



## **REPORT TO THE BOARD OF DIRECTORS**

**RECOMMENDATION TO APPROVE THE PROPOSED RESOLUTION  
AUTHORIZING EXTENSION AND SUBSTITUTION OF  
LETTERS OF CREDIT AND DIRECT PURCHASE OF BONDS  
FOR AIRPORT SYSTEM REVENUE VARIABLE RATE BONDS,  
SERIES 2003D, SERIES 2009D, SERIES 2010C AND SERIES 2010D**

**DECEMBER 2012**



## Background

- The Airports Authority has consistently maintained a conservative level of variable rate aviation debt, the majority of which is “hedged” and performs similar to fixed rate debt

### Fixed Rate Debt Percentage:

|                       |                        |              |
|-----------------------|------------------------|--------------|
| Fixed Rate Debt       | \$4,090,855,000        |              |
| 2009D VRDOs (Hedged)  | 130,185,000            | *            |
| 2010C2 VRDOs (Hedged) | 99,660,000             | *            |
| 2010D VRDOs (Hedged)  | 164,660,000            | *            |
| 2011A VRDOs (Hedged)  | 228,165,000            |              |
| <b>Fixed Rate</b>     | <b>\$4,713,525,000</b> | <b>93.3%</b> |

### Unhedged Variable Rate Debt Percentage:

|                       |                        |                |
|-----------------------|------------------------|----------------|
| 2003D VRDOs           | 63,225,000             | *              |
| 2010C1VRDOs           | 63,050,000             | *              |
| 2011B VRDOs           | 191,360,000            |                |
| CP Notes              | 21,000,000             |                |
| <b>Variable Rate</b>  | <b>\$338,635,000</b>   | <b>6.7%</b>    |
| <b>Combined Total</b> | <b>\$5,052,160,000</b> | <b>100.00%</b> |

\* Underlying credit facilities expiring in 2013.

## Background, cont'd.

- Four of the underlying credit facilities for variable rate debt expire in 2013
- Majority expiring is associated with “hedged” variable rate debt (i.e., performs similar to fixed rate bonds); it is cost effective to continue these as variable rate debt to avoid costly termination payments associated with hedges

| Series | Amount<br>(\$ millions) | Hedged? | Current Facilities |                |            |
|--------|-------------------------|---------|--------------------|----------------|------------|
|        |                         |         | Bank/Product       | Costs<br>(bps) | Expiration |
| 2003D1 | \$63.2                  | No      | Wells LoC          | 27             | Mar 2013   |
| 2009D  | \$130.2                 | Yes     | BofA LoC           | 55             | Jul 2013   |
| 2010C  | \$162.7                 | Partial | Barclays LoC       | 55             | Sept 2013  |
| 2010D  | \$164.7                 | Yes     | Wells DF           | +75            | Sept 2013  |



## Discussion

- In September, and as a result of competitive proposals, the Committee consented to negotiation of extension and replacement of expiring liquidity facilities as illustrated below:

| Series | Original Facility |              |            |            | Recommended Facility  |            |          |
|--------|-------------------|--------------|------------|------------|-----------------------|------------|----------|
|        | Bank & Product    | Amount (\$M) | Cost (bps) | Expiration | Bank & Product        | Cost (bps) | Term     |
| 2003D1 | Wells Fargo LOC   | \$63.2       | 27.0       | March 2013 | New BofA DP           | +65.0*     | Dec 2016 |
| 2009D  | BofA LOC          | \$130.2      | 55.0       | July 2013  | New TD LOC            | 56.0       | Dec 2017 |
| 2010C  | Barclays LOC      | \$162.7      | 55.0       | Sept 2013  | Extend Barclays LOC   | 50.0       | Dec 2015 |
| 2010D  | Wells Fargo DF    | \$164.7      | +75.0      | Sept 2013  | Extend Wells Fargo DP | +65.0*     | Dec 2015 |

\* The DP pricing is indicated as a spread to 72% of one-month LIBOR.

