prior ratings: (i) Moody's: Aa3, negative outlook; (ii) S&P: AA-, stable outlook; (iii) Fitch: AA-, stable outlook. On June 5, the Airports Authority's syndicate, led by Barclays Capital as the senior manager and Loop Capital as the co-senior manager, sold $291.035 million of Series 2012A (AMT) Bonds and $20.790 million Series 2012B (non-AMT) Bonds. Proceeds of the Series 2012A-B bonds were used to refund $356.970 million outstanding bonds. The combined refunding generates $40.6 million of net present value savings (over 11.1% 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. The underwriting syndicate placed $77.225 million of bonds with DC, Virginia and national retail buyers.

- ***Bank Request for Proposals.*** The Financial Advisor and Finance Staff plan to solicit proposals from banks to provide credit facilities for extending/refinancing a portion of the current facilities that expire in 2013, potential swap restructuring and potential new money strategy. This solicitation would request up to $200 million for new money facilities and up to $200 million of facilities to refinance bank facilities expiring in 2013. The Request for Proposals is expected to be distributed by the end of this month and due in the latter half of July.

- ***2012 Fall Financing.*** Based on current CCP expenditures, cash on hand (including prior bond proceeds) and available commercial paper capacity, potential new money borrowing requirements in 2012 could be as much as $200 million. Such proceeds would be used to refinance all or a portion of the expected outstanding CP and to fund future capital expenditures, including capitalized interest. Finance Staff and the Financial Advisor are targeting a proposed new money bond issue late in the third quarter or early in the fourth quarter of this year. In addition to the bonds refunded by the Series 2012A-B, the Financial Advisor and Finance Staff are evaluating the economics of certain refunding opportunities the Airports Authority could consider pursuing including a taxable advance refunding of outstanding 2003A (AMT) and a taxable advance refunding of 2003C (Taxable) Bonds. Additional Board approval would be required to proceed with these refundings. These additional refundings could be considered in connection with the new money financing expected later this year or the Airports Authority could move quickly to approve and pursue based upon just completed offering document.

- ***Bank Ratings.*** On February 15, Moody's announced a review of and ratings actions on 17 banks, some of which the Airports Authority has outstanding interest rate swaps or letters of credit with. Moody's expect to take rating actions, if any, by the end of this month. While there has not yet been any material negative impact on the Airports Authority's financing programs, Finance Staff and the Financial Advisor continue to monitor ongoing developments.

- ***Capital Construction Program (CCP).*** CCP expenditures in 2012 are budgeted at $274.6 million including construction and capitalized interest costs. CCP expenditures for May 2012 totaled $7.1 million. Year-to-date 2012 expenditures total $49.4 million.

II. ACTION ITEMS

There are no action items to report this month.

III. INFORMATIONAL ITEMS

(III.A) Series 2012A-B Refunding

On June 5, the Airports Authority's syndicate, led by Barclays Capital as the senior manager and Loop Capital as the co-senior manager, sold $291.035 million of Series 2012A (AMT) Bonds and $20.790 million Series 2012B (non-AMT) Bonds. (The Series 2012C (taxable) Bonds were not offered because taxable rates were not more attractive than the Series 2012A (AMT) rates.) The Series 2012A-B Bonds will be delivered on July 3. Proceeds of the Series 2012A-B bonds were used 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 generates $40.6 million of net present value savings (over 11.1% 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.

The underwriting syndicate generated a significant amount of retail from DC, Virginia and national retail buyers. In fact, the full amount of $20.790 million Series 2012B (non-AMT) Bonds were placed with retail investors. Barclays Capital underwrote $25mm of orders after the re-pricing.

Series 2012A-B Retail Orders ($ millions)

Series	Par Offered	Total Retail Orders	Retail Orders Filled[1]
2012A	$291.035	$67.340	$56.395
2012B	$20.790	$37.745	$20.790
Total	**$311.825**	**$105.085**	**$77.225**

The total interest cost ("TIC") of the $311.825 million Series 2012A-B Bonds was 3.79%, lowering the Airports Authority's outstanding TIC from 4.82% to 4.73% for conventional fixed rate bonds and from 4.82% to 4.80% for all fixed rate bonds, conventional and hedged.

