



BOARD OF DIRECTORS ANNUAL MEETING

Minutes of November 3, 2004

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:05 a.m without a quorum, as some Directors had been delayed. Eight Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
Mame Reiley, Vice Chairman
Robert Clarke Brown
H.R. Crawford
Anne Crossman
Weldon H. Latham
Charles D. Snelling
David G. Speck

The Secretary and the following Officers were present:

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

I. COMMITTEE REPORTS

a. Business Administration Committee

Mr. Crawford reported that the Committee had last met October 20 and had first heard a “look-ahead” report on plans to solicit for a new combined food service and retail concession fee manager contract at Reagan National. The existing food service and retail contracts were separate.

Under the staff proposal, there would not be any immediate change to the concessions currently operating, all of which were subcontractors. The major change would be in restructuring the terms of the contract between the Authority and the prime contractor that would decrease the middleman's share of rent, by as much as \$1.5 million a year.

The Committee's only question had been why this arrangement had not been in place before. The answer had been historic; the food service contract dated back to 1990 when its terms had been unprecedented, and was just coming to an end.

Mr. Crawford said it was again time to set an annual Disadvantaged Business Enterprise ("DBE") goal for federally-assisted contracts, construction or design projects funded with aid from the Federal Aviation Administration. The staff proposal was to set the 2005 goal as at least 25 percent. Federally-assisted contracts were expected to total about \$20 million in 2005, with at least \$5 million going to DBE firms. Staff had advertised the goals in local newspapers and had sought comments from contractor associations and over 300 DBE firms. All had supported the goal for 2005, and the Committee did as well. Mr. Crawford said he would offer a resolution on the matter later in the meeting.

Staff had briefed the Committee on the 14th Annual Business Opportunity Seminar, which was to take place later in the day at the Marriott Wardman Park Hotel. It was an annual event at which the Authority briefed the local small and disadvantaged contracting community on the opportunities that would be available during the coming year. At the time, over 1200 participants had registered.

Mr. Crawford said he and Mr. Bennett would be welcoming the attendees at 1 P.M., and urged any Director that had time to drop in.

The Committee had also heard a report on the annual renewal of the Authority's operational insurance policies. Mr. Crawford noted that all airport insurance premiums had increased substantially in the wake of 9/11, but were beginning to return to normal. For 2004-2005, the staff had obtained an overall 4.2 percent decrease from the previous year, for a total premium cost of about \$5 million.

The staff had come to the Committee for a discussion of the Dulles taxicab concession contract well in advance of a solicitation for the contract, which would expire July 31, 2005. Staff had presented several optional structures for cab services

before preparing a Request for Proposals. The Committee had been satisfied, however, that the need to have cabs in sufficient numbers to meet the demand at all hours required a system much like the current one, where drivers were obliged to meet Authority standards and be available when necessary. After an extensive discussion, the Committee, agreeing with the President that consumer service was paramount, had advised the staff to proceed with a new procurement on the same basis as the current system.

Finally, Frank Holly had reported in the regular capital construction program cost report that the projects were all still within budget. He had also brought the Committee up to date on the several major people mover projects now under way at Dulles. They are mainly massive tunneling and excavation projects, including the Main Terminal station, the west people mover tunnel and a station at the second midfield. The biggest tunneling package, over \$200 million, was currently out for bid.

II. MINUTES OF THE OCTOBER 6 MEETING

The Chairman called for action on the Minutes of the October 6, 2004 Meeting, which were then unanimously approved.

III. COMMITTEE REPORTS, continued

b. Finance Committee

In Mr. Ralston's absence, Mr. Brown reported that the Committee had last met October 20. The Financial Advisors had focused their report on the commercial paper programs. Commercial Paper Series One was on the day's agenda, with a proposal to increase the size of the program from \$100 to \$150 million, and to make the paper eligible for both tax-exempt and taxable financing. JP Morgan provided the letter of credit for Series One.

The Financial Advisors had also discussed changes to the existing Commercial Paper Bond Anticipation Notes, which had been issued before changes to the Master Indenture allowed the Authority to issue true commercial paper. Staff would be presenting documents for Commercial Paper Series Two at the November and December Finance Committee meetings. Series Two would replace the Bond Anticipation Notes.

The Committee had also discussed the Authority's use of commercial paper in general, and had asked that the Financial Advisors provide further information on the types and usages of variable rate debt products.

Mr. Brown reported that staff and the Financial Advisors were reviewing and updating the Authority's swap documentation with the goal of increasing the number of bidders for future swap transactions. The current swap documents were highly favorable to the Authority, and sufficiently restrictive to limit the number of Wall Street firms interested in Authority swap transactions.

