

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
INVESTMENT POLICY
April 16, 2014

1.0 Scope

This investment policy applies to the investment activities of the Metropolitan Washington Airports Authority, including the Aviation Enterprise Fund and the Dulles Corridor Enterprise Fund, except for its Retirement Plan which is separately organized and administered.

2.0 Objectives

2.1 The primary objectives of the Airports Authority's investment activities are the safety of capital, the liquidity of the portfolio and the yield of the investments.

2.1.1 The Airports Authority shall consider the safety of its capital in the overall portfolio as a principal objective in investment activities. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value.

2.1.2 The Airports Authority's investment portfolio will remain sufficiently liquid to enable the Airports Authority to meet operating requirements that might reasonably be anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

2.1.3 The Airports Authority's operating investment portfolio shall be designed with the objective of regularly exceeding the average rate of return on the three month U.S. Treasury Bill, or the average Federal Reserve Discount rate, whichever is higher. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment principles.

2.1.4 Funds held for future capital projects shall be invested in securities that reasonably can be expected to assist in offsetting inflationary construction cost increases. The portfolio of construction funds should be designed with the objective of exceeding the average rate of return on the U.S. Treasury Bill most closely matching the weighted average maturity of the portfolio. However, such funds shall never be exposed to market price risks that would jeopardize the assets available to accomplish their stated objective, or be invested in a manner inconsistent with applicable federal and state

regulations.

- 2.1.5. Consistent with the Airports Authority's Local Disadvantaged Business Enterprise Program, one month of operating cash reserve will be invested among regional banks which have a Community Reinvestment Act rating of "Outstanding" (or the equivalent), in certificates of deposit of one or more of the banks.
- 2.1.6 Regional Banks that do not qualify for the program as outlined in 2.1.5, shall be allowed to compete for investment deposits through an annual competitive solicitation process. The amount allocated will consist of an amount, not to exceed an additional one third (1/3) of the amount determined in accordance with 2.1.5. All deposits under this program must be either insured under FDIC or amounts in excess of FDIC limits must be fully collateralized.
- 2.1.7 All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall avoid any transactions that might impair public confidence in the Airports Authority's ability to function effectively. The Airports Authority's Management recognizes that in a diversified portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been achieved.

3.0 Procedures

Written Investment Objectives and Procedures shall be established for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.

4.0 Investments

Permitted investments are included as exhibits to this Investment Policy.

- 4.1 Funds not covered by bond indentures of the Metropolitan Washington Airports Authority may be invested in securities outlined in Exhibit A
- 4.2 All Bond funds, whether proceeds or debt service, may be invested in securities as permitted in the bond indentures for the Aviation Enterprise Fund and the Dulles Corridor Enterprise Fund (Exhibit B);

5.0 Control

- 5.1. Investments shall be made with the exercise of due care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- 5.2 Employees and investment officials directly involved in the investment process shall disclose to the President in writing at least annually their financial interests in financial institutions that conduct business with the Airports Authority and they shall further disclose all personal financial/investment positions that could be related to the performance of the Airports Authority's portfolio. Officials and employees involved in the investment process shall refrain from personal business activity, other than routine banking relations, that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. All employees and investment officials involved in the investment process are to act in a reasonable and prudent manner to further the interests of the Airports Authority.

**Metropolitan Washington Airports Authority
Permitted Investments for Funds not covered by Bond Indentures**

Funds of the Metropolitan Washington Airports Authority, not covered by bond indentures, may be invested in:

- A. U.S. Treasury securities;
- B. Short term (five years or less) obligations of U.S. Government agencies, including securities backed by the full faith and credit of the United States;
- C. Repurchase agreements whose underlying collateral consist of the foregoing;
- D. Short term (five years or less) obligations of the Commonwealth of Virginia, the State of Maryland or the District of Columbia;
- E. Prime Commercial Paper;
- F. Prime Bankers Acceptance Notes;
- G. Money Market Funds whose underlying collateral consist of the foregoing;
- H. Certificates of Deposits of banks with a LACE Quarterly Financial Institution Rating of "B" or better or fully insured or collateralized certificates of deposits at commercial banks and savings and loan associations; and
- I. Other such securities or obligations which may be approved by the Finance Committee and the Board of Directors by modification of this policy.

**Metropolitan Washington Airports Authority
Permitted Investments per the Aviation Enterprise Fund and the Dulles
Corridor Enterprise Fund Master Trust Indentures**

Terms referenced herein are defined by the Master Trust Indentures for the Aviation Enterprise Fund and the Dulles Corridor Enterprise Fund. Permitted Investments shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Airports Authority's money:

- A. Government Obligations and Government Certificates.

- B. Obligations issued or guaranteed by any of the following:
 - (i) Federal Home Loan Bank System;
 - (ii) Export-Import Bank of the United States;
 - (iii) Federal Financing Bank;
 - (iv) Government National Mortgage Association;
 - (v) Farmers Home Administration;
 - (vi) Federal Home Loan Mortgage Corporation;
 - (vii) Federal Housing Administration;
 - (viii) Private Export Funding Corp;
 - (ix) Federal National Mortgage Association; and
 - (x) Federal Farm Credit Bank; and
 - (xi) Or any indebtedness issued or guaranteed by any instrumentality or agency of the United States.