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

[1] Certain retail orders were not filled if there were more orders than bonds sold in a given maturity.

- 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 has assigned a negative outlook to the Airports Authority. This negative outlook was originally assigned to the Airports Authority back in June 2010. Another specific concern cited by Moody's was that reduced Federal spending patterns may reduce local demand for air travel.

(III.B) Bank Request for Proposals

The Financial Advisor and Finance Staff plan to solicit proposals from banks to provide credit facilities for extending/refinancing a portion of the current facilities that expire in 2013, potential swap restructuring and potential new money strategy. This solicitation would request up to $200 million for new money facilities and up to $200 million of facilities to refinance bank facilities expiring in 2013. The Request for Proposals is expected to be distributed by the end of this month and due in the latter half of July. This schedule will provide sufficient time to evaluate the proposals and execute new facilities in connection with the expected new money issue later this year.

(III.C) 2012 Fall Financing

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

In addition to the bonds refunded by the Series 2012A-B, the Financial Advisor and Finance Staff are evaluating the economics of certain refunding opportunities the Airports Authority could consider pursuing including a taxable advance refunding of outstanding 2003A (AMT) and a taxable advance refunding of 2003C (Taxable) Bonds. Additional Board approval would be required to proceed with these refundings. These additional refundings could be considered in connection with the new money financing expected later this year or the Airports Authority could move quickly to approve and pursue based upon just completed offering document. Results under current market conditions are presented in the table below. It should be noted that recently the taxable market (both absolute rate levels and credit spreads) have been significantly more volatile than the tax-exempt market. Therefore, the results summarized below could vary significantly from day-to-day.

Advance Refunding Savings at Current Rates (Taxable Refunding Bonds) – July 3, 2012 Delivery Date					
Series	**Callable Par ($ millions)**	**Call Date/ Call Premium**	**Par that Meet Minimum Thresholds ($ millions)**	**NPV Savings $ / %**	**Negative Arbitrage**
2003A (AMT)	$149.030	10/1/13 @ 100%	$83.645	$6.3 mm / 7.6%	$3.2 mm
2003C (Taxable)	$31.305	10/1/13 @ 100%	$36.275*	$3.7 mm / 10.1%	$1.3 mm
Total	**$180.340**		**$119.920**	**$10.0 mm / 8.3%**	**$4.5 mm**

*The refunding results assume that the entire outstanding amount is refunded including certain callable maturities that do not meet the refunding criteria. The reserve requirement on the Series 2003C Bonds is maximum annual debt service. If all bonds are not refunded cash flow savings are minimal.

The refunding of the 2003A Bonds provides very little annual cashflow savings and the majority of the NPV savings are realized from the additional reserve requirement. Additionally, we have calculated that rates could rise as much as 75-80 basis points by July 3, 2013 and the Airports Authority would be able to achieve the same net present value savings as executing a taxable advance refunding of the Series 2003A Bonds today (assumes an AMT current refunding in 2013). The refunding of the Taxable 2003C Bonds may not materially impact airline rates and charges or debt service coverage. Additionally, rates could rise as much as 75-80 basis points by July 3, 2013 and the Airports Authority would be able to achieve the same net present value savings as executing an advance refunding of the 2003C Bonds today.

(III.D) Bank Ratings

On February 15, Moody's announced a review of and ratings actions on 17 banks, some of which the Airports Authority has outstanding interest rate swaps or letters of credit with. On February 15, Moody's took the following actions:

	Interest Rate Swaps	VRDN Letters of Credit	Indexed Floater
Long-term/short-term ratings – placed under review			
Bank of America	$52 million, term 10/2021 $107 million, term 10/2039	$132 million, expires 7/2013	--
Citigroup	--	--	$207 million, expires 9/2015
JPMorgan	$184 million, term 10/2039	$250 million, expires 3/2014	--
Long-term/short-term ratings – review initiated			
Barclays	--	$166 million, expires 9/2013	--

Moody's expects to take rating actions, if any, by the end of this month.

