SEPTEMBER 2012
FINANCIAL ADVISOR REPORT – THE AVIATION ENTERPRISE

INTRODUCTION

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

DISCUSSION SUMMARY

This paper is organized as follows:

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I. EXECUTIVE SUMMARY

Action Items

- ***Bank Solicitation Results*****.** The Airports Authority has $530.4 million outstanding variable rate bonds supported by bank facilities expiring in March through September 2013. On July 20, Finance Staff distributed a Request for Proposals to 45 banks to solicit bids to provide credit facilities for extending/refinancing a portion of the current facilities that expire in 2013 and to possibly support a then-expected new money sale of up to $200 million. An advertisement was also placed in the *Bond Buyer* announcing the solicitation and making the RFP available to any interested banking institution. On Monday, August 13, a total of nine banks submitted responses: nine firms offered to provide a LoC and five firms offered to provide a Direct Funded Index Floater. On August 28, Finance Staff issued an Addendum to the nine responding firms, seeking clarification on a number of points. The responses to the Addendum were due on September 5. After reviewing the responses to the initial RFP and the Addendum, Finance Staff and the Financial Advisor considered several factors, including lien structure and the tax status of the bonds, the diversity and quality of the proposing banks, ease of execution and costs. Based on these considerations, Finance Staff and the Financial Advisor have developed a recommendation to present to the Finance Committee, as detailed herein. Finance Staff and the Financial Advisor are seeking the Finance Committee's consent on the recommended bank facilities plan. Finance Staff and the Financial Advisor expect to seek approval of the documents at the October Finance Committee and November Board meeting. The transactions will then be closed in late November or early December.

Informational Items

- ***Revised New Money Plan of Finance.*** The 2012 Plan of Finance was based on a 2012 capital budget and assumed a new money issue in the Fall. Expenditures in 2012 are now expected to total $101.4 million lower than budget, primarily due to projects reprogrammed to 2013. Based on current expenditure expectations, Finance Staff and the Financial Advisor have determined that available cash on-hand and commercial paper are sufficient to meet capital needs through at least mid-2013 without a new money issuance in 2012. Finance Staff and the Financial Advisor currently expect that the next new money issuance would occur in the second quarter of 2013.

- ***Refunding Update*****.** The Financial Advisor and Finance Staff continue to monitor the economics of certain additional 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.

- ***Capital Construction Program (CCP).*** CCP expenditures in 2012 are budgeted at $274.6 million, including construction and capitalized interest costs. CCP expenditures for July 2012 totaled $7.4 million and for August 2012 totaled $10.0 million. Year-to-date 2012 expenditures total $73.8 million.

II. ACTION ITEMS

(II.A) Bank Solicitation Results

Excluding the $271 million of letters of credit ("LoC") supporting commercial paper, the Airports Authority has $971.7 million outstanding variable rate bonds, $634.6 million hedged and $337.1 million unhedged. Of the $971.7 million outstanding, $530.4 million are supported by bank facilities expiring in March through September 2013. In order to refinance/extend 2013 expiring bank facilities and potentially support a new money issuance, Finance Staff solicited a group of banks to gauge the capacity and cost of executing new credit facilities.

On July 20, Finance Staff distributed a Request for Proposals ("RFP") to 45 banks to solicit bids to provide credit facilities. An advertisement was also placed in the *Bond Buyer* announcing the solicitation and making the RFP available to any interested banking institution. On Monday, August 13, a total of nine banks submitted responses: nine firms offered to provide a LoC and five firms offered to provide a Direct Funded Index Floater ("DF"). On August 28, Finance Staff issued an Addendum to the nine responding firms, seeking clarification on a number of points. The responses to the Addendum were due on September 5. The banks have agreed, to the extent they are selected pursuant to this solicitation, to hold their proposals firm through December 31, 2012. Additional terms of the responses are summarized in Exhibit E.

After reviewing the responses to the initial RFP and the Addendum, Finance Staff and the Financial Advisor considered several factors, including lien structure and the tax status of the bonds, the diversity and quality of the proposing banks, ease of execution and costs. Based on these considerations, Finance Staff and the Financial Advisor recommend pursuing the following strategy to extend the term of the 2013 expiring bank facilities to 2015.

