Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY AND COUNTY OF DENVER, COLORADO,

for and on behalf of its Department of Aviation

AIRPORT SYSTEM REVENUE BONDS
SERIES 2012A AND 2012B

Prepared for

City and County of Denver
Denver, Colorado

Prepared by

LeighFisher
Burlingame, California

_____, 2012

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Leigh | Fisher
Management Consultants

_____, 2012

Ms. Kim Day
Manager of Aviation
City and County of Denver
Department of Aviation
Denver International Airport
Airport Office Building, Room 9860
8500 Peña Boulevard
Denver, Colorado 80249-6340

Re: Report of the Airport Consultant on the Proposed Issuance of City and County of Denver, Colorado, for and on Behalf of Its Department of Aviation, Airport System Revenue Bonds, Series 2012A and Series 2012B

Dear Ms. Day:

We are pleased to submit this Report of the Airport Consultant on the proposed issuance of Airport System Revenue Bonds, Series 2012A and Series 2012B (together, the 2012 Bonds), by the City and County of Denver, Colorado (the City), for and on behalf of its Department of Aviation (the Department).

The City owns and, through the Department, operates Denver International Airport (the Airport), which is the primary air carrier airport serving the Denver region. The Airport is the main asset of the Airport System.

The 2012 Bonds are to be issued as Senior Bonds under a General Bond Ordinance adopted by the City in 1984, as supplemented and amended by multiple Supplemental Bond Ordinances (collectively, the General Bond Ordinance), with a first lien on the Net Revenues of the Airport System. The City expects to adopt Supplemental Bond Ordinances providing for the issuance of the 2012 Bonds following the date of this report and prior to the issuance of the 2012 Bonds.

The General Bond Ordinance sets forth the covenants of the City with respect to, among other things for the Airport System: (1) issuing additional Bonds, (2) establishing rentals, rates, fees, and charges as provided under the Rate Maintenance Covenant, and (3) paying Operation and Maintenance (O&M) Expenses and Debt Service Requirements, among other expenses.

In addition, the Passenger Facility Charge (PFC) Supplemental Bond Ordinance, as supplemented and amended, defines the uses for revenues from the $3.00 portion of the $4.50 PFC imposed at the Airport and used for eligible Airport projects ("Committed Passenger Facility Charges"). The Supplemental Bond Ordinance defines the uses for

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revenues from the $1.50 portion of the $4.50 PFC ("Designated Passenger Facility Charges"). The Committed Passenger Facility Charges are irrevocably committed to pay annual Debt Service Requirements. The Designated Passenger Facility Charges are included in the definition of Gross Revenues and can be used by the City to pay Debt Service Requirements (but are not irrevocably committed as such).

Since the Airport opened in 1995, PFC revenues have mostly been used to pay annual Debt Service Requirements on Bonds issued to fund Airport improvements. Prior to the issuance of the proposed 2012 Bonds, the City intends to adopt a PFC Supplemental Bond Ordinance that would—in effect—continue the use of annual PFC revenues to pay Debt Service Requirements through 2018.

The analyses described in this report were undertaken to estimate the ability of the Airport System to generate sufficient Net Revenues and Other Available Funds from 2012* through 2020**, referred to in this report as the forecast period, to meet the requirements of the Rate Maintenance Covenant of the General Bond Ordinance, taking into account the issuance of the proposed 2012 Bonds and, as described below, the Future 2012 Bonds and Future Planned Bonds. Capitalized terms in this report are used as defined in the General Bond Ordinance, the PFC Supplemental Bond Ordinance, and/or the Airport use and lease agreements, as discussed later.

PROPOSED 2012 BONDS

According to the City's Financial Consultant***, the 2012 Bonds are to be issued with a fixed interest rate in the approximate principal amount of $731.6 million for the following purposes:

- **Series 2012A Bonds**. The Series 2012A Bonds are expected to be subject to the Alternative Minimum Tax (AMT) to current-refund and defease the following approximate amounts of outstanding debt: (a) $63.6 million in principal outstanding of the Series 2002E Bonds, (b) $134.5 million in principal outstanding of the Series 2003A Bonds, and (c) $56.0 million of Subordinate Commercial Paper Notes expended on projects in the Airport Capital Program, as discussed later in this letter. In addition, the net proceeds of the Series 2012A Bonds would be used to reimburse approximately $8.2 million of Capital Fund balances expended on Capital Program costs, which is discussed later in this report.

*The City's Fiscal Year is the same as the calendar year.
**2020 is the first year in which Debt Service Requirements on the last series of Future Planned Bonds would be payable from Net Revenues.
***Jefferies & Company, Inc.

The City also intends to issue the Series 2012A Bonds to fund approximately $70.3 million in costs associated with projects in the Airport Capital Program.

Series 2012B Bonds. The Series 2012B Bonds are not expected to be subject to the Alternative Minimum Tax (non-AMT) and would be issued to current-refund and defease approximately $103.4 million in principal outstanding of the Series 1998B Bonds.

The City also intends to issue the Series 2012B Bonds to fund approximately $318.9 million in costs associated with projects in the Airport Capital Program, which would include a proposed hotel at the Airport (as discussed later).

A portion of the net proceeds of the 2012 Bonds is also to be used to pay certain costs related to the issuance of the 2012 Bonds.

Approximately $453.4 million in net proceeds of the 2012 Bonds, which reflects that portion of the 2012 Bonds to be issued to fund projects in the Airport Capital Program, to current-refund and defease Subordinate Commercial Paper Notes and reimburse Capital Fund balances, as described above, is considered "additional Bonds" under Section 704B of the General Bond Ordinance. As such, the City is required to retain an Airport Consultant to demonstrate the City's compliance with the covenant for issuing additional Bonds prior to issuing that portion of the 2012 Bonds. The City retained LeighFisher as the Airport Consultant for this purpose; compliance with the additional Bonds test is to be determined and the results are to be provided to the City in connection with the issuance of $453.4 million in net proceeds of the 2012 Bonds.

The City's plans to current refund and defease, and advance refund the specific series of Bonds described above are dependent upon market conditions at the time of pricing, which may change:

- The amount of Bond principal that would be refunded at the time of pricing.
- The specific series of Bonds that would be refunded. The City may elect to current refund and defease approximately $104.1 million in principal outstanding of the Series 1998A Bonds, advance refund approximately $27.5 million in principal outstanding of the Series 2003A Bonds, and advance refund approximately $75.5 million in principal outstanding of the Series 2003B Bonds.
- The tax status of a portion of the 2012A Bonds from tax-exempt to taxable, which may be issued by the City as a separate series of the 2012 Bonds (e.g., the Series 2012C Bonds).

In addition, the City may refund certain other outstanding Airport System Revenue Bonds during the forecast period. Debt service savings, if any, from the potential refunding of Bonds by the City are not included in the financial forecasts presented in this report.

AIRPORT CAPITAL PROGRAM

The City has developed a 6-year (2013 through 2018) Capital Program to expand, maintain, and reconstruct Airport facilities (the 2013-2018 Capital Program). The City estimates that the 2013-2018 Capital Program will cost approximately $1.1 billion,* including the following major projects:

- Rehabilitate certain airfield pavement areas, such as runways, taxiways, and ramp areas; construct a new high-speed taxiway to improve airfield efficiency; improve airfield lighting; and expand waste water system capacity.
- Replace and upgrade computer and other systems for the automated guideway transit system (AGTS).
- Construct a new public parking garage and rehabilitate access bridges to existing public parking garages.
- Improve building and other systems, including fire protection, electrical and mechanical, heating and cooling, communication, and information technology.
- Construct a new train station and plaza at the south end of the Landside Terminal Building to accommodate new commuter rail train service (FasTracks) from Denver Union Station to the Airport; realign the roadways serving the Landside Terminal Building; and relocate certain utilities. In addition, the City plans to construct a new 519-room hotel above the proposed train station and plaza. These project elements are referred to collectively in this report as the "South Terminal Redevelopment Program" and are discussed more extensively in the Financial Analysis section of this report.

The City intends to fund approximately $453.4 million in 2013-2018 Capital Program costs with proceeds from the sale of the 2012 Bonds, and to potentially fund an

*The amount shown in Exhibit A, presented at the end of the attachment to this letter, includes inflation to the midpoint of construction for projects in the 2013-2018 Capital Program.

additional $202.3 million of 2013-2018 Capital Program costs from the net proceeds of other Bonds to be issued later in 2012 (the Future 2012 Bonds). For purposes of this report, the Future 2012 Bonds were assumed to be issued as Subordinate Bonds under the Subordinate Bond Ordinance adopted by the City in 1997. The City is under no obligation to issue the Future 2012 Bonds or to issue them as Subordinate Bonds. If the Future 2012 Bonds are not issued, the City expects to fund the costs of projects in the Airport Capital Program from the net proceeds of Future Planned Bonds.

The remaining $482.9 million in 2013-2018 Capital Program costs would be funded from:

- Proceeds from the issuance of prior Bond.
- Federal Aviation Administration (FAA) grants-in-aid the City may receive during the forecast period.
- Proceeds from the sale of Future Planned Bonds to be issued by the City during the forecast period. The Future Planned Bonds were assumed to be issued as Senior Bonds under the General Bond Ordinance. The City is under no obligation to issue the Future Planned Bonds or to issue them as Senior Bonds.

Certain assumptions were incorporated into the financial forecasts presented in this report in connection with the issuance of the 2012 Bonds, and the potential issuance of the Future 2012 Bonds and Future Planned Bonds regarding additional (1) Gross Revenues from airline rentals, rates, fees, and charges and other sources, (2) O&M Expenses, and (3) debt service.

RATE MAINTENANCE COVENANT

The Rate Maintenance Covenant of the General Bond Ordinance states that the City agrees to fix, revise, charge, and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year, Gross Revenues together with any Other Available Funds will, at all times, be at least sufficient to provide for the payment of O&M Expenses for such Fiscal Year, and the larger of either:

- The total amount of required deposits to various Airport System funds and accounts during such Fiscal Year, or
- 125% of the aggregate Debt Service Requirements on Senior Bonds for such Fiscal Year.

In the General Bond Ordinance, "Other Available Funds" is defined to include the amount to be transferred in any Fiscal Year from the Coverage Account of the Capital

Fund to the Revenue Fund, up to a maximum of 25% of the aggregate Debt Service Requirements on Senior Bonds. According to audited City data for 2011 and unaudited City data for the first 6 months of 2012, at least 25% of Debt Service Requirements on Senior Bonds was on deposit in the City's Coverage Account during those periods.

Under the General Bond Ordinance, the City is allowed to exclude from Debt Service Requirements on Senior Bonds all amounts irrevocably committed to pay such Debt Service Requirements for the purposes of calculating debt service coverage under the Rate Maintenance Covenant; this exclusion is reflected in the financial forecasts presented in this report. As stated earlier, revenues from the $3.00 portion of the $4.50 PFC are to be irrevocably committed to pay Debt Service Requirements through 2018 under a PFC Supplemental Bond Ordinance to be adopted prior to the issuance of the 2012 Bonds.

AIRPORT USE AND LEASE AGREEMENTS

In 2011, the rentals, fees, and charges received from the airlines operating at the Airport under Airport use and lease agreements or other agreements with the City accounted for approximately 50% of Airport Gross Revenues. Nonairline revenues from public parking operations, concession fees, building and ground rentals, interest income, and Designated Passenger Facility Charges and other sources accounted for the remaining 50% of 2011 Airport Gross Revenues.

The Airport use and lease agreements include provisions for:

- The establishment of airline rentals, rates, fees, and charges to recover, in part, O&M Expenses, debt service on Bonds, and certain other costs of the Airport System.
- The annual recalculation of airline rentals, rates, fees, and charges.
- The distribution of 50% of Net Revenues remaining at the end of the year* to the airlines signatory to the Airport use and lease agreements (the Signatory Airlines), up to a maximum credit in any year of $40 million.
- An increase in Airport rentals, rates, fees, and charges, as needed, such that Net Revenues together with Other Available Funds are sufficient to satisfy the Rate Maintenance Covenant of the General Bond Ordinance each year.
- The use and lease of gates and space in the Terminal Complex.

*Only after all other requirements of the General Bond Ordinance have been satisfied.

The Airport use and lease agreements executed by airlines other than United Airlines expired on December 31, 2011, and the holdover provision of those agreements is in effect. It is the City's expectation that all of the airlines that were signatory to the expired Airport use and lease agreements will execute new Airport use and lease agreements, the term of which would be effective from January 1, 2012, through December 31, 2016. Of the 90 gates at the Airport, 48* are leased by airlines that are expected to be signatory to the new Airport use and lease agreements, 36 gates are leased by United Airlines, as discussed below, and the remaining 6 gates are available to all airlines on a common-use basis or for international flights.

United is the busiest airline at the Airport in terms of numbers of enplaned passengers and leased gates and space in the Terminal Complex. United operates a connecting hub at the Airport under an Airport use and lease agreement with the City scheduled to expire in 2025. United's operations at the Airport include United mainline service; Continental Airlines, which was recently acquired by United; and service by the United Express regional airline partners (collectively, the United Airlines Group).

In 2010, the parent companies of United Airlines and Continental Airlines merged their operations and the combined airline is flying under the "United" brand. A single operating certificate for the combined airline was issued in November 2011. The enplaned passengers of the United Airlines Group (which includes Continental) accounted for 46.4% of the total enplaned passengers in 2010, 42.9% of the total enplaned passengers in 2011, and 41.2% of the total enplaned passengers at the Airport during the first 6 months of 2012. The Airport ranks as the fourth busiest airport in the route network of United based on 2011 enplaned passenger data. Bush Intercontinental Airport in Houston is the busiest airport in the route network of United Airlines, followed by Chicago O'Hare International Airport (second busiest) and Newark Liberty International Airport (third busiest), based on 2011 enplaned passenger data.

SCOPE OF REPORT

As stated earlier, our study was undertaken to estimate the ability of the Airport System to meet the requirements of the Rate Maintenance Covenant of the General Bond Ordinance in each year of the forecast period, taking into account the 2012 Bonds, the Future 2012 Bonds, and Future Planned Bonds. In conducting our study, we analyzed:

- Future airline traffic at the Airport, giving consideration to the demographic and economic characteristics of the Airport service region; historical trends in airline traffic; recent airline service developments,

*As discussed later in this report, Frontier Airlines may decide to reduce its number of leased gates by 4, which would reduce the overall number of leased gates to 44, assuming that the 4 gates are not leased by another airline.

airfare levels, and other key factors that may affect future airline traffic at the Airport.

- The 2013-2018 Capital Program, giving particular attention to major projects in the Capital Program and the timing for completion and operation of those facilities.

- Estimated sources and uses of funds and annual Debt Service Requirements of the 2012 Bonds, Future 2012 Bonds, and Future Planned Bonds.

- Historical relationships among Gross Revenues, O&M Expenses, airline traffic, and other factors that may affect future Gross Revenues and O&M Expenses.

- Audited financial results for the Airport System in 2011, the City's budgeted O&M Expenses for 2012, and the City's preliminary estimate of O&M Expenses for 2013.

- The City's policies and contractual agreements relating to the use and occupancy of the Airport; the calculation and adjustment of airline rentals, rates, fees, and charges; the operation of public automobile parking facilities at the Airport and other concession and service privileges; and the leasing of Airport buildings and grounds.

- The City's intended use of PFC revenues during the forecast period under the terms of the General Bond Ordinance and the PFC Supplemental Bond Ordinance.

We also assisted Airport System management in identifying key factors upon which the future financial results of the Airport System may depend and in formulating assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts presented in the exhibits provided at the end of the attachment to this letter and summarized herein.

A sensitivity analysis of future airline traffic at the Airport and projected financial results related to the proposed hotel are presented later in this report.

FORECAST DEBT SERVICE COVERAGE

Exhibit H and the table on the following page summarize forecasts of Net Revenues and Other Available Funds, Debt Service Requirements, and debt service coverage in each year of the forecast period, taking into consideration:

- The City's intent to continue using revenues from the $4.50 PFC in 2019 and 2020 in the same manner as it is required to use PFC revenues from 2012 through 2018 under Supplemental Bond Ordinances that have been adopted or are to be adopted prior to issuance of the 2012 Bonds.

- Estimated Debt Service Requirements on the 2012 Bonds, Future 2012 Bonds, and Future Planned Bonds.*

- Additional Gross Revenues and O&M Expenses resulting from completion of the projects in the 2013-2018 Capital Program and operation of the new facilities.

Exhibit C presents forecast Committed Passenger Facility Charges assumed to be deposited to the PFC Debt Service Account and irrevocably committed to pay Debt Service Requirements during the forecast period.

*Exhibit C presents estimated Debt Service Requirements on all existing, proposed, and future Bonds. The forecasts do not reflect debt service savings from Bonds the City may issue to refund outstanding Airport System Revenue Bonds.

FORECAST DEBT SERVICE COVERAGE
(in thousands, except coverage)

	Budgeted	Forecast							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Revenues and Other Available Funds	$459,000	$426,000	$447,700	$475,300	$516,100	$523,000	$530,700	$549,900	$544,600
Debt Service Requirements *(a)*									
Senior Bonds	$241,600	$231,300	$251,900	$283,800	$303,600	$300,800	$300,600	$309,700	$304,200
Subordinate Bonds	800	800	2,400	15,000	16,300	16,300	16,600	17,000	16,800
Total	$242,400	$232,100	$254,300	$298,800	$319,900	$317,100	$317,200	$326,700	$321,000
Debt service coverage									
Senior Bonds	190%	184%	178%	167%	170%	174%	177%	178%	179%
All Bonds	189%	184%	176%	159%	161%	165%	167%	168%	170%

Note: The results presented above include the 2012 Bonds, Future 2012 Bonds, and Future Planned Bonds. As discussed in the "Financial Analysis" section of this report, forecast Gross Revenues, Operation and Maintenance Expenses, and deposits to various funds and accounts for the proposed Airport hotel were provided by PKF Consulting USA. LeighFisher makes no representation regarding the reasonableness of the projected financial results provided by PKF for the proposed hotel.

(a) Provided by the City's Financial Consultant (Jefferies & Company, Inc.).

The calculation of debt service coverage indicates compliance with the Rate Maintenance Covenant of the General Bond Ordinance in each year of the forecast period.

AIRLINE COST PER ENPLANED PASSENGER

As shown in Exhibit E, airline rentals, fees, and charges include Terminal Complex rentals, landing fees, and other fees and charges. These airline payments (costs) are expressed on a per enplaned passenger basis, as presented in the following table.

FORECAST AVERAGE COST PER ENPLANED PASSENGER FOR ALL AIRLINES
(in thousands, except cost per enplaned passenger)

	Estimated	Forecast							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net passenger airline rentals, fees, and charges	$324,400	$299,100	$316,300	$347,600	$362,500	$369,200	$377,700	$394,800	$397,400
Enplaned passengers	26,497	27,021	27,523	28,013	28,508	29,008	29,513	30,023	30,515
Cost per enplaned passenger	$12.24	$11.07	$11.49	$12.41	$12.72	$12.73	$12.80	$13.15	$13.02

Ms. Kim Day
_____, 2012

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The accompanying financial forecasts are based on information and assumptions provided by, or reviewed with and agreed to by, Airport System management. The forecasts reflect management's expected course of action during the forecast period and, in management's judgment, present fairly the expected financial results of the Airport System. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences could be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in this report. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

* * * * *

We appreciate the opportunity to serve as the City's Airport Consultant in connection with this proposed financing.

Respectfully submitted,

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City and County of Denver, Colorado

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CONTENTS *(continued)*

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FINANCIAL ANALYSIS *(continued)*

TABLES

FIGURES

FIGURES *(continued)*

EXHIBITS

AIRLINE TRAFFIC ANALYSIS

AIRPORT FACILITIES

Denver International Airport* occupies about 33,800 acres (53 square miles) of land approximately 24 miles northeast of downtown Denver. The passenger terminal complex is accessed via Peña Boulevard, a 12-mile dedicated Airport access road from Interstate 70. The Airport has six runways and a related system of taxiways and aircraft aprons. Four of the runways are oriented north-south and two are oriented east-west. Five runways are 12,000 feet long and 150 feet wide, and the sixth runway is 16,000 feet long and 200 feet wide, making it the longest commercial-service runway in North America.

The passenger terminal complex consists of a Landside Terminal Building and three airside concourses (A, B, and C). The Landside Terminal Building accommodates passenger ticketing, baggage claim, concessions, and other facilities and is served by terminal curbside roadways for public and private vehicles. Automobile parking is provided in two public parking garages adjacent to the Landside Terminal Building, surface parking lots, and remote shuttle bus lots. Spaces are also provided for employee parking.

Passengers travel between the Landside Terminal Building and Concourses A, B, and C via an underground automated guideway transit system. In addition, a pedestrian bridge provides access to Concourse A. Concourses A, B, and C provide 90 parking positions (gates) for large jet aircraft and up to 64 parking positions for regional/commuter airline aircraft.

Concourse A has 30 gates, 6 of which are available on a common-use basis for all airlines or for international flights. Of the 30 gates on Concourse A, 23 are leased by AirTran Airways, Alaska Airlines, American Airlines, and Frontier Airlines. Concourse B has 38 gates, all of which are leased by Continental Airlines, United Airlines, and US Airways. Concourse C has 22 gates, all of which are leased by Delta Air Lines and Southwest Airlines.

AIRPORT ROLE

Denver International Airport has an important role in the national, State, and local air transportation systems and is the fifth busiest airport in the United States, in terms of total passengers (enplaned plus deplaned). Its top-five ranking reflects the Airport's (1) central geographic location, (2) large origin and destination (O&D) passenger base, (3) role as a hub for United and Frontier, (4) role as the sixth busiest

*Stapleton International Airport was Denver's primary air carrier airport prior to 1995.

airport in Southwest's system (including airports served by AirTran), and (5) role as the primary commercial service airport in Colorado.

Central Geographic Location

Located near the geographic center of the U.S. mainland, Denver has long been a major air transportation hub in the route system of United and other airlines, including Continental in the past and Frontier more recently. Denver's natural geographic advantage as a connecting hub location is enhanced by the Airport's capability to accommodate aircraft landings and takeoffs in virtually all weather conditions. Figure 1 shows the central geographic location of the Denver hub compared with the locations of other U.S. hub airports.

Fifth Busiest U.S. Airport

According to statistics compiled by Airports Council International (ACI), in terms of total passengers (enplaned plus deplaned), the Airport was the fifth busiest airport in the United States in 2011 (the most recent data available), as shown in Table 1. From 2007 through 2011, the number of passengers at the Airport increased an average of 1.4% per year—the second strongest growth among the 10 busiest airports in the United States during this period—reflecting the strength of the Denver market, particularly in withstanding the effects of the national economic recession and financial credit crisis. The busiest 10 U.S. passenger airlines, in terms of systemwide scheduled enplaned passengers,* all serve the Airport, providing nonstop service to 173 airport destinations, including 149 within the continental United States, 2 in Alaska, 4 in Hawaii, and 18 international destinations. All of the large domestic all-cargo airlines also serve the Airport.

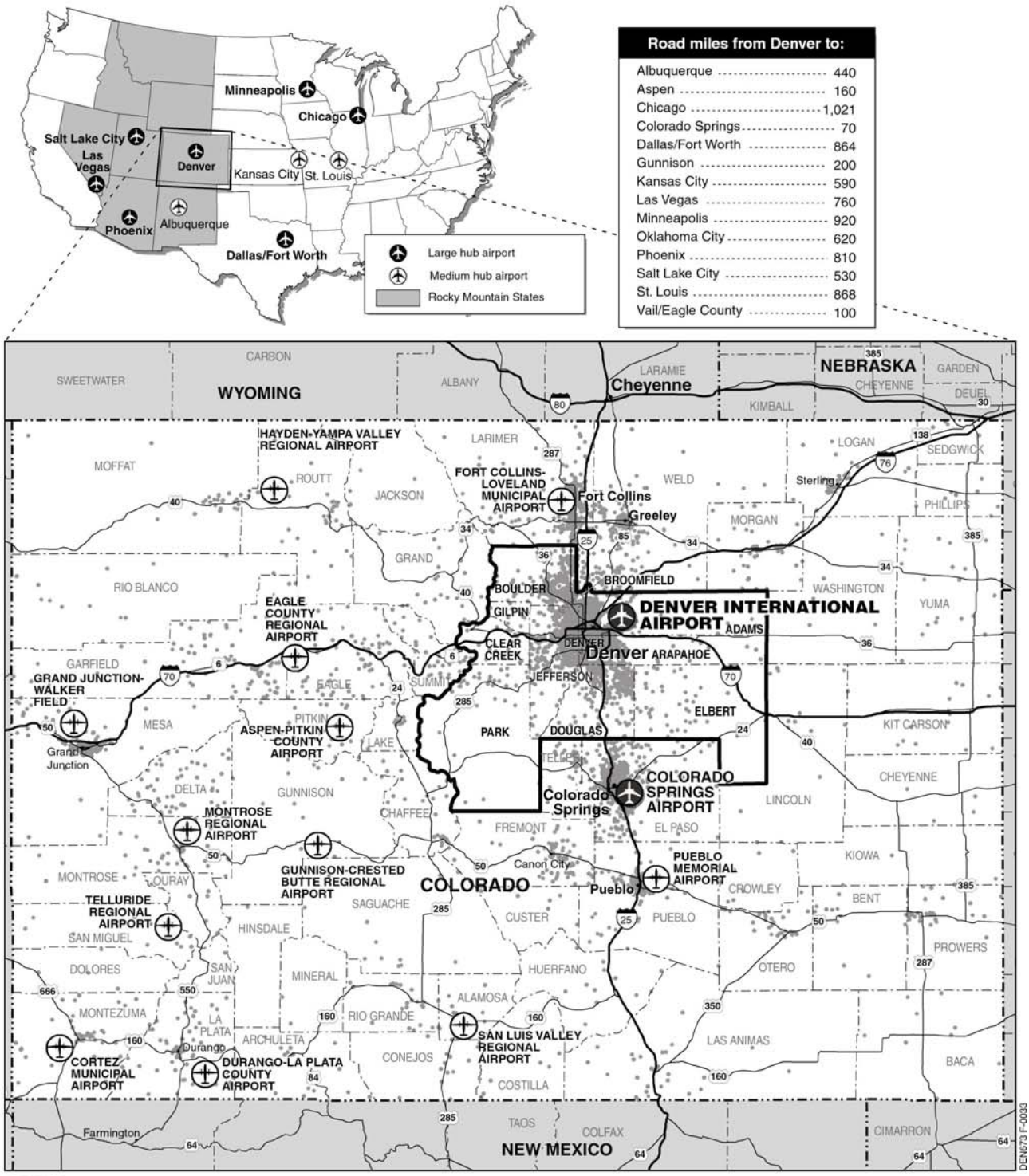
*U.S. Department of Transportation, Bureau of Transportation Statistics, 2012 Press Release, March 22, 2012, www.bts.gov,. Data are for 2011.

Table 1
TOTAL PASSENGERS AT THE 10 BUSIEST U.S. AIRPORTS IN 2011

Rank 2011	City (airport)	Total passengers (millions) *(a)* 2007	2008	2009	2010	2011	Average annual percent increase (decrease) 2007-2011
1	Atlanta (Hartsfield-Jackson)	89.4	90.0	88.0	89.3	92.4	0.8%
2	Chicago (O'Hare)	76.2	69.4	64.2	66.8	66.7	(3.3)
3	Los Angeles (International)	61.9	59.7	56.5	59.1	61.9	(0.0)
4	Dallas/Fort Worth	59.8	57.1	56.0	56.9	57.7	(0.9)
5	**Denver**	**49.9**	**51.3**	**50.2**	**52.2**	**52.8**	**1.4**
6	New York (John F. Kennedy)	47.7	47.8	45.9	46.5	47.7	(0.0)
7	San Francisco	35.8	37.3	37.3	39.3	40.8	3.3
8	Phoenix (Sky Harbor)	42.2	39.9	37.8	38.6	40.6	(1.0)
9	Las Vegas (McCarran)	47.0	44.1	40.5	39.8	40.6	(3.6)
10	Houston (Bush)	43.0	41.7	40.0	40.5	40.1	(1.7)
	Average for airports listed	55.3	53.8	51.6	52.9	54.1	(0.5)

(a) Enplaned plus deplaned passengers.

Sources: Airports Council International, *Worldwide Airport Traffic Report* and *North American Airport Rankings*, for years noted.



LEGEND

- Primary service region
- State boundary
- County boundary
- Passenger air carrier service
- Commuter service
- Population density: 1 dot equals 500 people

Source: U.S. 2000 Census data for population density.

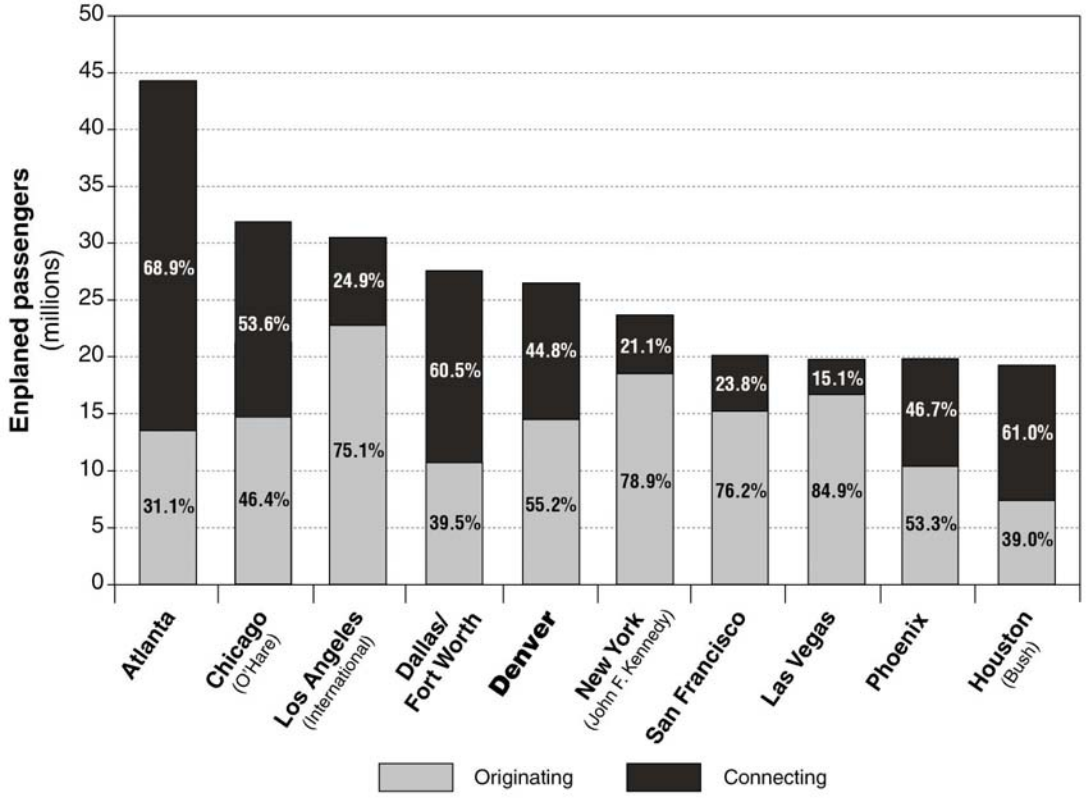
Figure 1
DENVER AIRPORT SERVICE REGION
Denver International Airport
September 2012

In 2011, approximately 44.8% of the 26.5 million passengers enplaned at the Airport, or 11.9 million passengers, connected from one flight to another, as shown on Figure 2. Of the 10 busiest domestic airports in terms of enplaned passengers in 2011, the Airport accounted for the fifth largest share of originating passengers (55.2%), which reflects the strength of the Denver market and the Airport's role as the primary commercial-service airport in the State of Colorado, as discussed in the following sections.

Figure 2

ORIGINATING AND CONNECTING ENPLANED PASSENGERS AT THE 10 BUSIEST AIRPORTS

2011



Note: 2011 ranking based on Airports Council International, *North American Airport Rankings*, May 2012.

Sources: Denver—Airport management records.
All other airports—Connecting passengers: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic*, online database, accessed July 2012.
Total passengers: U.S. Department of Transportation, Schedule T-100, online database, accessed July 2012.

DEN673 F-0006

Large Origin-Destination Passenger Base

The Airport's large O&D passenger base is related to the strength of the Denver economy and supports the connecting hub operations of United and Frontier airlines and continued service development by Southwest Airlines. This large base of local passengers enables United and Frontier to (1) improve load factors and

profitability and (2) maintain high frequencies for scheduling passenger connections and provides Southwest with a large market of both leisure and business travelers. The flights of 14.6 million passengers originated in Denver in 2011 (i.e., these originating passengers did not connect with another flight at the Airport).