One of the benefits of the Indexed Floater product with Citigroup is that the Airports Authority is insulated from the credit of the provider. On the other hand, while there has not yet been any material negative impacts related to Bank of America, JPMorgan or Barclays, Finance Staff and the Financial Advisor continue to monitor ongoing developments, especially Bank of America which is currently rated "A2" by Moody's.

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 May 2012 totaled $7.1 million. Year-to-date 2012 expenditures total $49.4 million.

CCP Projections vs. Actuals
($ millions)

	General Ledger Actual	*Original Projection*	*Variance*	*Variance (%)*
12-Jan	$4.51	$14.10	($9.59)	-68.10%
12-Feb	$13.21	$24.20	($10.99)	-45.40%
12-Mar	$12.55	$17.00	($4.45)	-26.20%
12-Apr	$12.00	$30.20	($18.20)	-60.30%
12-May	$7.08	$24.10	($17.02)	-70.60%
2012 Totals	**$49.35**	**$109.60**	**($60.25)**	**-54.97%**

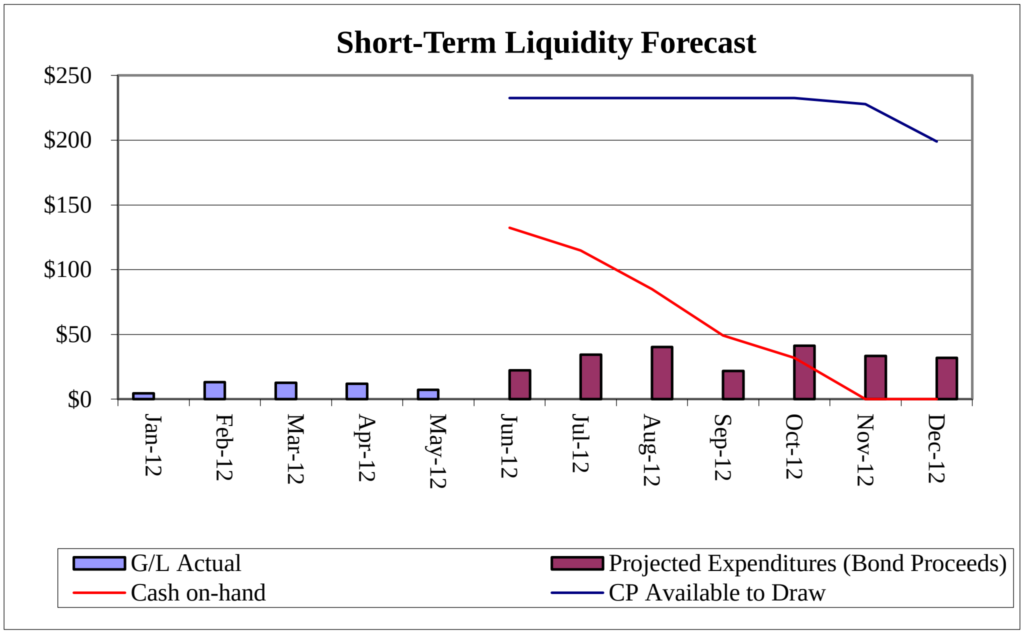
(IV.B) Short-term Liquidity Forecast

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

As of June 1, 2012, the Airports Authority had $132.4 million of cash-on-hand and $232.5 million of additional available liquidity in the form of undrawn CP One capacity. CCP and capitalized interest are budgeted to total $274.6 million in 2012. The table and chart below do not reflect a planned Fall new money issuance.

