BOARD OF DIRECTORS MEETING

Minutes of February 6, 2002

The regular meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:00 a.m. Nine Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
Robert Clarke Brown
Robert L. Calhoun
Mamadi Diané
William A. Hazel
John Paul Hammerschmidt
David T. Ralston, Jr.
Robert M. Rosenthal
Robert B. Young, Jr.

The Secretary and the following Officers were present:

James A. Wilding, President and Chief Executive Officer
James E. Bennett, Executive Vice President and Chief Operating Officer
Edward S. Faggen, Vice President and General Counsel

I. MINUTES OF THE JANUARY 4, 2002 MEETING

The Chairman called for the approval of the Minutes of the January 4 Meeting. They were unanimously approved.

II. COMMITTEE REPORTS

a. Planning Committee

The Chairman reported that the Planning Committee had met that morning. It had reviewed the proposed grant of an easement to the Commonwealth of Virginia to widen Route 606 on the Dulles property, and none of the Members had objected. The easement would also cover the full length of Route 606, which had been built by the Federal Aviation Administration as part of the original Dulles project, because an original easement could not be located. Board approval was required; a resolution would be offered later in the meeting.

b. Business Administration Committee

Mr. Calhoun reported that the Business Administration Committee had last met January 23. He noted that the Committee no longer could approve contracts, and that it had instead discussed policy issues raised by specific contracts before they were advertised. The first had been the invitation for bids (IFB) for the rental car contracts at Dulles. Seven companies would be selected. The IFB would be issued in March, the results would be subject to Board approval at the June meeting, and the contracts would be awarded in July or August.

He observed that certain procurement actions were not designed to find the best offeror, as construction contracts were. In the case of pay phones or rental cars, the main issue was revenues. Under the rental car IFB, all companies would pay the greater of the minimum guarantee they bid or ten percent of their gross revenues. Firms would be ranked in accordance with their bids, with the first seven prevailing. When it came to actual revenues received, however, in most cases the ten percent exceeded the guaranteed minimum. The Committee had not been interested in changing the terms of the IFB, particularly in light of the uncertain business conditions at the Airports.

The Committee had also discussed the risk of rental car bankruptcies and how they might affect the Authority's financial situation. National and Alamo were already in a Chapter 11 process. When the bankrupt operator was a franchisee, the national organization would be responsible for the guarantee; when the national company itself was in bankruptcy, not much could be done.

The Committee had then discussed the perennial question of whether to charge for luggage carts at Dulles. Consistent with practices at other U.S. airports, current policy was to charge domestic passengers for cart use, but not arriving international passengers. The concern was costs. About 850,000 carts were used for international arrivals and about 300,000 rented. The cost of the program was $524,000, offset by $153,000 in revenues. The United States was unusual in that nearly all airports charged for the use of carts; in Europe and Asia they tended to be free. An entirely free system at Dulles would cost about $1 million. Because the two-year contract was ready to be awarded, the Committee decided to revisit the issue in about a year and a half.

The Committee had also considered the new Capital Construction Program (CCP) cost report, which Mr. Calhoun characterized as very informative. He said that there were two concerns about the future of the CCP. The first was the immediate impact of September 11 and the ensuing drop in demand. The second was the question whether new security requirements would lead to any changes in the design or location of any elements of the CCP. At some airports, major adjustments would be necessary. Frank Holly had reported that there had not yet appeared to be a problem with the Dulles plans, but that they were nevertheless being reviewed.

c. Finance Committee

Mr. Brown reported that the Finance Committee had last met on January 23, to discuss the proposed issuance of $100 million in commercial paper notes. He would offer a formal resolution to authorize the issuance later in the meeting. The notes would be the first true commercial paper program under the new Indenture; prior such programs had been accomplished with "bond anticipation notes". The new notes would be enhanced with a direct-pay letter of credit from JPMorgan Chase, and the commercial paper dealer would be Bear, Stearns. The commercial paper would provide enough cash to fund construction through May or longer, depending on actual expenditure rates.

The Committee had also reviewed the first draft of the 2001 full-year financial reports. Revenues were at about 94 percent of budget, and expenses at 92 percent, including the $40 million in federal grants received on account of the closure of Reagan National. Final year-end results would be presented in the March meeting.

Mr. Brown reported that the Authority would be paying a substantial fee for the bank letter of credit for the new commercial paper program. The market had tightened up because many banks were either no longer participating in the business or were charging more to their customers. He also said that the staff was preparing to proceed with the bond issue originally planned for the fall of 2001, but suspended after September 11. The Committee hoped the new issue could proceed to market in the spring; its timing would depend on the revised scope and schedule for the Dulles *d2* program.

The Authority now had three commercial paper dealers, and did compare their results. Some of the old commercial paper programs had been shifted to make sure that all participating had a good-sized piece to work with, as the paper was something like a bulk commodity in the market, with more equal sized shares providing for a better basis for comparison.