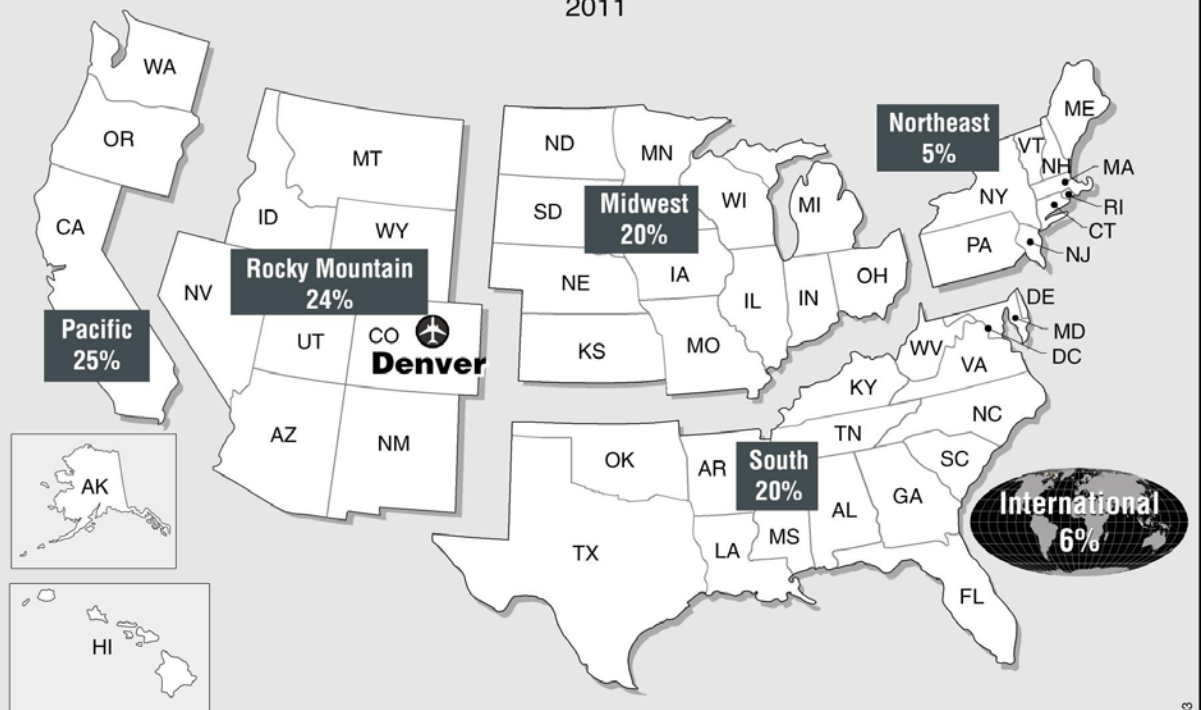
Hub for United and Frontier Airlines

As previously stated, the Airport serves as an important connecting hub in the route systems of both United and Frontier. As shown on Figure 3, the shares of passengers connecting through the Airport in 2011 reflect the Airport's central geographic location, with the western United States (states in the Rocky Mountain and Pacific regions) accounting for 49% of connecting passengers and the eastern United States (states in the Northeast, Midwest, and South regions) accounting for 45% of connecting passengers. The shares of connecting passengers for United and Frontier reflect the service patterns of each airline. United's share of connecting passengers parallels that for the Airport as a whole, while Frontier's share differs for some regions as a result of its regional route network. As shown in Table 2, the Airport accounted for the fifth largest share of daily scheduled seats at U.S. connecting hub airports in August 2012.

Figure 3

PASSENGERS CONNECTING THROUGH DENVER BY REGION

2011



Source: U.S. Department of Transportation, *Origin–Destination Survey,* online database, accessed July 2012.

DEN673 F-0003

Table 2
SCHEDULED AIRLINE SERVICE AT U.S. CONNECTING HUB AIRPORTS
August 2012

City (airport)	Average daily scheduled seats			Busiest airline(s)		
	Domestic	International	Total	Airline *(a)*	Average daily scheduled seats	Airline share of airport total
Atlanta	142,486	17,359	159,845	Delta	123,675	77.4%
				Southwest	25,221	15.8
Chicago (O'Hare)	99,490	19,786	119,276	United	55,350	46.4
				American	41,001	34.4
Los Angeles (International)	85,153	29,739	114,892	United	22,608	19.7
Dallas/Fort Worth	89,689	11,114	100,804	American	83,176	82.5
Denver	**90,739**	**2,728**	**93,467**	**United**	**37,154**	**39.8**
				Southwest	**23,520**	**25.2**
				Frontier	**19,252**	**20.6**
New York (Kennedy)	43,875	49,395	93,270	Delta	23,473	25.2
				Jet Blue	21,785	23.4
Phoenix	63,862	3,254	67,115	US Airways	32,142	47.9
				Southwest	24,213	36.1
Houston (Bush Intercontinental)	52,563	15,881	68,445	United	58,251	85.1
Charlotte	63,905	5,846	69,751	US Airways	61,953	88.8
Las Vegas	63,725	4,441	68,166	Southwest	31,556	46.3
				United	6,192	9.1
San Francisco	62,193	16,624	78,817	United	35,619	45.2
				Virgin America	7,546	9.6
				Southwest	6,706	8.5
Miami	29,917	32,239	62,156	American	43,269	69.6
New York (Newark Liberty)	43,255	21,686	64,941	United	46,220	71.2
Philadelphia	47,389	7,955	55,344	US Airways	39,122	70.7
Detroit (Metropolitan)	50,890	6,335	57,225	Delta	46,001	80.4
Minneapolis/St. Paul	55,663	3,724	59,387	Delta	45,212	76.1
Seattle-Tacoma	54,188	6,267	60,454	Alaska	28,855	47.7
Boston	45,503	9,090	54,594	Jet Blue	12,342	22.6
New York (LaGuardia)	49,925	4,224	54,149	Delta	22,562	41.7
Washington, D.C. (Dulles)	26,913	13,196	40,109	United	26,665	66.5
Washington, D.C. (Reagan National)	37,792	1,228	39,020	US Airways	17,559	45.0
Salt Lake City	33,665	693	34,358	Delta	25,098	73.1
Chicago (Midway)	35,878	941	36,820	Southwest	33,736	91.6
Honolulu	24,878	8,540	33,418	Hawaiian	15,744	47.1
St. Louis	23,782	243	24,025	Southwest	12,339	51.4
Memphis	12,284	211	12,496	Delta	9,823	78.6
Cleveland	16,660	448	17,108	United	11,557	67.6
San Juan	12,609	2,630	15,238	Jet Blue	4,897	32.1
Cincinnati	11,261	597	11,858	Delta	8,781	74.1
Guam	688	5,132	5,820	United	2,819	48.4

Notes: Rows may not add to totals shown because of rounding.
Delta completed its merger with Northwest on October 29, 2008, and a single operating certificate was issued on December 31, 2009.
United completed its merger with Continental on October 1, 2010, and a single operating certificate was issued on November 30, 2011.
Southwest completed its merger with AirTran on May 2, 2011, and a single operating certificate was issued on March 1, 2012.

(a) Includes regional airline affiliates.

Source: Official Airline Guides, Inc., online database, accessed July 2012.

The Airport's Role in United's System. The United Airlines Group, which includes United and Continental mainline and the regional/commuter airline affiliates operating as United Express, accounted for 42.9% of the passengers enplaned at the Airport in 2011. Denver ranked as the fourth busiest airport in United's system in 2011 in terms of enplaned passengers.

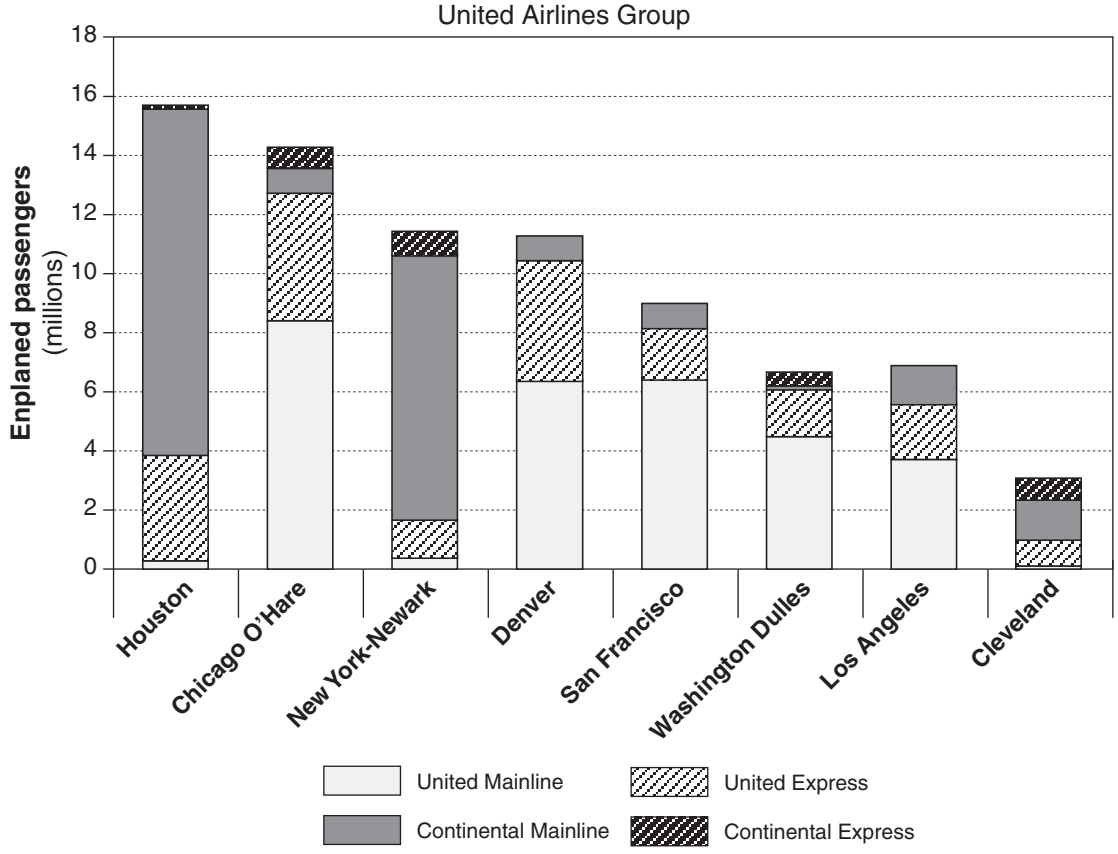
On May 3, 2010, United and Continental announced an all-stock merger agreement to form a combined airline which was approved by the European Commission on July 27, 2010; by the U.S. Department of Justice on August 27, 2010; and by the stockholders of United and Continental on September 17, 2010. The merger closed on October 1, 2010. A single operating certificate was issued on November 30, 2011.

As shown on Figure 4, Bush Intercontinental Airport/Houston, Continental's busiest hub, accounts for the largest share of enplaned passengers in the combined system of United and Continental, followed by United's hub at Chicago O'Hare International Airport, and Continental's hub at Newark Liberty International Airport.

Figure 4

ENPLANED PASSENGERS BY HUB IN 2011

United Airlines Group



Sources: Denver—Airport management records.
Other airports—U.S. Department of Transportation, Schedule T100, online database, accessed August 2012.

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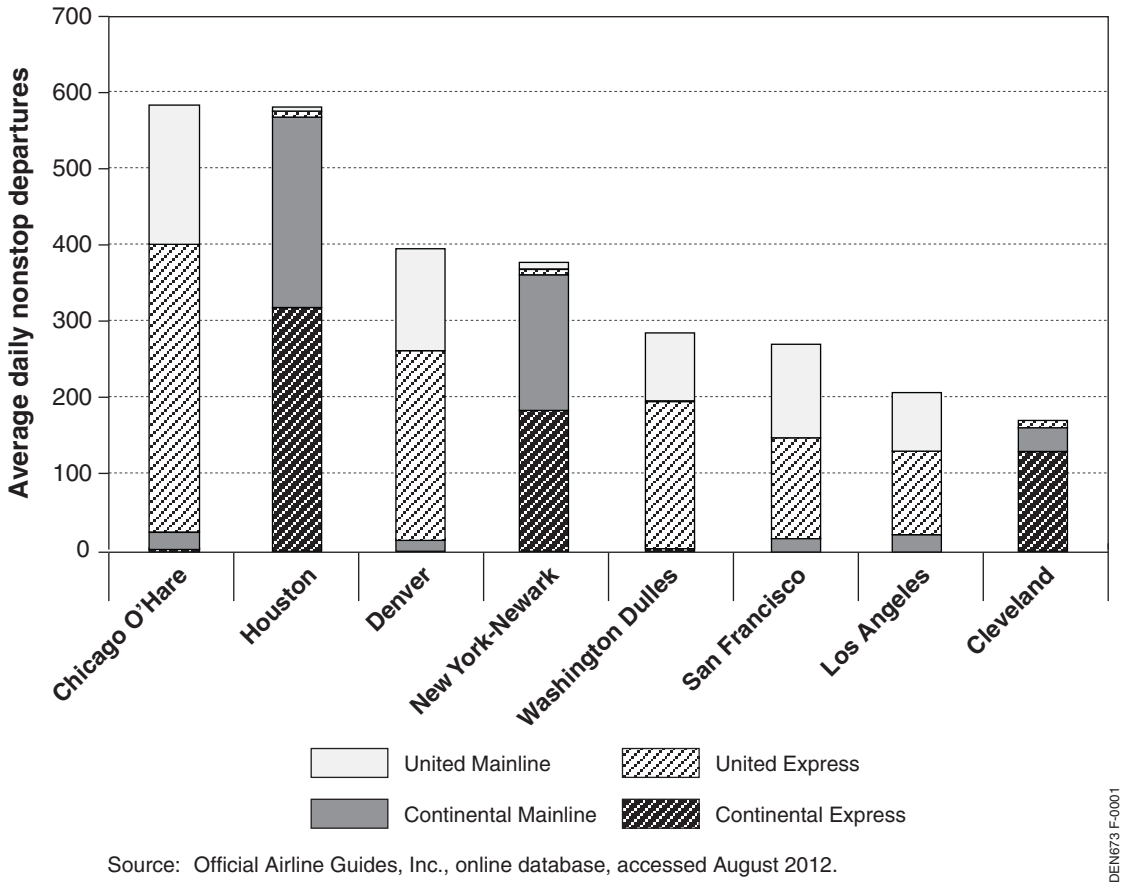
Mainline airline contracts with regional airline partners on short-haul and low-density routes has been part of an overall airline industry trend to optimize airline revenues. As shown on Figure 5, regional airline affiliates accounted for at least half of the total nonstop daily departures at each of United Airlines Group's eight hubs in 2011. In comparison, regional affiliates accounted for a smaller share of enplaned passengers by hub, ranging from a low of 19% at San Francisco International Airport to a high of 53% at Cleveland Hopkins International Airport, as shown on Figure 4. It is expected that the revenue optimization strategies of the combined airline will vary each year, but the large number of regional airline affiliates serving the hubs—five United affiliates serve Denver—underlines the airline's continued plans to use regional airline affiliates and the continued role and development of the Airport as a connecting hub in the combined airline's system.

Figure 5

AVERAGE DAILY NONSTOP DEPARTURES AT HUB AIRPORTS IN 2011

United Airlines Group



Source: Official Airline Guides, Inc., online database, accessed August 2012.

Table 3 presents trends in the numbers of passengers enplaned by United and Continental at the Airport in 1995 through 2011 and the first 6 months of 2011 and 2012. Between 1995, when the Airport opened, and 2000—the year prior to the 2001 terrorist attacks, and the national economic downturn—United increased its number of connecting passengers an average of 5.3% per year. Between 2000 and 2011, United's number of connecting passengers at the Airport fluctuated, reflecting the national recovery from the 2001 events, United's entrance into and emergence from Chapter 11 bankruptcy protection, and United's efforts to balance mainline domestic capacity and optimize its revenue performance.

Table 3
HISTORICAL ENPLANED PASSENGERS—UNITED AIRLINES GROUP
Denver International Airport

	Originating passengers			Connecting passengers			Enplaned passengers			Connecting
	United	Continental	Total	United	Continental	Total	United	Continental	Total	percent
1995	5,215,773	548,597	5,764,370	6,114,051	26,875	6,140,926	11,329,824	575,472	11,905,296	51.6%
2000	5,422,369	505,064	5,927,433	7,915,705	11,716	7,927,421	13,338,074	516,780	13,854,854	57.2
2001	4,824,409	509,491	5,333,900	7,240,233	10,210	7,250,443	12,064,642	519,701	12,584,343	57.6
2002	3,907,030	515,153	4,422,183	7,255,448	9,760	7,265,208	11,162,478	524,913	11,687,391	62.2
2003	3,991,803	505,450	4,497,253	7,303,606	11,699	7,315,305	11,295,409	517,149	11,812,558	61.9
2004	4,489,565	495,376	4,984,941	7,989,301	10,408	7,999,709	12,478,866	505,784	12,984,650	61.6
2005	4,830,836	524,207	5,355,043	7,409,702	10,489	7,420,191	12,240,538	534,696	12,775,234	58.1
2006	5,461,072	537,394	5,998,466	7,886,244	15,907	7,902,151	13,347,316	553,301	13,900,617	56.8
2007	5,537,407	543,053	6,080,460	7,759,208	17,380	7,776,588	13,296,615	560,433	13,857,048	56.1
2008	4,997,559	509,607	5,507,166	7,374,208	18,589	7,392,797	12,371,767	528,196	12,899,963	57.3
2009	4,264,193	489,770	4,753,963	7,338,775	24,822	7,363,597	11,602,968	514,592	12,117,560	60.8
2010	4,150,949	470,462	4,621,411	7,386,481	75,421	7,461,902	11,537,430	545,883	12,083,313	61.8
2011	3,882,131	604,658	4,486,789	6,603,829	258,845	6,862,674	10,485,960	863,503	11,349,463	60.5
January - June										
2011	1,953,298	245,217	2,198,515	3,369,572	121,458	3,491,030	5,322,870	366,675	5,689,545	61.4
2012	1,935,274	205,638	2,140,912	2,974,502	165,663	3,140,165	4,909,776	371,301	5,281,077	59.5
	Annual percent increase (decrease)									
2000-2001	(11.0%)	0.9%	(10.0%)	(8.5%)	(12.9%)	(8.5%)	(9.5%)	0.6%	(9.2%)	
2001-2002	(19.0)	1.1	(17.1)	0.2	(4.4)	0.2	(7.5)	1.0	(7.1)	
2002-2003	2.2	(1.9)	1.7	0.7	19.9	0.7	1.2	(1.5)	1.1	
2003-2004	12.5	(2.0)	10.8	9.4	(11.0)	9.4	10.5	(2.2)	9.9	
2004-2005	7.6	5.8	7.4	(7.3)	0.8	(7.2)	(1.9)	5.7	(1.6)	
2005-2006	13.0	2.5	12.0	6.4	51.7	6.5	9.0	3.5	8.8	
2006-2007	1.4	1.1	1.4	(1.6)	9.3	(1.6)	(0.4)	1.3	(0.3)	
2007-2008	(9.7)	(6.2)	(9.4)	(5.0)	7.0	(4.9)	(7.0)	(5.8)	(6.9)	
2008-2009	(14.7)	(3.9)	(13.7)	(0.5)	33.5	(0.4)	(6.2)	(2.6)	(6.1)	
2009-2010	(2.7)	(3.9)	(2.8)	0.7	203.8	1.3	(0.6)	6.1	(0.3)	
2010-2011	(6.5)	28.5	(2.9)	(10.6)	243.2	(8.0)	(9.1)	58.2	(6.1)	
2011-2012 *(a)*	(0.9)	(16.1)	(2.6)	(11.7)	36.4	(10.1)	(7.8)	1.3	(7.2)	
	Average annual percent increase (decrease)									
1995-2000	0.8	(1.6)	0.6	5.3	(15.3)	5.2	3.3	(2.1)	3.1	
2000-2011	(3.0)	1.6	(2.5)	(1.6)	32.5	(1.3)	(2.2)	4.8	(1.8)	
1995-2011	(1.8)	0.6	(1.6)	0.5	15.2	0.7	(0.5)	2.6	(0.3)	

Note: Includes mainline and regional airline affiliate passengers. Data for United Airlines includes Ted, United's low fare unit, which stopped reporting its activity at the Airport separately in August 2008 and ceased operations on January 6, 2009.

(a) Percent increase is for four months of data (January through April).

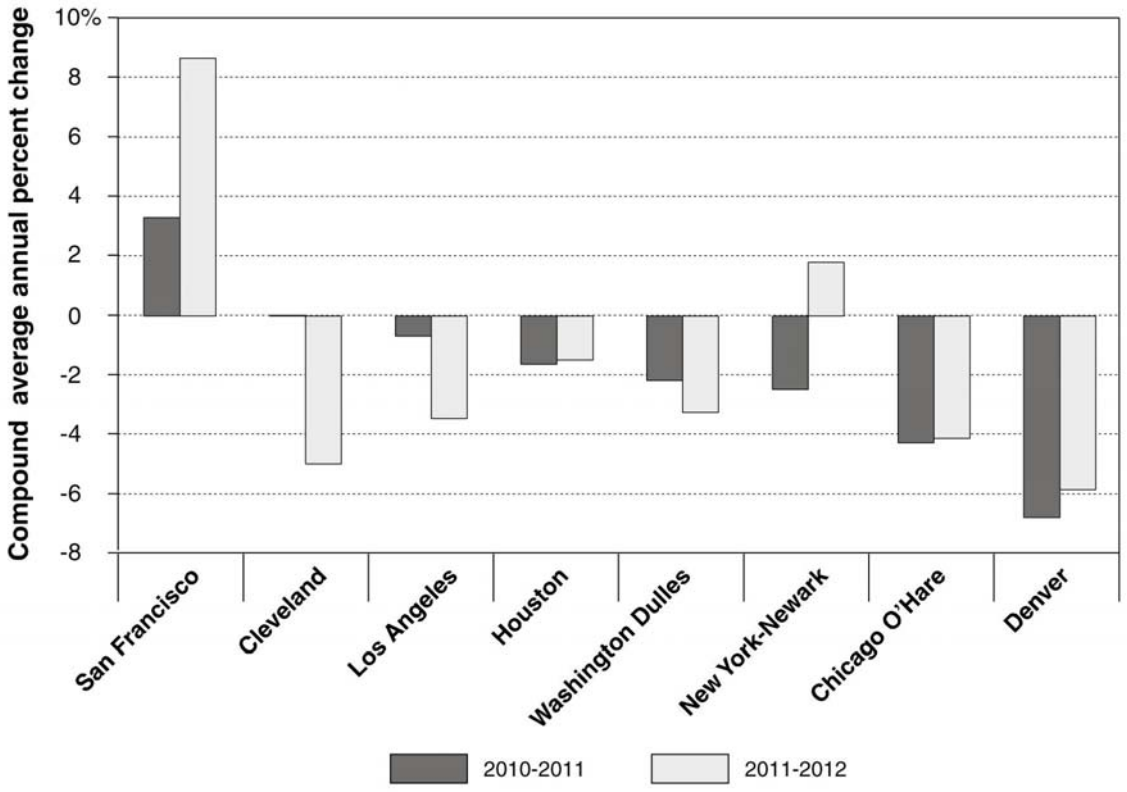
Source: Airport management records.

The number of United Airlines Group's connecting passengers at the Airport decreased between 2007 and 2011, with the largest decrease of 8.0% in 2011 related to the effects of the United and Continental merger and the capacity reductions by United. As shown on Figure 6, United Airlines Group decreased capacity, measured by scheduled departing seats, at six of its eight hubs between 2010 and 2011, including a decrease of 6.8% at the Airport. Based on advance schedules for 2012, United Airlines Group's capacity at the Airport is estimated to decrease 5.9% between 2011 and 2012. The number of passengers connecting on Continental flights at the Airport has historically been small, averaging about 3% of total enplaned passengers between 1995 and 2009. Since 2009, the number of Continental connecting passengers at the Airport has increased, reflecting the effects of the Continental and United merger.

Figure 6

CHANGE IN SCHEDULED DEPARTING SEATS

United Airlines Group



Note: Data for 2012 are based on advance schedules, which are subject to change. Includes activity for Continental Airlines.

Source: Official Airline Guides, Inc., online database, accessed September 2012.

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The number of United Airlines Group's originating passengers at the Airport decreased each year since 2007 as a result of the airline's system wide capacity reductions, the continued development of low-cost carrier* service at the Airport by Southwest, and the national economic recession that contributed to an overall softening of passenger demand nationwide. Between 2010 and 2011, the number of originating passengers for the combined airline decreased 2.9%, a smaller decrease than during the lowest point of the recession in 2008 and 2009.

Overall, the total number of passengers enplaned at the Airport by United Airlines Group decreased 6.1% between 2010 and 2011.

Table 4 presents a comparison of connecting passenger trends for United Airlines Group at the Airport and at the airline's other hub airports from 2007 through 2011. As shown, the numbers of connecting passengers decreased at two of United Airlines Group's eight hub airports, including Denver International Airport, reflecting the reductions in airline seating capacity since 2008 and consolidation of the combined airline system. The number of connecting passengers also decreased at United's hub in Chicago (O'Hare).

Table 4
CONNECTING PASSENGERS BY HUB—UNITED AIRLINES GROUP

Hub	2011 Connecting passengers (millions)	2011 Percent of United's enplaned passengers	Average annual percent increase (decrease) 2007-2011
Bush Intercontinental Airport/Houston	11.2	67%	0.2%
Chicago O'Hare International Airport	9.2	62	(3.7)
Denver International Airport	**6.9**	**60**	**(3.1)**
Newark Liberty International Airport	4.7	39	3.7
Washington Dulles International Airport	4.2	60	0.4
San Francisco International Airport	4.1	45	0.8
Los Angeles International Airport	3.2	46	1.5
Cleveland Hopkins International Airport	1.2	39	2.7

Note: Includes passengers on the combined mainline and regional airline affiliates for Continental and United at each hub.

Sources: Denver International Airport: Airport management records.
Other airports: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* and *T100,* online databases, accessed July 2012.

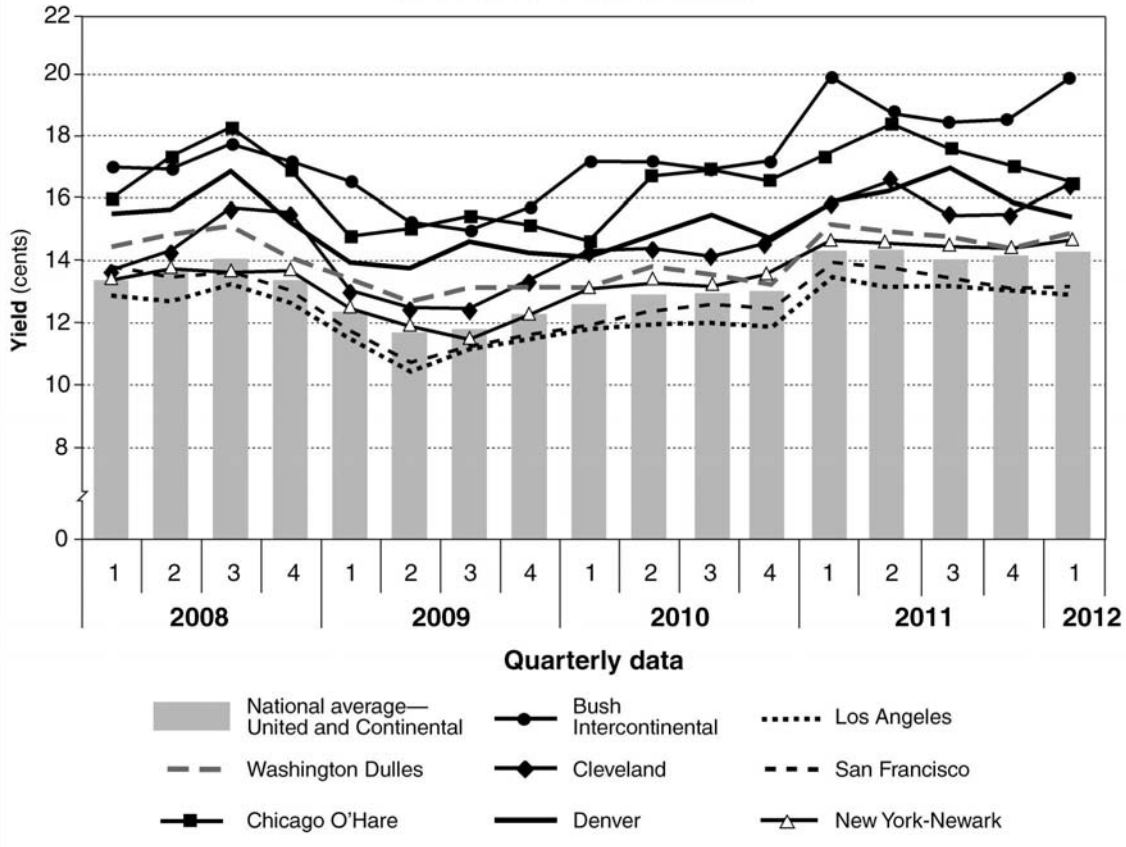
*"Low-cost carrier" is defined in the later section "Low-Cost Carrier Market Shares."

Figure 7 summarizes the combined mainline yields (airfare paid per mile flown) for United Airlines Group's domestic flights at its eight hub airports in the first quarter of 2008 through the first quarter of 2012. It is important to note that international yield data are not included in Figure 7 and would likely change the results given the level of international service at each airport. The combined airline yields at Denver International Airport are higher than its yields at four of its other hub airports and the national average but lower than its yields at its Bush Intercontinental, Chicago O'Hare, and Cleveland hubs during the first quarter of 2012. Overall airline yields at Denver and at the other hub airports are affected by the share of passengers enplaned by the low-cost carriers. In 2011, the low-cost carriers accounted for 45% of total passengers at the Airport, compared with a 3% share at Chicago O'Hare International Airport and a 0.1% share at Bush Intercontinental Airport/Houston, which contributed to lower yields in many Denver markets. The remaining hub airports accounted for lower shares of low-cost carrier enplaned passengers than Denver International—20% at Los Angeles International, 19% at San Francisco International, 10% at Washington Dulles International, 11% at Cleveland Hopkins International, and 6% at Newark Liberty International.

Figure 7

DOMESTIC YIELDS BY HUB AND NATIONWIDE

United and Continental Airlines



Note: Data are the combined mainline yields of United and Continental airlines operations only.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic*, Domestic, online database, accessed August 2012.

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United Airlines Group has expanded its network through alliances and code-sharing agreements. United is a member of the Star Alliance, which includes 27 airlines throughout the world, as shown in Table 5. In addition, EVA Airways and Shenzhen Airlines have announced their intentions to join the Star Alliance.

Table 5
STAR ALLIANCE AIRLINES

Principal U.S. Airline
United Airlines

Transatlantic Joint Venture Partners

Air Canada	Brussels Airlines	Swiss International Air Lines
Austrian Airlines	Lufthansa German Airlines	

Transpacific Joint Venture Partner
ANA

Other airlines

Americas	*Europe and Africa*	*Asia and Pacific*
Avianca *(a)*	Adria Airways	Air China
COPA	Aegean Airlines	Air New Zealand
Taca *(a)*	Blue 1	Asiana Airlines
TAM	Croatia Airlines	Singapore Airlines
US Airways	Egyptair	Thai Airways International
	Ethiopian Airlines	
	LOT Polish Airlines	
	SAS Scandinavian Airlines	
	South African Airways	
	TAP Portugal	
	Turkish Airlines	

Source: Star Alliance, www.staralliance.com.

The Airport's Role in Frontier's System. Frontier Airlines, including Republic Airlines, its regional/commuter airline affiliate, accounted for 22.3% of the passengers enplaned at the Airport in 2011.* Denver was the busiest airport in Frontier's system in 2011 in terms of enplaned passengers.

On October 1, 2009, Republic Airways Holdings acquired Frontier Airlines and Lynx Aviation (formerly a Frontier Airlines regional affiliate whose flights and aircraft have been operated by Republic Airlines since April 2011). Republic Airways Holdings also acquired Midwest Airlines (based in Milwaukee) on July 31, 2009 and a number of regional airlines (Chautauqua Airlines, Mokulele Airlines, Republic Airlines, and Shuttle America). On April 13, 2010, Republic Airways Holdings announced that Frontier Airlines would be the name for its consolidated branded network. Beginning on October 1, 2010, all tickets for the combined Frontier-

*Includes enplaned passengers from January through March 2011 for Lynx Aviation, formerly a Frontier Airlines regional affiliate.

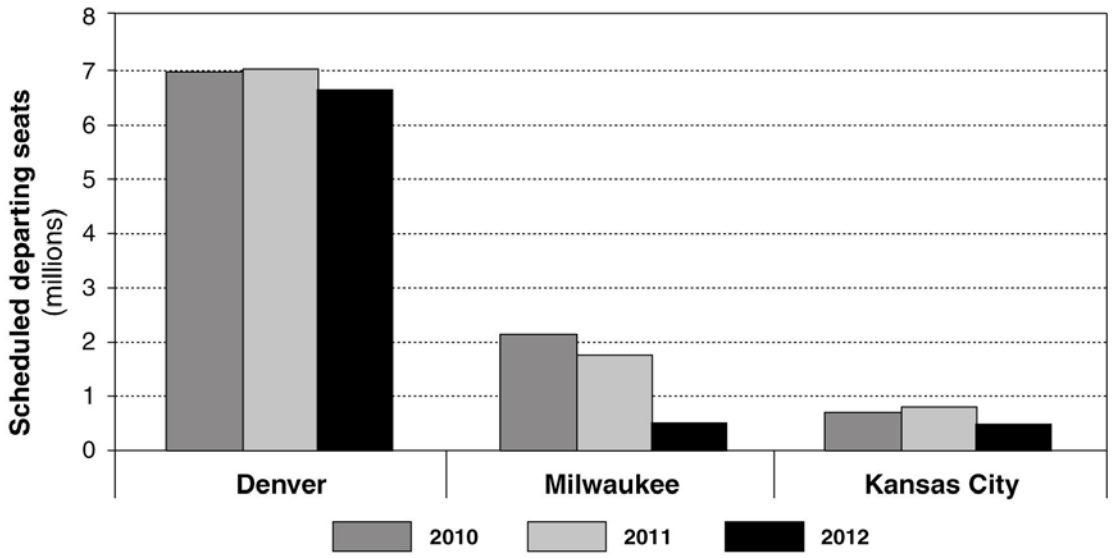
Midwest network were sold under the Frontier brand. On January 27, 2012, Republic Airways Holdings announced that the process of making Frontier Airlines an independent company (first announced on November 8, 2011) would take 6 to 12 months and could be achieved through a sale or spinoff to the current Republic shareholders.* On August 1, 2012, Republic Airways Holdings announced that the completion of a transaction is not expected until the first quarter of 2013.**

Denver ranks as the busiest airport in Frontier's system in terms of scheduled departing seats, followed by Milwaukee General Mitchell International Airport and Kansas City International Airport, as shown on Figure 8. Between 2011 and 2012, Frontier's scheduled departing seats at the Milwaukee and Kansas City airports decreased 72.0% and 39.8%, respectively, reflecting Republic's plans to re-establish Denver as the headquarters for Frontier as an independent company.

