

MARCH 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
- II. Action Items
 - A. No items to report
- III. Informational Items
 - A. 2013 Plan of Finance
- 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

- ➔ *No Action Items to report this month*

Informational Items

- ➔ **2013 Plan of Finance.** Following the Finance Committee's affirmation of the co-senior managers for the upcoming transaction, the team met to discuss the financing, including potential refunding savings, a possible new money component, rating agency updates and schedule. At current interest rates, the Airports Authority could refund \$180.3 million of Bonds callable in 2013 and \$13.5 million of Bonds callable in 2014 to produce significant debt service savings. As part of the upcoming bond sale, the Airports Authority has engaged the Airport Consultant to update the traffic forecast and feasibility report. The Airports Authority may also decide to issue approximately \$80 million of new money bonds to fund ongoing capital expenditures as part of the current bond sale. The Finance Committee and Board would be requested to approve the transaction and associated bond documents at the April and May meetings, respectively.
- ➔ **Capital Construction Program (CCP).** CCP expenditures in 2013 are budgeted at \$235.9 million including construction and capitalized interest costs. Capital expenditures in February 2013 totaled \$13.8 million, bringing 2013-year-to-date capital expenditures to \$40.2 million.

II. ACTION ITEMS

No Action Items to report this month.

III. INFORMATIONAL ITEMS

(III.A) 2013 Plan of Finance

Following the Finance Committee's affirmation of Siebert Bradford Shank and Wells Fargo as the co-senior managers for the upcoming transaction, the team met to discuss the financing, including potential refunding savings, a possible new money component, rating agency updates and schedule.

Refunding Update. The Airports Authority has \$180.3 million of Bonds that are callable in 2013. The Series 2003A and 2003C Bonds are currently callable 90 days prior to their October 1 call date. A bond sale with a July 2013 closing would be a current refunding, permitting a tax-exempt refinancing of the Series 2003A. (Note that the Series 2003C bonds are taxable so they would need to be refinanced on a taxable basis.) In addition, the Airports Authority has \$13.5 million of tax-exempt non-AMT Series 2004A Bonds that are not callable until October 1, 2014 but may be advance refunded.

The refundings could be structured to provide some level of upfront debt service savings similar to the 2012 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 July 3, 2013 Delivery Date

| Refunded Series | Refunding Series | Callable Par (\$ millions) | Call Date/ Call Premium | Par that Meet Min. Thresholds (\$ millions)* | NPV Savings** \$ / % | Negative Arbitrage |
|-----------------|------------------|----------------------------|-------------------------|--|--------------------------|--------------------|
| 2003A (AMT) | AMT Current | \$149.030 | 10/1/13 @ 100% | \$149.030 | \$18.3 mm / 11.9% | \$1.1 mm |
| 2003C (Taxable) | Taxable Current | \$31.305 | 10/1/13 @ 100% | \$31.305 | \$5.2 mm / 15.5% | \$0.2 mm |
| 2004A (Non-AMT) | Non-AMT Advance | \$13.510 | 10/1/14 @ 100% | \$13.500 | \$1.9 mm / 14.4% | \$0.3 mm |
| Total | | \$193.845 | | \$193.835 | \$25.4 mm / 13.1% | \$1.6 mm |

* Assumes that the 2013 maturity would also be refunded in order to allow for the release of the reserve funds.

** Assumes level annual savings.

As part of the planned issuance of refunding Bonds, the Airports Authority has engaged the Airport Consultant to update the traffic forecast and feasibility report. The feasibility report was last published in Fall 2011. This updated report will be used as part of the rating agency discussions and will give the Airports Authority the flexibility to issue new money in conjunction with the sale of refunding bonds.

Potential New Money. As previously reported to the Finance Committee, based on the current capital budget, approximately \$80 million of new money bond proceeds would be needed in the 2013-2014 timeframe to fund ongoing CCP expenditures, in addition to funds on-hand. Finance Staff and the Financial Advisor may request that this new money borrowing be executed as part of the current sale. Finance Staff and the Financial Advisor will evaluate the current capital expenditure rate and make this determination by the April Finance Committee meeting.

Rating Agency Updates. The Airports Authority's Aviation credit is currently rated Aa3 with a negative outlook by Moody's; AA- with a stable outlook by S&P; and AA- with a stable outlook by Fitch. Moody's has had the Airports Authority's Aviation credit on negative outlook since 2010. As it relates to the proposed bond sale, meetings or calls with the rating agencies will be scheduled for late April.