Short-term Liquidity Forecast ($ millions)

Beginning of Month	**Cash Available**	**CP Available to Draw**	**PFCs**	**Grants**	**Projected Expenditures**
12-Jun	132.4	232.5	0.4	4.2	(22.3)
12-Jul	114.7	232.5	0.4	4.2	(34.4)
12-Aug	84.9	232.5	0.4	4.2	(40.4)
12-Sep	49.2	232.5	0.4	4.2	(21.9)
12-Oct	31.9	232.5	0.4	4.2	(41.2)
12-Nov	-	227.8	0.4	4.2	(33.4)
12-Dec	-	199.0	0.4	4.2	(31.8)



(IV.C) Variable Rate Programs

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

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

Gross Variable Rate Exposure

Fixed Rate Debt Percentage:		
Fixed Rate Debt	$4,192,730,000	
2009D VRDOs (Hedged)	132,505,000	
2010C2 VRDOs (Hedged)	101,045,000	
2010D VRDOs (Hedged)	167,390,000	
2011A VRDOs (Hedged)	233,635,000	
Fixed Rate	**$4,827,305,000**	**92.78%**
Variable Rate Debt Percentage:		
2003D VRDOs	64,825,000	
2010C1VRDOs	64,650,000	
2011B VRDOs	207,640,000	
CP Notes	38,500,000	
Variable Rate	**$375,615,000**	**7.22%**
Combined Total	**$5,202,920,000**	**100.00%**

The Airports Authority's current $399.0 million unrestricted cash balances in short-term investments can be netted against variable rate debt exposure to produce a "net variable rate exposure". Currently, unrestricted cash balances in short-term investments exceed the amount of variable rate 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 1-month LIBOR based upon the outstanding notional amount of the swap. The 2002 Swap originally hedged the Series 2002C Bonds and now hedges the 2011A-2 Indexed Floaters which refunded the Series 2002C Bonds in full. The Airports Authority pays 72 percent of LIBOR plus 77 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 4.45 percent plus the spread of 77 basis points: 5.22 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is no longer included in Exhibit D.

2009 Swaps: Under the terms of the swap agreements, the Airports Authority pays to the counterparties an average fixed rate of 4.10 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparties 72 percent of 1-month LIBOR based upon the outstanding notional amount of their respective swaps. The 2009 Swap originally hedged the Series 2009A and 2009D Bonds. The Series 2009A were partially refunded by the Series 2010C2 Bonds and the remaining portion was fully refunded by the Series 2011A-3 Bonds. The 2009 swaps now hedge the 2011A-3 Indexed Floaters and the 2009D and 2010C2 VRDOs. On the Indexed Floaters, the Airports Authority pays 72 percent of LIBOR plus 77 basis points. The All-In Effective Rate of the swap related to these Bonds is therefore equal to the fixed swap rate of 4.10 percent plus the spread of 77 basis points: 4.87 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap associated with the Indexed Floaters is no longer included in Exhibit D. **Exhibit D-3** provides the historical monthly 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 1-month LIBOR based upon the outstanding notional amount of the swap. The 2010 Swap hedges the Series 2010D Indexed Floaters. The Airports Authority pays 72 percent of LIBOR plus 75 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 4.11 percent plus the spread of 75 basis points: 4.86 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is not included in Exhibit D.

2011 Swap: Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 3.86 percent on the outstanding notional amount of the swap.

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

Exhibit A
Airports Authority's CCP

Major projects under construction at Reagan National include:

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

Major projects under construction at Dulles International include:

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

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
2002B	June 4, 2002	27,915,000	650,000	Non-AMT	Fixed	FGIC	New Money
2003A	October 1, 2003	185,000,000	157,425,000	AMT	Fixed	FGIC	New Money/Refunding
2003B	October 1, 2003	44,135,000	5,725,000	Non-AMT	Fixed	FGIC	Refunding
2003C	October 1, 2003	52,565,000	36,275,000	Taxable	Fixed	FGIC	New Money/Refunding
2003D	October 1, 2003	150,000,000	64,825,000	AMT	Variable	Wachovia/ Syncora (XL)	New Money
2004A	August 26, 2004	13,600,000	13,540,000	Non-AMT	Fixed	MBIA	Refunding
2004B	May 18, 2004	250,000,000	245,000,000	AMT	Fixed	FSA	New Money
2004C-1	July 7, 2004	97,730,000	31,300,000	AMT	Fixed	FSA	Refunding
2004C-2	August 12, 2004	111,545,000	94,090,000	AMT	Fixed	FSA	Refunding
2004D	August 26, 2004	218,855,000	168,070,000	AMT	Fixed	MBIA	Refunding
2005A	April 12, 2005	320,000,000	263,685,000	AMT	Fixed	MBIA	New Money/Refunding
2005B	April 12, 2005	19,775,000	18,120,000	Non-AMT	Fixed	MBIA	Refunding
2005C	April 12, 2005	30,000,000	30,000,000	Taxable	Fixed	MBIA	New Money
2005D	October 12, 2005	11,450,000	7,650,000	Non-AMT	Fixed	AMBAC	Refunding
2006A	January 25, 2006	300,000,000	245,000,000	AMT	Fixed	FSA	New Money/Refunding
2006B	December 6, 2006	400,000,000	375,320,000	AMT	Fixed	FGIC	New Money
2006C	December 6, 2006	37,865,000	36,180,000	Non-AMT	Fixed	FGIC	Refunding
2007A	July 2, 2007	164,460,000	134,495,000	AMT	Fixed	AMBAC	Refunding
2007B	September 27, 2007	530,000,000	432,805,000	AMT	Fixed	AMBAC	New Money
2008A	June 24, 2008	250,000,000	229,965,000	AMT	Fixed	-	New Money/Refunding
2009B	April 1, 2009	236,825,000	231,435,000	Non-AMT	Fixed	BHAC	New Money/Refunding
2009C	July 2, 2009	314,435,000	304,285,000	Non-AMT	Fixed	-	Refunding PFC
2009D*	July 2, 2009	136,825,000	132,505,000	Non-AMT	Variable	Bank of America	Refunding PFC
2010A	July 28, 2010	348,400,000	344,575,000	Non-AMT	Fixed	-	New Money/OMP
2010B	July 28, 2010	229,005,000	217,720,000	AMT	Fixed	-	Refunding
2010C**	September 22, 2010	170,000,000	165,695,000	C1 AMT, C2 Non-AMT	Variable	Barclays	Refunding
2010D*	September 22, 2010	170,000,000	167,390,000	Non-AMT	Variable	Wells Fargo	New Money/Refunding
2010F1	November 17, 2010	61,820,000	61,820,000	Non-AMT	Fixed	-	OMP
2011A*	September 21, 2011	233,635,000	233,635,000	AMT	Variable	Wells Fargo	New Money/Refunding
2011B	September 21, 2011	207,640,000	207,640,000	Non-AMT	Variable	Citi	New Money/Refunding
2011C	September 29, 2011	185,390,000	185,390,000	AMT	Fixed	-	Refunding
2011D	September 29, 2011	10,385,000	10,385,000	Non-AMT	Fixed	-	Refunding
2012A	July 3, 2012	291,035,000	291,035,000	AMT	Fixed	-	Refunding
2012B	July 3, 2012	20,790,000	20,790,000	Non-AMT	Fixed	-	Refunding
Total		5,831,080,000	5,164,420,000				

**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	11.13%
BHAC	4.48%
FGIC	11.84%
FSA	11.92%
National (MBIA)	9.55%
Syncora (XL)	1.26%
Uninsured	49.82%

Insurer Splits as % of Insured Bond Portfolio

Insurer	Insured
Ambac	22.19%
BHAC	8.93%
FGIC	23.75%
FSA	23.75%
National (MBIA)	19.04%
Syncora (XL)	2.50%

Aviation Enterprise Total TIC of Fixed Rate Debt
4.80%

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[2].