Figure 8

SCHEDULED DEPARTING SEATS

Frontier Airlines



Note: Data for 2012 are based on advance schedules which are subject to change. Includes activity for Midwest Airlines.

Source: Official Airline Guides, Inc., online database, accessed August 2012.

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Table 6 presents passenger trends for Frontier and its regional affiliates and, in particular, the growth in Frontier's connecting activity at the Airport. Between 1995 and 2000, the number of Frontier's enplaned passengers at the Airport increased more than fivefold, with originating passengers accounting for most of the total

*Republic Airways Holdings Inc., Form 8K, January 27, 2012.
**Republic Airways Holdings Inc., Form 8K, August 1, 2012.

(77.8% in 2000). Since 2000, the total number of Frontier's enplaned passengers at the Airport has continued to grow—an average increase of 13.1% per year between 2000 and 2011—with connecting passengers accounting for an increasing share of the total (50.0% in 2011). In 2006, the first year of Southwest service at the Airport, and in 2007, Frontier's originating passengers increased 22.3% and 16.3%, respectively, as the airline responded to Southwest's service by decreasing fares; the number of Frontier's passengers connecting through Denver also increased, but at much slower rates than in previous years.

On April 10, 2008, Frontier Airlines Holdings, Inc., filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Notwithstanding Frontier's Chapter 11 status, the number of passengers enplaned by Frontier at the Airport increased 15.2% in 2008, with stronger growth in numbers of connecting passengers (33.2%) than originating passengers (1.7%), reflecting the development of service between the Airport and destinations in the Rocky Mountain region.

In 2009 and 2010, the number of passengers enplaned by Frontier at the Airport decreased 11.5% and 3.7%, respectively, reflecting dampened demand for airline travel related to the national economic recession and seating capacity reductions initiated by Frontier in the last quarter of 2008. In 2011, Frontier's enplaned passengers at the Airport increased 5.7% compared with 2010.

The domestic yields for Frontier Airlines (excluding its regional affiliates) at the Airport have remained lower than those for United. Since 2004, the differences between Frontier and United yields have varied—from 6% to 18% in any given year. In 2011, the domestic yield for Frontier at the Airport was 13.7 cents per revenue-passenger-mile, compared with 16.1 cents per revenue-passenger-mile for the combined mainline yields of United and Continental and 15.1 cents for all airlines nationwide.

Table 6
HISTORICAL ENPLANED PASSENGERS—FRONTIER AIRLINES
Denver International Airport

Year	Originating passengers	Connecting passengers	Enplaned passengers	Percent connecting
1995	270,712	27,265	297,977	9.2%
2000	1,187,597	339,122	1,526,719	22.2
2001	1,140,000	417,592	1,557,592	26.8
2002	1,259,053	700,708	1,959,761	35.8
2003	1,799,766	929,474	2,729,240	34.1
2004	2,090,471	1,430,520	3,520,991	40.6
2005	2,277,628	1,939,431	4,217,059	46.0
2006	2,785,288	2,118,943	4,904,231	43.2
2007	3,238,732	2,429,761	5,668,493	42.9
2008	3,295,331	3,235,775	6,531,106	49.5
2009	2,864,672	2,917,657	5,782,329	50.5
2010	2,792,471	2,777,930	5,570,401	49.9
2011	2,944,251	2,945,381	5,889,632	50.0
January-June				
2011	1,393,145	1,331,554	2,724,699	48.9
2012	1,312,625	1,490,183	2,802,808	53.2
	Annual percent increase (decrease)			
2000-2001	(4.0%)	23.1%	2.0%	
2001-2002	10.4	67.8	25.8	
2002-2003	42.9	32.6	39.3	
2003-2004	16.2	53.9	29.0	
2004-2005	9.0	35.6	19.8	
2005-2006	22.3	9.3	16.3	
2006-2007	16.3	14.7	15.6	
2007-2008	1.7	33.2	15.2	
2008-2009	(13.1)	(9.8)	(11.5)	
2009-2010	(2.5)	(4.8)	(3.7)	
2010-2011	5.4	6.0	5.7	
2011-2012 *(a)*	(5.8)	11.9	2.9	
	Average annual percent increase			
1995-2000	34.4%	65.6%	38.6%	
2000-2011	8.6	21.7	13.1	
1995-2011	16.1	34.0	20.5	

Note: Includes data for Frontier's regional affiliates.

(a) Percent increase is for four months of data (January through April).

Source: Airport management records for years noted.

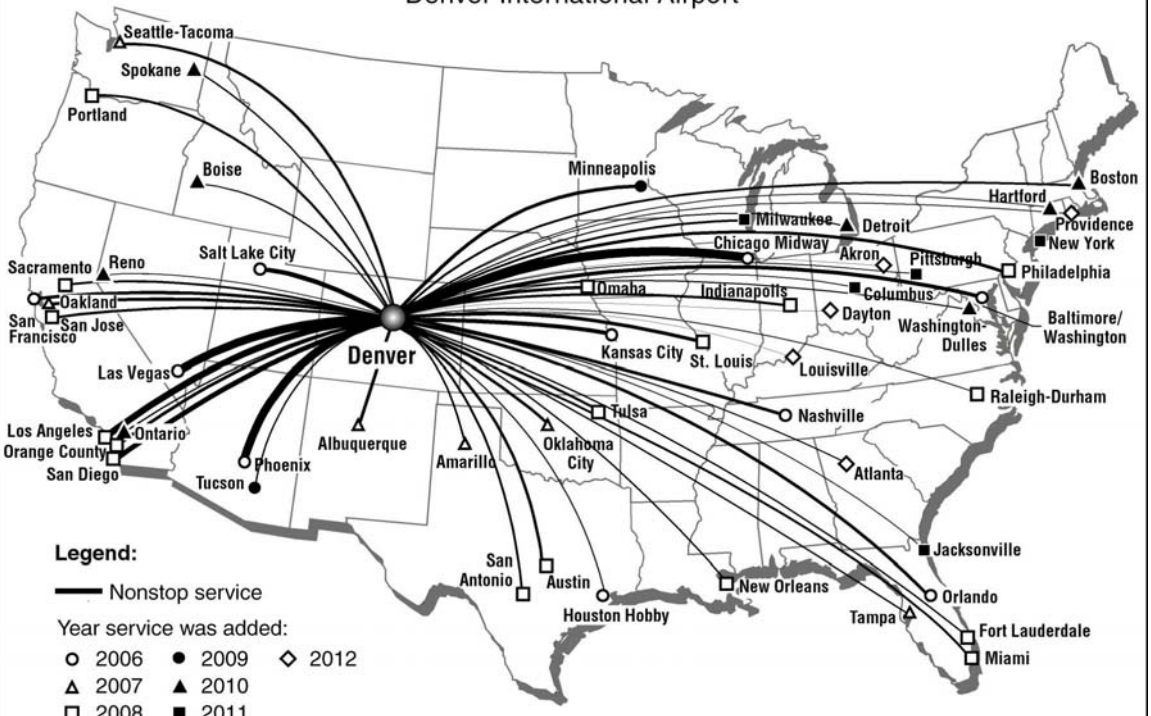
Sixth Busiest Southwest Airlines Airport

In 2012, Denver International Airport is estimated to account for 4.4% of the total scheduled departing seats in Southwest Airlines' system, making it the sixth busiest airport in Southwest's system. Since January 2006, when Southwest re-established service in Denver,* the airline has added nonstop service between Denver and 48 cities, as shown on Figure 9. Southwest served 10 cities from Denver in 2006, 16 cities in 2007, 29 cities in 2008, 31 cities in 2009, 37 cities in 2010, 43 cities in 2011, and 48 cities in 2012. As of August 2012, Southwest and AirTran together provided service to 95 U.S. airports, 39 of which were served by both airlines, 39 of which were served only by Southwest, and 17 of which were served only by AirTran. In addition, AirTran provided international service to 8 airports in the Caribbean and Mexico.

Figure 9

SOUTHWEST AIRLINES NONSTOP SERVICE FROM DENVER

Denver International Airport



Note: The weight of each line corresponds to the relative share of scheduled departing seats in each market in 2010.

Source: Official Airline Guides, Inc., online database, accessed August 2012.

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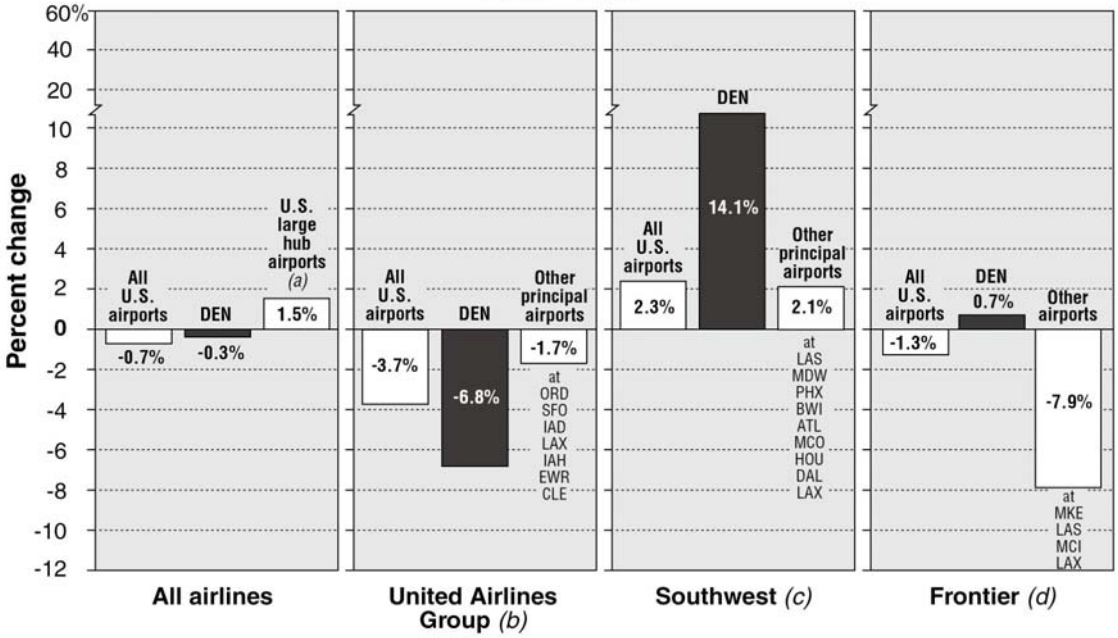
*Southwest served Denver from 1983 through 1986 with flights from Stapleton International Airport to Albuquerque and Phoenix.

Southwest's strong and continued growth in service at the Airport has offset capacity reductions by the other airlines, as shown on Figure 10. Between 2010 and 2011, the number of Southwest's aircraft seating capacity at the Airport increased 14.1%, compared with a 2.1% increase in its systemwide seating capacity in 2011, emphasizing the important future role of the Airport in Southwest's system.

Figure 10

YEAR-OVER-YEAR PERCENT CHANGE IN SCHEDULED SEAT CAPACITY

2010 – 2011



Note: Percent change in total scheduled departing seats (domestic and international), January - December 2011 versus the same months in 2010.

(a) As defined by the FAA for 2011.
(b) Includes Continental Airlines.
(c) Includes AirTran Airways.
(d) Includes Midwest Airlines.

Source: Official Airline Guides, Inc., online database, accessed August 2012.

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On September 27, 2010, Southwest Airlines announced plans to acquire AirTran Airways for $1.4 billion. On March 23, 2011, AirTran shareholders approved the merger, which was completed in May 2011. On March 1, 2012, Southwest received approval from the FAA for a Single Operating Certificate. The process of a full integration of the AirTran Airways aircraft fleet into the Southwest Airlines fleet (i.e., paint scheme and interior configuration) has begun but is not complete and the transition to a single ticketing system is a large and complex process that will take several years to complete. In July 2012, Southwest announced that AirTran's Boeing 717-200 aircraft will be transitioned out of the fleet beginning in August 2013. Significant changes are underway to AirTran's route network, including the elimination of service at several airports to which the airline's routes proved

unsustainable as a result of high fuel costs, and the re-deployment of aircraft to new markets. *

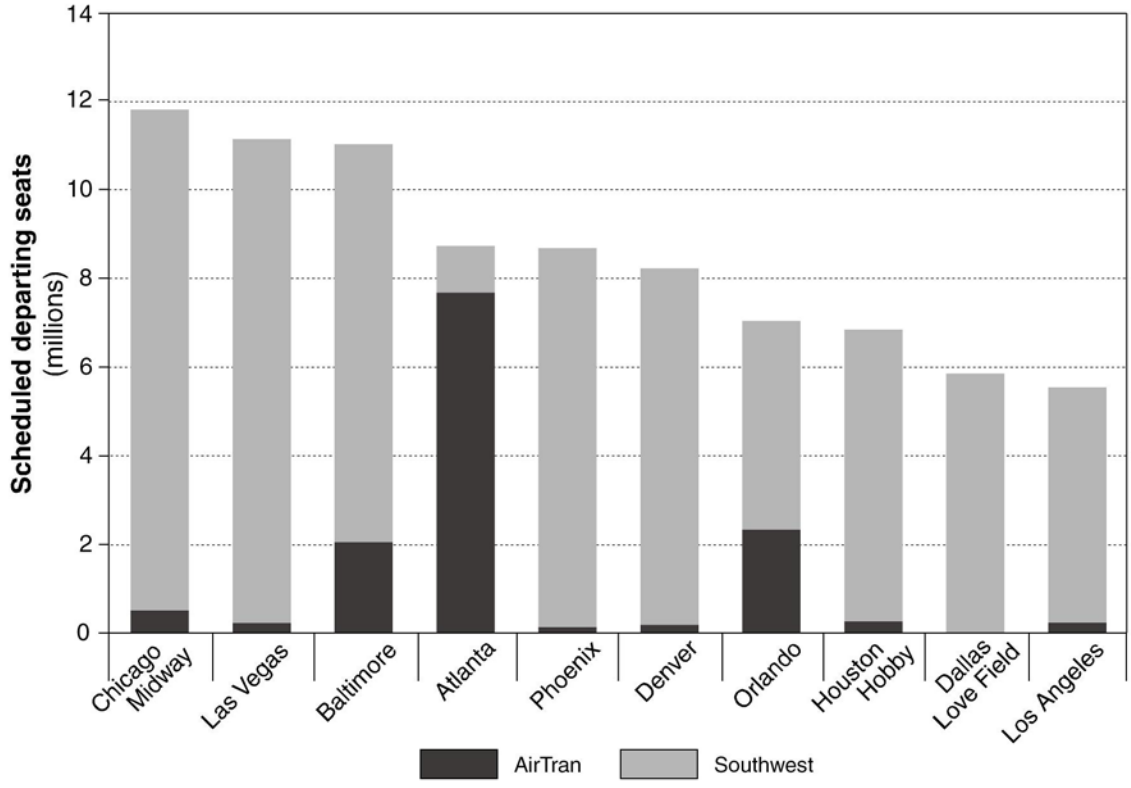
As of the date of this report, Southwest's acquisition and integration of AirTran Airways have not had an adverse effect on the operations of the combined airline at the Airport. For purposes of the airline traffic forecasts presented in this report and consistent with statements made by representatives of Southwest Airlines, it was assumed that there would be no material change in the level of airline service (operations and passengers) by AirTran and Southwest at the Airport during the forecast period.

In a combined Southwest/AirTran system, Denver ranks as the sixth busiest airport in terms of 2012 scheduled departing seats, as shown on Figure 11. Two airports—Hartsfield-Jackson Atlanta International Airport, AirTran's busiest hub, and Orlando International Airport—rank among the 10 busiest airports in a combined airline system. Atlanta was not served by Southwest prior to the acquisition of AirTran.

*Southwest Airlines Co., Form 10Q, July 27, 2012.

Figure 11

SCHEDULED DEPARTING SEATS FOR THE 10 BUSIEST AIRPORTS IN 2012
SOUTHWEST AIRLINES SYSTEM



Note: Data for 2012 are based on advance schedules that are subject to change.

Source: Official Airline Guides, Inc., online database, accessed August 2012.

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Primary Commercial Service Airport in Colorado

Of the 14 commercial service airports in Colorado (see Figure 1), Denver International Airport is the primary airport, accounting for more than 90% of the passengers enplaned, (see Table 7). Colorado Springs Airport, a small-hub airport 70 miles south of the Airport, principally serves local demand; originating passengers accounted for about 96% of total enplaned passengers at Colorado Springs Airport in 2011. More than 800,000 passengers were enplaned and 40 scheduled daily aircraft departures were provided at Colorado Springs Airport in 2011, compared with nearly 26.5 million passengers enplaned and 873 scheduled daily aircraft departures provided at Denver International Airport in the same year.

Table 7
COLORADO COMMERCIAL SERVICE AIRPORTS

Colorado airport	2011 Enplaned passengers	August 2012 Average daily departures			
		Air carrier	Regional jet	Turboprop	Total
Denver International	**26,455,795**	**487**	**310**	**76**	**873**
Colorado Springs	813,459	10	31	*(a)*	41
Grand Junction-Walker Field	217,889	*(a)*	15	--	15
Aspen-Pitkin County	221,108	--	14	--	14
Eagle County Regional	189,213	1	2	*(a)*	3
Durango-La Plata County	106,530	--	4	*(a)*	4
Hayden-Yampa Valley Regional	175,645	--	8	5	13
Montrose Regional	87,198	--	5	--	5
Gunnison-Crested Butte Regional	36,511	--	2	--	2
Fort Collins-Loveland Municipal	44,990	*(a)*	--	--	--
Cortez Municipal	10,911	--	--	2	2
Telluride Regional	6,988	--	--	4	4
San Luis Valley Regional	7,104	--	--	3	3
Pueblo Memorial	22,421	--	--	3	3
Total Colorado airports	28,395,762	498	391	93	980

Note: Includes airports with scheduled passenger service in 2011.

(a) Less than one daily departure.

Sources: U.S. Department of Transportation, T-100 database, Denver International Airport records, and Official Airline Guides, Inc., online database, accessed August 2012.

Airport Service Region

The primary Airport service region, both in terms of population and geography, is defined as the Denver Metropolitan Area. The population densities in the State of Colorado underline the importance of this region, as shown earlier on Figure 1. The Denver Metropolitan Area includes the Denver-Aurora Metropolitan Statistical Area (MSA), consisting of Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties, and the Boulder MSA, consisting of Boulder County.

The secondary region served by the Airport, which includes many of the counties surrounding the Denver Metropolitan Area, is defined by the location of (and the airline service provided at) other large- and medium-hub air carrier airports. The nearest such airports are in Albuquerque (440 miles to the south), Salt Lake City (530 miles to the west-northwest), Kansas City (590 miles to the east), Las Vegas (760 miles to the west-southwest), and Phoenix (810 miles to the southwest). The location of the Airport and its primary service region, with access to the interstate highway system and major rail lines, as well as its extensive airline service, have

helped attract the regional and national headquarters of businesses and government agencies to the region.

The following sections of the airline traffic analysis present a review of (1) the economic basis for airline traffic at the Airport, including socioeconomic, local industry, and other factors that contribute to passenger and cargo demand, (2) historical airline traffic, including originating and connecting passengers and a review of air cargo activity at the Airport, (3) the key factors that will affect future airline traffic, both at the Airport and nationwide, and (4) forecasts of airline traffic at the Airport through 2020, including enplaned passengers and aircraft landed weight. In this context, passenger airline traffic primarily refers to the O&D traffic generated by the regional residents and visitors who travel through the Airport. Connecting traffic, in contrast, is affected by the financial health and routing decisions of the hubbing airlines, which, in turn, are affected by national and global economic conditions.

ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of an airport service region is a major factor affecting long-term airline traffic at the airport(s) serving the region. Generally, regions with large populations, high levels of employment, and high average per capita incomes will generate a high demand for airline travel. The demographics and economy of the region—as measured by changes in population, employment, and per capita income—as well as airline service and airfares—are typically the most important factors affecting O&D passenger demand. In 2011, approximately 55% of the Airport's passengers were O&D passengers; the remaining 45% were connecting passengers. Connecting passenger traffic is determined more by the route network decisions of the hubbing airlines, as discussed in the earlier section titled "Airport Role." The Airport's role as a connecting hub results, in part, from its geographic location and, in part, from the route network decisions of United, Frontier, and Southwest airlines.

Historical Population, Employment, and Per Capita Personal Income

The Denver Metropolitan Area is a major business center in the State of Colorado and the multi-state Rocky Mountain region, which includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. In 2011, the Denver Metropolitan Area accounted for more than 56% of Colorado's population and 61% of its nonagricultural employment. Denver ranked fifth of 25 U.S. metropolitan areas in Forbes 2012 ranking of the best places for business and careers.*

Table 8 presents historical and projected population, nonagricultural employment, and per capita personal income in the Denver Metropolitan Area, the State of Colorado, and the United States in 1990, 2000 through 2011, 2015, and 2020.

*Forbes, "Best Places for Business and Careers," June 27, 2012, http://ww.forbes.com.

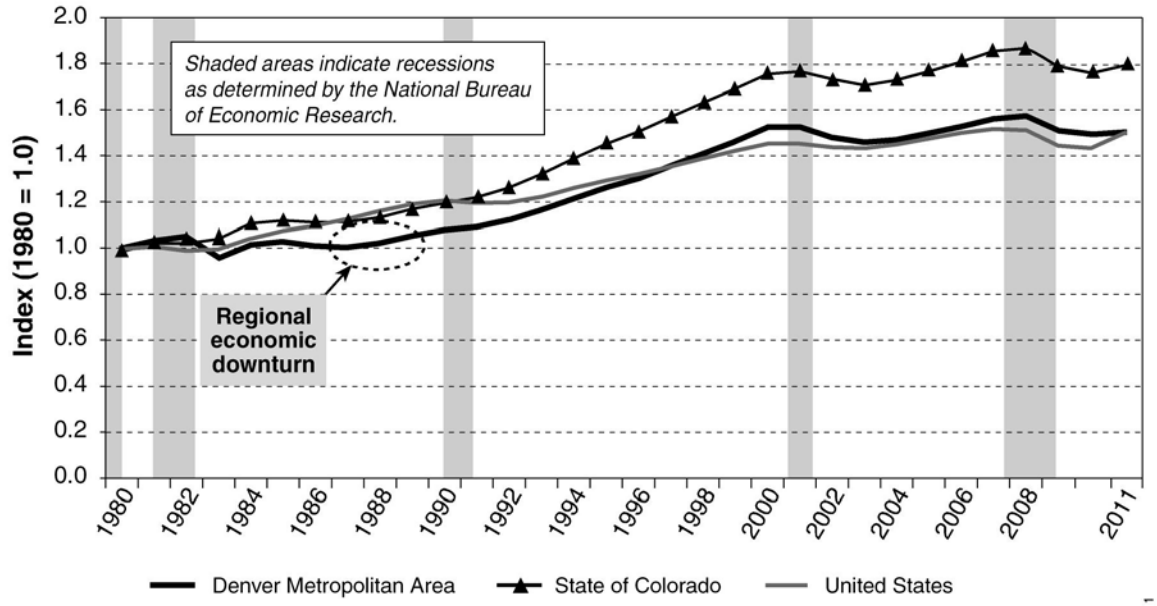
Population. As shown in Table 8, the population of the Denver Metropolitan Area increased at rates generally comparable to those of the State of Colorado and higher than the national average. Population in the Denver Metropolitan Area increased an average of 2.8% per year between 1990 and 2000, and 1.3% per year between 2000 and 2011. Population growth in the Denver Metropolitan Area slowed between 2000 and 2005 and increased at above average growth rates between 2005 and 2011, reflecting increased in-migration in response to regional economic growth. Population growth in the Denver Metropolitan Area is projected by the Colorado Division of Local Government to increase an average of 1.4% per year between 2011 and 2015 and an average of 1.6% per year between 2015 and 2020.

Employment. Nonagricultural employment in the Denver Metropolitan Area correlates with national employment trends, as shown in Table 8 and on Figure 12. Following the trends in population, nonagricultural employment in the Denver Metropolitan Area expanded during the 1990s, increasing an average of 3.6% per year between 1990 and 2000. Nonagricultural employment in the Denver Metropolitan Area and the nation as a whole remained relatively unchanged between 2000 and 2010, with annual variations. In 2011, nonagricultural employment increased in the Denver Metropolitan Area, the State, and the nation. . Nonagricultural employment in the Denver Metropolitan Area is projected by the Colorado Division of Local Government to increase an average of 1.6% per year between 2011 and 2015 and an average of 1.9% per year between 2015 and 2020.

Per Capita Personal Income. Per capita personal income (in 2000 constant dollars) in the Denver Metropolitan Area has historically exceeded that in the State of Colorado and the nation, as shown in Table 8. In 2010, average per capita income in the Denver Metropolitan Area exceeded that in the State and the nation by 12% and 18%, respectively. Per capita income levels and growth are closely related to growth in passenger traffic and the propensity to travel in a region because (1) income levels reflect the level of education of the work force able to support the development of knowledge-based and service industries and the mix of businesses, and (2) income growth translates into disposable income and thus reflects the potential for growth in the number of trips per person. Per capita personal income in the Denver Metropolitan Area is projected by Woods & Poole to increase an average of 1.0% per year between 2010 (data for 2011 are not yet available) and 2015 and 1.4% per year between 2015 and 2020.

Figure 12

TRENDS IN NONAGRICULTURAL EMPLOYMENT



Sources: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov and National Bureau of Economic Research, www.nber.org accessed August 2012.

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Table 8

HISTORICAL AND PROJECTED SOCIOECONOMIC DATA

Denver Metropolitan Area, State of Colorado, and United States

1990-2020

Year	Population (thousands)			Nonagricultural employment (thousands)			Per capita personal income in 2000 dollars		
	Denver Metropolitan Area	State of Colorado	United States	Denver Metropolitan Area	State of Colorado	United States	Denver Metropolitan Area	State of Colorado	United States
Historical									
1990	1,876	3,294	248,791	963	1,521	109,487	28,572	25,530	25,500
2000	2,464	4,327	282,162	1,375	2,214	131,785	38,721	33,986	30,319
2001	2,519	4,426	284,969	1,375	2,227	131,826	39,114	34,376	30,295
2002	2,546	4,490	287,625	1,333	2,184	130,341	38,221	33,627	30,133
2003	2,564	4,529	290,108	1,314	2,153	129,999	37,509	33,047	30,224
2004	2,585	4,575	292,805	1,325	2,180	131,435	38,127	33,592	30,911
2005	2,613	4,632	295,517	1,350	2,226	133,703	38,831	34,207	31,259
2006	2,658	4,720	298,380	1,377	2,279	136,086	40,213	35,175	32,224
2007	2,706	4,804	301,231	1,407	2,331	137,598	40,120	35,483	32,811
2008	2,755	4,890	304,094	1,420	2,350	136,790	39,808	35,336	32,749
2009	2,803	4,972	306,772	1,359	2,246	130,807	37,153	33,220	31,180
2010	2,851	5,049	309,350	1,353	2,222	129,874	37,278	33,401	31,538
2011	2,899	5,117	311,592	1,374	2,255	131,359	n.a.	33,751	31,894
Projected									
2015	3,067	5,453	324,102	1,464	2,428	138,583	39,100	36,300	32,700
2020	3,321	5,981	340,287	1,608	2,689	148,175	42,000	38,000	35,100
	Annual percent increase (decrease)								
2000-2001	2.2%	2.3%	1.0%	0.0%	0.6%	0.0%	1.0%	1.1%	(0.1)%
2001-2002	1.1	1.5	0.9	(3.1)	(1.9)	(1.1)	(2.3)	(2.2)	(0.5)
2002-2003	0.7	0.9	0.9	(1.4)	(1.4)	(0.3)	(1.9)	(1.7)	0.3
2003-2004	0.8	1.0	0.9	0.8	1.2	1.1	1.6	1.6	2.3
2004-2005	1.1	1.2	0.9	1.9	2.1	1.7	1.8	1.8	1.1
2005-2006	1.7	1.9	1.0	2.0	2.4	1.8	3.6	2.8	3.1
2006-2007	1.8	1.8	1.0	2.1	2.3	1.1	(0.2)	0.9	1.8
2007-2008	1.8	1.8	1.0	1.0	0.8	(0.6)	(0.8)	(0.4)	(0.2)
2008-2009	1.7	1.7	0.9	(4.3)	(4.5)	(4.4)	(6.7)	(6.0)	(4.8)
2009-2010	1.7	1.5	0.8	(0.5)	(1.0)	(0.7)	0.3	0.5	1.1
2010-2011	1.7	1.3	0.7	1.6	1.5	1.1	n.a.	1.0	1.1
	Average annual percent increase (decrease)								
1990-2000	2.8%	2.8%	1.3%	3.6%	3.8%	1.9%	3.1%	2.9%	1.7%
2000-2011	1.3	1.3	0.8	0.0	0.1	0.0	(0.5) *(a)*	(0.2)	0.5
1990-2011	2.1	2.1	1.1	1.7	1.9	0.9	1.3	1.3	1.1
2011-2015	1.4	1.6	1.0	1.6	1.9	1.3	1.0	1.8	0.6
2015-2020	1.6	1.9	1.0	1.9	2.1	1.3	1.4	0.9	1.4

n.a. = not available

Note: The Denver Metropolitan Area consists of Adams, Arapahoe, Boulder, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties.

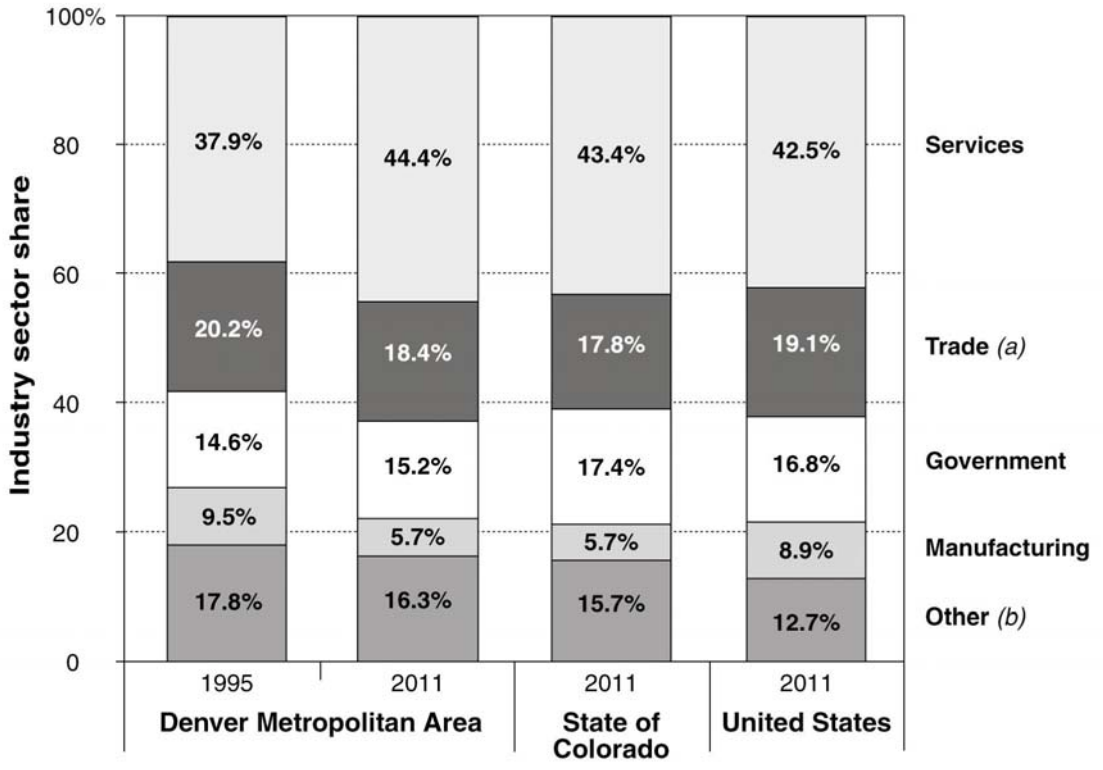
(a) Represents the percent change through 2010.

Sources: U.S. Department of Commerce, Bureau of the Census, www.census.gov, U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, Colorado Division of Local Government, State Demography Office, www.dola.colorado.gov, as of November 2011, and Woods & Poole, *Economic and Demographic Projections*, May 2012.

Nonagricultural Employment by Industry Sector. Figure 13 shows a comparative distribution of nonagricultural employment by industry sector for the Denver Metropolitan Area in 1995 and 2011 and for the State and the nation in 2011. Employment in services (44.4%), including health, education, professional, business, and other services and trade (18.4%) accounted for a combined 62.8% of total nonagricultural employment in the Denver Metropolitan Area in 2011.

Figure 13

COMPARATIVE DISTRIBUTION OF EMPLOYMENT BY INDUSTRY SECTOR



(a) Includes wholesale and retail trade and transportation, warehousing, and utilities.
(b) Includes employment in natural resources and construction, information, finance, insurance, and real estate.

Source: U. S. Department of Labor, Bureau of Labor Statistics, www.bls.gov., accessed August 2012.

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Unemployment Rates. In addition to the employment trends cited above, the unemployment rate is also indicative of the general economic climate. Table 9 shows comparative annual unemployment rates for the Denver Metropolitan Area, the State, and the nation as a whole in 2000 through 2011. The unemployment rate in the Denver Metropolitan Area has followed the trends in the State, but exceeded the national average in 2002 through 2005. Since 2005, the unemployment rates in the Denver Metropolitan Area and the State have remained lower than the national average.