## Discussion, cont'd.

Substantially completed documents for approval, include:

1. Series 2003D Bonds
  - a) Second Amended and Restated Sixteenth Supplemental Indenture of Trust
  - b) Continuing Covenants Agreement
  - c) Issuer's Representation and Indemnity Agreement
2. Series 2009D Bonds
  - a) Amendment No. 1 to the Thirty-fourth Supplemental Indenture of Trust
  - b) Reimbursement Agreement
  - c) Official Statement Supplement
  - d) Amendment to the Remarketing Agreement
3. Series 2010C Bonds
  - a) Amendment to the Reimbursement Agreement and Fee Letter
4. Series 2010D Bonds
  - a) Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust
  - b) Amended and Restated Continuing Covenants Agreement



## Recommendation

- The Finance Committee approved and recommends to the Board of Directors:
  - The Proposed Resolution to
    - Substitute the bank product for the Series 2003D Bonds from a Letter of Credit (LOC) with Wells Fargo Bank NA to a Direct Purchase Bond (DP) with Banc of America Preferred Funding Corporation with a term of 2016
    - Substitute the LOC provider for the Series 2009D Bonds from Bank of America NA to TD Bank NA with a term of 2017
    - Extend the LOC with Barclays Bank PLC from 2013 to 2015
    - Extend the DP Index Rate Period with Wells Fargo Bank NA from 2013 to 2015
  - Substantially completed bond documents

## REPORT TO THE BOARD OF DIRECTORS

### RECOMMENDATION TO APPROVE THE PROPOSED RESOLUTION AUTHORIZING EXTENSION AND SUBSTITUTION OF LETTERS OF CREDIT AND DIRECT PURCHASE OF BONDS, FOR AIRPORT SYSTEM REVENUE VARIABLE RATE BONDS, SERIES 2003D, SERIES 2009D, SERIES 2010C AND SERIES 2010D

DECEMBER 2012

#### ACTION REQUESTED

The Finance Committee approved and recommends to the Board of Directors (Board) the adoption of the proposed Authorizing Resolution for:

- Direct Purchase (DP) Airport System Revenue Variable Rate Bonds, Series 2003D and to terminate prior Syncora Bond Insurance Policy (term through December 2016);
- substitution of Letter of Credit (LOC) for Airport System Revenue Variable Rate Bonds, Series 2009D (term through December 2017);
- extension of LOC for Airport System Revenue Variable Rate Bonds, Series 2010C (term through December 2015); and
- extension of the Index Rate Period for Airport System Revenue Variable Rate Bonds, Series 2010D (term through December 2015).

#### DISCUSSION

The Airports Authority has consistently maintained a conservative level of variable rate aviation debt, the majority of which is ‘hedged’ and performs similar to fixed rate debt.

In August, the Airports Authority received nine responses to a Request for Proposals & Bids (RFP) to provide credit facilities for extending/refinancing a portion of the current bank facilities that expire in 2013. Based on several factors including tax status of the bonds, bank portfolio diversity, renewal considerations, quality of the banks, ease of execution and cost, Staff and the Financial Advisor recommended negotiating with the following bank facilities as replacements to expiring facilities:

| Series | Amount (\$M) | Hedged? | Current Facilities |             |            | Recommended Facilities |             |            |
|--------|--------------|---------|--------------------|-------------|------------|------------------------|-------------|------------|
|        |              |         | Bank/Product       | Costs (bps) | Expiration | Bank/Product           | Costs (bps) | Expiration |
| 2003D1 | \$63.2       | No      | Wells LoC          | 27          | Mar 2013   | New BofA DP            | +65         | Dec 2016   |
| 2009D  | \$130.2      | Yes     | BofA LoC           | 55          | Jul 2013   | New TD LoC             | 56          | Dec 2017   |
| 2010C  | \$162.7      | Partial | Barclays LoC       | 55          | Sept 2013  | Extend<br>Barclays LoC | 50          | Dec 2015   |
| 2010D  | \$164.7      | Yes     | Wells DF           | +75         | Sept 2013  | Extend Wells<br>DP     | +65         | Dec 2015   |