			Current Facilities			Recommended Facilities		
Series	**Amount ($ millions)**	**Hedged?**	**Bank/Product**	**Costs (bps)**	**Expiration**	**Bank/Product**	**Costs (bps)**	**Expiration**[1]
2003D1	$64.8	No	Wells LoC	27	Mar 2013	BofA DF	+60[2]	Nov 2015
2009D	$132.5	Yes	BofA LoC	55	Jul 2013	TD LoC	41 or 56	Nov 2015 or 2017
2010C	$165.7	Partial	Barclays LoC	55	Sept 2013	Barclays LoC	55/50[3]	Nov 2015
2010D	$167.4	Yes	Wells DF	+75[4]	Sept 2013	Wells	+65[5]	Nov 2015

[1] Assuming a closing in November 2012.
[2] The fee for the proposed BofA Direct Funded Indexed Floater is SIFMA plus 60 bps.
[3] Barclays proposes 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 (i.e. through September 2015).
[4] The fee for the 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.

In addition, Finance Staff and the Financial Advisor are also giving consideration to increasing the size of the BofA Direct Funded Indexed Floater to also refinance the outstanding $21 million CP Series Two, currently supported by the LBBW letter of credit with a 90 bps fee. The $21 million outstanding CP Series Two are non-AMT private activity bonds issued under the “AMT holiday” provided by the prior American Recovery and Reinvestment Act of 2009. Under current tax interpretations, however, any refunding of the CP Series Two must be done on an AMT basis.

Schedule. Finance Staff and the Financial Advisor are seeking the Finance Committee’s consent on the recommended bank facilities plan. If this plan is acceptable to the Finance Committee, Finance Staff and the Financial Advisor will begin negotiations with the selected banks. Finance Staff and the Financial Advisor expect to seek approval of the documents at the October Finance Committee and November Board meeting. The transactions will then be closed in late November or early December.

III. INFORMATIONAL ITEMS

(III.A) Revised New Money Plan of Finance

The 2012 Plan of Finance was based on a 2012 capital budget of $274.6 million, including construction and capitalized interest costs, and assumed a new money issue in the Fall totaling as much as $200 million. Expenditures in 2012 are now expected to total $173.2 million: actual expenditures through August totaled $73.8 million and expenditures through the remainder of the year are expected to total $99.4 million. According to information provided by PMC, the $101.4 million reduction in 2012 expenditures is primarily due to projects reprogrammed to 2013. Based on current expenditure expectations, Finance Staff and the Financial Advisor have determined that available cash on-hand and commercial paper are sufficient to meet capital needs through at least mid-2013 without a new money issuance in 2012. Finance Staff and the Financial Advisor currently expect that the next new money issuance would occur in the second quarter of 2013 with a more refined timing and sizing based on the 2013 capital budget currently being developed.

(III.B) 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 refunding of outstanding 2003A (AMT) and a taxable advance refunding of 2003C (Taxable) Bonds. Board approval would be required to proceed with these refundings. 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) has 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) – October 1, 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%	$149.030	$10.6 mm / 6.9%	$5.5 mm
2003C (Taxable)	$31.305	10/1/13 @ 100%	$31.305	$4.5 mm / 13.4%	$0.7 mm
Total	**$180.340**		**$180.340**	**$15.1 mm / 8.4%**	**$6.2 mm**

* In addition to refunding all of this callable debt, the financing numbers assume that the 2013 maturity would also be refunded in order to allow for the release of the reserve funds.

We have calculated that rates could rise as much as approximately 70 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). Additionally, rates could rise as much as approximately 50 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.

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 July 2012 totaled $7.4 million and for August 2012 totaled $10.0 million. Year-to-date 2012 expenditures total $73.8 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%
2012 Totals	**$73.80**	**$186.20**	**($112.40)**	**-60.37%**