Since the beginning of the recession in December 2007, monthly unemployment rates in the Denver Metropolitan Area, the State of Colorado, and the United States have increased, as shown on Figure 14. In June 2012, the Denver Metropolitan Area unemployment rate (unadjusted) was 8.1%, lower than that in the State (8.4%) and the nation (8.4%).

Table 9
COMPARATIVE UNEMPLOYMENT RATES

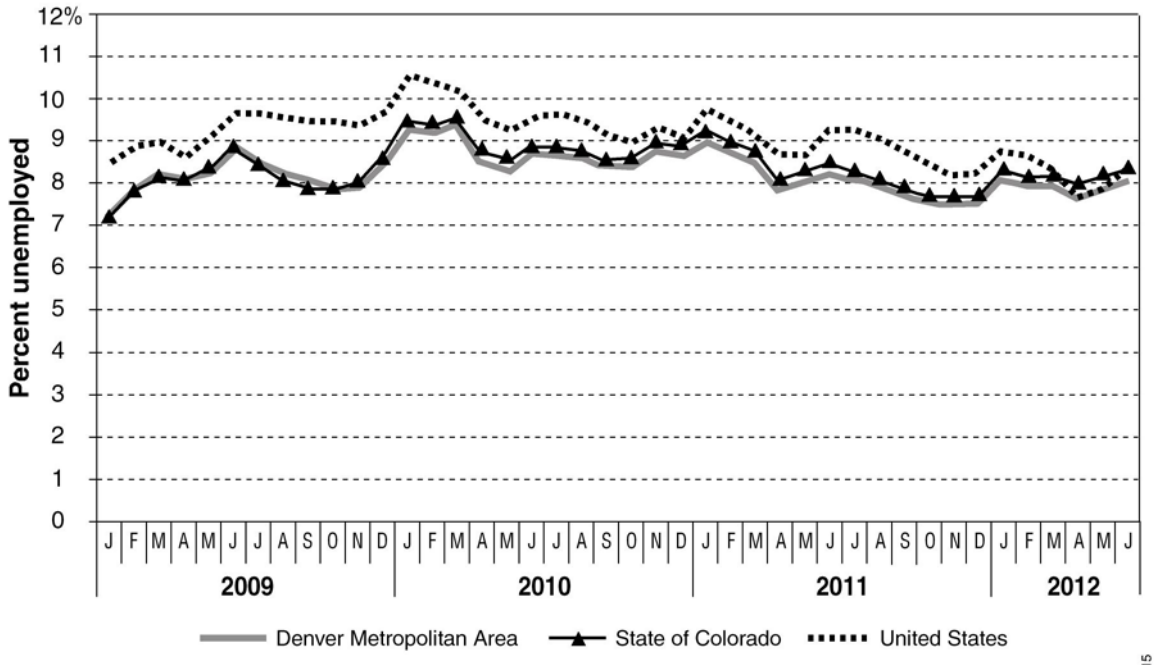
	Denver Metropolitan Area	State of Colorado	United States
2000	2.6%	2.7%	4.0%
2001	3.8	3.8	4.7
2002	5.9	5.7	5.8
2003	6.4	6.1	6.0
2004	5.8	5.6	5.5
2005	5.2	5.1	5.1
2006	4.3	4.3	4.6
2007	3.8	3.8	4.6
2008	4.8	4.8	5.8
2009	8.2	8.1	9.3
2010	8.8	8.9	9.6
2011	8.1	8.3	8.9

Note: Unemployment rates represent annual averages for calendar years and are not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed July 2012.

Figure 14

MONTHLY UNEMPLOYMENT RATES



Note: Unemployment rates are not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed July 2012.

Major Employers. Table 10 lists the 25 largest employers in the Denver Metropolitan Area as of April 2012. The list of major employers reflects the diversity of the companies and organizations in the area.

Table 10
25 LARGEST PRIVATE EMPLOYERS
Denver Metropolitan Area

Rank	Company	Description	Number of employees *(a)*
1	HealthONE Corporation	Healthcare	10,280
2	Exempla Healthcare	Healthcare	7,260
3	Lockheed Martin Corporation	Aerospace and Defense Related Systems	7,030
4	Centura Health	Healthcare	6,920
5	CenturyLink	Telecommunications	6,850
6	Kaiser Permanente	Healthcare	6,170
7	Comcast Corporation	Telecommunications	5,000
8	United Airlines	Airline	4,600
9	DISH Network	Satellite TV and Equipment	4,420
10	Children's Hospital Colorado	Healthcare	4,400
11	University of Colorado Hospital	Healthcare, Research	4,400
12	Wells Fargo Bank	Financial Services	4,400
13	University of Denver	University	4,310
14	IBM Corporation	Computer Systems and Services	4,200
15	United Parcel Service	Parcel Delivery	3,430
16	Frontier Airlines	Airline	3,360
17	Ball Corporation	Aerospace, Containers	3,300
18	Oracle	Software and Network Computer Systems	2,850
19	MillerCoors Brewing Company	Beverages	2,700
20	Xcel Energy	Utilities	2,660
21	Level 3 Communications	Communication and Internet Systems	2,310
22	Boulder Community Hospital	Healthcare	2,300
23	Raytheon Company	Aerospace Systems and Software	2,230
24	U.S. Bank	Financial Services	2,190
25	Great-West Life & Annuity Insurance Company	Insurance	2,180

Note: Excludes retail companies and public and government organizations.

(a) Rounded to the nearest hundred.

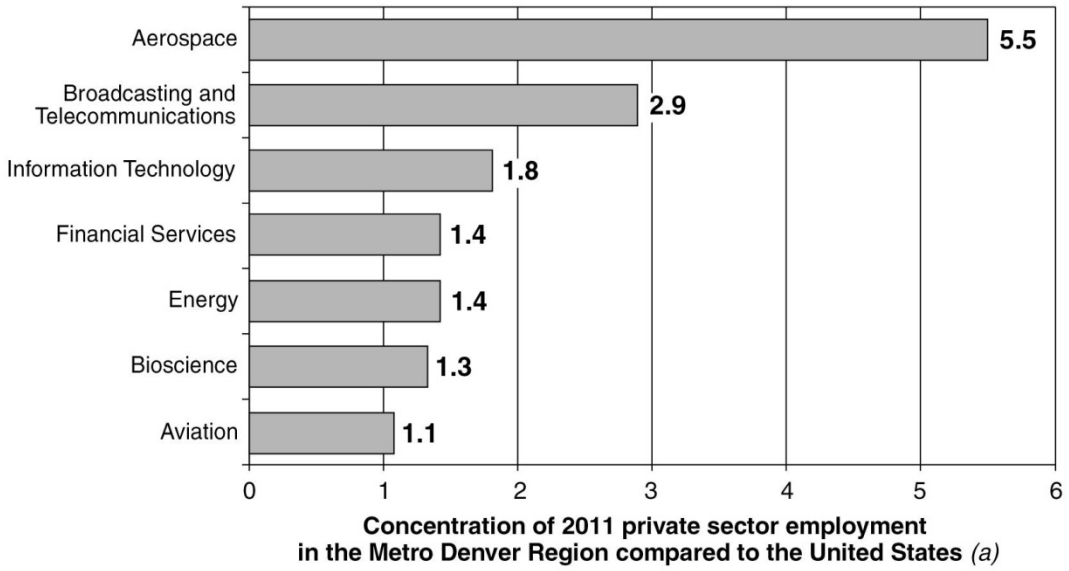
Source: Compiled from various business lists and resources by Development Research Partners Inc., revised April 2012.

Denver Industry Clusters

The Denver Metropolitan Area's major industry clusters are aerospace, aviation, bioscience, broadcasting and telecommunications, energy, financial services, and information technology. The Metro Denver Economic Development Corporation (EDC), in association with Development Research Partners, recently released its sixth annual study of Denver's seven primary industry clusters, or groups of companies that buy or sell to one another in the manufacture of goods for export from the area. The Denver Metropolitan Area has disproportionately large concentrations of employment in these clusters relative to U.S. concentrations and these clusters are positioned to grow within the Denver Metropolitan Area, as shown on Figure 15. (Data for the Metro Denver Region*, as defined by the EDC, are used to represent the Denver Metropolitan Area.)

Figure 15

DENVER INDUSTRY CLUSTERS IN 2011



Note: The Metro Denver Region consists of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson, Larimer, and Weld counties.

(a) Derived from the direct employment concentrations for the nine-county Metro Denver Region and the United States prepared by the Metro Denver Economic Development Corporation.

Source: Metro Denver Economic Development Corporation, *Industry Cluster Study*, January 2012, www.metro-denver.org

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Aerospace. The aerospace industry cluster includes companies that develop products and systems for commercial, military, and space applications.

*The Metro Denver Region consists of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson, Larimer, and Weld counties.

Employment in the aerospace industry cluster in Denver was 5.5 times more concentrated than in the United States as a whole, as shown on Figure 15. This large concentration of employment indicates that the aerospace industry accounts for a larger share of total employment in Denver than it does for the nation as a whole. According to the EDC, Colorado's aerospace industry employed 53,640 workers in 2011, including 24,890 private-sector employees and 28,750 military personnel. Total Colorado private-sector aerospace employment increased an average of 1.3% per year between 2006 and 2011, compared with a 0.3% per year decline nationwide. Colorado is home to four military commands, eight major aerospace contractors, and several universities involved in leading space research. The eight major contractors are Lockheed Martin Corporation, Ball Aerospace & Technology Corp., The Boeing Company, Raytheon Company, Northrop Grumman Corporation, United Launch Alliance (ULA), ITT Corporation, and Sierra Nevada Corporation (SNC), in addition to more than 300 aerospace companies and suppliers. About 76% of aerospace companies are located in the nine-county Metro Denver Region, according to the EDC.

Aviation. The aviation industry cluster includes companies that manufacture aircraft and provide air transportation services, including airlines, airport operators, aircraft manufacturing companies, and support services. Employment in the aviation industry cluster in the Metro Denver Region was 1.1 times more concentrated than in the United States, as shown on Figure 15. According to the EDC, about 590 aviation-related companies were located in the Metro Denver Region in 2011, many of which were involved with airport operations and scheduled air transportation. Between 2006 and 2011, Denver's aviation industry experienced an average decrease in employment of 0.8% per year, compared with an average decrease of 0.1% per year in the nation. Denver International Airport, three general aviation reliever airports, and top aircraft manufacturers create a solid foundation for 14,540 workers directly employed by air transportation companies in the Metro Denver Region in 2011.

Bioscience. The bioscience industry cluster is diverse and includes two subsectors: (1) pharmaceuticals and biotechnology and (2) medical devices and instruments. According to the EDC, the Metro Denver Region had 4,630 pharmaceuticals and biotechnology workers plus 9,480 medical device and instrument production workers, for a total of 14,110 total direct bioscience workers in 2011. The industry is supported by 10 local higher education institutions with bioscience programs and numerous research assets, as well as the University of Colorado, Anschutz Medical Campus (formerly the Fitzsimons Army Medical Center), which is being transformed into a state-of-the-art integrated life sciences community. From 2006 to 2011, employment in pharmaceuticals and biotechnology decreased an average of 2.1% per year, while medical devices and instruments employment increased an average 1.5% per year. Employment in the bioscience industry cluster in the Metro Denver Region was 1.3 times more concentrated than in the United States, as shown on Figure 15.

Energy. The energy industry cluster included 41,230 employees in the Metro Denver Region in 2011 in two energy sub-sectors: (1) fossil energy and (2) cleantech, including renewable energy and energy research. According to the EDC, Denver's energy industry included 3,120 companies in 2011, including 1,620 companies in the fossil fuel sub-sector and 1,500 companies in cleantech. The energy industry cluster in the Metro Denver Region was 1.4 times more concentrated than in the United States in 2011, as shown on Figure 15. From 2006 to 2011, employment in Denver's energy sub-sectors, fossil fuels and cleantech, increased an average of 4.5% and 6.2% per year, respectively. The majority of energy research companies in the Denver area are environmental consultants and noncommercial research institutions, including the National Renewable Energy Lab (the primary national laboratory for renewable energy and energy efficiency research and development) and the Colorado School of Mines and Colorado Energy Research Institutes.

Financial Services. The financial services industry cluster in the Metro Denver Region employed a total of 86,080 workers in 2011 and is divided into three sub-sectors: (1) banking and finance, (2) investments, and (3) insurance. According to the EDC, Denver's financial services industry cluster accounted for 13,320 companies in 2011, including 4,190 companies in banking and finance, 5,440 companies in investments, and 3,210 companies in insurance. From 2006 to 2011, employment in all three of Denver's financial services sub-sectors, banking and finance, investments, and insurance decreased—an average of 4.1%, 0.3%, and 2.6% per year, respectively. Employment in the financial services industry cluster in the Metro Denver Region was 1.4 times more concentrated than in the United States, as shown on Figure 15.

Broadcasting and Telecommunications. The broadcasting and telecommunications industry cluster includes companies that provide the means to deliver voice, data, and video to end users. In 2011, this industry cluster accounted for 40,500 employees in the Metro Denver Region and was 2.9 times more concentrated than in the United States, as shown on Figure 15. Employment in the Metro Denver Region's broadcasting and telecommunications industry cluster decreased 0.9% per year from 2006 to 2011, compared with an average decrease of 3.5% per year nationwide. These declines reflect, in part, the industry's slow recovery from the most recent recession as well as increases in productivity and competition that have dampened employment growth. Major broadcasting and telecommunications companies include Comcast Corporation, DirecTV, and Lucent Technologies.

Information Technology. The information technology industry cluster is divided into two sub-sectors: hardware and software. The EDC limits its analysis of the information technology industry cluster to the software sub-sector to avoid double-counting workers in other technology clusters such as broadcasting and telecommunications and aerospace. The 4,430 companies in the software sub-sector accounted for 41,640 direct employees in the Metro Denver Region in 2011. Denver's software industry employment decreased an average of 0.4% per year between 2006 and 2011, compared with a 0.9% per year increase nationwide.

Employment in the software sub-sector was 1.8 times more concentrated in the Metro Denver Region than in the United States.

Denver Housing Market

Figure 16 presents the percent change in home prices for the Denver Metropolitan Area from January 1988 through May 2012, compared with composites for 10 and 20 selected metropolitan areas, based on the Standard & Poor's/Case-Shiller Home Price Index. As shown, home prices in the Denver Metropolitan Area increased between 1998 and 2002, prior to the increases in home prices for the metropolitan areas in the composite index that followed the dot-com downturn. Between 2002 and 2007, the increase in the Denver Metropolitan Area's home prices averaged less than 5%, considerably less than increases of nearly 21% for the 20 metropolitan areas included in the index. Between 2007 and 2010, home prices in the Denver Metropolitan Area decreased less than 6%, compared with decreases of nearly 20% for the composite of 20 metropolitan areas, reflecting the national sub-prime mortgage crisis and subsequent financial crisis. In 2010 and 2011, home prices in the Denver Metropolitan Area and for the 20 metropolitan areas included in the index generally decreased by about 5%. During the first 5 months of 2012, Denver home prices increased, with a 3.7% increase reported in May 2012 compared with May 2011 prices.

Visitors to Denver

Annually since 1991, Visit Denver, the Convention and Visitors Bureau, has commissioned an annual in-depth study of the Denver tourism market. Longwoods International, a research firm that analyzes North American travel patterns, prepares this annual study, which coincides with a study of the Colorado tourism market sponsored by the Colorado Tourism Office. Key results of the 2011 Longwoods International study on tourism included:

- Denver outperformed the national average in 2011 by attracting 13.2 million overnight visitors (compared with 12.7 million in 2010), while the number of overnight visitors in the rest of the nation increased 3%.

- Denver visitor spending increased 10.0% between 2010 and 2011, reflecting a 17.0% increase in the number of overnight business visitors. The number of overnight leisure visitors increased 0.9% between 2010 and 2011 and spending by leisure visitors increased 8.0%.

- The length of stay by leisure visitors decreased—averaging 3.3 nights—the same as the nation as a whole.

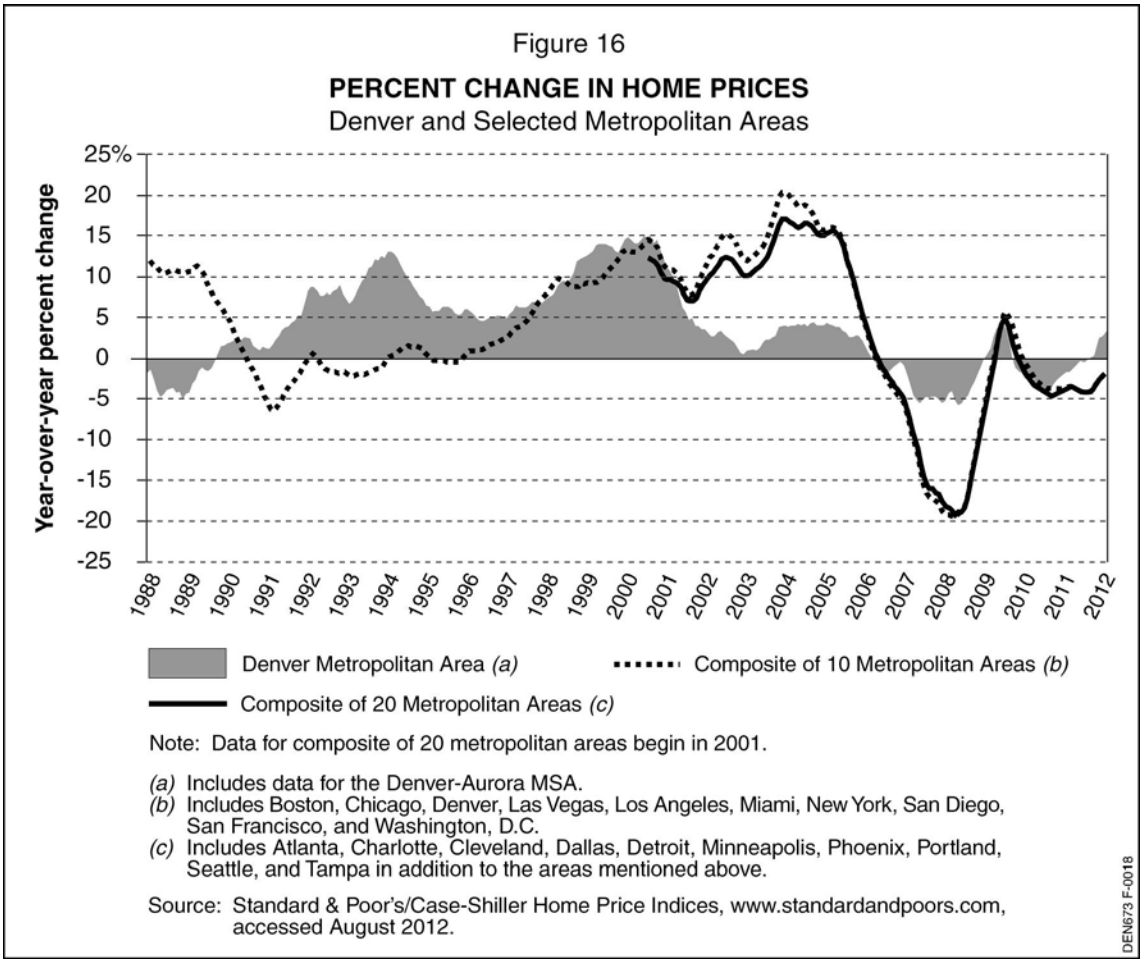


Table 11 summarizes the trends in visitor activity in the Denver Metropolitan Area in 1995 and 2000 through 2011, based on the Longwoods International study, as well as the number of conventions and delegates reported by Visit Denver, the Convention and Visitors Bureau.

Business Travel. In 2011, visitors traveling to Denver on business accounted for 17% of all overnight trips, according to the Longwoods International study. Business traveler spending averaged $107 per person per day, while leisure visitors spent an average of $114 per person per day.

Leisure Travel. Leisure visitors to Denver accounted for most of the overnight trips (83%) and drove the growth trend in numbers of overall visitors. Denver continues to be a strong leisure market. Between 1995 and 2011, the number of leisure visitors increased an average of 4.7% per year. Colorado remained the country's top ski destination in 2011, accounting for approximately 19% of national overnight ski trips.

Conventions. Denver's meeting and convention business continued to rebound in 2011, with 82 conventions and 264,497 delegates. In January 2011,

Denver was selected by the Toronto Globe & Mail as the top destination for conventions in the world and cited for its central U.S. location, low fare flights into Denver International Airport, and proximity of its hotels to the Colorado Convention Center—the site of the 2008 National Democratic Convention.

Table 11
VISITOR ACTIVITY
Denver Metropolitan Area

	Overnight trips to Denver (millions)			Denver conventions	
Year	Leisure	Business	Total	Number	Number of delegates
1995	5.2	1.9	7.1	32	110,613
2000	6.9	2.7	9.6	37	145,787
2001	8.0	2.3	10.3	34	140,995
2002	8.1	2.1	10.2	31	94,168
2003	7.8	1.9	9.7	26	105,259
2004	7.9	2.0	9.9	30	114,528
2005	7.9	2.5	10.4	40	153,483
2006	9.1	2.6	11.7	55	180,195
2007	9.6	2.6	12.2	75	226,030
2008	9.7	2.5	12.2	75	265,509
2009	10.1	2.0	12.1	66	209,548
2010	10.9	1.8	12.7	75	268,905
2011	11.0	2.2	13.2	82	264,497
	Average annual percent increase (decrease)				
1995-2000	5.4%	7.3%	6.2%	2.9%	5.7%
2000-2011	4.3	(1.8)	2.9	7.5	5.6
1995-2011	4.8	0.9	4.0	6.1	5.6

Sources: Colorado Tourism Office, visitor data compiled by Longwoods International, final reports for years noted, and Visit Denver, the Convention and Visitors Bureau records.

Economic Outlook

The economic outlook for the United States, the State of Colorado, and the Denver Metropolitan Area forms a basis for anticipated growth in airline traffic at the Airport. Economic activity in the Denver Metropolitan Area and the State is directly linked to the production of goods and services in the world and the rest of the United States. Both airline travel and the movement of cargo through the Airport depend on the economic linkages between and among the regional, State, national, and global economies. The economic and other assumptions underlying the forecasts of enplaned passengers are based on a review of global, national, State, and regional

economic outlooks as well as an analysis of historical socioeconomic trends and airline traffic trends, as presented in the section titled "Historical Airline Traffic."

Global Economy. Globalization of the world economy has created linkages between national economies that relate not only to trade but also to airline travel. The Denver Metropolitan Area and the State have strong linkages to the global economy through a number of industry sectors and the three world regions currently served from the Airport. The economic growth of these world regions, in terms of gross domestic product (GDP), is directly related to the growth in airline travel. Projections of GDP for the world regions are shown in Table 12. In emerging economies such as Brazil, India, and China with strong growth in GDP combined with a growing middle class, the growth in passenger traffic has been significant. Continued growth in the economies of the world regions most closely aligned with the Denver Metropolitan Area economy and airline service at the Airport are expected to contribute to continued growth in passenger traffic at the Airport.

U.S. Economy. The U.S. economy continues to recover from the financial crisis and global recession, although the pace of the recovery remains slow. The consensus among economists is that downturns following financial crises tend to be more prolonged than other downturns. In addition, such recessions raise the level and duration of unemployment, reduce the number of hours that employees work, and dampen investment. Continued high unemployment, lower disposable incomes, and reduced spending by businesses and consumers, particularly in the near term, have the potential to dampen growth in the U.S. economy and passenger traffic nationally and at the Airport.

The Congressional Budget Office (CBO) expects that U.S. economic growth, as measured by U.S. GDP in constant dollars, will increase 2.1% in 2012, decrease 0.5% in 2013 as a result of increases in federal taxes and reductions in federal spending, and then increase an average of 3.5% per year between 2013 and 2020.* The CBO projects that the unemployment rate will decrease to 8.2% in the fourth quarter of 2012, increase to 8.8% in 2013, and decrease to 5.4% in 2020. The CBO's projections are influenced to a large extent by fiscal policy specified by current law which will result in tax increases and spending cuts in January 2013. In an alternative scenario, the CBO projects stronger economic growth (an estimated increase of 1.7% in U.S. GDP in 2013) if some or all of the fiscal restrictions are removed.

*Congressional Budget Office, *Budget and Economic Outlook: Fiscal Years 2012 to 2022*, August 22, 2012.

Table 12
HISTORICAL AND PROJECTED GDP GROWTH BY WORLD REGION

World region	Average annual percent increase (decrease) in GDP (in constant U.S. dollars)		
	Historical		Forecast
	1990-2010	2000-2010	2010-2030
Asia	n.a.	4.2%	4.6%
Canada	1.9%	3.6	2.3
Europe *(a)*	(1.2) *(b)*	4.9	1.7
Latin America	3.6	6.7	4.2
Mexico	1.5	1.4	4.2
Middle East/Africa	n.a.	11.0	2.4
United States	3.4	1.6	2.7
World	1.8	5.2	3.3

n.a. = not available

(a) Data are for the countries that have adopted the Euro.
(b) Percent change between 1991 and 2000.

Sources: Historical: International Monetary Fund, *World Economic Outlook* database, www.imf.org, accessed July 2011 and U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed July 2012.
Projected: Global Insight as reported in U.S. Department of Transportation, Federal Aviation Administration, *FAA Aerospace Forecasts, Fiscal Years 2011-2031,* March 2011.

Colorado Economy. Colorado's economy continues to recover and has begun to outperform the national economy, according to economic and revenue forecasts prepared by the State of Colorado Legislative Council (CLC).* The CLC notes that "Colorado's economy is better positioned than the nation as a whole to recover, but is not insulated enough to recover without economic improvements in the rest of the country and the world."

- **Population**—The CLC and the Colorado Department of Local Affairs project a 1.6% increase in Colorado's population between 2011 and 2012.

- **Nonagricultural employment**— The CLC projects a 1.6% increase in Colorado's nonagricultural employment in 2012 and 2013 and notes that "employment will make measured but small gains and the unemployment rate will remain stable as job growth is able to just absorb people returning to the labor force." Employment projections prepared by the Colorado

*Colorado Legislative Council, "Focus Colorado: Economic and Revenue Forecast," June 20, 2012, www.colorado.gov, accessed August 2012.

Department of Local Affairs in November 2011 are for an increase of 1.0% in 2012 and 1.8% in 2013.

- **Retail trade**—The CLC projects that retail trade sales in Colorado, an indicator of consumer spending, will increase 5.1% in 2012 and 5.2% in 2013 (unadjusted for inflation).

- **Residential construction**—The CLC projects that the number of new housing permits issued in Colorado will increase 15.4% in 2012 and 18.0% in 2013.

Denver Metropolitan Area Economy. The economic drivers of the Denver Metropolitan Area are diverse and include mature, stable, and emerging industries. In its 2012 economic outlook for Metro Denver, the Metro Denver Economic Development Corporation noted that "While Metro Denver job growth in 2012 will be slow from a historic perspective, the pace of growth should match that reported nationwide. The industry sectors likely to add jobs this year include education and health services, professional and business services, and-at long last-construction."* Projections for 2012 and 2013 prepared by State and regional agencies are summarized below, in addition to the population and economic projections through 2020 presented earlier in Table 8.

- **Population**— The Metro Denver Economic Development Corporation expects that "Metro Denver's population will also grow at a faster-than-average rate in 2012, and this growth-combined with tight inventory of existing homes-will boost housing construction this year." The Colorado Department of Local Affairs projects a similar increase in the Denver metropolitan area population, a 1.6% increase per year between 2011 and 2012.

- **Nonagricultural employment**— In its January 2012 economic outlook, the Metro Denver Economic Development Corporation projected nonagri-cultural employment in the Denver Metropolitan Area to increase 1.1% in 2012, mirroring national employment growth projections but too slow to significantly reduce the area's unemployment rate. Employment projections prepared by the Colorado Department of Local Affairs in November 2011 are for a 0.6% increase in 2012 and a 1.5% increase in 2013.

- **Retail trade**—The Metro Denver Economic Development Corporation projects retail trade sales, an indicator of consumer spending, in Metro Denver to increase 4.6% in 2012 (unadjusted for inflation), following a 4.8% increase between 2010 and 2011.

*Metro Denver Economic Development Corporation, "2012 Economic Outlook for Metro Denver," January 18, 2012, www.metrodenver.org, accessed August 2012

- **Residential construction**—The Metro Denver Economic Development Corporation projects construction of new residential units in Metro Denver to increase 14.3% in 2012.

Risks to the Economic Outlook. While the short-term outlook is improving and the mid- to long-term outlook is favorable, there are risks that these results may not be achieved. Key risks to such achievement include:

- Inflation risks still persist because of the sizable amount of liquidity that the Federal Reserve Bank has injected into the banking system, which could eventually trigger upward pressures on prices. Also, increases in oil prices and rapid expansion of U.S. industrial capacity could trigger upward pressures on inflation.

- U.S. consumers may not be able to generate much spending growth as a result of persistent unemployment and the various reasons discussed earlier.

- Increases in fuel prices related to rising global demand and political instability in oil producing countries in the Middle East and North Africa present a risk to continued economic recovery and growth.

- A significant worsening of the banking and fiscal problems in Europe could lead to further turmoil in international financial markets that could affect U.S. financial markets—reducing wealth, severely constraining the availability of credit, reducing hiring, and causing higher unemployment.

- In the long-term, the principal risks to U.S. economic performance are the sizable external and fiscal deficits. The continuing deficits in the U.S. balance of payments could result in greater volatility in the currency markets, which would then translate into higher interest rates and, therefore, slower economic growth. These risks could be compounded if the fiscal deficit does not decrease within the next 5 years, thereby leading to much larger financing requirements and subsequent increases in interest rates. Increased interest rates could lead to lower levels of investment and, consequently, slower productivity growth.

Economic Basis for Airline Traffic Forecasts. Factors expected to contribute to continued economic growth in the Denver Metropolitan Area and associated increases in airline travel include (1) diversity in the economic base, which lessens its vulnerability to weaknesses in particular industry sectors, (2) growth in the Denver industry clusters as described earlier, (3) continued growth in the leisure and hospitality industry, (4) generally lower labor and living costs compared with those in many of the largest cities in the nation and other major western metropolitan areas, such as Los Angeles, San Francisco, and Seattle, (5) an educated labor force able to support the development of knowledge-based and service industries, and

(6) continued reinvestment to support the development of tourism, conventions, and other businesses.

HISTORICAL AIRLINE TRAFFIC

The following sections present a discussion of historical airline traffic at the Airport, including (1) airline service and passenger market shares, (2) enplaned passengers, (3) the originating passenger base, (4) connecting passenger activity and trends, and (5) a review of air cargo activity.

Airlines Serving Denver

Table 13 lists the passenger airlines that provided service at the Airport as of August 2012. In addition, several all-cargo airlines, including Alpine Aviation, Ameriflight, Capital Cargo International Airlines, DHL Express (USA), FedEx, Key Lime Air, and UPS Air Cargo provide service at the Airport.

Table 13
SCHEDULED PASSENGER AIRLINES SERVING DENVER

Mainline/national	*Regional/commuter*
AirTran Airways *(a)*	American Eagle
Alaska Airlines	ExpressJet Airlines (United Express)
American Airlines	GoJet Airlines (United Express)
Delta Air Lines *(b)*	Great Lakes Aviation
Frontier Airlines	Pinnacle Airlines (Delta Connection)
JetBlue Airways	Republic Airlines (Frontier and United Express)
Southwest Airlines *(a)*	Shuttle America (United Express)
Spirit Airlines	SkyWest Airlines (Delta Connection and United Express)
United Airlines *(c)*	
US Airways	
Foreign-flag	***Charter***
Aeromexico	Allegiant Air
Air Canada	Casino Express Airlines
British Airways	Ryan International Airlines
Icelandair *(d)*	Sun Country Airlines
Lufthansa German Airlines	

(a) Southwest completed its merger with AirTran on May 2, 2011, and a single operating certificate was issued on March 1, 2012.
(b) Delta completed its merger with Northwest on October 29, 2008, and a single operating certificate was issued on December 31, 2009.
(c) United completed its merger with Continental on October 1, 2010, and a single operating certificate was issued on November 30, 2011.
(d) Initiated service from Denver to Reykjavik in May 2012.

*Sou*rces: Official Airline Guides, Inc., and Airport management records.

Passenger Market Shares

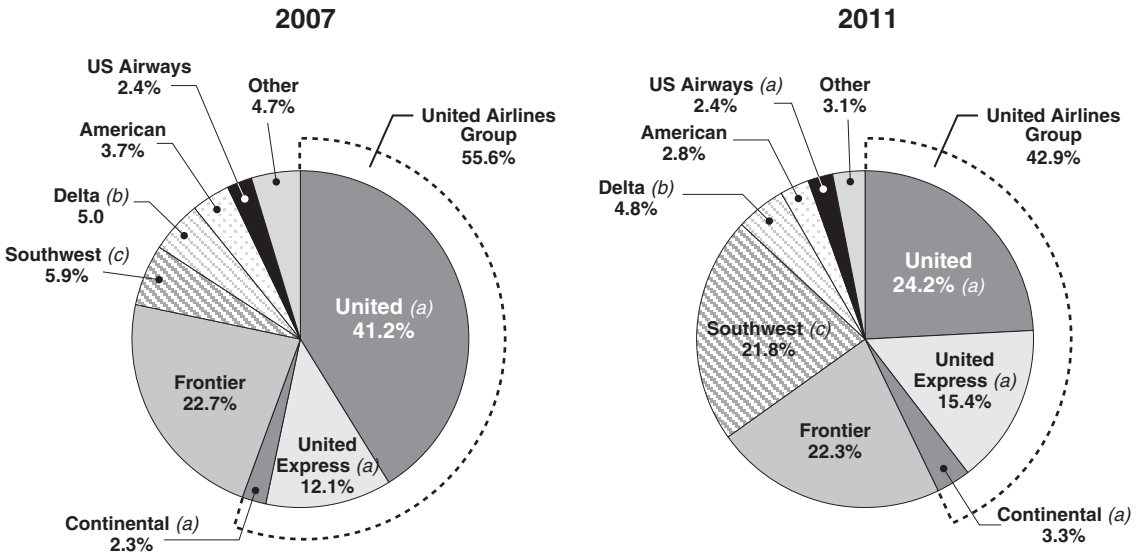
The market shares of enplaned passengers, originating passengers, and the low-cost carriers are discussed in this section.