Mr. Brown noted that the Authority in 2001 had entered into an synthetic advance refunding, or "forward swap", for a substantial savings when the Series 1992 Bonds became callable in the fall. The swap agreement would require the Authority either to issue new bonds or "unwind" the swap by August 29.

III. INFORMATION ITEMS

a. President's Report

Mr. Wilding reported that traffic continued to grow at Reagan National as Phase III of the recovery program continued. Since the previous weekend, service had been restored to Albany, Columbia, Indianapolis, Knoxville, Louisville, Norfolk, Raleigh, Rochester, and Syracuse. As of the day, 65 percent of the pre-September 11 flights were permitted, and 64 percent were actually operating. The next step would occur on March 1, when 77 percent of flights would be permitted. In terms of flights, 490 were operating that day against a permitted level of 500; 620 would be permitted March 1.

With respect to security, Mr. Wilding reported that by statute, all checked baggage had to be screened after January 18. Although many had been pessimistic, the system had been able to comply with the requirement without serious problems or delay. In another week, the federal government would be required to take responsibility for all passenger screening. The change would not be visible, as the government would rely for the most part on the contractors already providing the services. Over the year, the contractors would be phased out and replaced by federal employees.

Mr. Wilding cited two significant points from the President's 2003 Budget. First, the airport improvement program would reach its third year of substantially higher authorization levels. The President had kept the higher level, $3.4 billion, for this third year. Second, the new Transportation Security Administration would be funded at $4.8 billion, with an estimate that it would require 41,300 employees to perform its new federal functions in 2003.

With respect to air service, Mr. Wilding reported that the British Airways - American Airlines request for antitrust immunity had apparently foundered on a condition, imposed by the Department of Transportation, that the two give up 238 slots at London Heathrow. The two carriers had immediately rejected the condition, and bilateral negotiations between the United States and the United Kingdom had been canceled.

International traffic was returning. United Airlines would still begin its Dulles - Düsseldorf service on February 15. Both British and United had each recently announced they would add a daytime roundtrip to London Heathrow, British on April 1 and United on April 7. The new flight would be the third daily London roundtrip for British Airways and the fourth for United.

Lufthansa would be restoring its second Frankfurt flight, and United its second Paris flight. Both had been suspended after September 11.

JetBlue, which had intended to begin service to the west coast in September, appeared ready to announce that service at a press conference February 7.

Mr. Wilding reported that the annual legislative breakfast with members of the Virginia General Assembly and executive branch, held in Richmond January 18, had generated more interest than usual, and had been quite successful.

The opening date for the West Flank Parking Garage at Dulles had slipped a few weeks to March 18. When complete, the Garage would have 3700 spaces; on opening, it would serve about 3200.

Finally, Mr. Wilding said the Business Plan, which was running a bit late in the current year, would be ready for Committee review in February and Board action in March.

b. <u>Executive Vice President's Report</u>

Mr. Bennett reported that representatives of the Army and Navy had come to Reagan National to recognize the fire and rescue personnel who had been among the first responders to the Pentagon disaster on September 11. Plaques and certificates were presented to the firefighters.

With respect to the Immigration and Naturalization Service (INS) staffing problems at Dulles, Mr. Bennett reported that the situation had been improving. Authority staff was assisting with the lines, and the INS was making arrangements to provide additional personnel at Dulles.

An RFP had been issued to solicit proposals to assist the Authority in doing a comprehensive security assessment at both Airports. The recent federal security legislation meant that many changes would be necessary, and the assessment was important to the development of a comprehensive security plan.

Mr. Bennett reported that December traffic continued to be off at both Airports. At National, the traffic was down almost 45 percent from December 2000. That was, nevertheless, an improvement. At Dulles, traffic was down about 11 percent, also an improvement over November. Both would continue to improve. Nationally, the domestic industry was off 14.2 percent.

Mr. Calhoun said he had received four different calls about the security contract, and asked if it would come to the Business Administration Committee. Mr. Bennett said it would not, because the dollar amount was below the delegation threshold. He added that there were several security contracts upcoming, of which one or two were large enough to require Board approval.

Mr. Diané said he had observed at Dulles that the federal inspections services, once finished with processing U.S. citizens, were slow to take care of the foreign travelers. Mr. Bennett said that had been a serious problem, resulting in part from the staff shortages, and were being addressed.

IV. UNFINISHED BUSINESS

There was not any unfinished business

V. NEW BUSINESS

a. Grant of an Easement for the Widening of Route 606

Mr. Glasgow moved the adoption of the following Resolution, which was unanimously adopted.