- C. Pre-refunded municipal obligations rated at the time of purchase in the highest rating category by, or otherwise acceptable to, the Rating Agencies and meeting the following conditions:
 - (i) such obligations are (a) not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption and (b) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - (ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal, and premium payments of such obligations;
 - (iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

- (iv) the Government Obligations or Government Certificates serving as security for the obligations are held by an escrow agent or trustee; and
 - (v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.
- D. Direct and general long-term obligations of any state of the United States of America or the District of Columbia (a "*State*"), to the payment of which the full faith and credit of such State is pledged and that at the time of purchase are rated in either of the two highest rating categories by, or are otherwise acceptable to the Rating Agencies.
- E. Direct and general short-term obligations of any State, to the payment of which the full faith and credit of such State is pledged and that at the time of purchase are rated in the highest rating category by, or are otherwise acceptable to the Rating Agencies.
- F. Interest-bearing demand or time deposits with, or interests in money market portfolios rated AAA by Standard & Poor's issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("*FDIC*"). Such deposits or interests must be:
 - (i) continuously and fully insured by FDIC,
 - (ii) if they have a maturity of one year or less, with or issued by banks that at the time of purchase are rated in one of the two highest short term rating categories by, or are otherwise acceptable to, the Rating Agencies,
 - (iii) if they have a maturity longer than one year, with or issued by banks that at the time of purchase are rated in one of the two highest rating categories by, or are otherwise acceptable to, the Rating Agencies, or
 - (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party should have a perfected first lien in the Government Obligations and Government Certificates serving

as collateral, and such collateral is to be free from all other third party liens.

- G. Eurodollar time deposits issued by a bank with a deposit rating at the time of purchase in one of the top two short-term deposit rating categories by, or otherwise acceptable to the Rating Agencies.
- H. Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by, or is otherwise acceptable to the Rating Agencies.
- I. Repurchase agreements,
 - (i) the maturities of which are 30 days or less or
 - (ii) the maturities of which are longer than 30 days and not longer than one year provided the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated at the time of purchase investment grade by, or is otherwise acceptable to the Rating Agencies. The repurchase agreement should be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:
 - (a) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates;
 - (b) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(c) the third party having possession of the securities has a perfected, first priority security interest in the securities.

- J. Prime commercial paper of a corporation, finance company or banking institution at the time of purchase rated in the highest short-term rating category by, or otherwise acceptable to the Rating Agencies.
- K. Public housing bonds issued by public agencies. Such bonds must be: fully secured by a pledge of annual contributions under a contract with the United States of America; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or state or public agency or municipality obligations at the time of purchase rated in the highest credit rating category by, or otherwise acceptable to the Rating Agencies.
- L. Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that at the time of purchase has been rated in the highest rating category by, or is otherwise acceptable to the Rating Agencies.
- M. Money market accounts of any state or federal bank, or bank whose holding parent company is, at the time of purchase rated in one of the top two short-term or long-term rating categories by, or is otherwise acceptable to the Rating Agencies.
- N. Investment agreements, the issuer of which is at the time of purchase rated in one of the two highest rating categories, by, or is otherwise acceptable to the Rating Agencies.
- O. Any debt or fixed income security, the issuer of which is at the time of purchase rated in the highest rating category by, or is otherwise acceptable to the Rating Agencies.
- P. Investment agreements or guaranteed investment contracts that are fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are:
 - (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to

103% of the principal amount of the investment, together with the interest accrued and unpaid thereon,

- (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee,
- (iii) subject to a perfected first lien on behalf of the Trustee, and
- (iv) free and clear from all third-party liens.

Q. Any other type of investment consistent with the Airports Authority's policy in which an Airports Authority Representative directs the Trustee to invest and there is delivered to the Trustee a certificate of an Airports Authority Representative stating that each of the Rating Agencies has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any of the Bonds.

TIFIA Loan Permitted Investments

“Permitted Investments” means (with respect to the investment of the proceeds of the TIFIA Loan or any construction or reserve account established and maintained pursuant to the Indenture):

- (a) Government Obligations;
- (b) certificates of deposit where the certificates are collaterally secured by securities of the type described in clause (a) of this definition and held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest, but this collateral is not required to the extent the certificates of deposit are insured by an agency of the Government;
- (c) repurchase agreements with counterparties that have an Acceptable Credit Rating, when collateralized by securities of the type described in clause (a) of this definition and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest;
- (d) investment agreements or guaranteed investment contracts rated, or with any financial institution whose senior long-term debt obligations are rated, or the time such agreement or contract is entered into, in one of the two (2) highest Rating Categories for comparable types of obligations by any Nationally Recognized Rating Agency; and
- (e) money market funds that invest solely in obligations of the United States, its agencies and instrumentalities, and having a rating by a Nationally Recognized Rating Agency equal to the then applicable rating of the United States of America by such Nationally Recognized Rating Agency; provided, that such Permitted Investments shall mature not later than the applicable dates described in Section 16(k)(viii).