Financing Schedule. The Finance Committee and Board would be requested to approve the transaction and associated bond documents at the April and May meetings, respectively.

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. CCP expenditures in 2013 are budgeted at \$235.9 million including construction and capitalized interest costs. Capital expenditures in February 2013 totaled \$13.8 million, bringing 2013-year-to-date capital expenditures to \$40.2 million.

2013 CCP Projections vs. Actuals (\$ millions)

| | <i>General Ledger Actual</i> | <i>Original Projection</i> | <i>Variance</i> | <i>Variance (%)</i> |
|-----------------------------------|----------------------------------|--------------------------------|-----------------|---------------------|
| 13-Jan | \$26.40 | \$11.97 | \$14.43 | 120.6% |
| 13-Feb | \$13.80 | 22.98 | (\$9.18) | (39.9%) |
| 13-Mar | | 17.75 | | |
| 13-Apr | | 19.75 | | |
| 13-May | | 16.23 | | |
| 13-Jun | | 13.27 | | |
| 13-Jul | | 22.28 | | |
| 13-Aug | | 27.63 | | |
| 13-Sep | | 16.54 | | |
| 13-Oct | | 20.91 | | |
| 13-Nov | | 24.17 | | |
| 13-Dec | | 22.41 | | |
| 2013 Totals (thru Feb) | \$40.20 | \$34.95 | \$5.25 | 15.0% |

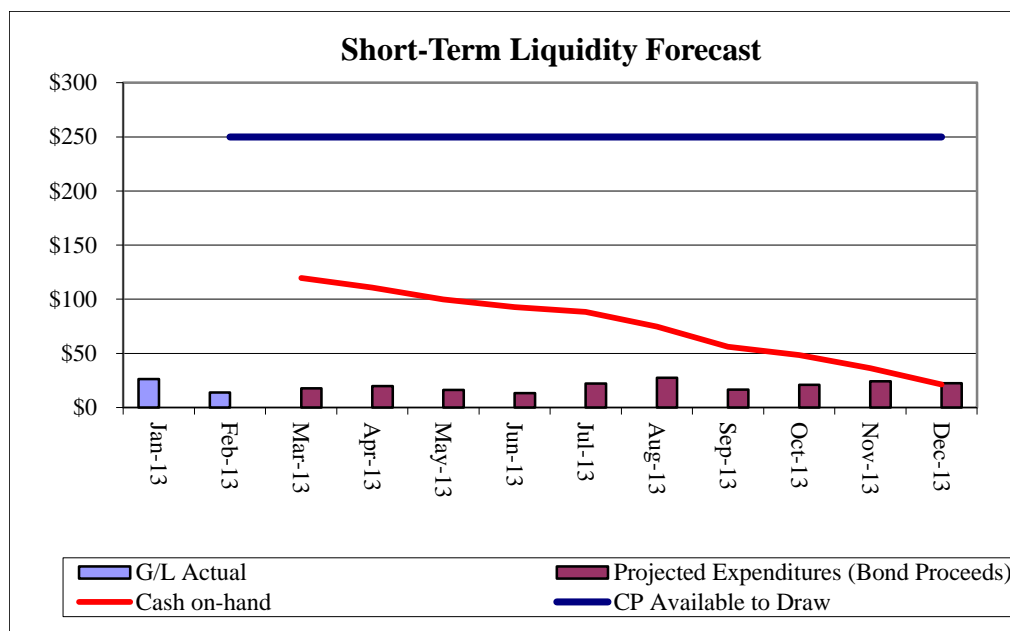
(IV.B) Short-term Liquidity Forecast

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

As of March 1, 2013, the Airports Authority had \$119.6 million of cash-on-hand¹ and \$250 million of additional available liquidity in the form of undrawn Commercial Paper (CP) One capacity. CCP and capitalized interest are budgeted to total \$235.9 million in 2013.