Enplaned Passenger Market Shares. Enplaned passenger market shares for the passenger airlines serving the Airport are shown on Figure 17 and in Table 14. In 2011, United and Continental Airlines had the largest market share of enplaned passengers (42.9%) at the Airport, followed by Frontier (22.3%), and Southwest (21.8%).

Figure 17

ENPLANED PASSENGER MARKET SHARES

Denver International Airport



Note: Includes regional affiliates.
(a) Includes activity of Continental Airlines, which merged with United in October 2010.
(b) Includes activity of Northwest Airlines, which merged with Delta in December 2008.
(c) Includes activity of AirTran Airways, which merged with Southwest in May 2011.
Source: Airport management records

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The share of Airport passengers enplaned by the United Airlines Group decreased from 55.6% in 2007 to 42.9% in 2011, as a result of increased competition from Frontier as it continued to develop its hub at the Airport, the introduction and continued development of low-cost service by Southwest, and the discontinuation of service by Ted, United's low-fare unit. Frontier, which serves the second highest number of destinations from the Airport, including 19 of the Airport's top 20 O&D markets, slightly decreased its market share of Airport enplaned passengers from 22.7% in 2007 to 22.3% in 2011. Southwest initiated service at the Airport in January 2006, and enplaned 21.8% of total Airport enplaned passengers in 2011, up from 5.9% in 2007.

Table 14
HISTORICAL ENPLANED PASSENGERS BY AIRLINE
Denver International Airport
2007 - 2011

	2007	2008	2009	2010	2011
United Airlines Group *(a)*					
Mainline	8,323,729	8,361,071	8,164,709	7,385,764	6,400,182
Ted	1,955,333	1,104,866	--	--	--
United Express *(b)*	3,017,553	2,905,810	3,438,259	4,151,666	4,087,189
Continental	560,433	528,196	514,592	545,883	863,503
	13,857,048	12,899,963	12,117,560	12,083,313	11,350,874
Frontier *(c)*	5,668,493	6,531,106	5,782,329	5,570,421	5,889,632
Southwest *(d)*	1,322,152	2,378,512	3,614,028	4,908,539	5,756,081
Delta *(e)*	1,234,838	1,266,175	1,247,326	1,277,980	1,257,428
American *(f)*	933,045	862,173	715,674	722,380	732,195
US Airways	586,865	488,182	542,335	599,775	640,248
Other	1,338,512	1,224,132	1,108,761	862,534	829,337
	11,083,905	12,750,280	13,010,473	13,941,609	15,106,331
Total	24,940,953	25,650,243	25,128,033	26,024,922	26,455,795
	Percent of total				
United Airlines Group *(a)*					
Mainline	33.4%	32.6%	32.5%	28.4%	24.2%
Ted	7.8	4.3	--	--	--
United Express *(c)*	12.1	11.3	13.7	15.9	15.4
Continental	2.3	2.1	2.0	2.1	3.3
	55.6%	50.2%	48.2%	46.4%	42.9%
Frontier *(c)*	22.7%	25.5%	23.0%	21.4%	22.3%
Southwest *(d)*	5.9	9.9	15.2	18.9	21.8
Delta *(e)*	5.0	4.9	5.0	4.9	4.8
American *(f)*	3.7	3.4	2.8	2.8	2.8
US Airways	2.4	1.9	2.2	2.3	2.4
Other	4.7	4.2	3.6	3.3	3.1
	44.4%	49.8%	51.8%	53.6%	57.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Includes enplaned passengers on the airline's commuter affiliates.
Totals may not add due to rounding.

(a) Includes activity of Continental Airlines, which merged with United Airlines in October 2010, and activity for Ted, United's low-fare unit, which initiated service at the Airport on February 12, 2004, stopped reporting its activity separately at the Airport in August 2008, and ceased operations on January 6, 2009.
(b) Includes Mesa Airlines and Trans States Airlines from 2007 through 2010, Expressjet, GoJet Airlines, Shuttle America, and SkyWest Airlines from 2007 through 2011, and Atlantic Southeast Airlines in 2011.
(c) Includes Horizon Air in 2007 and Republic Airlines and Lynx Aviation from 2007 through 2011, and Midwest Express in 2010.
(d) Includes activity of AirTran Airways, which merged with Southwest Airlines in May 2011.
(e) Includes activity of Northwest Airlines, which merged with Delta Air Lines in October 2008.
(f) Filed for Chapter 11 bankruptcy protection in November 2011.

Source: Airport management records.

Originating Passenger Market Shares. Originating passengers account for more than half of all passengers enplaned at the Airport. The share of originating passengers is a function of the population, the strong local economy, and the service provided by the airlines serving the Airport. Since 2007, the United Airlines Group has accounted for a decreasing share of originating passengers, as shown in Table 15. The large numbers of originating passengers at the Airport by the United Express affiliates, traditionally used to provide connecting passenger feeder service to airline hubs, reflects the increasing use of these regional carriers to increase the domestic seating capacity of a hub airline, such as United, and to improve service and market share with increased frequencies.

Frontier's numbers and share of originating passengers have varied since 2007, reflecting the effects of the national economic recession on passenger demand, the continued development of service at the Airport by Southwest Airlines and increased competition for originating passenger traffic, reductions in seating capacity, and adjustments made to its overall network following the airline's acquisition by Republic Airways Holdings in 2009.

In 2011, Southwest accounted for 27.8% of originating passengers at the Airport, up from 9.9% in 2007.

Low-Cost Carrier Market Shares. A major trend at the Airport has been the increased enplaned passenger market share of the low-cost carriers.* As shown on Figure 18, the share of passengers enplaned by the low-cost carriers at the Airport increased from 29.3% in 2007 to 44.5% in 2011, exceeding the national market share of the low-cost carriers—29.0% in 2011, according to U.S. Department of Transportation data.

*The U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics defines current industry structure in terms of business model definition. Therefore, a "low-cost carrier" operates under a generally recognized low-cost business model, which may include a single passenger class of service, use of standardized aircraft utilization, in-flight services, use of smaller and less expensive airports, and lower employee wages and benefits.

Table 15
HISTORICAL ORIGINATING PASSENGERS BY AIRLINE
Denver International Airport
2007 - 2011

	2007	2008	2009	2010	2011
United Airlines Group *(a)*					
Mainline	3,729,230	3,627,738	3,328,471	2,995,306	2,711,848
Ted	898,004	507,544	--	--	--
United Express *(b)*	910,173	852,277	935,722	1,155,643	1,171,694
Continental	543,053	509,607	489,770	470,462	604,658
	6,080,460	5,507,166	4,753,963	4,621,411	4,488,200
Frontier *(c)*	3,238,732	3,295,331	2,864,672	2,792,471	2,944,251
Southwest *(d)*	1,414,946	2,165,456	2,923,722	3,558,198	4,055,850
Delta *(e)*	1,206,391	1,236,614	1,217,517	1,227,497	1,207,483
American *(f)*	933,045	862,173	715,674	722,380	732,195
US Airways	560,911	470,266	541,177	598,998	638,477
Other	808,326	811,297	638,814	580,536	528,769
	8,162,351	8,827,597	8,901,586	9,480,080	10,107,025
Total	14,242,811	14,334,763	13,655,549	14,101,491	14,595,225
	Percent of total				
United Airlines Group *(a)*					
Mainline	26.2%	25.4%	24.4%	21.2%	18.6%
Ted	6.3	3.5	--	--	--
United Express *(b)*	6.4	5.9	6.8	8.2	8.0
Continental	3.8	3.6	3.6	3.4	4.1
	42.7%	38.4%	34.8%	32.8%	30.7%
Frontier *(c)*	22.7%	23.0%	21.0%	19.8%	20.2%
Southwest *(d)*	9.9	15.1	21.4	25.2	27.8
Delta *(e)*	8.5	8.5	8.9	8.7	8.3
American *(f)*	6.6	6.0	5.2	5.1	5.0
US Airways	3.9	3.3	4.0	4.3	4.4
Other	5.7	5.7	4.7	4.1	3.6
	57.3%	61.6%	65.2%	67.2%	69.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Includes enplaned passengers on the airline's commuter affiliates.
Totals may not add due to rounding.

(a) Includes activity of Continental Airlines, which merged with United Airlines in October 2010, and activity for Ted, United's low-fare unit, which initiated service at the Airport on February 12, 2004, stopped reporting its activity separately at the Airport in August 2008, and ceased operations on January 6, 2009.

(b) Includes Mesa Airlines and Trans States Airlines from 2007 through 2010, Expressjet Airlines, GoJet Airlines, Shuttle America, and SkyWest Airlines from 2007 through 2011, and Atlantic Southeast Airlines in 2011.

(c) Includes Horizon Air in 2007 and Republic Airlines and Lynx Aviation from 2007 through 2011, and Midwest Express in 2010.

(d) Includes activity of AirTran Airways, which merged with Southwest Airlines in May 2011.

(e) Includes activity of Northwest Airlines, which merged with Delta Air Lines in October 2008.

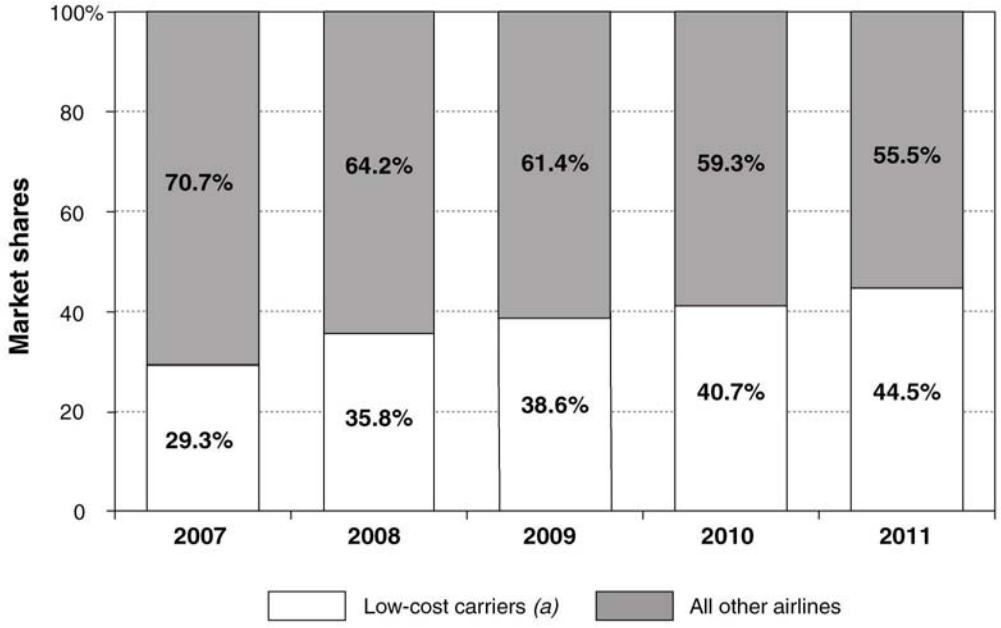
(f) Filed for Chapter 11 bankruptcy protection in November 2011.

Source: Airport management records.

Figure 18

LOW-COST CARRIER MARKET SHARES OF ENPLANED PASSENGERS

Denver International Airport



(a) Low cost carriers include AirTran Airways, Allegiant Air, ATA Airlines, Frontier Airlines, JetBlue Airways, and Southwest Airlines.

Notes: Southwest completed its merger with AirTran on May 2, 2011, and a single operating certificate was issued on March 1, 2012.

Source: Airport management records.

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Enplaned Passengers

Table 16 summarizes the numbers of enplaned passengers at the Airport in 1995 and 2000 through 2011, organized by originating, connecting, and total enplaned passengers. The total number of enplaned passengers increased an average of 3.3% per year between 1995 and 2011, with the number of originating and connecting passengers increasing an average of 3.0% and 3.9% per year, respectively. In 2011, the total number of enplaned passengers at the Airport increased 1.2%, reflecting a 3.4% increase in the number of originating passengers and a 1.2% decrease in the number of connecting passengers. A further discussion of originating and connecting passenger trends at the Airport is presented in the following sections titled "Originating Passengers" and "Connecting Passengers." Figure 19 presents the trends in U.S. GDP (in 2005 dollars) and enplaned passengers at the Airport and in the nation from 1970 through 2011 (using 1970 as the index year). Overall, there has been a positive, gradually increasing trend in U.S. GDP and the numbers of enplaned passengers at the Airport, with the Airport showing stronger growth in passenger traffic than the nation's airports as a whole. From 1970 through 2011, GDP increased an average of 2.8% per year in the numbers of enplaned passengers in the nation and

at the Airport during that period, compared with average increases of 3.2% and 5.0% per year, respectively.

Table 16
HISTORICAL ENPLANED PASSENGERS
Denver International Airport

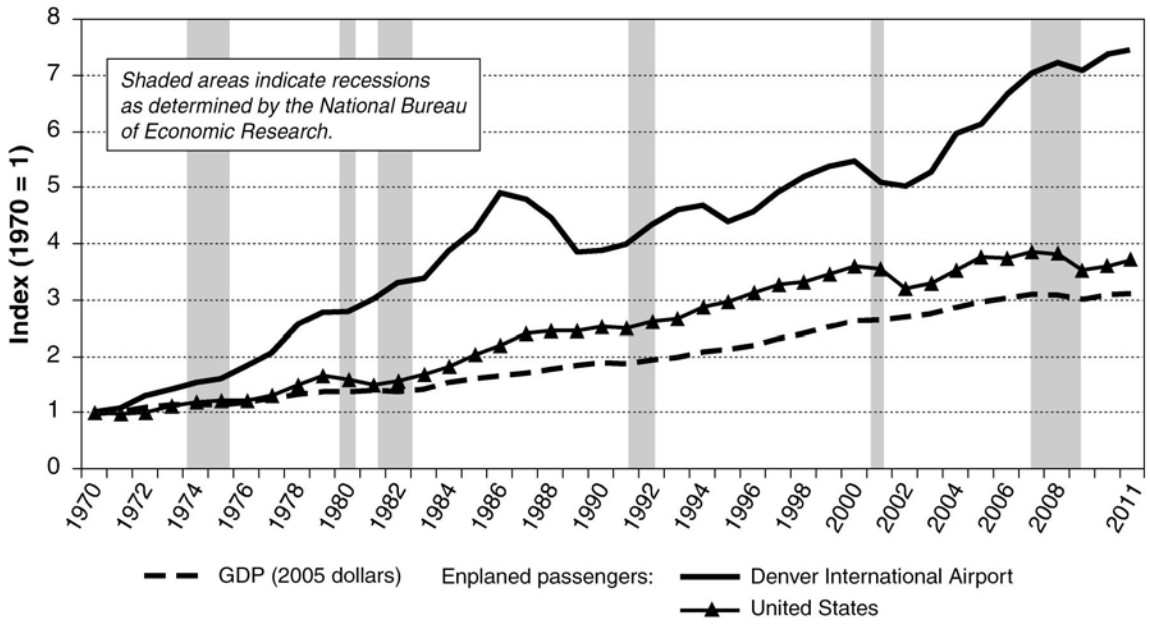
Year	Enplaned passengers			Total annual percent increase (decrease)	Percent originating
	Originating	Connecting	Total		
1995	9,165,705	6,452,339	15,618,044	--%	58.7%
2000	10,979,642	8,413,354	19,392,996	--	56.6
2001	10,258,209	7,787,900	18,046,109	(6.9)	56.8
2002	9,644,278	8,185,286	17,829,564	(1.2)	54.1
2003	10,265,526	8,495,409	18,760,935	5.2	54.7
2004	11,395,216	9,748,865	21,144,081	12.7	53.9
2005	11,983,822	9,718,153	21,701,975	2.6	55.2
2006	13,249,286	10,416,026	23,665,312	9.0	56.0
2007	14,242,811	10,698,142	24,940,953	5.4	57.1
2008	14,334,763	11,315,480	25,650,243	2.8	55.9
2009	13,655,549	11,472,484	25,128,033	(2.0)	54.3
2010	14,101,491	11,923,411	26,024,922	3.6	54.2
2011	14,595,225	11,860,570	26,455,795	1.7	55.2
January-June					
2011	7,013,924	5,822,341	12,836,265		54.6
2012	7,093,783	5,733,531	12,827,314	(0.1%)	55.3
	Average annual percent increase				
1995-2000	3.7%	5.5%	4.4%		
2000-2011	2.6	3.2	2.9		
1995-2011	3.0	3.9	3.3		

Source: Airport management records.

As shown on Figure 19, trends in national passenger traffic closely correlates with the trends in GDP since 1970, including decreases during the 2008-2009 and past four national economic recessions. In comparison, the Airport has outperformed or correlated with national passenger trends during periods of national economic recession. During the most recent economic recession, the number of passengers enplaned at the Airport increased 2.8% in 2008 and decreased 2.0% in 2009. In comparison, the number of U.S. enplaned passengers decreased 3.8% in 2008 and 5.0% in 2009 based on data from the U.S. Department of Transportation. During the recovery from the recent recession, the number of passengers enplaned at the Airport increased 3.6% between 2009 and 2010. Passenger data available from the U.S. Department of Transportation, Bureau of Transportation Statistics for 2011 indicate that the number of enplaned passengers on the scheduled mainline flights of U.S. airlines increased 3.0% systemwide compared with 2010 numbers.

Figure 19

U.S. GROSS DOMESTIC PRODUCT AND ENPLANED PASSENGERS



Sources: U.S.GDP—U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov.
Denver enplaned passengers—Airport management records.
U.S. enplaned passengers—U.S. Department of Transportation, Federal Aviation Administration, www.faa.gov.

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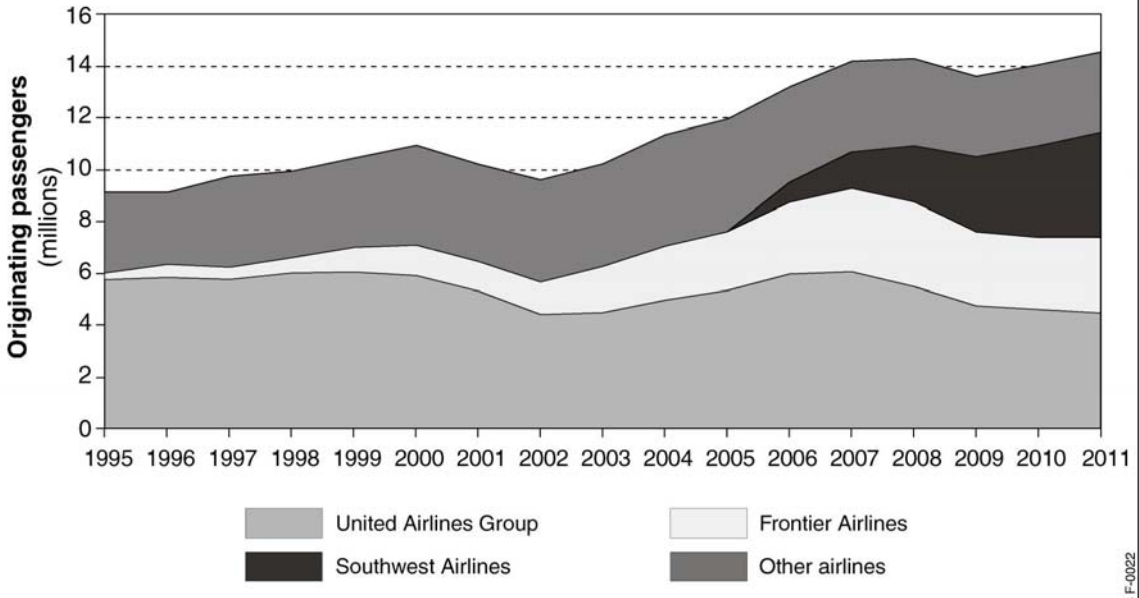
Originating Passengers

Figure 20 presents the trends in the numbers of originating passengers at the Airport from 1995 through 2011. As discussed earlier, the important factors affecting O&D passenger demand are the demographics and economy of the region served by the airport as well as airline service and airfares. Since 1995, the number of originating passengers at the Airport has decreased in 4 of the 17 years—a 0.2% decrease in 1996 related to the decrease in service by Continental as it closed its Denver hub, decreases in 2001 and 2002 of 6.6% and 6.0%, respectively, related to the effects of national economic recession and the 2001 terrorist attacks, and a decrease of 4.7% in 2009 related to the effects of the national economic recession and financial crisis. The growth in originating passenger traffic at the Airport since 1995 reflects the continued economic growth in the Denver Metropolitan Area and the State, as well as the development of airline service and airfares. As shown on Figure 20, the shares of originating passengers by airline reflect the major economic events that occurred during this period, as well as the continued development of service by United and Frontier and the introduction of low-cost service by Southwest.

Figure 20

ORIGINATING PASSENGER TRENDS

Denver International Airport



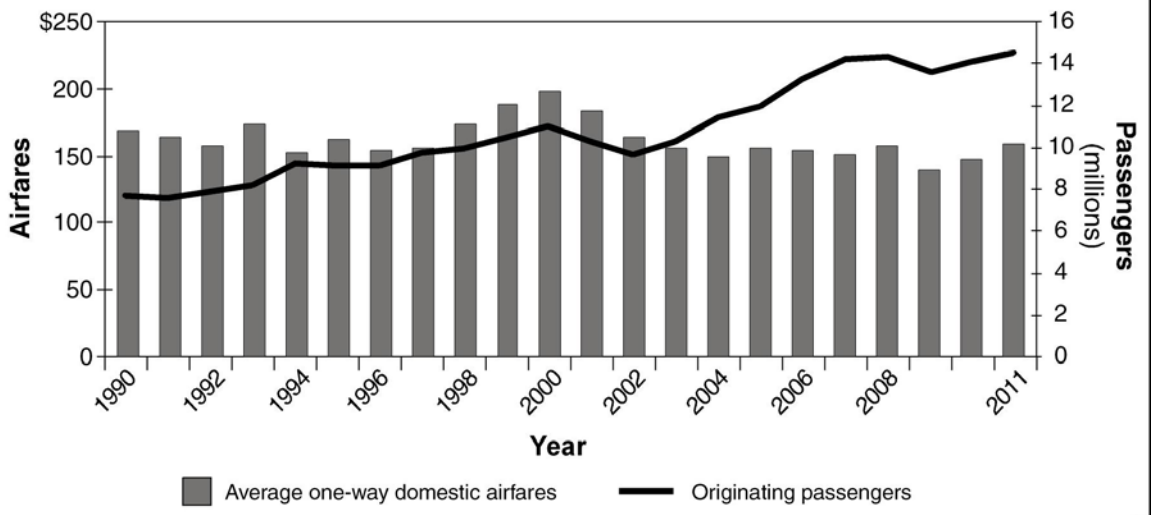
Source: Airport management records.

Figure 21 provides a specific comparison of changes in numbers of originating passengers and average domestic airfares at the Airport in 1990 through 2011. As stated earlier, the market share of the low-cost carriers at the Airport increased from 29.3% in 2007 to 44.5% in 2011 and contributed to decreases in airfares at the Airport over that period.

Figure 21

AIRFARES AND ORIGINATING PASSENGERS

Denver International Airport



Sources: Average fare data—U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* online database, accessed August 2012. Originating passenger data—Airport management records.

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Origin-Destination Passenger Markets. Table 17 presents the Airport's top 20 domestic O&D passenger markets for the 12 months ended March 31, 2012. Table 17 also shows the average number of seats on scheduled daily nonstop departures from the Airport to each of the top markets August 2012. Of the 90,739 scheduled daily nonstop seats from the Airport in August 2012, 61.9% were to the top 20 markets listed in the table. The low cost carriers accounted for 44% of all scheduled departing seats to domestic destinations from the Airport during this period. In 10 of the 20 domestic markets, the low cost carriers accounted for 50% or more of scheduled departing seats. Dallas-Fort Worth and Houston had the lowest shares of low cost carrier seats in August 2012 with 30% and 24%, respectively.

In addition to Denver's domestic markets, new international service was initiated at the Airport in 2012 , including Icelandair's service to Reykjavik, Iceland which started in May 2012 and AirTran's service to Cancun, Mexico which started in April 2012. In addition, new service by Volaris, a Mexico-based airline, from Denver to Mexico City is scheduled to begin in December 2012 and new service by United from Denver to Tokyo is scheduled to begin on March 31, 2013.

Table 17
TOP 20 DOMESTIC ORIGIN-DESTINATION PASSENGER MARKETS AND AIRLINE SERVICE
Denver International Airport
(for the 12 months ended March 2012)

Rank	Origin-destination market	Air miles from Denver	Percent of originating passengers at Denver	August 2012 Scheduled departing seats	
				Average daily seats	Percent of low cost carrier service
1	Los Angeles (a)	862	7.0%	5,668	55%
2	San Francisco (b)	967	4.9	4,425	51
3	New York (c)	1,605	4.4	3,899	36
4	Washington, D.C. (d)	1,452	4.3	3,484	40
5	Chicago (e)	888	4.3	4,203	47
6	Phoenix	602	4.2	2,789	52
7	Las Vegas	629	3.7	2,901	81
8	Dallas-Fort Worth (f)	641	3.1	3,157	30
9	Houston (g)	861	3.0	2,448	24
10	Minneapolis-St. Paul	680	2.7	2,704	42
11	Seattle-Tacoma	1,024	2.6	2,994	48
12	San Diego	853	2.5	1,871	66
13	Atlanta	1,199	2.3	2,574	39
14	Boston	1,754	2.0	1,210	48
15	Salt Lake City	391	2.0	2,337	61
16	Orlando	1,545	1.9	1,035	61
17	Miami (h)	1,706	1.8	886	61
18	Kansas City	532	1.8	1,802	65
19	Portland	992	1.7	1,970	64
20	Philadelphia	1,552	1.7	1,426	43
	Cities listed		61.9%	53,781	
	Other cities		38.1	36,958	
	All cities		100.0%	90,739	44

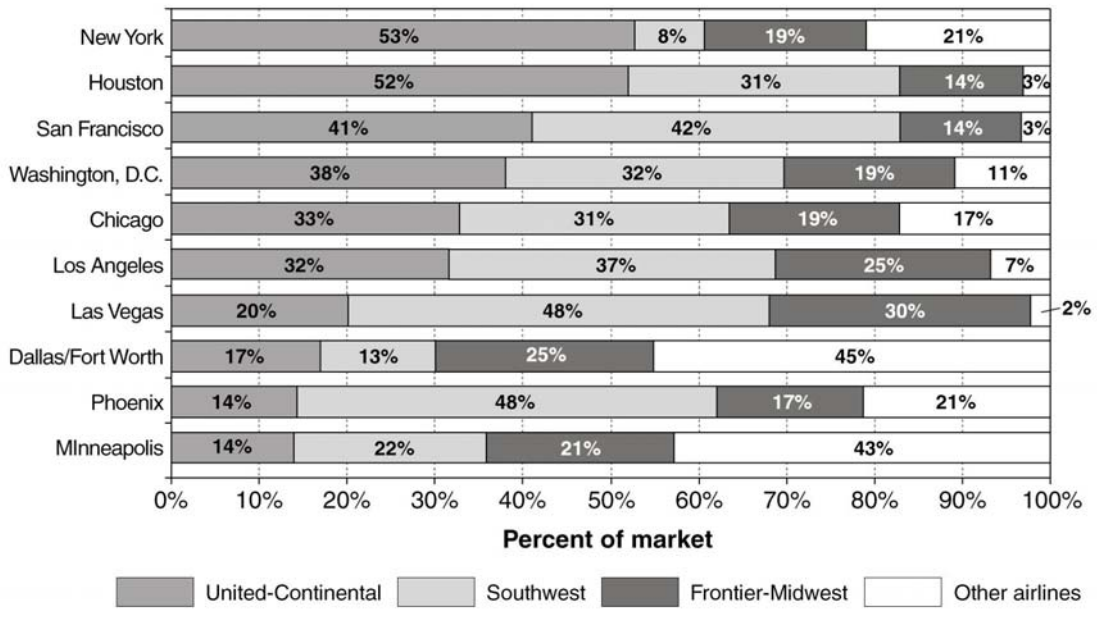
(a) Los Angeles International, Bob Hope, Ontario International, John Wayne (Orange County), and Long Beach airports.
(b) San Francisco, Oakland, and Mineta San Jose international airports.
(c) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
(d) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
(e) Chicago O'Hare and Midway international airports.
(f) Dallas/Fort Worth International Airport and Love Field.
(g) Bush Intercontinental Airport/Houston and William P. Hobby Airport.
(h) Fort Lauderdale-Hollywood and Miami international airports.

Sources: Originating percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for the 12 months ended March 31, 2012, online database, accessed August 2012.
Departures: Official Airline Guides, Inc. online database, for August 2012, for domestic destinations, accessed August 2012.

Airline Shares of Origin-Destination Passenger Markets. Figure 22 presents the shares of originating passengers to the Airport's top 10 origin-destination markets in 2011. United and Continental together accounted for the largest share of originating passengers in 4 of the top 10 markets—New York, Houston, Washington, D.C., and Chicago—each of which is a United or Continental hub. Southwest accounted for the largest share of originating passengers in 4 of the top 10 markets—Los Angeles, Las Vegas, Phoenix, and San Francisco—which are among Southwest's busiest airports. Other airlines accounted for the largest share of originating passengers in the remaining 2 top 10 markets, reflecting the role of these markets as connecting hubs for other airlines—Dallas-Fort Worth for American, and Minneapolis-St. Paul for Delta. Although Frontier did not account for the largest share of originating passengers in any of the top 10 markets, the airline accounted for the second largest share in 4 markets—New York, Las Vegas, Phoenix, and Dallas/Fort Worth.

Figure 22

AIRLINE SHARES OF DOMESTIC ORIGINATING PASSENGERS FOR TOP 10 MARKETS IN 2011



Note: Data include regional affiliates.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, online database, accessed August 2012.

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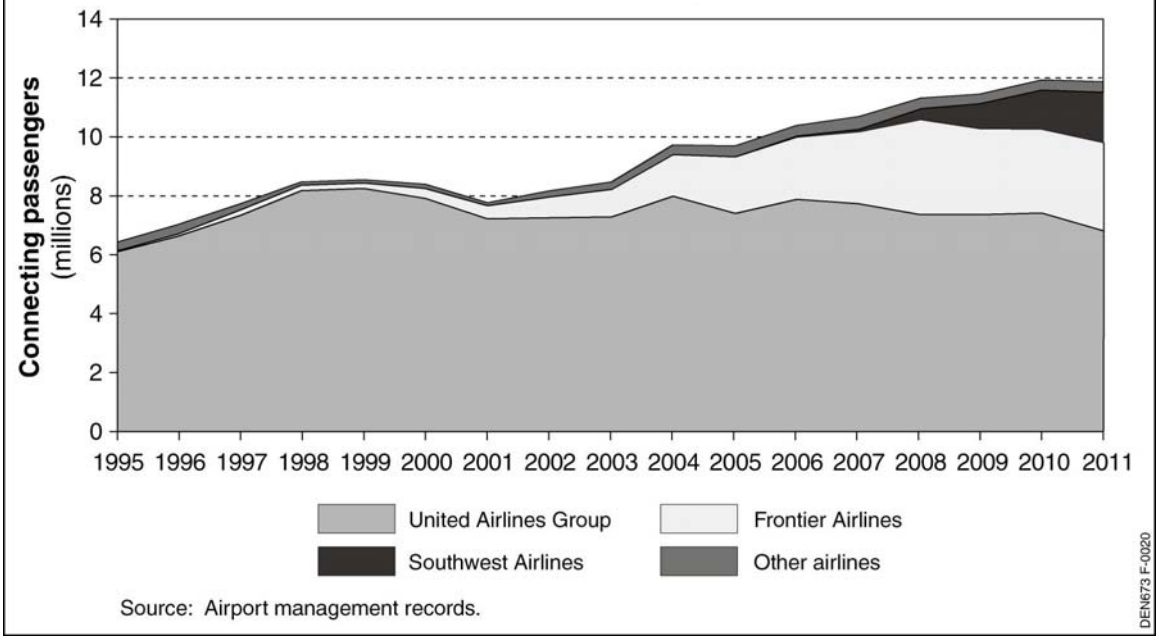
Connecting Passengers

Figure 23 presents the trends in the numbers of connecting passengers at the Airport from 1995 through 2011. As discussed earlier, connecting passenger traffic is determined by the route network decisions of the hubbing airlines. (See earlier discussion under "Airport Role" for a description of the Airport's role as an important connecting hub in the route systems of both United and Frontier.) In the 16 years since 1995, the number of connecting passengers at the Airport has decreased in only 4 years—decreases of 1.5% in 2000 and 7.4% in 2001, related to the effects of national economic recession and the 2001 terrorist attacks, a decrease of 0.3% in 2005, and a decrease of 0.5% in 2011. As shown on Figure 23, the shares of connecting passengers by airline reflect the role of the Airport as a hub for United and Frontier. Although Southwest does not operate a traditional hub and spoke network, the airline's numbers of connecting passengers has also increased since it initiated service at the Airport in 2006.

Figure 23

CONNECTING PASSENGER TRENDS

Denver International Airport



Source: Airport management records.