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%	3%	$1.2 mm; 8.6% $13.5 mm refunded	$645,000	125 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 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%	3-4%	$7.4 mm; 7.2% $102 mm refunded*	$3.5 mm	70 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%	2%	$3.8 mm; 12.0% $31 mm refunded*	$881,123	69 bps

*These results only reflect the savings associated with the callable bonds. However, all of the Series 2003C Bonds would need to be refunded (even those below the required savings threshold) so that the reserve fund could be released. Otherwise, cashflow savings are negatively affected.

[2] 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%
Wells Fargo	VRDO: 2003 D-1 Bonds	$64.825	0.08%
Bank of America	VRDO: 2009D Bonds***	$132.505	0.10 – 0.15%
Barclays	VRDO: 2010C Bonds	$165.695	0.08%
Wells Fargo	Index Floater: 2010D Bonds	$167.392	None
Wells Fargo	Index Floater: 2011A Bonds	$233.635	None
Citi	Index Floater: 2011B Bonds	$207.640	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 0.15 percent remarketing fee and those bonds in a weekly mode have a 0.10 percent remarketing fee.*

Details of Facilities.

Bank Provider	*Facility*	*Program/ Series*	*Amount ($MM)*	*Utilized Costs (bps)*	*Unutilized Costs (bps)*	*Expiration Date*
JP Morgan	Letter of Credit	CP: Series One	$250.000	70	70	March 13, 2014
LBBW	Letter of Credit	CP: Series Two	$21.000	110	90	December 29, 2015
Wells Fargo*	Letter of Credit	2003 D1 VRDO	$64.825	27.0	N/A	March 12, 2013
Banc of America	Letter of Credit	2009 D VRDO	$132.505	55.0**	N/A	July 2, 2013
Barclays Capital	Letter of Credit	2010 C VRDO	$165.695	55.0	N/A	September 23, 2013
Wells Fargo	Index Floater	2010 D	$167.392	75.0***	N/A	September 23, 2013
Wells Fargo	Index Floater	2011A	$233.635	82.0***	N/A	September 21, 2016
Citi	Index Floater	2011B	$207.640	55.0****	N/A	September 21, 2015

**In addition to the LoCs, Syncora (XL) provides bond insurance on these VRDOs. The annualized bond insurance is approximately 16 bps.*
*** On August 2, 2010, Bank of America provided an unsolicited term sheet to lower the entire cost of its facility to 55 bps and extend the term by one year.*
****This is a fixed spread to the 72 percent of LIBOR Index.*
*****This is a fixed spread to the SIFMA Index.*

Exhibit C-2
Variable Rate Programs
Historical Performance

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

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

Quarter	2003 D-1 Wells[3]	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	0.395%	0.665%	0.662%	0.610%	0.614%	0.775%	n.a.	0.751%	1.453%	0.15%
Mar-12 – May-12	0.395%	0.684%	0.680%	0.611%	0.630%	0.724%	0.794%	0.714%	1.400%	0.20%
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[4]	2002C UBS/ BoA[5]	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%

[3] On April 16, 2009, Wells took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.
[4] On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009, Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding.
[5] 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	2003 D-1 WA[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	SIF-MA
12-month Rolling Average	0.045%	0.015%	-0.038%	-0.020%	-0.016%	0.025%	n.a.	0.011%	0.303%	0.15%
Mar-12– May-12	0.045%	0.034%	-0.020%	-0.019%	0.000%	-0.026%	-0.026%	-0.026%	0.250%	0.20%
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[7]	2002C UBS/ BoA[8]	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%