The staff had presented a paper on the need to begin construction of the 12-gate Concourse B West Expansion, an element of the *d2* program that had been deferred after September 11. It would be included in the 2005 Budget and in a new passenger facility charge ("PFC") application. The financial impact of paying for the new gates with PFC revenues would lower projected rental rates from \$156 to \$90 per square foot in 2010.

Two draft passenger facility charge applications had been presented to the Committee, consisting of \$706 million in construction costs and \$136 million in financing costs. The proposed application for Reagan National would be for \$169.5 million and would extend the PFC collection to February 2013. Mr. Brown noted that the Authority already collected PFCs; the applications for additional PFC-supported work simply resulted in extending out the expiration date of PFC collection authority. The proposed application at Dulles was for \$672.9 million and would extend the collection of PFCs there to May 2017. The automated people mover and the Concourse B West expansion would be the major projects included in the applications. Following the Board's approval later in the day's meeting, a consultation meeting would be held on December 9 to discuss the application with the airlines. The applicable Federal Aviation Administration regulations required a consultation with the airlines, but did not require their approval.

At the Budget workshop in September, the Board had been advised of the new accounting standard governing the reporting of retirees' health and life insurance. In October the staff had presented a paper giving more detail on the standards and the cost: the Authority's current future health care liability was \$74.5 million. The 2005 cost would be \$6.5 million. The standards were not required to be met for over a year, but the sense of the Committee had been to accept the management proposal to

proceed with funding in 2005. To fully implement the new standards, a trust similar to those used for the Authority pension plans would need to be established. The staff would develop the trust documents and bring them to the Finance Committee for review and ultimate Board approval.

Staff had also reviewed the financial results for the third quarter of 2004. Revenues were at \$326 million and had been continuing to outperform the budget, and expenses of \$268 million had also outperformed the budget. The operating income for the first nine months of 2004 had been \$57 million and net income had been \$70 million. Concession revenues had reached 86 percent of budget, and net remaining revenues were at 114%. Construction activity for the month of September had been \$31.2 million and year-to-date construction activity had been \$243 million.

Mr. Speck pointed out that the Committee had also discussed the need for further education on swaps. Mr. Brown agreed, noting that the Board had gone through such an exercise about four years before, when the Authority was first considering derivatives. Several Directors had traveled to New York for several intense sessions. Since then, however, there had been enough turnover on the Board that new briefings should be scheduled. It was important to do so, with the increased public emphasis on director accountability for staff actions.

c. Audit Committee

In the absence of Mr. Thompson, the Chairman reported that the Audit Committee had met October 20. It had reviewed the second draft of the Audit Committee Responsibility Guidelines and recommended them to the Board for adoption. As drafted, they stated the Committee's responsibilities and were flexible enough to allow it to operate effectively. The Guidelines also had been reviewed by the President and Chief Executive Officer, the Vice President and General Counsel, and the Vice President and Secretary. Their reviews had included an assessment of the conformity with the current delegations and reservations of authority. In addition, disclosure counsel had issued a letter to the Chairman of the Audit Committee recommending that after acceptance by the Board, the Guidelines should be posted on the Authority's web site so that rating agencies, bond insurers and investors could access it, thus instilling investor confidence.

The Committee had also considered operating results and the controls associated with several business processes. Management responses to various recommendations on these processes were also discussed.

Mr. Latham asked about the liability of Members of the Authority. The Chairman referred the question to the General Counsel. Mr. Faggen said that the Authority's charter legislation granted immunity to all Members. In addition, Directors were indemnified by resolution. Finally, the Authority maintained directors and officers insurance.

IV. INFORMATION ITEMS

a. President's Report

Mr. Bennett first reported on airline industry issues. American Trans Air ("ATA") had filed under Chapter 11 the week before to become the third carrier operating in bankruptcy. ATA had been operating out of Reagan National with four round trips to its hub at Midway Airport in Chicago. The firm's initial filing had included a proposed transaction under which ATA would sell its hub operation at Midway to AirTran, with the presumption that AirTran would pick up the ATA slots at Reagan National. It appeared, however, that ATA did not have the right to sell its slots, some of which had been granted under a federal law known as "Air 21", which had included provisions that these exemption slots revert to the Department of Transportation for reallocation when no longer used. The matter would doubtless be discussed in the bankruptcy court.