Air Cargo Activity

Table 18 presents data on enplaned cargo at the Airport in 1995 and in 2000 through 2011. Enplaned air cargo at the Airport accounted for about 44% of total cargo tonnage (enplaned plus deplaned) in 2011, with deplaned cargo accounting for the remaining 56%. Enplaned cargo tonnage increased an average of 4.2% per year between 1995 and 2000, but has decreased each year between 2000 and 2009, for reasons discussed below. In 2010 and 2011, total enplaned cargo tonnage increased 9.2% and 0.3%, respectively. Total cargo tonnage carried by passenger airlines

decreased 8.0% between in 2011, while the total cargo tonnage carried by all-cargo airlines increased 1.7%. All-cargo airlines accounted for 77% of total cargo in 2011, with the remaining 23% accounted for by passenger airlines.

The decreases in cargo at the Airport between 2000 and 2009 were related to (1) the slowdown in the regional economy, particularly in the manufacturing sector, (2) a reduction in available belly-cargo capacity on passenger airline aircraft as a result of increases in the use of regional jet aircraft and operations by the low-cost carriers which have less cargo capacity that larger air carrier aircraft, (3) the availability of reduced-cost belly-cargo capacity, particularly on widebody aircraft designed for containerized cargo, and direct international freighter service at other gateway airports, such as Chicago O'Hare, Los Angeles, and Dallas/Fort Worth international airports, (4) an increasing trend among freight forwarders to bypass airports and truck cargo to gateways that have available reduced-cost belly-cargo capacity, and (5) the reorganization and consolidation in the cargo industry in response to the increase in fuel prices in 2008 and the national economic recession.

Table 18
HISTORICAL ENPLANED CARGO
Denver International Airport
(tons)

Year	Air mail	Freight and express	Total	Total annual increase (decrease)	All-cargo airline share of total cargo *(a)*
1995	65,559	134,307	199,866	--%	n.a.
2000	85,902	159,769	245,671	--	56.4%
2001 *(a)*	53,421	130,085	183,506	(25.3)	61.2
2002	22,421	141,618	164,039	(10.6)	69.7
2003	27,544	135,877	163,421	(0.4)	67.5
2004	20,016	140,586	160,602	(1.7)	71.1
2005	17,232	139,100	156,332	(2.7)	70.6
2006	11,064	129,204	140,268	(10.3)	75.3
2007	2,680	128,682	131,362	(6.3)	81.8
2008	5,892	118,170	124,062	(5.6)	79.5
2009	6,459	104,262	110,721	(10.8)	78.0
2010	9,832	111,024	120,856	9.2	75.1
2011	9,306	111,939	121,245	0.3	76.8
January-June					
2011	5,243	57,510	62,752		75.0
2012	4,584	52,262	56,846	(9.4%)	75.7
	Annual average percent increase (decrease)				
1995-2000	5.6%	3.5%	4.2%		
2000-2011	(18.3)	(3.2)	(6.2)		
1995-2011	(11.5)	(1.1)	(3.1)		

n.a. = not available

(a) In 2001, FedEx and the U.S. Postal Service entered into a contract that resulted in a large portion of mail being transported from air to ground, with FedEx reporting this activity to the City as enplaned freight and express cargo. Previously, this activity was reported as air mail.

Source: Airport management records for years noted.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the Denver Metropolitan Area, as discussed earlier, key factors that will affect airline traffic at Denver International Airport include:

- Economic and political conditions
- Aviation safety, security, and public health concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger numbers during those years. The 2008-2009 recession and associated high unemployment reduced discretionary income and contributed to reduced airline travel demand in those years.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities are now important influences on passenger traffic at U.S. airports. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Aviation Safety, Security, and Public Health Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of

airport security functions under the Transportation Security Administration, more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In April 2010, airspace and airports in much of Europe were closed for 6 days because of the threat to flight safety of the ash cloud from the eruption of Iceland's Eyjafjallajökull volcano. In March 2011, airline travel to and from Japan decreased following a destructive earthquake and tsunami.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly the United Airlines Group, to make the necessary investments to continue providing service.

The 1990-1991 economic recession, coupled with increased operating costs and security concerns during the first Gulf War, generated then-record financial losses in the airline industry. Those losses put particular pressures on financially weak or highly indebted airlines, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations in the early 1990s.

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry again experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion.

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. US Airways twice filed for bankruptcy protection, in

August 2002 and September 2004, before emerging in September 2005 following its merger with America West Airlines. In December 2002, United filed for bankruptcy protection (emerged in February 2006). In 2003, American Airlines avoided filing for bankruptcy protection only after obtaining labor cost concessions from its employees and reducing service at its St. Louis hub. In September 2005, Northwest Airlines filed for bankruptcy protection (emerged in May 2007), and subsequently merged with Delta in October 2008. In 2005, Delta eliminated its Dallas/Fort Worth hub and began to downsize its Cincinnati hub. In 2011, Delta began to downsize its Memphis hub. In March and April 2008, Aloha, ATA, and Skybus airlines declared bankruptcy and ceased operations. In April 2008, Frontier Airlines filed for bankruptcy protection, but continued to operate. Frontier emerged from bankruptcy in October 2009 following its acquisition by Republic Airways Holdings, as discussed earlier in "The Airport's Role in Frontier's System." AMR Corporation and its subsidiaries American Airlines and American Eagle filed for Chapter 11 bankruptcy protection in November 2011.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in mid-2008, as oil and aviation fuel prices increased to unprecedented levels, the industry again experienced a profitability crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging their fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other non-fuel expenses, increasing airfares, and imposing ancillary fees and charges. The U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10% in 2008 and by a further 7% in 2009.

In 2010 and 2011, the U.S. airline industry regained profitability notwithstanding sustained high fuel prices by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. In 2010, according to Airlines for America (formerly the Air Transport Association of America), the U.S. passenger airlines collectively increased domestic seat-mile capacity by 1.0% and recorded a net profit of $3.6 billion. In 2011, U.S. passenger airlines again collectively increased domestic seat-mile capacity by 2.1% and recorded a net income of $1,500 million.*

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to allow increased airfares, and stable fuel prices. Any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of one or more of the large network airlines could drastically affect airline service at certain

*Airlines for America, www.airlines.org, accessed September 2012.

connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

Airline Service and Routes

The Airport serves as a gateway to the Denver Metropolitan Area and the Rocky Mountain region, and as an airline connecting hub. The number of O&D passengers depends on the intrinsic attractiveness of the Denver Metropolitan Area as a business and leisure destination and the propensity of its residents to travel. The number of connecting passengers, on the other hand, depends on the airline service provided at the Airport and at other airports.

Most mainline airlines have developed hub-and-spoke systems that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and at competing hub airports.

Prior to 1995, United and Continental each operated a hub in Denver for many years. As discussed in the earlier section, "Airport Role," the Airport is an important connecting hub for United and Frontier airlines. For the last 5 years, the Airport has been United's second busiest hub after Chicago O'Hare International Airport in terms of numbers of enplaned passengers. In 2011, the United Airlines Group accounted for approximately 58% of total connecting passengers at the Airport. In the combined United and Continental airlines system, Denver ranked as the fourth busiest airport in terms of numbers of enplaned passengers in 2011. Frontier Airlines also uses the Airport as a connecting hub, accounting for approximately 25% of total connecting passengers at the Airport in 2011. The Airport is the busiest airport in Frontier's route network. In addition, Southwest Airlines accounted for approximately 14% of total connecting passengers at the Airport in 2011.

As a result, much of the passenger traffic at the Airport results from the route networks and flight schedules of United and Frontier rather than the economy of the Denver Metropolitan Area. If either of these airlines were to reduce connecting service at the Airport, such service would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others. The potential effects on passenger traffic of a drastic reduction in connecting airline service at the Airport, as might hypothetically result from the liquidation of a major hub airline, are discussed in the later section "Sensitivity Analysis Projections of Enplaned Passengers."

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are potential alternatives,

and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on airfare levels.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for the U.S. airlines was reduced from 14.9 cents to 12.7 cents per passenger-mile. In 2006 and 2007, airlines reduced capacity and were able to sustain fare increases, industrywide yields increased, to an average of 13.8 cents per passenger-mile. In 2008, yields increased further, to 14.7 cents per passenger-mile. In 2009, yields again decreased, but in 2010 and 2011, as travel demand increased, yields increased to 14.2 and 15.5 cents per passenger mile, respectively. Increased charges between 2006 and 2011 for services such as checked baggage, in-flight meals, and preferred seating had the effect of increasing the effective price of airline travel more than these yield figures indicate.

In many airline travel markets nationwide, new entrant and other airlines with lower cost structures have provided price and service competition. In Denver, AirTran Airways, Frontier, and Southwest have provided such competition in many travel markets. As United and other legacy network airlines have restructured their operations and reduced costs, they have enhanced their ability to compete.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In October 2008, Delta and Northwest completed a merger transaction and have integrated most of the operations of the two airlines under the Delta name. In October 2009, Republic Airways Holdings completed purchases of Frontier Airlines and Midwest Airlines and now operates the combined airline under the Frontier name.

In October 2010, United and Continental completed a merger transaction, thereby creating the largest U.S. airline. The merged airline, which operates under the United name, received a single operating ticket November 30, 2011. On September 27, 2010, Southwest Airlines announced plans to acquire AirTran Airways, thereby creating the largest U.S. domestic airline as measured by numbers of enplaned passengers. On March 23, 2011, AirTran shareholders approved the merger, and a single operating certificate was issued on March 1, 2012. Various other airline merger combinations have been rumored. Any such further airline

consolidation could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances, joint ventures, and other marketing arrangements provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues on certain routes. As discussed earlier in the section "Airport's Role in United's System," United is a member of the Star alliance and participates in joint ventures, code-sharing, and other commercial arrangements with several airlines.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainties. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the rapidly growing economies of China, India, Nigeria, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Increased prices were an important contributor to airline industry losses in 2008 and 2009. Fuel prices decreased sharply in the second half of 2008 as demand declined worldwide, but have since increased as global demand has increased and the U.S. dollar has weakened. In 2011 and 2012, political instability and conflicts in North Africa and the Middle East contributed to further volatility in fuel prices.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to remain high relative to historical levels and to increase over the long term as global energy demand increases as the result of finite and increasingly expensive oil supplies.

Aviation fuel prices will continue to affect airline service, airfares, and passenger numbers. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System

(NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After September 2001, and again in 2008 and 2009, air traffic delays decreased as a result of reduced numbers of aircraft operations, but, as air travel demand increases in the future, flight delays and restrictions should be expected.

Airport management and the FAA recently completed a study that will result in the implementation of certain NextGen technologies for flight arrivals and departures at the Airport. According to the City, the proposed changes will change flight arrival and departure patterns at the Airport, resulting in reduced aircraft fuel costs.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at Denver International Airport may depend on the provision of increased capacity at the Airport itself. The Airport's existing six-runway layout provides significant airfield capacity. Additionally, areas are reserved for as many as six additional runways, with accompanying long-term development plans to add gates to existing concourses and on new concourses. These plans indicate that forecast growth in airline traffic at the Airport will not be constrained by airfield or terminal capacity.

AIRLINE TRAFFIC FORECASTS

Table 19 presents historical, estimated, and forecast numbers of enplaned passengers and landed weight at the Airport through 2020.

Assumptions Underlying the Forecasts

Forecasts of airline traffic were developed taking into account analyses of the economic basis for airline traffic and historical airline traffic, and an assessment of the key factors that may affect future airline traffic, as discussed in earlier sections. In general, it was assumed that, in the long term, changes in airline traffic at the Airport will occur largely as a function of growth in the population and economy of the Airport service region and changes in airline service. It was also assumed that continued development of airline service at the Airport will not be constrained by the availability of aviation fuel, long-term limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth. Also considered were recent and potential developments in the national economy and in the air transportation industry as they have affected or may affect airline traffic at the Airport.

It was assumed that, during the forecast period:

- The U.S. economy will recover from the recession and sustained GDP growth will average between 2.0% and 2.5% per year.

- The economy of the Airport service region will increase at a rate comparable to that of the United States as a whole.
- Aviation fuel prices will stabilize at levels that are historically high but lower than the record prices reached in mid-2008.
- In the short-term, improved operating economics related to capacity reductions in recent years will cause the airlines serving the Airport to limit growth in domestic seat capacity and maintain higher airfares than experienced during the 2008-2009 economic recession.
- The merger of United and Continental airlines completed in October 2010 will not materially affect the combined airline's operations at the Airport.
- The planned acquisition of AirTran Airways by Southwest Airlines completed in May 2011 will not materially affect Southwest's operations at the Airport.
- New service by United from Denver to Tokyo will begin on March 31, 2013.
- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
- There will be no major disruption of airline service or airline travel behavior as a result of international hostilities or terrorist acts or threats.
- The Airport will continue to be a principal connecting hub for United and Frontier airlines and a top 10 airport for Southwest Airlines.
- The airlines serving the Airport will be financially viable.
- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares.

Baseline forecast and sensitivity analysis projections of enplaned passengers and landed weight were developed for the Airport, as presented in Tables 19 and 20 and on Figure 24.

Table 19
AIRLINE TRAFFIC FORECASTS
Denver International Airport
2011 – 2020

The forecasts presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Historical	Estimated	Baseline Forecast							
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Enplaned passengers										
United Airlines										
Mainline	7,263,486	6,714,000	6,829,000	6,917,000	6,988,000	7,060,000	7,133,000	7,207,000	7,281,000	7,356,000
United Express	4,087,388	4,000,000	4,060,000	4,121,000	4,183,000	4,246,000	4,309,000	4,374,000	4,440,000	4,486,000
	11,350,874	10,714,000	10,889,000	11,038,000	11,171,000	11,306,000	11,442,000	11,581,000	11,721,000	11,842,000
Frontier Airlines	5,889,632	5,707,000	5,764,000	5,822,000	5,880,000	5,939,000	5,998,000	6,058,000	6,119,000	6,180,000
Southwest Airlines	5,756,081	6,348,000	6,602,000	6,859,000	7,120,000	7,383,000	7,649,000	7,917,000	8,186,000	8,456,000
Other	3,459,208	3,728,000	3,766,000	3,804,000	3,842,000	3,880,000	3,919,000	3,957,000	3,997,000	4,037,000
Total enplaned passengers	26,455,795	26,497,000	27,021,000	27,523,000	28,013,000	28,508,000	29,008,000	29,513,000	30,023,000	30,515,000
Annual percent increase (decrease)	--%	0.2%	2.0%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	1.6%
Originating passengers	14,595,225	14,952,000	15,248,000	15,531,000	15,808,000	16,087,000	16,370,000	16,655,000	16,942,000	17,220,000
Connecting passengers	11,860,570	11,545,000	11,773,000	11,992,000	12,205,000	12,421,000	12,638,000	12,858,000	13,081,000	13,295,000
Percent originating	55.2%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%
Percent connecting	44.8%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%
Landed weight (1,000 pound units)										
Passenger airlines										
United Airlines										
Mainline	8,896,601	8,149,000	8,093,000	8,094,000	8,095,000	8,097,000	8,098,000	8,099,000	8,100,000	8,102,000
United Express	4,826,269	4,452,000	4,758,000	4,781,000	4,804,000	4,827,000	4,851,000	4,874,000	4,898,000	4,899,000
	13,722,869	12,851,000	12,851,000	12,875,000	12,899,000	12,924,000	12,949,000	12,973,000	12,998,000	13,001,000
Frontier Airlines	6,678,707	6,301,000	6,235,000	6,234,000	6,234,000	6,233,000	6,233,000	6,232,000	6,231,000	6,231,000
Southwest Airlines	6,656,232	7,257,000	7,443,000	7,656,000	7,868,000	8,077,000	8,285,000	8,489,000	8,690,000	8,887,000
Other	4,246,558	4,291,000	4,253,000	4,253,000	4,252,000	4,252,000	4,249,000	4,250,000	4,250,000	4,249,000
Total passenger airlines	31,304,366	30,782,000	30,782,000	31,018,000	31,253,000	31,486,000	31,716,000	31,944,000	32,169,000	32,368,000
All-cargo airlines	1,207,406	1,193,000	1,192,000	1,191,000	1,189,000	1,188,000	1,187,000	1,186,000	1,185,000	1,184,000
Total landed weight	32,511,773	31,643,000	31,974,000	32,209,000	32,442,000	32,674,000	32,903,000	33,130,000	33,354,000	33,552,000
Annual percent increase (decrease)	--%	(2.7%)	1.0%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%

Sources: Historical: Airport management records.
Estimated: LeighFisher, September 2012, based on actual data for January through June 2012.
Forecast: LeighFisher, September 2012.

2012 Estimate of Enplaned Passengers

In 2012, the number of enplaned passengers is estimated to total 27.5 million, a 0.2% increase from the number enplaned in 2011, reflecting actual data for January through April 2012, published flight schedules for the Airport, and announced airline service additions at the Airport.

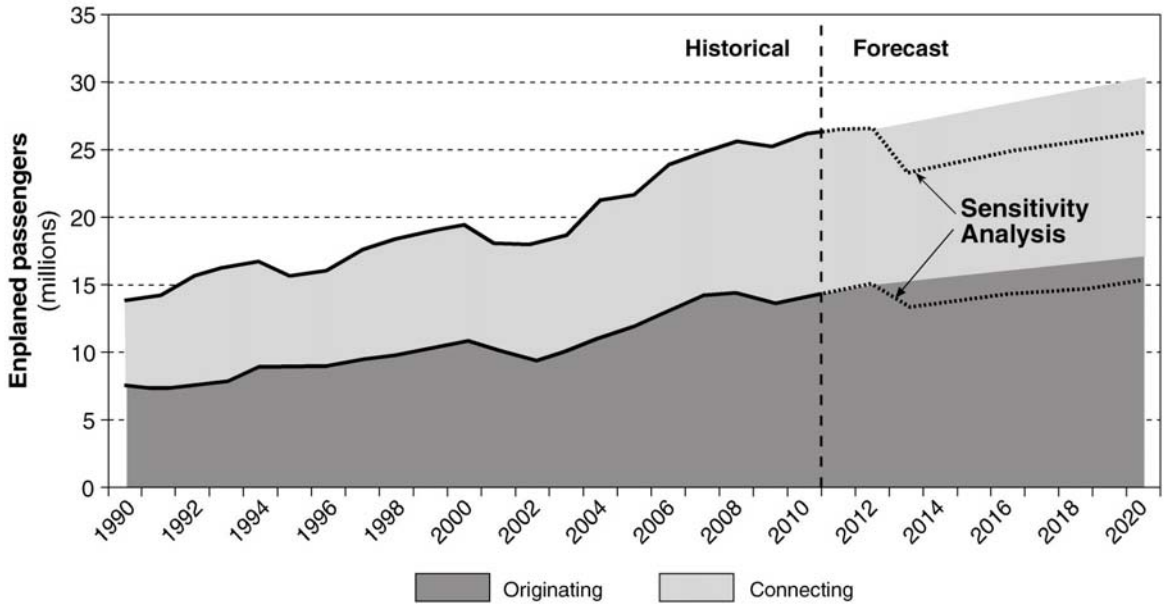
Baseline Forecast of Enplaned Passengers

From 2012 through 2020, the number of passengers enplaned at the Airport is forecast to increase an average of 1.8% per year, to 30.5 million in 2020. In its most recent *Terminal Area Forecast* for the Airport (published December 2011), the FAA forecasts an average annual increase of 2.3% in the number of enplaned passengers at the Airport between 2010 (the base year of the FAA forecasts) and 2020.

Figure 24

HISTORICAL AND FORECAST ENPLANED PASSENGERS

Denver International Airport



The forecasts presented in this figure were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

Sources: Historical—Airport management records.
Forecast—LeighFisher, September 2012.

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Table 20
BASELINE FORECASTS AND SENSITIVITY ANALYSIS PROJECTIONS
Denver International Airport
2011 – 2020

The forecasts and projections presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts and projections will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast/projected and actual results, and those differences may be material.

	Historical	Estimated	Forecast/Projected							
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
BASELINE FORECASTS										
Enplaned passengers										
Originating	14,595,225	14,952,000	15,248,000	15,531,000	15,808,000	16,087,000	16,370,000	16,655,000	16,942,000	17,220,000
Connecting	11,860,570	11,545,000	11,773,000	11,992,000	12,205,000	12,421,000	12,638,000	12,858,000	13,081,000	13,295,000
Total	26,455,795	26,497,000	27,021,000	27,523,000	28,013,000	28,508,000	29,008,000	29,513,000	30,023,000	30,515,000
Annual percent increase (decrease)	--%	0.2%	2.0%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	1.6%
Percent originating	55.2%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%
Percent connecting	44.8%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%
Landed weight (1,000 pound units)	32,511,773	31,643,000	31,974,000	32,209,000	32,442,000	32,674,000	32,903,000	33,130,000	33,354,000	33,552,000
SENSITIVITY ANALYSIS PROJECTIONS										
Enplaned passengers										
Originating	14,595,225	14,952,000	13,480,000	13,750,000	14,011,000	14,275,000	14,541,000	14,810,000	15,081,000	15,345,000
Connecting	11,860,570	11,545,000	9,831,000	9,999,000	10,159,000	10,320,000	10,483,000	10,647,000	10,813,000	10,960,000
Total	26,455,795	26,497,000	23,311,000	23,749,000	24,170,000	24,595,000	25,024,000	25,457,000	25,894,000	26,305,000
Annual percent increase (decrease)	--%	0.2%	(12.0%)	1.9%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%
Percent originating	55.2%	56.4%	57.8%	57.9%	58.0%	58.0%	58.1%	58.2%	58.2%	58.3%
Percent connecting	44.8%	43.6%	42.2%	42.1%	42.0%	42.0%	41.9%	41.8%	41.8%	41.7%
Percent of baseline forecast		100.0%	86.3%	86.3%	86.3%	86.3%	86.3%	86.3%	86.2%	86.2%
Landed weight (1,000 pound units)	32,511,773	31,643,000	27,737,000	27,937,000	28,135,000	28,332,000	28,527,000	28,720,000	28,910,000	29,064,000
Percent of baseline forecast		100.0%	86.7%	86.7%	86.7%	86.7%	86.7%	86.7%	86.7%	86.7%

Sources: Historical: Airport management records.
Estimated: LeighFisher, September 2012, based on actual data for January through June 2012.
Forecast and Projected: LeighFisher, September 2012.

Sensitivity Analysis Projections of Enplaned Passengers

Projections of enplaned passengers were developed to provide the basis for a sensitivity test of the Airport's forecast financial results (presented later in this report) to a hypothetical reduction in passenger numbers such as could occur under conditions of slow economic growth, restricted seat capacity, higher airfares resulting from a spike in oil prices, an unexpected geopolitical event, and reduced overall airline service. The sensitivity analysis projections of enplaned passengers at the Airport for 2012 through 2020 are presented in Table 20.

It was hypothesized that, for the sensitivity analysis projection relative to the baseline forecast:

- Weak economic conditions would depress disposable income and airline travel demand in the short-term.
- Overall airline service at the Airport would be reduced, such as could occur if a spike in oil prices caused all airlines to reduce service at the Airport.
- Significant increases in airfares together with reductions in disposable income would result in a 10% decrease in the number of originating passengers at the Airport in 2013.
- The level of connecting service now provided would decrease 15% in 2013 and would not be replaced by other airlines.
- Airline service patterns would stabilize after 2013 and would thereafter increase at rates similar to those in the baseline forecast.

In the sensitivity analysis projection, by 2020, the overall number of enplaned passengers would be 26.3 million versus 30.5 million in the baseline forecast. Relative to the baseline forecast, the total number of enplaned passengers would be 12.0% lower. Originating passengers would account for 58.3% of the total, equal to the share in the baseline forecast.

Landed Weight

Under the baseline forecast, aircraft landed weight is forecast to increase from an estimated 31.6 million 1,000-pound units in 2012 to 33.6 million 1,000-pound units in 2020. The forecast growth in landed weight is slightly lower than that for enplaned passengers, reflecting an assumed gradual increase in the enplaned passenger load factors at the Airport. Corresponding assumptions were made for the sensitivity analysis projection, resulting in a projection of 29.1 million 1,000-pound units of landed weight in 2020.

FINANCIAL ANALYSIS

FRAMEWORK FOR AIRPORT SYSTEM FINANCIAL OPERATIONS

The City accounts for Airport System financial operations according to generally accepted accounting principles for governmental entities and the requirements of the General Bond Ordinance, as discussed below. Other key documents that influence the financial operations of the Airport are the PFC Supplemental Bond Ordinance, the Subordinate Bond Ordinance, and the Airport use and lease agreements.

All financial exhibits are presented at the end of this report.

General Bond Ordinance

Improvements to the Airport System have been financed largely through the City's issuance of Airport System Revenue Bonds under the General Bond Ordinance and, to a lesser extent, through the issuance of Airport System Subordinate Revenue Bonds under the Subordinate Bond Ordinance.

The General Bond Ordinance sets forth the covenants of the City with respect to, among other things for the Airport System:

- Issuing additional Bonds
- Establishing rentals, rates, fees, and charges for use of the Airport and its facilities
- Paying O&M Expenses and Debt Service Requirements, among other costs, as discussed later in this financial analysis

Pursuant to the General Bond Ordinance, the City can also issue Special Facilities Bonds to fund the cost of facilities related to or used in connection with the Airport System. Debt Service Requirements on Special Facilities Bonds are not payable from Net Revenues and, therefore, were not considered in this report.

In the General Bond Ordinance, the City covenants to fix, revise, charge, and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year*, Gross Revenues together with Other Available Funds will, at all times, be at least sufficient to provide for the payment of O&M Expenses for such Fiscal Year, and the larger of either (1) the total amount of required deposits to various Airport System funds and accounts during such Fiscal Year, or (2) 125% of the aggregate Debt Service Requirements on Senior Bonds for such Fiscal Year. This

*The City's Fiscal Year is the same as the calendar year.

provision of the General Bond Ordinance is referred to as the Rate Maintenance Covenant.

According to unaudited City data for the first 6 months of 2012, the City had accumulated at least 25% of annual Debt Service Requirements in the Coverage Account of the Capital Fund, which is considered Other Available Funds under the General Bond Ordinance; such funds can be used by the City to meet the Rate Maintenance Covenant on Senior Bonds up to 25% of the Debt Service Requirements on such Bonds. The City intends to deposit additional amounts, if necessary, in the Coverage Account so as to maintain a balance equal to approximately 25% of the Debt Service Requirements on Senior Bonds and to apply such amounts as Other Available Funds each year in the calculation of the Rate Maintenance Covenant.

PFC Supplemental Bond Ordinance

The City imposes a $4.50 PFC per eligible enplaned passenger at the Airport, as approved by the FAA. Under various FAA approvals, the City has the authority to use approximately $3.3 billion in PFC revenues for PFC-eligible project costs at the Airport. Through the end of 2011, the City had collected $1.3 billion of the total PFC collections authorized by the FAA.

Under a PFC Supplemental Bond Ordinance, the PFC Fund and two subaccounts—the PFC Debt Service Account and the PFC Project Account—were established for the annual deposit and use of PFC revenues. The $3.00 portion of the $4.50 PFC is defined as Committed Passenger Facility Charges and the $1.50 portion of the $4.50 PFC is defined as Designated Passenger Facility Charges.

Committed Passenger Facility Charges. The City has irrevocably committed to apply revenue from Committed Passenger Facility Charges in 2012 and 2013, up to certain specified maximum amounts (the Maximum Committed Amounts), to pay debt service on Senior Bonds. Committed Passenger Facility Charges are not currently defined as Gross Revenues of the Airport and are not expected to be defined as such during the forecast period.

Under a proposed PFC Supplemental Bond Ordinance to be adopted by the City prior to the issuance of the 2012 Bonds, the City intends to irrevocably commit revenue from Committed Passenger Facility Charges to pay Debt Service Requirements in 2013 through 2018.

For purposes of calculating debt service coverage under the Rate Maintenance Covenant, the General Bond Ordinance allows the City to exclude any debt service irrevocably committed to be paid from the PFC Debt Service Account (effectively, for purposes of this report, the Committed Passenger Facility Charges revenue) from the calculation of Debt Service Requirements on Senior Bonds.

Designated Passenger Facility Charges. Revenue from Designated Passenger Facility Charges would be deposited in the Revenue Fund, included as Gross Revenues of the Airport, and included as Net Revenues in calculating debt service coverage under the Rate Maintenance Covenant.

Under a proposed Supplemental Bond Ordinance to be adopted by the City prior to the issuance of the 2012 Bonds, the City intends to continue defining revenue from Designated Passenger Facility Charges as Gross Revenues in 2013 through 2018. Unlike revenue from Committed Passenger Facility Charges, revenue from Designated Passenger Facility Charges are not irrevocably committed to pay Debt Service Requirements, but may be used by the City to pay Debt Service Requirements during the forecast period. Any Debt Service Requirements paid from Designated Passenger Facility Charges revenue would be included in the calculation of debt service coverage under the Rate Maintenance Covenant.

Subordinate Bond Ordinance

In the Subordinate Bond Ordinance, the City covenants to fix, revise, charge, and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year, Gross Revenues, together with Other Available Funds, will at all times be at least sufficient to provide for the payment of Operation and Maintenance Expenses for such Fiscal Year and the greater of either (1) the amounts needed to make the required deposits in the same Fiscal Year to the credit of the several subaccounts in the Bond Fund and to the credit of the Bond Reserve Fund, the Subordinate Bond Fund, and the Operation and Maintenance Reserve Account or (2) an amount not less than 110% of the aggregate Debt Service Requirements and Subordinate Debt Service Requirements for such Fiscal Year.

The City may amend the Subordinate Bond Ordinance during the forecast period, but such amendments would generally require subordinate lien bondholder consent and Denver City Council approval.

The financial forecasts presented in this report were prepared in accordance with the existing Subordinate Bond Ordinance. The City has stated that it does not intend to pursue the adoption of any amendment to the Subordinate Bond Ordinance if, in the City's opinion, the adopted amendments would materially change forecast debt service coverage calculated pursuant to the Subordinate Bond Ordinance and presented in this report.

Airport Use and Lease Agreements

The City and certain airlines serving the Airport have executed Airport use and lease agreements, as amended, that provide for, among other things: (1) the use and lease of space at the Airport, (2) the basis for calculating and recalculating rentals, rates, fees, and charges paid by the airlines operating at the Airport, and (3) the majority-in-interest (MII) rights of the airlines regarding changes to the

methodology for establishing their rentals, rates, fees, and charges. The Airport use and lease agreements also:

- Provide that 50% of the Net Revenues remaining at the end of each year, up to a maximum of $40.0 million, and after all other requirements are satisfied, is to be credited to the airlines signatory to the agreement in the following year through the Airline Revenue Credit Account.

- Contain a provision stating that, notwithstanding any other provision of the agreements regarding rate-making methodologies or rentals, rates, fees, and charges, the rate base must generate Gross Revenues that, together with Other Available Funds, are sufficient to satisfy the Rate Maintenance Covenant each year.

United's Airport Use and Lease Agreement. United Airlines enplanes the largest share of passengers and leases the largest amount of space and facilities at the Airport under an amended use and lease agreement (the United Agreement) scheduled to expire in 2025.

Various amendments to the United Agreement have been adopted, mostly focusing on mitigating the annual costs associated with the nonoperational automated baggage system (ABS), which United ceased using in 2005, and maintaining United's commitment to continue using the Airport as a connecting hub in its route network.

In 2005 and 2006, the United Agreement was amended to reduce the annual costs associated with the ABS through 2025, the final year of the United Agreement (the 2005 Amendment and the 2006 Amendment). These amendments reduced the costs that would otherwise have been paid by United by approximately $21 million per year through 2025. The amended United Agreement allows the City to cease or reduce, and subsequently restate, the cost reductions under certain conditions, but the City does not currently expect any of those conditions to be met during the forecast period.

In addition, United also agreed to enplane no fewer than 7.7 million revenue-connecting passengers at the Airport each year through 2025, which applies to all revenue-connecting passengers enplaned by the United Airlines Group. The United Airlines Group enplaned 6.6 revenue-connecting-passengers in 2011, which did not meet its revenue-connecting-passenger target for that year. United's failure to reach its targeted passenger level does not constitute a default under the United Agreement, but allows the City to decrease United's portion of the deposit to the Airline Revenue Credit Account by an amount equal to $6.00 for each revenue-connecting passenger below the target number, provided that the total reduction does not exceed United's share of the Airline Revenue Credit Account in the then-current year.

Based on the airline traffic forecasts presented in the "Airline Traffic Analysis" section of this report, United would not meet its revenue-connecting-passenger target pursuant to the 2005 Amendment from 2012 through 2020 and the City will decrease United's portion of the deposit to the Airline Revenue Credit Account in those years by $4.5 million to $8.5 million per year.

In May 2012, the City and United further amended the United Agreement (the 2012 Amendment) to provide conditional rent relief related to the remaining unused and nonoperational ABS. The 2012 Amendment became effective in July 2012 when the City completed certain conditions precedent, including:

- Removing and reclassifying unused and nonoperational baggage system space from United's leasehold premises on Concourse B
- Removing approximately 61,000 square feet of space from future ABS rates and charges
- Using approximately $92.5 million of non-PFC Airport cash to defease approximately $81.3 million in total Bond principal outstanding associated with the released space
- Allocating amounts equivalent to approximately 75% of future $1.50 PFC revenue to the Terminal Complex to pay existing PFC-approved debt service.

The effect of the 2012 Amendment will be to further reduce airline rentals, rates, fees, and charges for airlines leasing space in the Terminal Complex, including United, and to make the Airport more cost-competitive for existing and future airlines serving the Airport.