In September, the Finance Committee gave consent to Staff and Financial Advisors to begin negotiating the recommended facilities. The Finance Team, including staff, financial advisor, and bond counsel has drafted the following substantially complete documents for approval:

1. Second Amended and Restated Sixteenth Supplemental Indenture of Trust between the Airports Authority and the Trustee relating to the Series 2003D Bonds
2. Continuing Covenants Agreement relating to the Series 2003D Bonds between the Airports Authority and Banc of America Preferred Funding Corporation
3. Issuer's Representation and Indemnity Agreement between the Airports Authority and Syncora Guarantee Inc.
4. Amendment No. 1 to the Thirty-fourth Supplemental Indenture of Trust between the Airports Authority and the Trustee, relating to the Series 2009D Bonds
5. Reimbursement Agreement between the Airports Authority and TD Bank NA relating to the Series 2009D Bonds
6. Official Statement Supplement for the Series 2009D Bonds
7. Amendment No. 1 to the Remarketing Agreement between the Airports Authority and Merrill Lynch, Pierce, Fenner & Smith Inc. for the Series 2009D Bonds
8. Amendment to the Reimbursement Agreement and Fee Letter between the Airports Authority and Barclays Bank PLC relating to the Series 2010C Bonds
9. Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust between the Airports Authority and the Trustee relating to the Series 2010D Bonds
10. Amended and Restated Continuing Covenants Agreement relating to the Series 2010D Bonds between the Airports Authority and Wells Fargo Bank NA

### **RECOMMENDATION**

The Finance Committee approved and recommends to the Board the adoption of the proposed Authorizing Resolution for the DP of the Series 2003D Bonds and substitution of LOC for the Series 2009D Bonds, the extension of the LOC for the Series 2010C Bonds, and the extension of the Index Rate Period for the Series 2010D Bonds.

Prepared by:  
Office of Finance  
December 2012



## **PROPOSED RESOLUTION**

Authorizing Direct Purchase of Bonds, Substitution and Extension of Letters of Credit for  
Airport System Revenue Variable Rate Bonds,  
Series 2003D, Series 2009D, Series 2010C and Series 2010D

WHEREAS, The Metropolitan Washington Airports Authority (“Airports Authority”) issued its Airport System Revenue Variable Rate Bonds, Subseries 2003D-1 Bonds (the “2003D Bonds”) pursuant to the Amended and Restated Master Indenture of Trust, dated as of September 1, 2001, as amended (the “Master Indenture”), as supplemented by an Amended and Restated Sixteenth Supplemental Indenture of Trust, dated as of March 1, 2008, (the “Sixteenth Supplemental”), each between the Airports Authority and Manufacturers and Traders Trust Company (formerly Allfirst Bank), as trustee (the “Trustee”);

WHEREAS, The Series 2003D Bonds currently bear interest at a weekly rate, payment of the Series 2003D Bonds is secured by a bond insurance policy issued by Syncora Guarantee Inc., formerly XL Capital Assurance Inc. (the “Syncora Bond Insurance Policy”), and a direct-pay letter of credit (the “Wells LOC”) provided by Wells Fargo Bank, National Association (“Wells”), as successor to Wachovia Bank, N.A.;

WHEREAS, The Airports Authority desires to amend the Sixteenth Supplemental to provide that the Series 2003D Bonds may bear interest at a rate based on the LIBOR Index or the SIFMA Index (collectively, an “Index Rate”), to terminate the Syncora Bond Insurance Policy and the Wells LOC, to have the Series 2003D Bonds bear interest at an Index Rate and to have Banc of America Preferred Funding Corporation (“BofA Preferred”) directly purchase the Series 2003D Bonds;