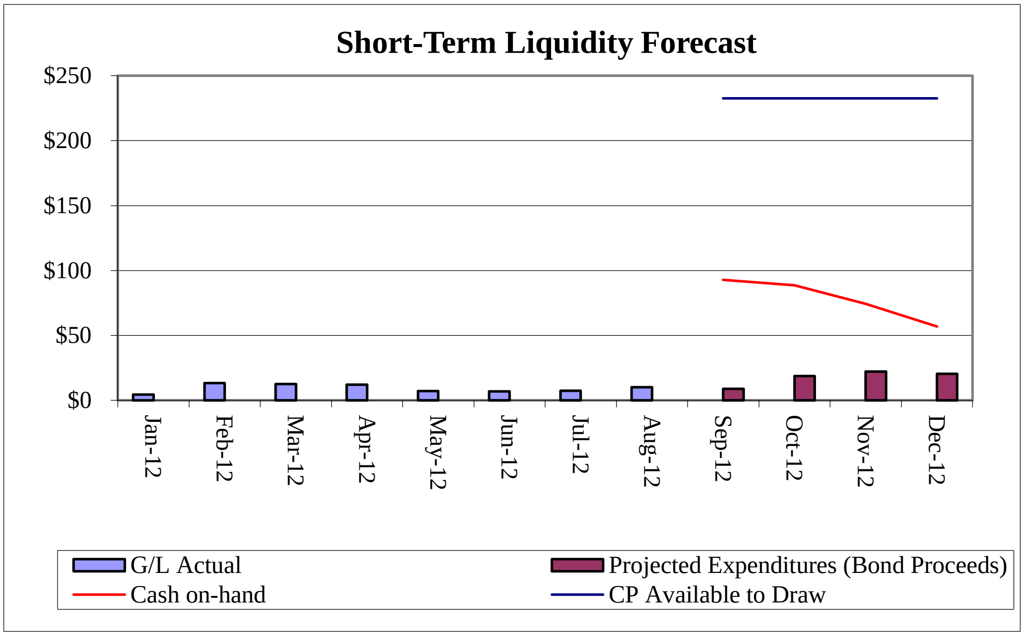
(IV.B) Short-term Liquidity Forecast

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

As of September 1, 2012, the Airports Authority had $92.9 million of cash-on-hand and $232.5 million of additional available liquidity in the form of undrawn CP One capacity. 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-Sep	92.9	232.5	0.4	4.2	-8.9
12-Oct	88.5	232.5	0.4	4.2	-18.7
12-Nov	74.4	232.5	0.4	4.2	-22.2
12-Dec	56.8	232.5	0.4	4.2	-20.4



(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 $345.7 million unrestricted cash balances in short-term investments can be netted against variable rate debt exposure to produce a "net variable rate exposure". Currently, the net variable rate exposure is 0.6 percent at $29.9 million.

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

(IV.D) Swaps – Monthly Swap Performance
2002 Swap: Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 4.45 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of 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 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 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
4.74%

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[6].

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; 12.5% $13.5 mm refunded	$531,000	110 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%	2-3%	$14.3 mm; 9.9% $144 mm refunded*	$4.2 mm	65 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%	$4.5 mm; 13.4% $33.8 mm refunded*	$726,000	50 bps

*These results reflect the savings associated with the callable bonds and 2013 non-callable bond (the non-callable bond does not produce required savings). 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.

[6] 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[7]	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 1 JPM	CP 2 ML	SIFMA
12-month Rolling Average	0.401%	0.678%	0.670%	0.616%	0.624%	0.778%	n.a.	0.791%	1.425%	0.15%
June-12 – Aug-12	0.413%	0.690%	0.695%	0.625%	0.631%	0.767%	0.792%	0.788%	1.388%	0.16%
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[8]	2002C UBS/ BoA[9]	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%

[7] On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.
[8] On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009, Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding.
[9] Bank of America replaced UBS as Remarketing Agent in April 2008.
Note: 2011B is a fixed spread to SIFMA and will not be tracked here.

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[10]	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 1 JPM	CP 2 ML	SIF-MA
12-month Rolling Average	0.051%	0.028%	-0.030%	-0.014%	-0.006%	0.028%	n.a.	0.051%	0.275%	0.15%
June-12– Aug-12	0.063%	0.040%	-0.005%	-0.005%	0.001%	0.017%	-0.028%	0.048%	0.238%	0.16%
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[11]	2002C UBS/ BoA[12]	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%

[10] On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.
[11] 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.
[12] 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[13]	Fixed Rate
7/31/01	8/29/02	10/1/21	Bank of America	A3/A/A	$51.7	2011A-2	($9,315,000)	4.445%
6/15/06	10/1/09	10/1/39	JPMorgan Chase Bank of America	Aa3/A+/A+ A3/A/A	$184.0 $106.5 $290.5	2011A-3 2009D 2010C2	($65,332,000) ($37,804,000) ($103,136,000)	4.099%
6/15/06	10/1/10	10/1/40	Wells Fargo	Aa3/AA-/AA-	$167.4	2010D	($62,300,000)	4.112%
5/13/05	10/1/11	10/1/39	Wells Fargo	Aa3/AA-/AA-	$125.0	2011A-1	($39,062,000)	3.862%
				Aggregate Swaps	$634.6		($213,814,000)	

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%	5.023%
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.*

[13] Amounts as of August 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[14]	72% 1-month LIBOR	Average All-In Aggregate Interest Rate[15]	Average Fixed Swap Rate	Effective Interest Rate[16]	All-In Effective Rate to Date
8/1/12 - 9/1/12	0.24%	0.17%	0.82%	4.099%	4.749%	5.023%
7/1/12 - 8/1/12	0.25%	0.18%	0.83%	4.099%	4.746%	5.032%
6/1/12 - 7/1/12	0.24%	0.17%	0.85%	4.099%	4.773%	5.040%
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%

[14] 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.

[15] 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.

[16] 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.