Under the 2012 Amendment, United agreed that it would pay all or a portion of the $92.5 million in costs the City expended in defeasing the Bond principal associated with the released space if the number of Available Seat Miles (ASMs) flown by the United Airlines Group at the Airport falls below certain levels stated in the 2012 Amendment. United may also be required to repay all of the costs if one of the partial termination events set forth in the 2012 Amendment occurs, including the ASM number for the United Airlines Group falling below a certain base level. In the event that United is obligated to repay all or a portion of costs expended to defease the Bond principal, the amount of such repayment would be deposited to the Airport Capital Fund and would not be included in Airport Gross Revenues.

On a calendar year basis using actual information, a determination would be made if the level of ASMs flown by United was above or below the stated ASM levels in the 2012 Amendment and if United is required to repay all or a portion of the costs described above. While this report includes forecasts of aviation activity levels, the

report does not include forecasts of future ASM levels and as such, no determination is made regarding payments, if any, that United may be obligated to make to the City pursuant to the 2012 Amendment.

The City entered into discussions with the FAA regarding the 2012 Amendment and has provided detailed information to the FAA, including the proposed use of revenue from the $1.50 PFC to pay currently approved PFC-eligible debt service. As of the date of this report, the FAA has indicated it will be completing its review soon.

United may terminate the United Agreement, as supplemented and amended, if its cost per enplaned revenue passenger at the Airport exceeds $20 (in 1990 dollars) in any given year. United's cost per enplaned revenue passenger at the Airport is not expected to exceed $20 during the forecast period, as shown in Exhibit E.

Other Airline Airport Use and Lease Agreements. The airlines listed in Table 21 operate at the Airport under a holdover provision of Airport use and lease agreements that expired on December 31, 2011. It is the City's expectation that the airlines listed below and discussed in this section will execute new Airport use and lease agreements, which would become effective from January 1, 2012, through December 31, 2016.

According to the City, Frontier Airlines is expected to reduce the number of gates and space it leases at the Airport when it executes the new Airport use and lease agreement. The reduction would be equal to an estimated four gates and approximately 22,000 square feet of Terminal Complex space, but the City's expectation is that these facilities will be leased by another airline serving the Airport in 2012 or 2013. For purposes of this report, it was assumed that all of these facilities will be leased by another airline effective January 1, 2013.

Table 21
OTHER AIRLINE AIRPORT USE AND LEASE AGREEMENTS AND NUMBER OF GATES LEASED (in parentheses)

AirTran Airways *(a)*
Alaska Airlines (1)
American Airlines (3) *(b)*
Delta Air Lines (5)
Frontier Airlines (18)
Southwest Airlines (19)
US Airways (2)

(a) AirTran Airways is owned by Southwest Airlines and operates at gates leased by Southwest.

(b) American Airlines filed for Chapter 11 bankruptcy protection on November 29, 2011, and is operating at the Airport under the holdover provision of the recently expired agreements. The City expects that American will execute the new Airport use and lease agreement as part of its restructuring.

Source: Airport management records.

Certain other airlines also operate at the Airport under the holdover provision of their expired Airport use and lease agreement. These airlines, which do not lease gates in the Terminal Complex, but use Airport facilities, include: American Eagle, Compass Airlines, ExpressJet Airlines, GoJet Airlines, Great Lakes Aviation, JetBlue Airways, Republic Airlines, Shuttle America, and SkyWest Airlines. Many of these are regional airlines that have code-sharing agreements with the airlines listed in Table 21. The City also has Airport use and lease agreements with the following foreign-flag passenger airlines: Aeromexico, Air Canada, British Airways, Icelandair, and Lufthansa German Airlines.

As the new Airport use and lease agreements expire during the forecast period, the City expects to renegotiate the agreements with business provisions that will result in similar Airport financial performance as provided for under the new Airport use and lease agreements.

The City has also executed Airport use and lease agreements with certain all-cargo airlines and other cargo tenants, as discussed later in this financial analysis. Please refer to the "AGREEMENTS FOR USE OF AIRPORT FACILITIES" section of the Official Statement for a summary of the agreements between the City and the airlines serving the Airport.

AIRPORT CAPITAL PROGRAM

Airport management has prepared a 6-year Airport capital program spanning 2013 through 2018 (the 2013-2018 Capital Program), which includes Airport facilities projects with the following purposes:

- Major maintenance
- Expansion
- Capacity enhancements
- Upgrades and improvements
- Revenue-generating

The projects in the 2013-2018 Capital Program are described below and are estimated by the City to cost approximately $1.1 billion. The cost of the 2013-2018 Capital Program shown in Exhibit A presented at the end of this report includes an allowance for inflation based on the start and end dates for each project.

Airfield Area and Concourse Apron

- Rehabilitate taxiways and runways as part of the City's pavement management plan
- Construct a high speed taxiway to improve airfield efficiency
- Install taxiway lights to improve operations on the airfield

Terminal Complex and Automated Guideway Transit System

- Improve existing concourses, including replacement of loading bridges and escalators, and other improvements
- Relocate baggage system security screening to the Landside Terminal Building
- Improve building systems, including fire protection, electrical and mechanical, heating and cooling, and communications and information technology
- Upgrade the AGTS computer hardware and software programs

Roadways, Public Parking, and Ground Transportation

- Rehabilitate Peña Boulevard
- Construct a new public parking garage
- Rehabilitate pavement in targeted roadway and parking areas, and replace access bridges to the public parking garages

Other Airport Areas

- Improve waste water systems
- Improve the Airport information technology infrastructure

South Terminal Redevelopment Program

The Regional Transportation District (RTD) is in the process of constructing a rail line to connect Denver Union Station with the Airport. The expansion of rail service to the Airport is expected to be completed by 2016 and will largely be funded by Denver Transit Partners, a concessionaire selected by RTD to construct this line. Fare revenues to ride the new rail service to and from the Airport will not be included in Gross Revenues of the Airport.

As part of RTD's expansion program, the Department of Aviation is required to finance and build a "terminal-to-station" interface pursuant to an intergovernmental agreement (IGA) between RTD and the Department. The Department is responsible for operating and maintaining only certain portions of the terminal-to-station interface. The IGA provides that the Department will grant a lease to RTD with an initial term of 50 years, and up to three renewal periods of 15 years each, with each renewal subject to FAA approval.

The Department engaged several firms to assist in managing, designing, and constructing the South Terminal Redevelopment Program (STRP). As of the date of this report, the conceptual STRP design includes a variety of integrated project elements, as follows:

- Design and construction of a train station with public circulation space and two RTD tracks. The Department is planning for the station to provide additional capacity to accommodate future transportation modes.
- Expansion of the AGTS to provide additional service capacity to the existing concourses.
- Design and construction of a plaza to provide public access between the Landside Terminal Building, the train station, and, as discussed below, a proposed hotel. The plaza area may also include future concessions for Airport passengers.
- Design and construction of a proposed 519-room, full-service hotel and conference center on top of the plaza and the rail station. Access to the hotel would be provided from the Landside Terminal Building, the plaza, the train station, and certain existing public parking facilities.

The conceptual design of the STRP also includes, but is not limited to, the following additional projects: (1) realignment of certain on-Airport roadways that serve the

Landside Terminal Building to accommodate the rail lines, (2) the space and infrastructure for the future buildout of additional passenger security screening facilities, (3) relocation of certain utilities, and (4) passenger and baggage check-in facilities.

The Department has established a budget of approximately $500 million (in 2012 dollars) for the STRP, which includes all of the project elements described above.

The scope and size of the STRP were designed to meet a $500 million budget. The Department is obligated under the IGA to construct and have available a train station for use and testing by January 2014. Any reduction in the scope and size of the STRP would likely occur in non-revenue-producing areas of the proposed STRP, given that the proposed hotel is expected to be financially self-sustaining when it opens, according to projections prepared by a hospitality consultant to the City.

PLAN OF FINANCING

The major sources of funds the City expects to use for the 2013-2018 Capital Program are shown in Exhibits A and B, and are discussed below. To the extent that the City does not receive the funding shown in Exhibit A, the City would (1) defer projects or reduce project scopes, as appropriate, (2) issue additional Bonds, or (3) use additional Airport equity.

Federal Grants

The City is eligible to receive FAA grants-in-aid under the Airport Improvement Program (AIP) for up to 75% of the costs of eligible projects. Certain of these grants are to be received as entitlement grants, the annual amounts of which are calculated on the basis of the number of enplaned passengers and the amount of landed weight of all-cargo aircraft at the Airport. Discretionary grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports nationwide.

FAA authorization and the funding of the Airport and Airway Trust Fund (the primary source of AIP funding) will continue from Federal Fiscal Year (FFY) 2012 through FFY 2015 (ending September 30) under the FAA Modernization and Reform Act of 2012 (the 2012 Act), which provides approximately $3.35 billion of AIP funding each year.

The federal funding shown in Exhibit A reflects entitlement and discretionary grants the City expects to receive during the forecast period, based in part on prior levels of federal funding and the recently authorized 2012 Act. Federal grants-in-aid assumed to be applied to fund 2013-2018 Capital Program costs are equal to approximately $10 million per year for FAA-eligible projects. If expected entitlement and discretionary funding levels are not achieved, the Department intends to revise its AIP-eligible projects in the 2013-2018 Capital Program.

Purchase Agreements

The City has entered into Master Installment Purchase Agreements (the Purchase Agreements) with GE Public Finance; Siemens Financial Services, Inc.; Chase Equipment Leasing Inc.; Koch Financial Corporation; and Sovereign Leasing, LLC. (the Financing Companies), which allow the City to take loans to fund equipment acquisitions and installations at the Airport. The City has taken such loans for certain projects at the Airport.

Under the Purchase Agreements, the City makes installment purchase payments to the Financing Companies for 3 to 10 years at annual interest rates between 1.9% and 5.0%. Please refer to the later section of this report entitled "Application of Revenues" regarding the priority for making installment purchase payments to the Financing Companies relative to other City obligations under the General Bond Ordinance.

Prior Bond Proceeds

The City intends to use approximately $81.2 million in net proceeds of Airport System Revenue Bonds that were originally issued to fund Airport improvements, but will now be used to fund a portion of the cost of the 2013-2018 Capital Program.

Series 2012A Bonds

The Series 2012A Bonds are expected to be subject to the AMT with a fixed interest rate and issued to:

- Current refund and defease the following approximate amounts:
  (a) $63.6 million in principal outstanding of the Series 2002E Bonds,
  (b) $134.5 million in principal outstanding of the Series 2003A Bonds, and
  (c) $56.0 million of Subordinate Commercial Paper Notes expended on projects in the 2013-2018 Capital Program of the Airport.

- Reimburse approximately $8.2 million of Capital Fund moneys spent on projects in the 2013-2018 Capital Program.

- Fund approximately $70.3 million of project costs in the 2013-2018 Capital Program and pay capitalized interest on that portion of the Series 2012A Bonds.

- Fund a deposit to the Bond Reserve Fund equal to the Minimum Bond Reserve Requirement under the General Bond Ordinance.

- Pay the costs of issuance, including underwriters' discount and financing, legal, and other costs for the 2012 Bonds.

Series 2012B Bonds

The Series 2012B Bonds are not expected to be subject to the AMT, to have a fixed interest rate, and to be issued to:

- Current refund and defease approximately $103.4 million in principal outstanding of the Series 1998B Bonds.
- Fund approximately $318.9 million of project costs in the 2013-2018 Capital Program, which would include the proposed hotel at the Airport as well as other projects in the Capital Program, and pay capitalized interest on that portion of the Series 2012B Bonds.
- Fund a deposit to the Bond Reserve Fund equal to the Minimum Bond Reserve Requirement under the General Bond Ordinance.
- Pay the costs of issuance, including underwriters' discount and financing, legal, and other costs for the 2012 Bonds.

Approximately $453.4 million in net proceeds of the 2012 Bonds, which reflects that portion of the 2012 Bonds to be issued to fund projects in the 2013-2018 Capital Program, to current refund and defease Subordinate Commercial Paper Notes and to reimburse Capital Fund balances, are considered additional Bonds under Section 704B of the General Bond Ordinance and, as such, the City is required to retain an Airport Consultant to demonstrate the City's compliance with the covenant for issuing additional Bonds prior to issuing that portion of the 2012 Bonds. The City retained LeighFisher as the Airport Consultant for this purpose and compliance with the additional Bonds test is to be determined and the results are to be provided to the City in connection with the issuance of $453.4 million in net proceeds of the 2012 Bonds.

The City's plans to current refund and defease, and advance refund the specific series of Bonds described above are dependent upon market conditions at the time of pricing, which may change:

- The amount of Bond principal that would be refunded at the time of pricing.
- The specific series of Bonds that would be refunded. The City may elect to current refund and defease approximately $104.1 million in principal outstanding of the Series 1998A Bonds, advance refund approximately $27.5 million in principal outstanding of the Series 2003A Bonds, and advance refund approximately $75.5 million in principal outstanding of the Series 2003B Bonds.

- The tax status of a portion of the 2012A Bonds from tax-exempt to taxable, which may be issued by the City as a separate series of the 2012 Bonds (e.g. the Series 2012C Bonds).

Debt service savings, if any, from Bonds that may be refunded by the City in 2012 and in the future are not included in the financial forecasts presented in this report.

Future 2012 Bonds

Depending on market conditions and other factors, the City may issue an additional series of bonds in 2012 following the issuance of the 2012 Bonds (the Future 2012 Bonds). The Future 2012 Bonds were assumed to be issued as Subordinate Bonds under the Subordinate Bond Ordinance adopted by the City in 1997. The purpose of the Future 2012 Bonds would be to fund approximately $202.3 million in 2013-2018 Capital Program costs and to pay certain costs of issuing the Bonds. The City is under no obligation to issue the Future 2012 Bonds or to issue them as Subordinate Bonds. If the Future 2012 Bonds are not issued, the City expects to fund the costs of projects in the 2013-2018 Capital Program with proceeds from the issuance of additional Bonds in 2013 and future years.

Future Planned Bonds

Exhibit B also shows the aggregate sources and uses of funds for Future Planned Bonds, which, together with estimated FAA grants-in-aid and prior Bond proceeds, would be used to:

- Fund approximately $482.9 million of 2013-2018 Capital Program costs.
- Pay capitalized interest on Future Planned Bonds.
- Fund a deposit to the Bond Reserve Fund equal to the Minimum Bond Reserve Requirement.
- Pay the costs of issuance for Future Planned Bonds.

The Future Planned Bonds were assumed to be issued as Senior Bonds under the General Bond Ordinance.

During the forecast period, the City may decide to fund more of the 2013-2018 Capital Program costs from the net proceeds of Subordinate Bonds, which decision would be based on a number of factors at the time of issuance, such as (1) the type of project to be financed (i.e., major maintenance or revenue-producing), (2) the difference in interest rates between Senior and Subordinate Bonds, and (3) the implications, if any, on the Airport's debt service coverage ratio; airline rentals, rates, fees, and charges; and credit rating, among other factors, by issuing Subordinate Bonds.

To fund portions of the 2013-2018 Capital Program on an interim basis, the City may use the proceeds from the issuance of Subordinate Commercial Paper Notes and the Purchase Agreements to, among other things: (1) minimize the City's overall cost of issuing Bonds and (2) fund project and equipment costs during construction. Use of these sources of funds for purposes other than those described above, however, was not assumed for purposes of the plan of financing for the 2013-2018 Capital Program.

PASSENGER FACILITY CHARGE REVENUES

The forecast of annual PFC revenues is based on: (1) the airline traffic forecasts presented in the section entitled "Airline Traffic Forecasts" and (2) an assumed 89% of passengers qualifying to pay a PFC, which reflects recent historical levels at the Airport.

Exhibit C presents forecast revenues from Committed Passenger Facility Charges, the use of those revenues to pay Debt Service Requirements, and the net Debt Service Requirements that are used to calculate debt service coverage under the General Bond Ordinance and the Subordinate Bond Ordinance.

Exhibit C also presents forecast revenues from Designated Passenger Facility Charges and the use of those revenues—along with Committed Passenger Facility Charges revenue—to pay Debt Service Requirements during the forecast period. The City intends to use a majority of Designated Passenger Facility Charges revenue to pay Debt Service Requirements allocable to the Terminal Complex, consistent with the 2012 Amendment to the United Agreement.

All of the forecast revenue from Committed Passenger Facility Charges and Designated Passenger Facility Charges were assumed to pay existing FAA-approved PFC-eligible Debt Service Requirements or to pay Debt Service Requirements on projects in the 2013-2018 Capital Program that were assumed to be PFC-eligible and FAA-approved in the future.

The net Debt Service Requirements used to calculate airline rentals, rates, fees, and charges are shown on Exhibit C, and in Exhibit C-1.

DEBT SERVICE REQUIREMENTS

Exhibit C presents annual Debt Service Requirements of Outstanding Bonds, the 2012 Bonds, the Future 2012 Bonds, and Future Planned Bonds. Debt Service Requirements for historical years are based on audited results provided by the City. Debt service is shown net of capitalized interest, Committed Passenger Facility Charges revenue, and amounts in escrow to be used to economically defease certain Senior Bonds.

Under interest rate exchange agreements between the City and various financial institutions, certain payments may be made to or from each financial institution equal to the difference between the fixed or variable rates payable by the City under each agreement and the fixed or variable rates payable by the financial institutions. Under these agreements, the City's obligation to make payments to the financial institutions is subordinate to the City's payment of debt service on Senior Bonds.

2012 Bonds

Debt Service Requirements on the 2012 Bonds were estimated by the City's Financial Consultant based on the following assumptions:

	Series 2012A Bonds	Series 2012B Bonds
Delivery date		
Final maturity		
Assumed interest rate		

Future 2012 Bonds and Future Planned Bonds

Based on information provided by the City's Financial Consultant, Debt Service Requirements on the Future 2012 Bonds and Future Planned Bonds are also shown in Exhibit C and reflect (1) allowances for future changes in bond interest rates and (2) varying bond terms of 20 years and 30 years.

Allocation of Debt Service to Cost Centers

Exhibit C-1 summarizes the allocation of net Debt Service Requirements to Airport System cost centers in accordance with procedures and formulas specified in the Airport use and lease agreements.

OPERATION AND MAINTENANCE EXPENSES

Exhibit D presents O&M Expenses by object type and by Airport System cost center. The amounts for historical years reflect audited financial results for the Airport System.

Budgeted 2012 Operation and Maintenance Expenses

O&M Expenses for 2012 are based on the City's budget,* and are approximately 8.5% higher than actual O&M Expenses for 2011.

Historically, personnel services have represented the single largest category of expense at the Airport, which is typical of most U. S. airports, and which was the case in 2011 and will be the case in 2012 and throughout the forecast period. Personnel services include all salaries, wages, and benefits for filled staff positions; for budgeting purposes, such expenses are included for vacant positions.

The next largest category of expense at the Airport is professional services, which include management and other contracts for the provision of the following services at the Airport (from highest to lowest cost):

- Bombardier Transportation, which maintains the AGTS pursuant to a contract with the City in effect from January 2011 through December 2017.
- AMPCO Transportation Services, which provides shuttle bus service from remote parking lots to the Terminal Complex. The City reimburses AMPCO for the actual cost of providing this service. The contract between the City and AMPCO Transportation Services is scheduled to expire in 2014.
- ISS, which provides janitorial services in the Terminal Complex pursuant to a contract that is to be effective from September 16, 2012, for a 3-year term, with two 1-year extensions.
- Standard Parking/DAJA International, which operates and manages the public parking facilities at the Airport under a contract that includes reimbursement to Standard Parking for its expenses. The contract between the City and Standard Parking/DAJA International is scheduled to expire in 2014.

As these and other contracts and agreements expire during the forecast period, the City expects to enter into new contracts or agreements that would provide for a similar or better level of service, and similar or lower annual costs.

Other major expense categories include guard services and utilities. Electricity costs for tenant-leased space, the use of tenant equipment, and tenant support facilities are billed directly to tenants, and are not included in Airport O&M Expenses. Expenses associated with baggage handling and fueling systems—which are owned by the City—are paid directly by the airlines through third-party operator arrangements.

Budgeted 2012 O&M Expenses were allocated to Airport cost centers by Department of Aviation staff based on historical Airport operations, airport industry practices, provisions in the Airport use and lease agreements, and other considerations.

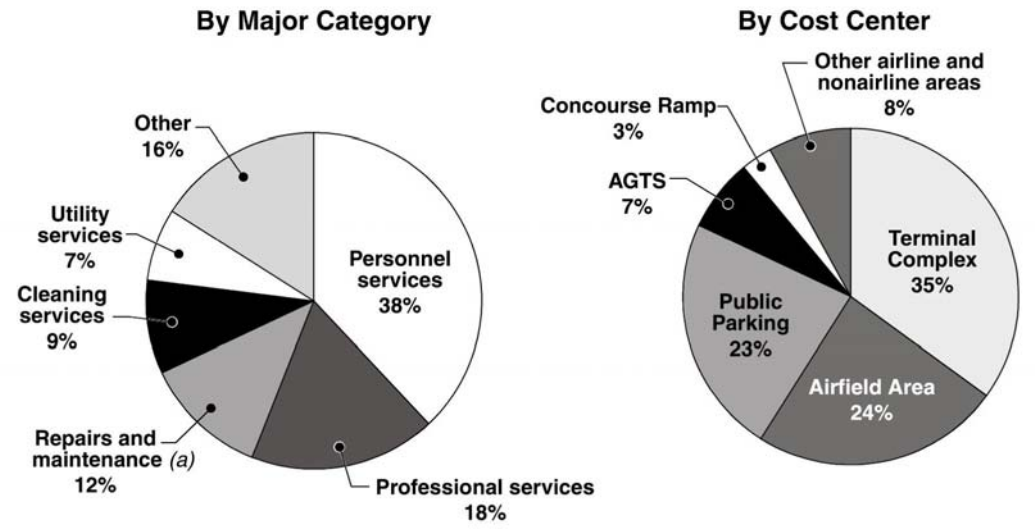
Estimated 2013 Operation and Maintenance Expenses

The City's estimated O&M Expenses for 2013 are approximately 3.7% higher than budgeted 2012 O&M Expenses. The major categories of O&M Expenses for 2013 and the distribution of expenses among Airport cost centers are shown on Figure 25.

Figure 25

2011 BUDGETED OPERATION AND MAINTENANCE EXPENSES

Denver International Airport



(a) Includes maintenance costs for the AGTS.

Source: Airport management records.

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Forecast 2014-2020 Operation and Maintenance Expenses

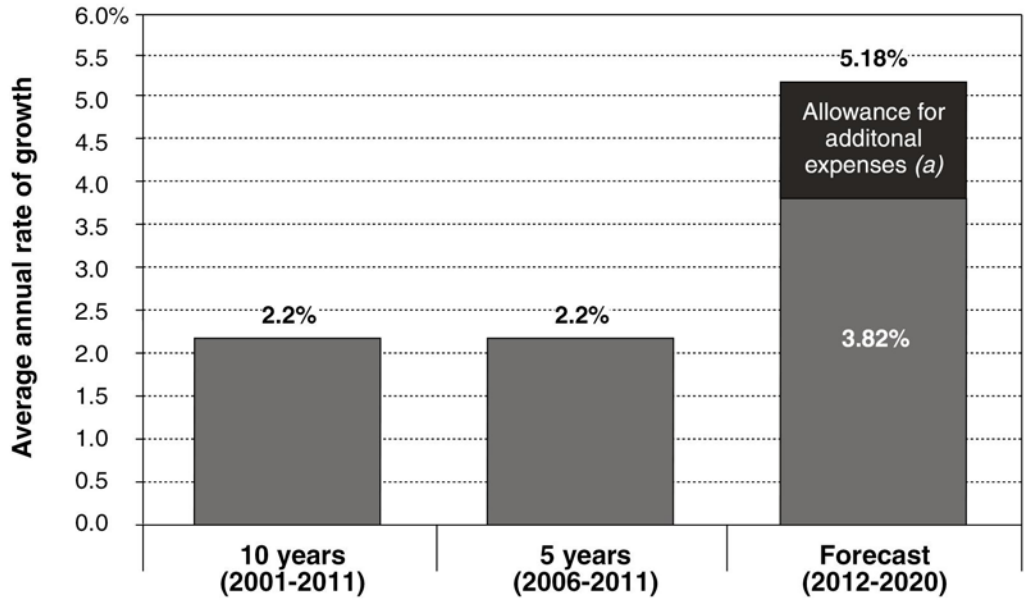
In 2011, Airport management completed a strategic business plan after a review of potential financial results for the Airport under various assumptions regarding capital investments at the Airport, rates of growth in airline traffic, and other factors. As a result of this planning effort, the Department established goals and targets for managing future O&M Expenses—one of the largest annual costs of the Airport.

O&M Expenses per enplaned passenger at the Airport increased approximately 2.2% per year for the most recent 10-year and 5-year periods (through 2011). The relationship between O&M Expenses and enplaned passengers was analyzed because the cost of maintaining and operating an airport is typically tied to numbers of passengers, among other factors. A comparison of historical and forecast O&M Expenses per enplaned passenger is presented on Figure 26. The rate of growth in O&M Expenses from 2012 through 2020 reflects, in part, the assumption that O&M Expenses will increase as facilities in the 2013-2018 Capital Program are completed and available for use, including the STRP and the proposed hotel.

Figure 26

O&M EXPENSES PER ENPLANED PASSENGER

Denver International Airport



Source: Airport management records for historical data. The forecast results are based on the O&M Expenses presented in Exhibit D and the forecast of enplaned passengers presented in Table 19 of this report.

(a) Reflects an allowance for additional O&M Expenses associated with projects in the 2013-2018 Capital Program

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Forecast O&M Expenses for existing facilities and allowances for additional O&M Expenses associated with projects in the 2013-2018 Capital Program that are expected to be available during the forecast period reflect the following targeted goals established by Airport management:

- Personnel expenses would increase 4% per year, consistent with expected cost of living adjustments during each year of the forecast period.
- From 2013 through 2020, all non-personnel expenses would increase at a rate equal to 1% more than the annual rate of inflation in the Denver area for the 5-year period 2007 through 2011*, which is equal to 2.2% per year.

GROSS REVENUES

Table 22 presents the major sources of Gross Revenues for the Airport. Line-item details for airline rentals, rates, fees, and charges and nonairline revenues are shown in Exhibits E and F, respectively.

*Source: U.S. Department of Labor, Bureau of Labor Statistics, from www.bls.gov, accessed August 13, 2012.

Table 22
GROSS REVENUES
Denver International Airport

	Actual 2011		Forecast 2020	
	Revenues (thousands)	Percent of total	Revenues (thousands)	Percent of total
Airline rentals, rates, fees, and charges				
Landing fees	$116,320	16.6%	$195,300	20.3%
Terminal Complex rentals	72,594	10.4	73,200	7.6
Tenant finishes and equipment charges	65,774	9.4	40,400	4.2
Baggage system fees	29,186	4.2	32,100	3.3
Other	66,457	9.5	103,300	10.7
Total airline revenues	$350,332	50.0%	$444,300	46.1%
Nonairline revenues				
Terminal Complex concessions *(a)*	$ 46,045	6.6%	$ 72,700	7.6%
Public automobile parking	127,033	18.1	196,000	20.4
Rental car privilege fees	35,943	5.1	44,100	4.6
Other terminal revenues *(b)*	21,819	3.1	69,600	7.2
Building and ground rentals	15,489	2.2	11,100	1.2
Other	44,602	6.4	55,000	5.6
Total nonairline revenues	$290,931	41.5%	$448,500	46.6%
Designated PFC revenues *(c)*	34,403	4.9	40,000	4.2%
Interest income	25,487	3.6	30,000	3.1
Total Gross Revenues *(d)*	$701,152	100.0%	$962,800	100.0%

Note: Columns may not add to totals shown because of rounding.

(a) Includes revenues from food and beverage, merchandise, and terminal services.
(b) Includes revenues from employee parking, rental car service and storage areas, ground transportation, and other terminal space rentals.
(c) Under a Supplemental Bond Ordinance, the Designated Passenger Facility Charges revenues are considered Gross Revenues of the Airport.
(d) The amount shown for 2011 does not match the amount reported in Table 25 because of the manner in which certain year-end settlements and adjustments are calculated for rentals, rates, fees, and charges.

Source: Actual—Airport management records.

The following sections discuss the basis for and assumptions used to forecast the financial results of the Airport throughout the forecast period.

AIRLINE RENTALS, FEES, AND CHARGES

Historical and forecast airline rentals, rates, fees, and charges, in total and expressed on a per enplaned passenger basis, for the Airport, for United Airlines and other airlines serving the Airport are shown in Exhibit E. In 2011, airline rentals, rates, fees, and charges represented 50.0% of Airport Gross Revenues.

Required Airport costs in the airline rate base include allocable amounts of:

1. Operation and Maintenance Expenses

2. Debt Service Requirements on Bonds issued for (a) the Airport, net of Committed PFCs, and (b) Airport land acquisition

3. Amortization of City investments before and after the opening of the Airport on February 28, 1995

Other costs included in the calculation of airline rentals, rates, fees, and charges include, but are not limited to: (1) deposits to funds and accounts established under the General Bond Ordinance, as necessary, including the O&M Reserve Account, (2) equipment and capital outlay expenditures, and (3) the cost of City-used space in the Terminal Complex. The assumptions underlying the forecasts of Debt Service Requirements and O&M Expenses—the two largest components of Airport costs included in airline rentals, rates, fees, and charges—were presented earlier in this report. The costs allocable to airline cost centers and used to forecast airline rentals, rates, fees, and charges are shown in Exhibit C-1 for Debt Service Requirements and Exhibit D for O&M Expenses.

Amortization charges for certain City investments are calculated over 30 years (except for the cost of certain equipment that is to be amortized over 5 years) at the weighted average effective interest cost for all fixed-rate Bonds issued on behalf of the Airport. City investments after the Airport opened are amortized over 15 years. Also included in amortization charges are payments that the City expects to make to the Financing Companies under the Purchase Agreements, net of AIP grants-in-aid and Transportation Security Administration grants, are included as a "rate-base" cost in the forecast of airline rentals, rates, fees, and charges.

Interest income on amounts in the Bond Reserve Fund (provided that the minimum Bond Reserve Requirement has been funded) and on amounts in the Interest and Principal accounts of the Bond Fund is credited to Airport System cost centers in the same proportion as the allocation of debt service. Nonsignatory airline landing fees and other nonairline revenues are credited to the landing fee rate base to be paid by the Signatory Airlines.

As discussed in the earlier section "Airport Use and Lease Agreements," the City is obligated to achieve certain reductions in rentals, rates, fees, and charges under various amendments to the United Agreement. Such reductions were assumed to be in place during the forecast period.

The following subsections summarize the rate-making methodologies and assumptions used to forecast airline rentals, rates, fees, and charges. The calculation

of the airline landing fee rate is shown in Exhibit E-1 and the calculation of the average Terminal Complex rental rate is shown in Exhibit E-2.

Landing Fees

Exhibit E-1 shows the landing fees, calculated according to a cost-center residual cost rate-making methodology, under which the net requirements allocable to the Airfield Area are recovered through landing fees assessed per 1,000-pound units of airline aircraft landed weight.

Airfield Area costs to be recovered through landing fees are expected to increase during the forecast period as airfield projects are completed and the City begins to include related debt service and other costs in the airline rate base.

The Signatory Airlines were assumed to account for a significant portion of total forecast landed weight each year.

Terminal Complex Rentals

Terminal Complex rental rates are set to recover the net requirement of the Terminal Complex calculated according to a commercial compensatory rate-making methodology. The net requirement is divided by total rentable space to determine the average rental rate per square foot for that space. Airlines are charged this average rate for space they actually rent, except for approximately 93,400 square feet of space on Concourse B, which is charged at 65% of the average rental rate. Exhibit E-2 shows the calculation of the average rental rate for all Terminal Complex space (Landside Terminal Building and concourses).

Tenant Finishes and Equipment Charges

Tenant finishes and equipment charges are assessed to recover City investments in terminal and concourse finishes, as well as baggage sortation space and equipment.

Other Airline Fees and Charges

Other airline fees and charges shown in Exhibit E include automated baggage system fees, conventional baggage system fees, concourse ramp fees, AGTS charges, international facility fees, and fueling system charges. Such fees and charges are set according to a compensatory rate-making methodology to recover the costs associated with such facilities.

For those airlines that are not signatory to the Airport use and lease agreements, the City assesses fees and charges following procedures consistent with those outlined in the Airport use and lease agreements, at a premium of 20% over Signatory Airline rentals, rates, fees, and charges. In addition, the nonsignatory airlines do not share in the year-end Net Revenue credit.

NONAIRLINE REVENUES

Nonairline properties and tenants at the Airport are managed by the Commercial Division of the Department of Aviation. While managing and maintaining its existing businesses and tenants at the Airport, the Commercial Division continues to focus on certain key initiatives that will continue throughout the forecast period.

Terminal Complex Concessions

The City leases space to concessionaires pursuant to concession agreements, which provide for payment to the City of the greater of a percentage of gross revenue or a minimum annual guarantee. The concession agreements also contain a reestablishment clause that allows the City to adjust rental rates, within certain parameters, if necessary to satisfy the Rate Maintenance Covenant. In 2011, revenues from Terminal Complex concessions represented 6.6% of Gross Revenues.

During the forecast period, a large number of existing terminal and specialty retail program concession agreements are scheduled to expire, which will provide the City with an opportunity to rebid the agreements to incorporate new concepts and, potentially, new concessionaires. The City believes that refreshing and expanding the in-terminal concessions will not only increase the passenger's experience at the Airport, but also increase the revenues earned by the City from these locations. The "Premium Value Concessions (PVC) Program," which was implemented by the City in 2011 and allows the City to retain the best performing concessionaries at the Airport, as measured by sales and customer satisfaction, among other factors, is expected to contribute to increases in concessions revenue during the forecast period.