Short-term Liquidity Forecast (\$ millions)

| Beginning of Month | Cash Available | CP Available to Draw | PFCs | Grants | Projected Expenditures |
|--------------------|----------------|----------------------|------|--------|------------------------|
| Mar-13 | 119.6 | 250.0 | 4.1 | 4.8 | (17.7) |
| Apr-13 | 110.7 | 250.0 | 4.1 | 4.8 | (19.7) |
| May-13 | 99.8 | 250.0 | 4.1 | 4.8 | (16.2) |
| Jun-13 | 92.5 | 250.0 | 4.1 | 4.8 | (13.3) |
| Jul-13 | 88.0 | 250.0 | 4.1 | 4.8 | (22.3) |
| Aug-13 | 74.6 | 250.0 | 4.1 | 4.8 | (27.6) |
| Sep-13 | 55.8 | 250.0 | 4.1 | 4.8 | (16.5) |
| Oct-13 | 48.2 | 250.0 | 4.1 | 4.8 | (20.9) |
| Nov-13 | 36.1 | 250.0 | 4.1 | 4.8 | (24.2) |
| Dec-13 | 20.8 | 250.0 | 4.1 | 4.8 | (22.4) |
| Jan-14 | 7.3 | 250.0 | | | |



¹ The cash-on-hand includes Funds 63 and 64.

(IV.C) Variable Rate Programs

In addition to the approximately \$966.6 million of variable rate debt that the Airports Authority has currently outstanding, it 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 \$430 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 its 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:

- River Rescue Facility;
- Terminal A Building Rehabilitation, Lobby Improvements;
- Terminal A Outbound Baggage Makeup Facility;
- Terminal A Building Exterior Electrical Substation
- Terminal A Building Security Screening Checkpoints; 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;
- Jet Fuel Pipeline – Fuel Inbound Particle Separators;
- High Temperature Hot Water Generator Procurement;
- Cargo Buildings 1-4 Exterior Rehabilitation & Life Safety Upgrades; and
- Taxiway Z1 Widening and UAL Hangar Facility Enabling Projects

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

| | <i>General Ledger Actual</i> | <i>Projection*</i> | <i>Variance</i> | <i>Variance (%)</i> |
|---------------|----------------------------------|--------------------|-----------------|---------------------|
| 2001 Totals | \$370.8 | \$429.8 | (\$58.9) | (13.7%) |
| 2002 Totals | \$295.6 | \$346.5 | (\$50.9) | (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:

| | <u>Rating</u> | <u>Outlook</u> | <u>As of</u> |
|---------|---------------|----------------|--------------|
| 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* | 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) | 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 | | | | |

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

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

*** \$101,045,000 of the outstanding amount of the Series 2010C is the subject of a floating-to-fixed rate swap.

| Insurer Splits as % of Total Bond Portfolio | |
|---|---------|
| Insurer | Insured |
| Ambac | 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

On July 3, 2013, the outstanding Series 2003A and 2003C Bonds will become currently callable. The savings associated with currently refunding these bonds is summarized in Section III.A. of this paper.

Advance Refunding Candidates – Non-AMT

The 2004A Non-AMT Bonds may be advance refunded².

| <i>Series</i> | <i>Callable Par/ Maturities</i> | <i>Range of Interest Rates</i> | <i>Call Date</i> | <i>Call Premium</i> | <i>Savings Required</i> | <i>Net PV Savings</i> | <i>Negative Arbitrage</i> | <i>Breakeven</i> |
|---------------|-------------------------------------|------------------------------------|------------------|-------------------------|-----------------------------|---------------------------------------|-------------------------------|------------------|
| 2004A | \$13,510,000 (2015-2022) | 4.50% - 5.00% | 10/1/2014 | 100% | 2% | \$1.9 mm; 14.4% \$13.5 mm refunded | \$0.3 mm | 40-45 bps |

Refunding Candidates – AMT

The Series 2004B-D Bonds may NOT be advance refunded with the proceeds of tax-exempt bonds. However, it is illustrative to consider hypothetical advance refunding results to use as a benchmark in evaluating the efficiency of other refunding strategies. The table below illustrates results of a hypothetical AMT advance refunding of these bonds.