> WHEREAS, Virginia Route 606 has been located within the Dulles reservation through its northern end and down its western boundary since the 1960s;
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> WHEREAS, There is not any available record of an easement granted by the Airports Authority or its predecessors for the right-of-way;
>
> WHEREAS, The Virginia Department of Transportation now wishes to widen Route 606 between U.S. Route 50 and Virginia Route 621 from two lanes to four; and
>
> WHEREAS, Widening the roadway is in both the Airports Authority's and the public interest; now, therefore, be it
>
> RESOLVED, That the President and Chief Executive Officer is authorized to grant to the Commonwealth of Virginia the easements for the location and widening of Virginia Route 606, consistent with the terms presented to the Planning Committee February 6, 2002.

b. Authorization of the Issuance of the Airports System Revenue Commercial Paper Notes, Series One

Mr. Brown moved the adoption of the following Resolution. He noted that the dealer would be Bear, Stearns, and JPMorgan Chase would be providing a direct pay facility.

> WHEREAS, The Board of Directors of the Metropolitan Washington Airports Authority (the "Authority") on April 5, 2000, by Resolution No. 00-1 authorized the issuance, from time to time, of commercial paper notes (the "Notes") in an aggregate principal amount not to exceed $250,000,000 outstanding at any one time, to pay or provide for (i)

certain capital improvements at the Ronald Reagan Washington National Airport and Washington Dulles International Airport, (ii) the principal of, and interest on, maturing Notes and refunding other forms of indebtedness outstanding, from time to time, of the Authority, (iii) obligations to any provider of credit enhancement or liquidity support for the Notes, and (iv) costs of issuance of the Notes;

WHEREAS, The Authority, on May 2, 2001, by Resolution No. 01-6 increase the amount of Notes authorized to be issued to an amount not to exceed $500,000,000 outstanding at any one time;

WHEREAS, The Authority now desires to issue Notes, from time to time, constituting a series of bonds under the Amended and Restated Master Indenture of Trust, dated as of September 1, 2001, and as supplemented by the Eleventh Supplemental Indenture of Trust, dated as of March 1, 2002, (the "Eleventh Supplemental"), each between the Authority and Allfirst Bank, as trustee, designated as Airport System Revenue Commercial Paper Notes, Series One (the "Series One Notes") in an aggregate principal amount not to exceed $100,000,000 outstanding at any one time;

WHEREAS, Credit enhancement and liquidity support for payment of the Series One Notes will be provided by a letter of credit ("Credit Facility") initially to be issued by JPMorgan Chase Bank (the "Bank");

WHEREAS, A public hearing has been held relating to the Approved Projects (as defined in the Eleventh Supplemental) to the extent required by Section 147 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, The Governor of Virginia and the Mayor of the District of Columbia have approved the issuance of bonds, to the extent the Series One Notes authorized hereunder are subject to Section 147 of the Code; and

WHEREAS, There have been presented at this meeting the form of the following documents that the Authority proposes to execute in connection with the issuance of the Series One Notes described above, copies of which documents shall be filed with the records of the Authority:

(a) the Eleventh Supplemental;

(b) the Series One Notes, attached as an exhibit to the Eleventh Supplemental;

(c) the Reimbursement Agreement, dated as of March 1, 2002 (the "Reimbursement Agreement") between the Authority and the Bank;

(d) the Bank Note, attached as an exhibit to the Eleventh Supplemental (the "Bank Note"), to bear interest at the Advance Rate, the Term Loan Rate or as otherwise provided therein;

(e) the Offering Memorandum relating to the initial offering and distribution of the Series One Notes (the "Offering Memorandum");

(f) the Commercial Paper Dealer Agreement, dated as of March 1, 2002, between the Authority and Bear, Stearns & Co. Inc. (the "Dealer"), relating to the public offering and sale of the Series One Notes (the "Dealer Agreement"); and

(g) the Letter of Representations between the Authority and The Depository Trust Company relating to the Series One Notes;

now, therefore, be it

RESOLVED, That the Authority approves the form of the Offering Memorandum and the Dealer is authorized to distribute the Offering Memorandum to prospective purchasers of the Series One Notes;

1. That the Series One Notes shall be issued, from time to time, in book-entry form as a series of bonds pursuant to the Master Indenture and the Eleventh Supplemental and distributed by the Dealer pursuant to the Dealer Agreement, all upon the terms and conditions specified herein;

2. That the Series One Notes shall be issued, from time to time, in an aggregate principal amount not to exceed $100,000,000 outstanding at any one time, as the proceeds thereof are needed to pay the costs of the Approved Projects, as defined in the Eleventh Supplemental, the

principal of, and interest on, maturing Series One Notes, other indebtedness of the Authority that may be outstanding from time to time, and amounts payable under the Bank Note, and the costs of issuance of the Series One Notes, pursuant to the Eleventh Supplemental, and to be repaid from Net Revenues, and from certain other "Pledged Funds" as described in the Eleventh Supplemental;