WHEREAS, The Airports Authority issued its Airport System Revenue Variable Rate Bonds, Series 2009D, consisting of the Subseries 2009D-1 Bonds and the Subseries 2009D-2 Bonds (the “Series 2009D Bonds”) pursuant to the Master Indenture, as supplemented by a Thirty-fourth Supplemental Indenture of Trust, dated as of July 1, 2009, between the Airports Authority and the Trustee and payment of the Series 2009D Bonds is secured by a direct-pay letter of credit issued by Bank of America, N.A. (the “BofA LOC”);

WHEREAS, The Airports Authority desires to substitute the BofA LOC with a direct-pay letter of credit (the "TD LOC") provided by TD Bank, N.A. ("TD Bank") for the Series 2009D Bonds and to revise the fees payable to Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS"), successor to Banc of America Securities LLC, as remarketing agent for the Series 2009D Bonds;

WHEREAS, The Airports Authority has issued its Airport System Revenue Variable Rate Refunding Bonds, Series 2010C, consisting of the Subseries 2010C-1 Bonds and the Subseries 2010C-2 Bonds (the "Series 2010C Bonds") under the Master Indenture, as supplemented by a Thirty-seventh Supplemental Indenture of Trust, dated as of September 1, 2010, between the Airports Authority and the Trustee;

WHEREAS, Payment of the Series 2010C Bonds is secured by a direct-pay letter of credit (the "Barclays LOC") issued by Barclays Bank PLC ("Barclays") that expires by its terms on September 23, 2013 and the Airports Authority desires to extend the stated expiration date of the Barclays LOC to September 23, 2015;

WHEREAS, The Airports Authority issued its Airport System Revenue Variable Rate Bonds, Series 2010D (the "Series 2010D Bonds") under the Master Indenture, as supplemented by a Thirty-eighth Supplemental Indenture of Trust, dated as of September 1, 2010, (the "Thirty-eighth Supplemental") between the Airports Authority and the Trustee, and the Series 2010D Bonds bear interest at a rate based on the LIBOR Index in the manner described in the Thirty-eighth Supplemental for a period that extends to September 22, 2013;

WHEREAS, Wells directly purchased the Series 2010D Bonds pursuant to a Continuing Covenants Agreement, dated as of September 1, 2010, between the Airports Authority and Wells (the "Wells CCA") and the Airports Authority desires to extend the Initial Index Rate Period (as such term is defined in the Wells CCA) to December 18, 2015 during which Wells will remain the direct purchaser of the Series 2010D Bonds; and

WHEREAS, There has been presented to the Board of Directors the form of the documents described below that the Airports Authority proposes to execute in connection with the direct sale of the Series 2003D Bonds to BofA Preferred, the substitution of the BofA LOC with the TD LOC for the Series 2009D Bonds, the extension of the Barclays LOC which secures the Series 2010C Bonds, and the extension of the Initial Index Rate Period in which Wells is the direct purchaser of the Series 2010D Bonds, copies of which documents shall be filed in the records of the

Airports Authority:

(a) the Second Amended and Restated Sixteenth Supplemental Indenture of Trust (the “Second Amended Sixteenth Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2003D Bonds;

(b) the Continuing Covenants Agreement relating to the Series 2003D Bonds between the Airports Authority and BofA Preferred (the “BofA Continuing Covenants Agreement”);

(c) the Policy Cancellation Agreement (the “Bond Insurance Cancellation Agreement”) among the Airports Authority, the Trustee, Wells and Syncora Guarantee Inc.;

(d) Amendment No. 1 to the Thirty-fourth Supplemental Indenture of Trust (the “Amendment to the Thirty-fourth Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2009D Bonds;

(e) the Reimbursement Agreement between the Airports Authority and TD Bank relating to the Series 2009D Bonds (the “TD Reimbursement Agreement”), including the irrevocable, direct-pay letter of credit attached as Exhibit A to the TD Reimbursement Agreement;

(f) the Official Statement Supplement for the Series 2009D Bonds (the “Series 2009D Official Statement Supplement”);

(g) Amendment No. 1 to the Remarketing Agreement between the Airports Authority and MLPFS for the Series 2009D Bonds (the “Amendment to the MLPFS Remarketing Agreement”);