| <i>Series</i> | <i>Callable Par/ Maturities</i> | <i>Range of Interest Rates</i> | <i>Call Date</i> | <i>Call Premium</i> | <i>Savings Required</i> | <i>Net PV Savings</i> | <i>Negative Arbitrage</i> |
|---------------|-------------------------------------|------------------------------------|------------------|-------------------------|-----------------------------|---------------------------------------|-------------------------------|
| 2004B | \$250,000,000 (2027-2034) | 5.00% - 5.05% | 10/1/2014 | 100% | 3-4% | \$9.4 mm; 4.4% \$213 mm refunded | \$10.9 mm |
| 2004C1 | \$56,900,000 (2020-2021) | 5.00% | 10/1/2014 | 100% | 3-4% | \$5.9 mm; 10.4% \$56.9 mm refunded | \$1.9 mm |
| 2004C2 | \$98,735,000 (2015-2024) | 5.00% | 10/1/2014 | 100% | 3-4% | \$9.0 mm; 9.2% \$98.2 mm refunded | \$4.2 mm |
| 2004D | \$113,335,000 (2015-2019) | 4.10% - 5.25% | 10/1/2014 | 100% | 3-4% | \$7.8 mm; 8.4% \$92.8 mm refunded | \$1.9 mm |

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. The savings associated with the 2003C Bonds is summarized in Section III.A. of this paper.

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.

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

* 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.

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

* 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 including credit and remarketing fees.

2012 Interest Rates (by quarter)

| Quarter | 2003D1 BofA Index ³ | 2009D1 BoA Weekly | 2009D2 BoA Daily | 2010C1 Barclay 2-Day | 2010C2 Barclay Weekly | 2010D Wells Index | 2011A Wells Index | CP 2 ML | SIFMA |
|-----------------------------|--------------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|------------|-------|
| 12-month Rolling Average | 0.464% | 0.664% | 0.678% | 0.624% | 0.631% | 0.732% | 0.821% | 1.320% | 0.16% |
| Dec-12 – Feb-13 | 0.642% | 0.621% | 0.639% | 0.627% | 0.631% | 0.710% | 0.861% | 1.335% | 0.11% |

2004 – 2011 Historical All-in Costs (annually)

| Year | 2003 D-1 ³ | 2003 D-2 MS ⁴ | 2002C UBS/ BoA ⁵ | 2009D1 BoA Weekly | 2009D2 BoA Daily | 2010C1 Barclay 2-Day | 2010C2 Barclay Weekly | 2010D Wells Index | 2011A Wells Index | CP 1 JPM | CP 2 ML (Tax.) | CP A/2 ML | SIFMA |
|------|--------------------------|--------------------------------|-----------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|-------------|----------------------|--------------|-------|
| 2012 | 0.415% | n.a. | n.a. | 0.671% | 0.682% | 0.624% | 0.629% | 0.754% | 0.828% | n.a. | n.a. | 1.339% | 0.16% |
| 2011 | 0.405% | n.a. | n.a. | 0.648% | 0.668% | 0.599% | 0.606% | 0.745% | n.a. | 0.721% | n.a. | 1.468% | 0.17% |
| 2010 | 0.413% | n.a. | 0.338% | 1.243% | 1.307% | n.a. | n.a. | n.a. | n.a. | 0.293% | 0.462% | 0.323% | 0.26% |
| 2009 | 0.390% | 2.291% | 1.439% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.694% | 1.659% | 0.791% | 0.40% |
| 2008 | 2.079% | 1.207% | 0.960% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.470% | 0.116% | 2.21% |
| 2007 | 0.649% | 0.603% | 0.370% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.989% | 0.281% | 3.62% |
| 2006 | 0.474% | 0.426% | 0.463% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.381% | 3.45% |
| 2005 | 0.364% | 0.398% | 0.436% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.306% | 2.47% |
| 2004 | 0.438% | 0.415% | 0.427% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.258% | 1.24% |

³ On December 18, 2012, Bank of America purchased the 2003D-1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

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 | 2003D1 BofA Index ⁶ | 2009D1 BoA Weekly | 2009D2 BoA Daily | 2010C1 Barclay 2-Day | 2010C2 Barclay Weekly | 2010D Wells Index | 2011A Wells Index | CP 2 ML | SIF- MA |
|-----------------------------|--------------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|------------|------------|
| 12-month Rolling Average | 0.054% | 0.019% | -0.014% | -0.006% | 0.001% | 0.002% | 0.001% | 0.170% | 0.16% |
| Nov-12– Jan-13 | 0.049% | -0.004% | -0.012% | -0.003% | 0.002% | 0.041% | 0.041% | 0.185% | 0.11% |