Mr. Snelling asked if the Authority had an interest in the outcome; Mr. Bennett said it did, and that the Authority would be participating in any proceedings. Mr. Brown asked Mr. Bennett to elaborate on the Authority's interest. Mr. Bennett said the primary interest was facilities. ATA operated from Terminal A; the airline that picked up ATA's eight slots could cause a facilities problem depending where its gates were. Secondly, a slot represented a scarce resource that should be used by a large aircraft to benefit more passengers. Mr. Brown asked, aside from the type of user of the slots, what interest the Authority had in the bankruptcy issue of whether the slots were assets of the bankrupt estate or the Department of Transportation. Mr. Bennett said he would still have to explore that issue. He was concerned that the rules of slot distribution should not change.

Mr. Snelling said that times were changing, and that the slot rules were evolving. Controlling slots was an important part of running an airport. Bankruptcy courts were a law to themselves, not subject to the checks and balances of the political system. He would tilt towards airport or government control of the slots rather than treatment as assets of a bankrupt estate. Mr. Faggen said he believed the bankruptcy court would defer to the government with respect to the argument that ATA could transfer slots to AirTran.

The Chairman asked if the Authority had taken a position on the question; Mr. Faggen said it had not on the particular issue. Mr. Snelling said he thought it should do so. Mr. Bennett said the issues were relatively new, and counsel was still studying them. The Chairman asked if there would be a recommendation before the next Committee meetings. Mr. Bennett said the Business Administration Committee would be reviewing a legislative program that would cover a number of issues, including slots and the perimeter rule at Reagan National. Mr. Brown said he believed the slots should not have been given to the airlines with right to buy and sell in the first place, and that the Authority should take a very firm stand that unused slots should come to the Authority. Mr. Snelling pointed out that in an area of changing policy, evolution on the periphery could ultimately become evolution at the center. Mr. Latham supported the idea, noting that there were several bankruptcies under way with several opportunities to make the point.

Mr. Speck observed that many issues were resolved by the way the question was framed. He said the Authority tended to wait until an issue had come up and then react to it. It was appropriate to seize the issue and define it the way the Authority saw it, and let other react. Mr. Crawford asked what bankruptcy courts had done in the past. Mr. Faggen said that two types of slots were involved; special exemption "Air 21" slots had gone back to the government for reallocation, while conventional slots had routinely changed hands in bankruptcy court and elsewhere. The most recent had occurred with the acquisition of Trans World Airlines by American Airlines. The Authority had participated in those past transactions.

Mr. Bennett said that Independence Air had issued its third quarter results showing a loss of \$83 million. Many analysts were speculating that the carrier would have to file for a Chapter 11 bankruptcy. Independence Air was taking measures to improve its liquidity by reducing its schedules and raising its fares somewhat. It was also

proceeding with its A319 service, which had been delayed because of certification problems.

At a previous Board Meeting, Mr. Bennett had reported that the Transportation Security Administration (“TSA”) had improved screening capacity considerably and reduced passenger lines since July. But the situation had again deteriorated, at both Airports. Screening lines were long at peak hours, certain times of the day. It appeared to be a combination of several elements: staffing levels, passenger volumes and new screening protocols. Projects were under way at both Airports to add additional screening points. At Dulles, four additional checkpoints were to be added before Thanksgiving, with possibly more points for Christmas. At Reagan National all checkpoints were to be expanded in the new terminal building, in a project that would take longer than at Dulles. The TSA had committed to providing equipment and staff if the Authority could add the lanes.

In addition, college and high school students in yellow shirts, including some of those who had assisted during the summer, would be participating in a year-round program to work the lines. Plastic bags were now available for passengers being screened, and at Dulles a video was in place to inform the passengers how to move quickly through the process. Mr. Speck asked what had happened to the “trusted traveler” and “opt-out” programs. Mr. Bennett said the trusted traveler program was still being tested at Reagan National and four other airports, without much impact on the screening process. He added that the “opt-out” program, under which the TSA would contract with a private firm to provide screeners instead of using federal employees, had not been clarified. TSA had not yet provided enough information to determine whether that alternative would be in the Authority’s best interests. The major policy issue still outstanding was liability for any airport pursuing the option. Mr. Speck noted that the matter had been discussed since the spring, without clarification, and that it was frustrating. “Opt-out” might not be the right option, he observed, as it might not provide airports with enough control over the process.

Mr. Bennett reported that the senior management retreat had been held the following week, focusing on the action plans and business plan items being developed in accordance with the recently-approved strategic initiatives. The Chairman had addressed the senior management team, reflecting on his twelve years of service as a Member of the Authority.