(h) the Amendment to the Reimbursement Agreement and Fee Letter between the Airports Authority and Barclays relating to the Series 2010C Bonds (the “Amendment to the Barclays Reimbursement Agreement”);

(i) Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust (the “Amendment to the Thirty-eighth Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2010D Bonds; and

(j) the Amended and Restated Continuing Covenants Agreement relating to the Series 2010D Bonds between the Airports Authority and Wells (the “Amended Wells Continuing Covenants Agreement”); now, therefore, be it

RESOLVED, That the Second Amended Sixteenth Supplemental, the BofA Preferred Continuing Covenants Agreement, the Bond Insurance Cancellation Agreement, the Amendment to the Thirty-fourth Supplemental, the TD Reimbursement Agreement, the Series 2009D Official Statement Supplement, the Amendment to the MLPFS Remarketing Agreement, the Amendment to the Barclays Reimbursement Agreement, the Amendment to the Thirty-eighth Supplemental and the Amended Wells Continuing Covenants Agreement shall be and hereby are approved in substantially the form submitted to the Board of Directors at this meeting, with such completions, omissions, insertions and changes necessary to reflect the transactions to be accomplished by such documents or as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of the Board of Directors’ approval of such completions, omissions, insertions and changes.

2. That the Series 2003D Bonds shall be converted to bear interest at an Index Rate and sold to BofA Preferred, as the direct purchaser of such Series 2003D Bonds, and the Syncora Bond Insurance Policy for the Series 2003D Bonds shall be terminated;

3. That TD Bank shall be the new provider of the TD LOC for the Series 2009D Bonds;

4. That the stated expiration date of the Barclays LOC shall be extended pursuant to the Amendment to the Barclays Reimbursement Agreement;

5. That Wells shall remain the direct purchaser of the Series 2010D Bonds pursuant to, and for the term provided in, the Amended Wells Continuing Covenants Agreement, and such Series 2010D Bonds shall bear interest at in an Index Rate Mode in the manner provided by the Amendment to the Thirty-eighth Supplemental;

6. That the Chairman and the Vice Chairman of the Board of Directors are each authorized to execute the Second Amended Sixteenth Supplemental, the BofA Preferred Continuing Covenants Agreement, the Bond Insurance Cancellation Agreement, the Amendment to the Thirty-fourth Supplemental, the TD Reimbursement Agreement, the Series 2009D Official Statement Supplement, the Amendment to the MLPFS Remarketing Agreement, the Amendment to the

Barclays Reimbursement Agreement, the Amendment to the Thirty-eighth Supplemental, the Amended Wells Continuing Covenants Agreement, and any official statement supplement or other document (including any letter of credit termination agreement, remarketing agent termination agreement and/or mandatory tender notices to holders of the Series 2003D Bonds and the Series 2009D Bonds), and to take any further action that the Chairman or Vice Chairman determines to be necessary or desirable to complete any of the transactions addressed and authorized by this Resolution;

7. That the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Airports Authority on any document executed pursuant to paragraph 6 of this Resolution, and to attest the same;

8. That the President and Chief Executive Officer and the Vice President for Finance and Chief Financial Officer are each authorized and directed to execute, deliver and file, as applicable, a tax certificate and all other required notices, certificates and instruments with respect to the actions addressed and authorized by this Resolution, including Internal Revenue Service Form 8038 or 8038-G, on behalf of the Airports Authority and to take any further action as the officers may consider necessary or desirable in connection with such actions;

9. That all other acts of the Chairman and the Vice Chairman of the Board of Directors, the President and Chief Executive Officer and the Vice President for Finance and Chief Financial Officer, whether before or after the adoption of this Resolution, that are in conformity with the purposes and intent of this Resolution are hereby approved, ratified and confirmed; and

10. That any authorization provided in this Resolution to execute a document shall include authorization to deliver the document to the other parties thereto.

*Recommended by the Finance Committee on November 14, 2012  
For Consideration by the Board of Directors on December 12, 2012*

*NOTE: Requires 10 votes (recorded).*