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

| Year | 2003 D-1 ⁶ | 2003 D-2 MS ⁷ | 2002C UBS/ BoA ⁸ | 2009D1 BoA Weekly | 2009D2 BoA Daily | 2010C1 Barclay 2-Day | 2010C2 Barclay Weekly | 2010D Wells Index | 2011A Wells Index | CP 1 JPM | CP 2 ML (Tax.) | CP A/2 ML | SIF MA |
|------|--------------------------|--------------------------------|-----------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|-------------|----------------------|--------------|-----------|
| 2012 | 0.054% | n.a. | n.a. | 0.021% | -0.017% | -0.007% | -0.001% | 0.007% | 0.008% | 0.031% | n.a. | 0.189% | 0.16% |
| 2011 | 0.055% | n.a. | n.a. | 0.004% | -0.033% | -0.033% | -0.024% | -0.013% | n.a. | 0.073% | n.a. | 0.315% | 0.17% |
| 2010 | 0.063% | n.a. | 0.092% | -0.014% | -0.000% | n.a. | n.a. | n.a. | n.a. | 0.073% | 0.252% | 0.113% | 0.26% |
| 2009 | 0.040% | 0.841% | 1.193% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.474% | 1.449% | 0.581% | 0.40% |
| 2008 | 1.673% | 0.860% | 0.713% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.260% | -0.094% | 2.21% |
| 2007 | 0.239% | 0.193% | 0.091% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.739% | 0.032% | 3.62% |
| 2006 | -0.026% | -0.074% | -0.026% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | -0.099% | 3.54% |
| 2005 | -0.046% | -0.012% | 0.037% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | -0.084% | 2.47% |
| 2004 | 0.028% | 0.005% | 0.040% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | -0.012% | 1.24% |

⁶ On December 18, 2012, Bank of America purchased the 2003D-1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

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) ⁸ | Hedged Series | Current Termination Value ⁹ | Fixed Rate |
|------------------------|----------------|-------------------------------------|-----------------------------------|----------------------------------|--|----------------------------|---|---------------|
| 7/31/01 | 8/29/02 | 10/1/21 | Bank of America | A3/A/A | \$47.6 | 2011A-2 | (\$8,225,000) | 4.445% |
| 6/15/06 | 10/1/09 | 10/1/39 | JPMorgan Chase Bank of America | Aa3/A+/A+ A3/A/A | \$180.8 <u>\$104.7</u> \$285.5 | 2011A-3 2009D 2010C2 | (\$54,979,000) <u>(\$31,768,000)</u> (\$86,747,000) | 4.099% |
| 6/15/06 | 10/1/10 | 10/1/40 | Wells Fargo | Aa3/AA-/AA- | \$164.7 | 2010D | (\$52,303,000) | 4.112% |
| 5/13/05 | 10/1/11 | 10/1/39 | Wells Fargo | Aa3/AA-/AA- | \$125.0 | 2011A-1 | (\$32,707,000) | 3.862% |
| Aggregate Swaps | | | | | \$622.8 | | (\$179,982,000) | |

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% | 5.008% |
| 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.

⁹ Amounts as of January 31, 2013; A negative value represents a payment by the Airports Authority to the counterparty if the swap is terminated in the current market; a positive value represents a receipt by the Airports Authority if the swap is unwound in the current market.

Exhibit D-2

2009 Swap Effective Interest Rate to-date and Monthly Performance

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

Hedged VRDOs and Swaps

| Period | 1-month LIBOR 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 |
|-------------------|-----------------------------|-------------------|--|-------------------------|---------------------------------------|-------------------------------|
| 2/1/13 - 3/1/13 | 0.20% | 0.14% | 0.74% | 4.099% | 4.693% | 5.008% |
| 1/1/13 - 2/1/13 | 0.20% | 0.15% | 0.73% | 4.099% | 4.682% | 5.014% |
| 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% |

¹⁰ 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.

¹¹ The 2009D-1 and 2010C-2 variable rate bonds are currently in a weekly mode, with interest rate resets each Wednesday for a Thursday effective date. The 2009D-2 variable rate bonds are currently in a daily mode. The 2009A variable rate bonds were in a weekly mode, with interest rate resets each Tuesday for a Wednesday effective date. The interest rate is the all-in interest rate including bank facility costs.

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.