On November 22, there would be a dedication ceremony at Dulles for the pedestrian tunnel that connected the Saarinen Terminal with the B Concourse. It would probably open a few days in advance of the ribbon cutting. On November 4, staff would hold a public hearing at the Dulles Hyatt on proposed changes to the Authority's regulations on taxicab permits, abandoned vehicle disposal, and the weapons regulation. On November 1, a new parking contractor had taken over the Dulles operation. The operation had been smooth so far, and the timing had been good with the holiday season coming soon.

Strong travel was expected at both Airports during the holidays. Contingency plans had been developed for parking, and media notifications on parking availability were being prepared. It appeared that the 2004 holiday traffic might be the busiest ever.

b. Executive Vice President's Report

Ms. McKeough reported that both Airports had performed strongly in September, as through the entire year, ahead of growth averages for both domestic and international markets. Reagan National had served over 1.2 million passengers in September, 16.6 percent over the prior September, but slightly below the 2000 record. The growth had been shared by all carriers. Year-to-date growth had been 13.2 percent.

Dulles for third consecutive month had exceeded 2 million passengers, up close to 59 percent over the year before. Year-to-date growth had been 24 percent. This had made Dulles the busiest airport in the region for the third month in a row. International passengers had been up 13 percent, exceeding industry averages.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. NEW BUSINESS

a. Establishment of a 2005 Disadvantaged Business Enterprise Goal for Federally-Assisted Construction Contracts

Mr. Crawford moved the following resolution, which was unanimously adopted:

WHEREAS, The Federal Aviation Administration, under the Airport and Airway Improvement Act, requires airport proprietors to develop and submit annual goals for the participation of Disadvantaged Business Enterprises (DBEs) in federally-assisted contracts;

WHEREAS, The Business Administration staff in August and September sought public comment on a proposed goal of at least 25 percent participation; and

WHEREAS, Public comment was supportive of the 25 percent goal; now, therefore, be it

RESOLVED, That the 2005 goal for DBE participation in federally-assisted contracts shall be at least 25 percent of the total contracting dollars for such contracts.

b. Authorization of the Submission to the Federal Aviation Administration of Applications to Impose Passenger Facility Charges at Both Airports

Mr. Brown moved the following resolution, which was unanimously adopted:

WHEREAS, The Authority has been receiving Passenger Facility Charges (PFCs) under the Aviation Safety and Capacity Expansion Act of 1990, 49 U.S.C. §40117, to pay certain construction costs at both Reagan National and Washington Dulles International Airports;

WHEREAS, The existing authority to impose PFCs will expire at National Airport in 2007 and at Dulles in 2008;

WHEREAS, Additional projects have been identified for financing with PFC revenues in order to reduce the Authority's need to incur debt to complete them as part of its Capital Construction Program;

WHEREAS, In order to extend the collection of PFCs to finance these projects, new Applications for both Airports are required to be submitted to the Federal Aviation Administration (FAA) for approval; and

WHEREAS, The draft Applications to impose Passenger Facility Charges at both Airports presented at this meeting will be discussed formally with the airlines; now, therefore, be it

RESOLVED, That the Authority intends to impose a PFC of \$4.50 per passenger at both Airports after expiration of its existing PFC authority; and

2. That the President and Chief Executive Officer is designated the Authority's official representative to act in connection with the Applications, and is directed to take all actions necessary to complete the draft Applications for submission to the FAA.

c. Authorization of an Increase in the Amount of Airport System Revenue Commercial Paper Notes, Series One

Mr. Brown moved the following resolution, which was unanimously adopted by an affirmative vote of all eight Members present.:

WHEREAS, The Board of Directors of the Metropolitan Washington Airports Authority (the "Authority") on February 6, 2002, by Resolution No.02-5 authorized the issuance, from time to time, of its 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 and approved the form of documents presented to the Authority to be executed in connection with the issuance of the Series One Notes;

WHEREAS, The Series One Notes will be issued, from time to time, by the Authority as 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 Manufacturers and Traders Trust Company, successor by merger to Allfirst Bank, as trustee;

WHEREAS, Credit enhancement and liquidity support for payment of the Series One Notes is provided by a letter of credit (“Current Credit Facility”) issued by JPMorgan Chase Bank (the “Bank”) which expires by its terms on March 13, 2005;

WHEREAS, The Authority now desires to increase the Series One Notes authorized to be issued to an amount not to exceed \$150,000,000 outstanding at any one time;

WHEREAS, The Authority desires to amend and restate the Eleventh Supplemental in connection with the increase in the amount of Series One Notes authorized to be issued in one or more subseries;