[6] On April 16, 2009, Wells took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.
[7] On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009, Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding.
[8] 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[9]	Fixed Rate
7/31/01	8/29/02	10/1/21	Bank of America	A2/A/A	$51.7	2011A-2	($9,405,000)	4.445%
6/15/06	10/1/09	10/1/39	JPMorgan Chase Bank of America	Aa1/A+/AA- A2/A/A	$184.0 $106.5 $290.5	2011A-3 2009D 2010C2	($66,200,000) ($38,330,000) ($104,530,000)	4.099%
6/15/06	10/1/10	10/1/40	Wells Fargo	Aa3/AA-/AA-	$167.4	2010D	($63,810,000)	4.112%
5/13/05	10/1/11	10/1/39	Wells Fargo	Aa3/AA-/AA-	$125.0	2011A-1	($39,862,000)	3.862%
				Aggregate Swaps	$634.6		($217,607,000)	

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

Effective Date	Notional Amount ($millions)	Hedged Series	Fixed Rate	All-In Effective Rate*
8/29/02	$55.5	2011A-2 (Indexed Floaters)	4.445%	5.215%**
10/1/09	$57.0	2011A-3 (Indexed Floaters)	4.099%	4.869%**
10/1/09	$233.5	2009D&2010C2 (VRDOs)	4.099%	5.049%
10/1/10	$170	2010D (Indexed Floaters)	4.112%	4.862%
10/1/11	$125	2011A-1 (Indexed Floaters)	3.862%	4.632%

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

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

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

Exhibit D-2
2009 Swap Effective Interest Rate to-date and Monthly Performance

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

Hedged VRDOs and Swaps

Period	1-month LIBOR[10]	72% 1-month LIBOR	Average All-In Aggregate Interest Rate[11]	Average Fixed Swap Rate	Effective Interest Rate[12]	All-In Effective Rate to Date
5/1/12 - 6/1/12	0.24%	0.17%	0.87%	4.099%	4.800%	5.049%
4/1/12 - 5/1/12	0.24%	0.17%	0.89%	4.099%	4.819%	5.057%
3/1/12 - 4/1/12	0.24%	0.17%	0.81%	4.099%	4.735%	5.064%
2/1/12 - 3/1/12	0.25%	0.18%	0.80%	4.099%	4.716%	5.076%
1/1/12 - 2/1/12	0.29%	0.21%	0.71%	4.099%	4.595%	5.089%
12/1/11 - 1/1/12	0.28%	0.20%	0.74%	4.099%	4.641%	5.107%
11/1/11 - 12/1/11	0.25%	0.18%	0.77%	4.099%	4.687%	5.125%
10/1/11 - 11/1/11	0.24%	0.17%	0.79%	4.099%	4.718%	5.142%
9/1/11 - 10/1/11	0.23%	0.17%	0.89%	4.099%	4.824%	5.160%
8/1/11 - 9/1/11	0.21%	0.15%	0.90%	4.099%	4.851%	5.175%
7/1/11 - 8/1/11	0.20%	0.14%	0.79%	4.099%	4.743%	5.189%
6/1/11 - 7/1/11	0.20%	0.14%	0.82%	4.099%	4.770%	5.211%
5/1/11 - 6/1/11	0.20%	0.14%	0.90%	4.099%	4.857%	5.233%
4/1/11 - 5/1/11	0.22%	0.16%	0.95%	4.099%	4.890%	5.252%
3/1/11 - 4/1/11	0.26%	0.19%	0.95%	4.099%	4.857%	5.272%
2/1/11 - 3/1/11	0.26%	0.19%	0.98%	4.099%	4.887%	5.297%
1/1/11 - 2/1/11	0.26%	0.19%	0.96%	4.099%	4.876%	5.323%

Historical Data:

1/1/10 - 1/1/11	0.27%	0.20%	1.41%	4.099%	5.31%	5.35%
10/1/09 – 1/1/10	0.24%	0.17%	1.59%	4.099%	5.52%	5.52%

[10] 1-month LIBOR is weighted average of weekly 1-month LIBOR as reset each Tuesday for a Thursday effective date except for the Bank of America swap where the two London Banking Days are replaced by one London Banking Day.

[11] 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.

[12] 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.