3. That credit enhancement and liquidity support for payment of the Series One Notes shall be provided initially by the Credit Facility issued by the Bank or a substitute credit facility as provided in the Eleventh Supplemental;

4. That the Chairman or Vice Chairman of the Board of Directors is authorized and directed to execute the Eleventh Supplemental, the Series One Notes, the Reimbursement Agreement, the Letter of Representations, the Dealer Agreement, and the Bank Note, and the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority on such documents as required and to attest to the same;

5. That each of the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Vice President and General Counsel, the Vice President for Finance and Chief Financial Officer, and the Manager of Treasury is hereby appointed as an "Authority Representative" under the Eleventh Supplemental and shall determine the date of issuance, principal amount, interest rate and maturity of any Series One Note issued hereunder and under the Eleventh Supplemental, all within the parameters and limitations set forth herein and in the Eleventh Supplemental, and to take all other actions in the name of and on behalf of the Authority to accomplish the issuance and sale of the Series One Notes from time to time. Any of the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Vice President and General Counsel, the Vice President for Finance and Chief Financial Officer and the Manager of Treasury or others designated by any of them shall approve issuance and award the sale of the Series One Notes to the Dealer or to the purchaser or purchasers obtained by the Dealer pursuant to the Dealer Agreement, provided that the Series One Notes shall be sold at a purchase price equal

to 100% of the principal amount thereof, the maturity date of each Series One Note shall be a date (which shall be a Business Day, as defined in the Eleventh Supplemental) not later than 270 days from the date of issuance thereof, but not later than October 1, [2032], and the interest rate on any Series One Note shall not exceed 9 percent per annum;

6. That the Series One Notes shall not be subject to redemption prior to maturity;

7. That the Bank Note is a Bond for purposes of the Master Indenture and payment of amounts owed to the Bank under the Bank Note is secured under the Master Indenture and payable from (a) Net Revenues on a parity with the Series One Notes and all other Bonds outstanding thereunder from time to time and (b) the Pledged Funds as described in the Eleventh Supplemental, while all other amounts owed to the Bank under the Reimbursement Agreement will constitute Operating and Maintenance Expenses under the Master Indenture;

8. That the President and Chief Executive Officer or the Vice President for Finance and Chief Financial Officer are hereby individually authorized to approve any changes, modifications or updates of the Offering Memorandum from time to time;

9. That the Chairman, the Vice Chairman, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer are authorized and directed to execute, by manual or facsimile signature, the Series One Notes and the Bank Note, the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority or a facsimile thereof on the Series One Notes and the Bank Note, and to attest the same, by a manual or facsimile signature, and either is authorized and directed to deliver the Series One Notes to the Trustee for authentication upon the terms provided in the Eleventh Supplemental;

10. That the Eleventh Supplemental, the Reimbursement Agreement, the Letter of Representations, the Dealer Agreement, the Series One Notes, the Bank Note, and the Offering Memorandum shall be in substantially the forms submitted to the Board of Directors at this

meeting, which are approved, with such completions, omissions, insertions and changes necessary to reflect the principal amount and other terms of the Series One Notes and the Bank Note, and as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes;

11. That the Chairman, the Vice Chairman, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer are hereby individually authorized with respect to the Series One Notes to execute a tax certificate on behalf of the Authority in implementation of the covenants and agreements set forth in the Eleventh Supplemental, or to make any election permitted by the Code, and determined by such officer to be to the advantage of the Authority; and the representations, agreements, and elections set forth therein shall be deemed the representations, agreements and elections of the Authority, as if the same were set forth in the Eleventh Supplemental;

12. That the Officers of the Authority, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer are individually authorized to execute, deliver and file, from time to time, all other certificates and instruments, including Internal Revenue Service Form 8038 or 8038-G returns and any agreement with the provider of any credit facility or liquidity facility for the Series One Notes, and to take all such further actions, from time to time, as they may consider necessary or desirable in connection with the issuance, sale and distribution of the Series One Notes;

13. That any authorization herein to execute a document shall include authorization to deliver it to the other parties thereto;

14. That all other acts of the Officers, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer that are in conformity with the purposes and intent of this Authorizing Resolution are hereby approved and confirmed; and

15. That this Authorizing Resolution shall take effect immediately upon its adoption.

The Resolution was adopted by the unanimous vote of the nine Directors present.

VI. OTHER BUSINESS AND ADJOURNMENT

The Chairman observed that Carolyn Lewis would have preferred for business to proceed as normal, but that the situation was not normal with her gone. He said the Members of the Board missed her greatly, and would do the best job they could in her absence.

The meeting was thereupon adjourned at 10:35 a.m.

Respectfully submitted:

Gregory Wolfe

Gregory Wolfe
Vice President and Secretary

approved March 6, 2002 GW