WHEREAS, The Current Credit Facility will be amended to extend its term and to provide for the increase of its amount to an amount sufficient to provide credit enhancement and liquidity support for payment of up to the maximum amount of Series One Notes authorized to be issued by Resolution No. 02-5, as supplemented by this Resolution, upon the terms and conditions provided in such amendment (the “Amended Credit Facility”); 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 increase in the amount of Series One Notes authorized to be issued and the amendment to the Current Credit Facility as described above, copies of which documents shall be filed with the records of the Authority:

- (a) the Amended and Restated Eleventh Supplemental, dated as of November 1, 2004 (the “Amended and Restated Supplemental Indenture”);
- (b) the Amendment No. 1, dated as of November 1, 2004, (the “Reimbursement Agreement Amendment”) to the Reimbursement Agreement, dated as of March 1, 2002, (collectively, the “Reimbursement Agreement”) between the Authority and the Bank;

- (c) the Series One Notes, as amended, attached as an exhibit to the Amended and Restated Supplemental Indenture;
- (d) the bank note to be issued pursuant to the Reimbursement Agreement and the Amended and Restated Supplemental Indenture (the “Amended Bank Note”);
- (e) the Offering Memorandum relating to the Series One Notes (the “Offering Memorandum”); and
- (f) the Commercial Paper Dealer Agreement, dated as of November 1, 2004, 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”); now, therefore, be it

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

2. That the Series One Notes shall be issued, from time to time, in one or more subseries, in an aggregate principal amount not to exceed \$150,000,000 outstanding at any one time;
3. That credit enhancement and liquidity support for the Series One Notes shall be provided by the Amended Credit Facility issued by the Bank or a substitute credit facility as provided in the Amended and Restated Supplemental Indenture;
4. That the Chairman or Vice Chairman is authorized and directed to execute the Amended and Restated Supplemental Indenture, the Series One Notes, the Reimbursement Agreement Amendment, the Dealer Agreement, and the Amended 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 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;

6. That the Authorized Representatives appointed by Resolution No. 02-5 are authorized and directed to execute, by manual or facsimile signature, the Series One Notes and the Amended 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 Amended Bank Note, and to attest the same, by a manual or facsimile signature, and are authorized and directed to deliver the Series One Notes and the Amended Bank Note to the Trustee for authentication upon the terms provided in the Amended and Restated Supplemental Indenture;

7. That the Amended and Restated Supplemental Indenture, the Reimbursement Agreement Amendment, the Dealer Agreement, the Series One Notes, the Amended 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 Amended 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;

8. That the Authorized Representatives designated in Resolution No. 02-5 are individually authorized to execute, deliver and file, from time to time, all other certificates and instruments and to take all such further actions, from time to time, as they may consider necessary or desirable in connection with the Series One Notes and the Amended Credit Facility;

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

10. 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 Resolution No. 02-5, as supplemented by this Resolution, are hereby approved and confirmed;

11. That Resolution No. 02-5, including the provisions under the Second "Resolved" clause relating to repayment of the Series One Notes and the Seventh "Resolved" clause relating to the security for payment of amounts owed to the Bank, shall apply to the Series One Notes, as amended, the Amended Bank Note, the Reimbursement Agreement and the documents, instruments and certificates executed, and the actions taken in connection therewith, except as otherwise provided in this Resolution.

d. Audit Committee Responsibility Guidelines

Ms. Crossman moved the adoption of the Audit Committee Responsibility Guidelines, as submitted to the Board for the day's meeting. They were unanimously adopted.

VII. ELECTION OF THE CHAIRMAN, VICE CHAIRMAN AND SECRETARY FOR 2005

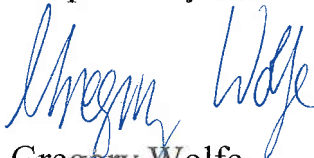
The Chairman then called for the elections. He then moved the nomination of Mame Reiley for Chairman. There were not any other nominations, and Ms. Reiley was unanimously elected. Ms. Reiley then nominated H.R. Crawford for Vice Chairman. In the absence of other nominations, the Chairman called for the vote and Mr. Crawford was unanimously elected. Finally, the Chairman nominated Gregory Wolfe for Secretary, who was also unanimously elected.

Ms. Reiley thanked the Chairman for his twelve years of service, for his leadership as Chairman for the past three years, and for serving as Ms. Reiley's mentor.

VIII. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 10:00 a.m.

Respectfully submitted:

A handwritten signature in blue ink that reads "Gregory Wolfe". The signature is written in a cursive style with a large initial 'G'.

Gregory Wolfe

Vice President and Secretary

approved December 1, 2004