The forecasts of Terminal Complex concession and terminal services revenues were based on (1) forecasts of enplaned passengers presented earlier in Table 19 , (2) recent historical trends in concessions revenues paid to the City, expressed on a per enplaned passenger basis, (3) allowances for inflation of approximately 2.3% per year, (4) allowances for improved revenues to the Airport of 2.5% per year from 2013 through 2017, based on the expiration of a majority of current agreements during that period and the City's intention to rebid new concession agreements, as mentioned above, and (5) the terms and conditions of agreements with the City. Additional assumptions are noted below.

Food and Beverage. The food and beverage concession agreements provide for percentage fee revenues to the City ranging from 10% to 20% of gross revenues or a minimum annual guarantee, whichever is higher. Recent performance trends were taken into account in forecasting food and beverage concession revenues, and revenues were computed at the higher of the estimated percentage fee or minimum annual guarantee.

Specialty Retail. The specialty retail and merchandise concession agreements provide for percentage revenues to the City that range from 10% to 20% of gross revenues or a minimum annual guarantee, whichever is higher. Recent performance trends were taken into account in forecasting specialty retail and merchandise revenues, including implementation of a new merchandise kiosk program in 2011. Revenues were computed at the higher of the estimated percentage fee or minimum annual guarantee.

Services. Services include telephones, advertising, baggage carts, insurance, shoeshine stands, vending machines, bag storage facilities, automated bank teller machines, and other services. In general, these services are provided by concessionaires that pay the City the higher of a percentage of gross revenues or a minimum annual guarantee, depending on the type of service provided. For most concessionaires, the estimated percentage fee is greater than the minimum annual guarantee, with percentage fees ranging from 10% to 12% of gross revenues.

Outside Nonairline Revenues

Outside nonairline revenues are generated from public automobile parking, rental car privilege fees, and ground transportation services.

Public Automobile Parking. Public automobile parking at the Airport is provided in parking structures, surface lots adjacent to the Landside Terminal Building, and remote parking lots. In 2011, public parking revenues accounted for 18.1% of total Gross Revenues.

Table 23 lists the City-owned parking facilities at the Airport, the number of spaces in each facility, and parking rates in the facilities, which are adjusted by the City from time-to-time. The 2013-2018 Capital Program includes construction of a new public parking garage on the east side of the Landside Terminal Building. The new garage is estimated to open in 2015 and add approximately 1,700 parking spaces to the 14,038 public parking spaces currently available at the Airport.

Standard Parking/DAJA International operates and manages the public parking facilities at the Airport under a management contract with the City. Under this contract, the City retains all rights to increase parking rates.

The City also has an agreement with LRW Investment Company, scheduled to expire on October 31, 2028, to operate WallyPark, an automobile parking lot located on Airport property, and to provide its customers courtesy vehicle service between WallyPark and the Landside Terminal Building. The agreement with LRW Investment Company was recently extended from 2014 through 2028 as part of an amendment, which obligates LRW to expand its existing public parking facilities at the Airport.

Table 23
CURRENT AIRPORT PUBLIC PARKING FACILITIES AND RATES

Parking facilities	Number of spaces	24-hour rate	Hourly rate
Short-term (close-in) parking			
Garages	14,038	$21	$2 per hour
Valet	642	$30	$11 first hour $2 each additional hour
Long-term surface parking	8,497	$11	$1
Remote surface parking	17,536	$7	$1
	40,713		

Source: Airport management records.

Published daily rates for the approximate 1,500 parking spaces at this facility are $11.95 for self-parking and $15.95 for valet parking**.** Pursuant to the agreement with the owner of WallyPark, the City receives the greater of (1) a minimum annual guarantee equal to 85% of the previous year's payment to the City or (2) a percentage of gross revenues, ranging from 18% to 24% during the term of the agreement. Revenue from WallyPark is included under Ground Transportation in Exhibit F.

Off-Airport parking options near Denver International Airport consist of a number of alternatives offering approximately 15,000 parking spaces. Off-Airport parking operators provide courtesy vehicle service to and from the Landside Terminal Building, and are subject to an off-Airport parking privilege fee that was effective in 2010.

The off-Airport parking privilege fee is equal to 8.0% of the gross revenues from off-Airport parking companies, including DIA Park, Parking Spot, Canopy Airport Parking, and US Airport. In 2011, approximately $1.2 million in Airport revenues were generated from the off-Airport parking privilege fee, which is included under Terminal Services in Exhibit F.

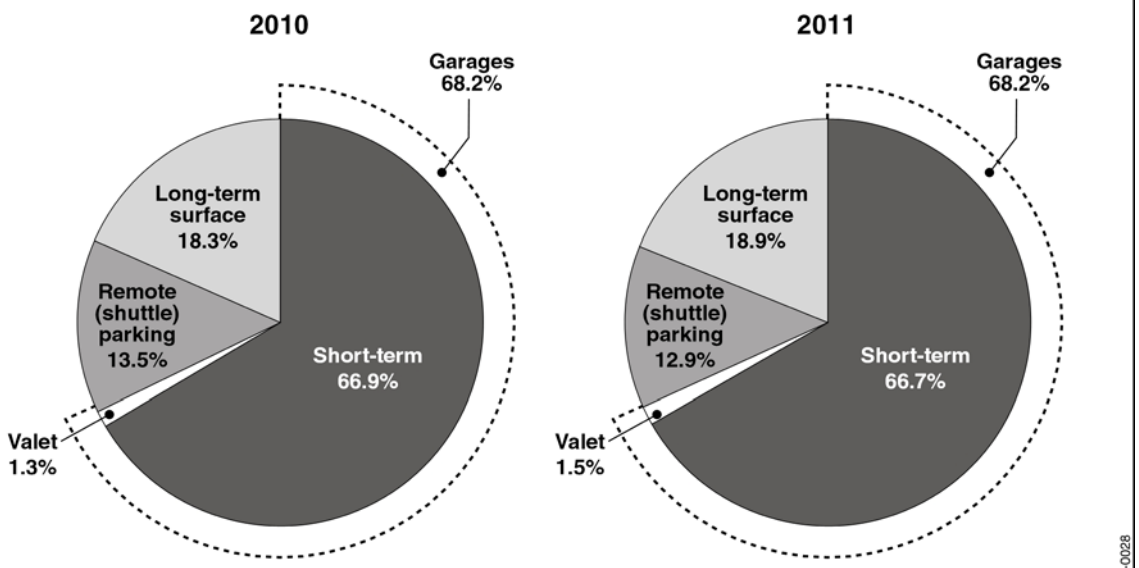
In 2011, all off-Airport parking companies filed a petition for an administrative hearing to review the validity of the new fee, and the new fee was subsequently upheld. In March 2012, the same off-Airport parking companies filed for judicial review of the administrative hearing. As of the date of this report, the outcome of the March 2012 filing for judicial review is unknown, but it was assumed for this report that the City would continue to impose and collect off-Airport parking privilege fees during the forecast period.

Figure 27 shows parking transactions—a measure of customer use—for 2010 and 2011, the results of which are almost identical.

Figure 27

PUBLIC PARKING TRANSACTIONS

Denver International Airport



Source: Airport management records using available, but unaudited data for 2010 and 2011.

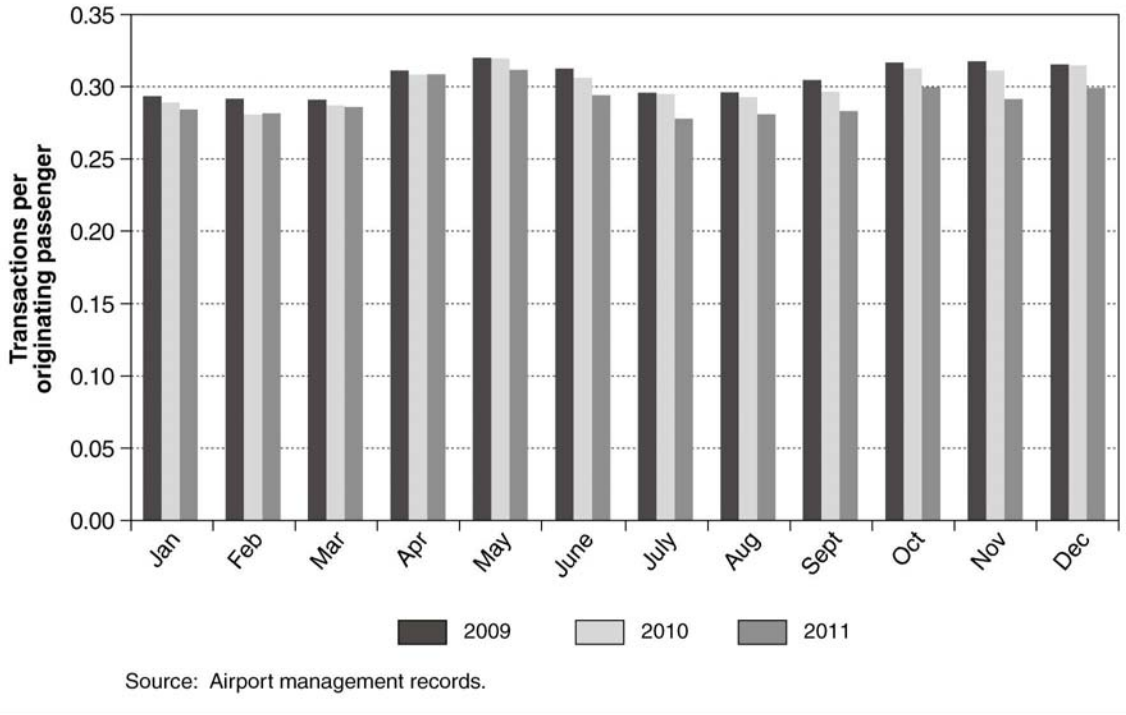
As shown on Figure 27, use of the Airport's public parking facilities remained relatively constant in 2010 and 2011.

The number of transactions per originating passenger—a measure of the proportion of originating passengers who choose to park in Department-operated facilities—has decreased over the last 3 years, as shown on Figure 28.

Figure 28

TRENDS IN PUBLIC PARKING TRANSACTIONS PER ORIGINATING PASSENGER

Denver International Airport



Source: Airport management records.

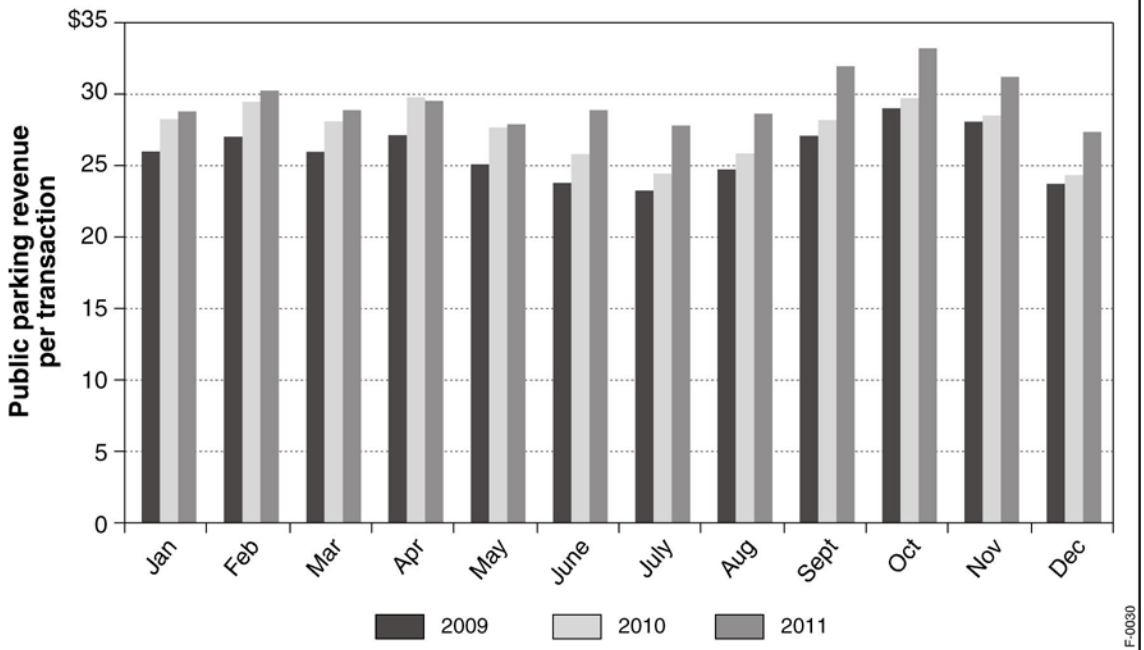
On-Airport public parking revenue per transaction—a measure of customers' parking duration as well as their choice of on-Airport parking facility— is shown on Figure 29 for 2009 through 2011.

As shown on Figure 29, public parking revenue per transaction exhibit a seasonal pattern—with lower revenue per transaction during the summer months (May through August). This pattern reflects the preference of long-duration, nonbusiness customers to park in the remote surface lots (lower-priced facilities). The average revenue per transaction increased between 2009 and 2010, reflecting the 2009 parking rate increase in the long term and remote surface lots, and increased again following a parking rate increase that became effective in June 2011.

Figure 29

TRENDS IN PUBLIC PARKING REVENUE PER TRANSACTION

Denver International Airport



Source: Airport management records.

For the financial forecasts, it was assumed that (1) the proportion of passengers using each Airport-operated parking facility will remain consistent with prior year trends, (2) the average number of transactions per originating passenger, which has declined in recent years, will stabilize and increase with the addition of the proposed public parking garage in 2015, and (3) public parking revenue per transaction would increase with the addition of the public parking garage and the assumed use of the new spaces rather than lower-priced facilities (i.e., economy and remote surface lots) as well as assumed parking rate increases during the forecast period.

Public automobile parking revenues were forecast on the basis of (1) recent trends in transactions per originating passenger and public parking revenue per transaction, (2) forecast increases in the number of originating passengers, (3) the addition of new public parking spaces in 2015, an resulting increase in the number of customers using on-Airport parking facilities, as well as higher priced facilities, and (4) parking rate increases in all lots from mid-2013 through 2020 equaling the assumed rate of inflation (2.3% per year)

Rental Car Revenues. The City has agreements and leases with on-Airport rental car companies, both of which are scheduled to expire on January 1, 2014, as follows:

- ***A concession agreement***, which requires each on-Airport rental car company to pay the City 10% of its annual gross revenues or a minimum annual guarantee, whichever is higher. The minimum annual guarantee is equal to 85% of the percentage rent payable in the preceding year, but no less than the highest minimum annual guarantee for any previous year.

  The City has concession agreements with: Advantage Rent A Car, Alamo Rent A Car, Avis Rent A Car System, Budget Rent A Car System, Dollar Rent A Car, Enterprise Rent-A-Car, E-Z Rent-A-Car, Fox Rent A Car, The Hertz Corporation, National Car Rental, Payless Car Rental, and Thrifty Car Rental.

  In 2011, rental car privilege fee revenues accounted for 5.1% of Gross Revenues, as shown in Exhibit F under "Outside Concession Revenues."

- ***A Special Facilities Ground Lease***, under which each on-Airport rental car company pays:

  – Facilities rentals to cover its pro rata share of debt service on the Taxable Special Facilities Revenue Bonds and Airport Development Revenue Bonds (Rental Car Bonds) issued to finance Airport improvements for the rental car companies. The Special Facilities Ground Lease is scheduled to expire on January 1, 2014, or, if later, upon the payment, in full of the Rental Car Bonds. When one of these two events occurs, the Special Facilities Ground Lease and the provisions thereunder will no longer be effective.

  – Administrative expenses.

  – Ground rentals for land leased from the City north of Peña Boulevard.

  – Additional rentals in an annual amount equal to 10% of the depreciated cost of constructing the original facilities.

The ground rentals and additional rentals paid by the rental car companies under the Special Facilities Ground Leases are considered Gross Revenues of the Airport System, and are shown in Exhibit F under "Other Terminal Revenues." The other rentals and fees paid by the rental car companies are related to Special Facilities Bonds and are not considered Airport Gross Revenues.

The City has Special Facilities Ground Leases with Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, and Thrifty. The City has separate agreements with E-Z and Fox, both of which pay ground rentals to the City.

As of the date of this report, the City expects that, prior to expiration of the leases and agreements mentioned above, it will likely rebid the on-Airport rental car concession privilege, which may or may not result in the same number of on-Airport rental car companies in the future. Likely business arrangements with the successful on-Airport rental car companies are as follows:

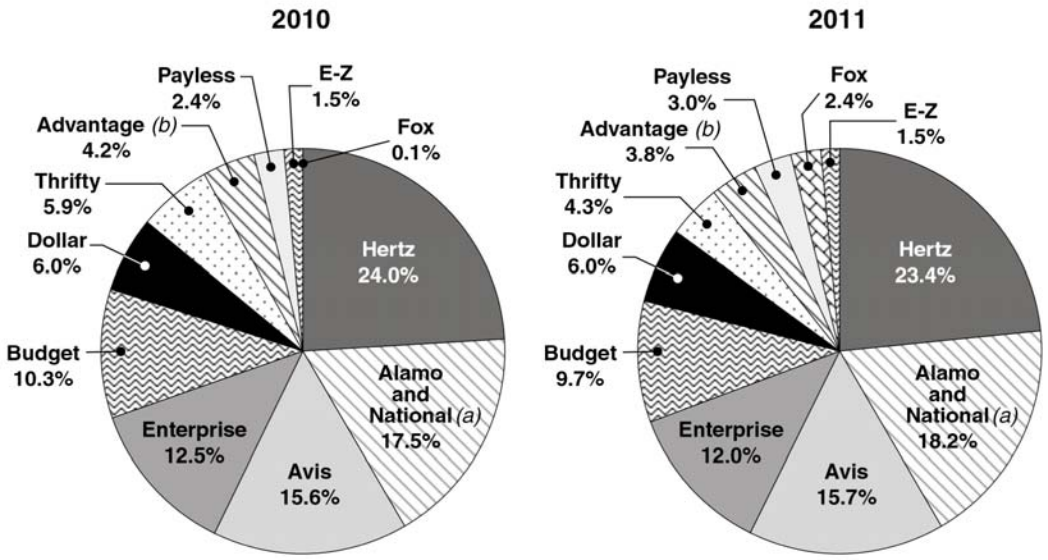
- ***A concession agreement***, which would be for 5 years and have similar terms and conditions as those in the current concession agreement.
- ***A building and ground rent lease***, which may have a term of 10 years or 15 years, and would provide for payment to the City of at least (1) ground rent, (2) building rent, and (3) O&M Expenses, if any, allocable to the rental car facilities.

Figure 30 presents the market shares of gross revenue by on-Airport rental car company in 2010 and 2011.

Figure 30

ON-AIRPORT RENTAL CAR COMPANY MARKET SHARES

Denver International Airport



(a) Alamo and National operate as rental car brands under Vanguard Car Rental USA, Inc.
(b) Owned by Hertz.

Source: Airport management records.

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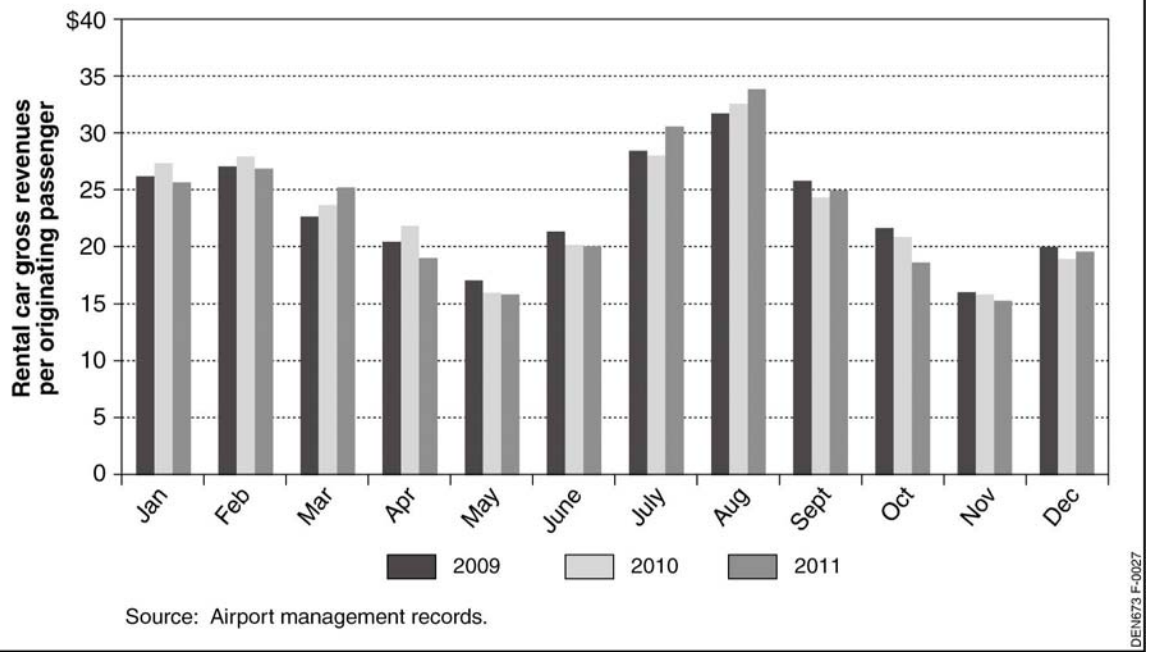
According to publicly available records, Hertz Global Holdings has reached agreement to sell Advantage Rent A Car to Franchise Services of North America Inc. and Macquarie Capital. The actual timing of the sale is not known as of the date of this report. In addition, Hertz Global Holdings has stated that it has plans to acquire Dollar Rent A Car and Thrifty Car Rental, the closing date of which is not known as of the date of this report. The market shares of Advantage, Dollar, and Thrifty, as measured by gross revenue at the Airport, is shown on Figure 30. Given prior consolidations and acquisitions in the rental car industry, the actions by Hertz were not assumed to materially change the performance of the rental car concessions at the Airport.

Figure 31 presents the monthly trend in rental car gross revenues per originating passenger* at the Airport from 2009 through 2011.

Figure 31

TRENDS IN RENTAL CAR GROSS REVENUES PER ORIGINATING PASSENGER

Denver International Airport



Source: Airport management records.

Total rental car gross revenues increased 2.8% between 2009 and 2010 and total rental car gross revenues per originating passenger was essentially the same from year-to-year. In 2011, total rental car gross revenues increased 2.7% and total rental car gross revenues per originating passenger were essentially the same for the second year in a row.

*The best approximation of the average revenue generated per rental car contract transaction.

Rental car privilege fee revenues were forecast on the basis of:

- Forecast numbers of originating passengers, as presented earlier in this report
- The City's expectation that, when the existing agreements and leases expire in 2014, it will be able to rebid and/or negotiate terms and conditions with on-Airport rental car companies that would produce similar or greater rental car revenues to the City.
- Moderate increases in the average daily rate per rental car, assumed to equal 50% of the assumed rate of inflation (2.3% per year) during the forecast period. The assumed increase in the average daily rate results from the assumption that the on-Airport rental car companies will continue to manage their fleets in a manner that will result in higher daily rates over the long term.

Revenues from building and ground rentals were assumed to increase with inflation during each year of the forecast period.

Ground Transportation Services. The City charges the operators of all commercial ground transportation vehicles (such as buses, limousines, shuttles, hotel/motel courtesy vans, off-Airport rental car vans, and off-Airport parking vans) operating at the Airport on the basis of the frequency and duration of their use of the terminal roadways and curbside. Access to the terminal curbside is controlled by an automated vehicle identification system that tracks both the frequency and duration of use by each commercial vehicle operator.

Other Terminal Revenues

Other sources of terminal revenues include employee parking fees, rental car service and storage area rentals, additional building rentals, and other terminal space rentals. Other terminal revenues accounted for 3.1% of Gross Revenues in 2011.

Employee Parking. The City operates two employee parking lots north of Peña Boulevard. Employee parking is also provided in the two lots adjacent to the parking garages in the Terminal Complex and in the administration building. Employees (other than City employees) pay a monthly fee to the City to park at these locations. Shuttle bus service is provided to the employee lot under a contract with AMPCO Transportation Services.

Airport Hotel. The South Terminal Redevelopment Program includes construction of a proposed 519-room, full service hotel on top of the plaza and the rail station. The hotel would be accessed from the Landside Terminal Building, the plaza, and the train station. The proposed hotel would be owned by the City and

financed from the net proceeds of the 2012 Bonds, which are assumed to be issued as Senior Bonds.

The City has three agreements with Westin. The agreements provide for Westin involvement, as follows: (1) consulting on design and programming (the Development Consulting Services Agreement), (2) pre-opening services, which includes those activities necessary to open the hotel (the Pre-Opening Services Agreement), and (3) hotel operation and management (Hotel Management Agreement). The Hotel Management Agreement is to be effective upon the date of beneficial occupancy of the hotel and is scheduled to expire 15 years from that date. Under the Hotel Management Agreement, Westin is to be paid a management fee and receive reimbursement for certain operating expenses.

The City expects to work with Westin management to update the Hotel Management Agreement to provide for, among other things, a later opening date than that currently provided in the Hotel Management Agreement. The City expects this agreement to be appropriately updated by amendment and does not expect the amendment to change any material terms of the current business arrangements with Westin.

All of the annual revenues, expenses,* and Debt Service Requirements associated with the hotel would be the responsibility of the City and are reflected in the financial forecasts presented in this report. For purposes of this report, we relied upon the projections of revenues, expenses, and deposits to reserve accounts prepared by PKF Consulting USA and described by such as conservative, which are presented in Addendum E of their report entitled *Market Demand and Financial Analysis, The Westin Denver International Airport, Denver, Colorado*, dated September 18, 2012. The report can be found at http://business.flydenver.com/stats/financials/reports.asp#hotel.

Estimated annual Debt Service Requirements associated with the 2012 Bonds, a portion of which would be used to fund the cost of constructing the hotel, were provided by the City's Financial Consultant.

According to the City, any hotel revenues remaining after hotel-specific O&M Expenses and Debt Service Requirements are paid are to be deposited in a Redemption Account, which will be used in the future by the City to defease the principal outstanding of the Bonds issued to fund hotel project costs, which is reflected in Exhibit G.

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*Some of the hotel expenses are expected to be classified as O&M Expenses and other expenses would constitute obligations to be paid from the Junior Lien Obligation Fund, which is a fund the City expects to create by adopting a Supplemental Subordinate Bond Ordinance prior to the opening of the proposed hotel. See Figure 32.

Other Terminal Space. The City also receives rentals for storage space, customer service counters, and other space leased by nonairline tenants at the Airport.

Airfield Area Revenues

Nonairline Airfield Area revenues include general aviation landing fees, farming income, rentals for certain land parcels and structures, and fuel flowage fees.

The City owns all of the mineral rights to all land within the boundaries of the Airport. In addition to the sources of nonairline Airfield Area revenues listed above, the City also receives oil and gas revenues. In 2010, the City completed a transaction to buy back a lease from Petro Canada Resources U.S.A., which previously managed and operated the on-Airport oil and gas program for the City.

In 2011, oil and gas revenues were approximately $7.1 million, significantly higher than prior year revenues (see Exhibit F). According to the City, the increase is the result of the increased price of oil in the open market, as well as direct control over operation and management of the on-Airport oil and gas program. One additional well is currently being prepared for production, and the City's expectation is that two additional wells over approximately the next 12 months may be prepared for oil production. According to the City, the production value of existing wells will decline over time, but would likely be offset by increases in oil production from the new wells mentioned above. The other major factor in the amount of oil and gas revenues received each year by the City is the price of oil in the market.

Building and Ground Rentals. Building and ground rentals include rentals for cargo, airline maintenance, and general aviation facilities at the Airport. In Exhibit F, these revenues are summarized as follows: North Airline Support Area, South Airline Support Area, South Cargo Area, and General Aviation Area. Most of the facilities in the North and South Airline Support and Cargo Areas were financed with the net proceeds of Senior Bonds and Special Facilities Bonds. In 2011, building and ground rentals accounted for 2.2% of Gross Revenues.

The City has a policy of establishing and annually adjusting ground rental rates to recover all capital and operating costs allocable to land made available for lease to Airport tenants. The rate base for calculating the ground rental rate includes costs allocable to the North Cargo Area, which was graded as part of the new Airport construction project in 1995, but then abandoned when cargo operations were established at the South Cargo Area. Of these costs, 50% are allocated to the Airfield Area cost center and recovered through landing fees. The balance will not be recovered until the North Cargo Area land is leased.

The City establishes building and ground rentals for the facilities it financed with the proceeds of Senior Bonds to recover O&M Expenses, debt service, and amortization charges allocable to such facilities.

Facilities Financed with Senior Bonds. The City owns and financed the construction of cargo buildings, cargo ramp, and ground service equipment areas, which are leased to the cargo tenants listed in Table 24 under cargo use and lease agreements. The lease expiration date for each tenant is also shown in Table 24.

Table 24
AIRLINES SIGNATORY TO CARGO USE AND LEASE AGREEMENTS

ABX Air (February 2015)	Key Lime Air (December 2011) *(a)*
Air General (December 2011) *(a)*	Swissport Cargo (December 2016)
DHL Express (February 2015)	UPS Air Cargo (December 2011) *(a)*
FedEx (February 2023)	

(a) These airlines are currently operating at the Airport under a holdover provision in their recently expired Airport use and lease agreements. The City expects each airline to execute a new Airport use and lease agreement, which would have a term from January 1, 2012, through December 31, 2016.

As these and other agreements expire during the forecast period, the City also expects that it will negotiate agreements with similar terms and conditions.

The City has a 25-year agreement with United Airlines for maintenance hangar, in-flight kitchen, cargo, and ground service equipment facilities that were financed with a portion of the net proceeds of the Series 1992B and Series 1992C Bonds. The agreement with United Airlines provides for, among other things, the repayment of debt service on the Senior Bonds issued for United's facilities.

Facilities Financed with Special Facilities Bonds. In addition to issuing Special Facilities Bonds to finance rental car facilities at the Airport, the City issued Special Facilities Bonds to finance a line maintenance hangar and other facilities for United Airlines. As stated earlier, Debt Service Requirements on Special Facilities Bonds are not payable from Net Revenues of the Airport.

United leases approximately 500,000 square feet of land for facilities that were financed with proceeds from the sale of Special Facilities Bonds. These bonds were refunded in June 2007. United pays ground rent for the land it leases under its Special Facilities and Ground Lease with the City, which is scheduled to expire on October 1, 2023.

Other Existing Facilities. The U.S. Postal Service financed its sorting and distribution facility at the Airport. Under an agreement with the City, which is scheduled to expire in May 2013, the U.S. Postal Service pays ground rent for the areas of the Airport that it uses. According to the City, USPS has notified the City that they are planning to execute an option to extend their agreement for an additional 5-years.

General aviation area revenues shown in Exhibit F include the ground rentals and aircraft fees paid by Signature Flight Support under a 30-year agreement with the City, which is scheduled to expire in March 2025. Signature leases a 12.4-acre site at the Airport and provides fixed base operator services for corporate and other aircraft.

In general, building and ground rentals were forecast on the basis of the following assumptions: (1) the occupancy of building and ground space leased as of January 1, 2011, was assumed throughout the forecast period, (2) the City will continue to establish ground rentals in a manner consistent with its adopted policy, and (3) cargo building rentals are to be established each year based on the costs included in the calculation of rentals, rates, fees, and charges.

New Commercial Development. In 2012, the City announced its "Airport City Concept" for Denver International Airport, which focuses on development of districts over the next 30 to 50 years based on specific industry clusters, including, but not limited to: aviation, aerospace, logistics, renewable energy, bioscience, and agriculture technology. A key element of the Airport City Concept is the successful development of accessible and efficient transportation infrastructure, including the RTD rail lines from Denver's Union Station to the Airport.

The financial forecasts included in this report do not include any revenues that might result from the Airport City Concept.

Other Revenues

The largest portion of other revenues received by the City is derived from aviation fuel tax proceeds, as shown in Exhibit F. Under legislation enacted by the State of Colorado, the City receives approximately 65% of aviation fuel tax proceeds collected by the State.

The City also receives revenues from a tax it imposes on fuel sold at the Airport.

Interest Income

Interest income on investments of moneys held in all funds and accounts (other than the Project Fund, PFC Fund, and Bond Reserve Fund) is defined as Gross Revenues under the General Bond Ordinance. In 2011, interest income accounted for 3.6% of Gross Revenues.

The forecast of interest income (as shown in Exhibit G) is based on actual average yields earned by the City. Under the City's rate-making methodology, interest income earned on the moneys in the Bond Reserve Fund and Bond Fund is applied as a credit to all cost centers (in the same proportion as the allocation of Debt Service Requirements) in calculating rentals, rates, fees, and charges for the passenger

airlines under the Airport use and lease agreements and for the cargo airlines under the cargo use and lease agreements.

APPLICATION OF REVENUES

Exhibit G presents the forecast application of Gross Revenues, including Designated Passenger Facility Charges revenues, to the various funds and accounts under the General Bond Ordinance, as described below and shown on Figure 32.

The General Bond Ordinance provides that the Gross Revenues of the Airport are to be deposited into the Revenue Fund. Moneys held in the Revenue Fund are then to be deposited into the funds and accounts established under the General Bond Ordinance.

Gross Revenues remaining after the payment of O&M Expenses, Debt Service Requirements on Senior Bonds and Subordinate Bonds, and other fund deposit requirements are transferred to the Capital Fund at the end of each Fiscal Year. Under the Airport use and lease agreements, certain accounts were established within the Capital Fund, as also shown on Figure 32.

Under various City ordinances, master purchase payments to the Financing Companies do not have a lien on the Net Revenues of the Airport System or balances in the Capital Fund. It was assumed for purposes of this report that the City will make installment purchase payments to the Financing Companies during the forecast period and that the funds to make those payments will come from the Equipment and Capital Outlay Account.

The balance is to flow to the *Capital Improvement Account* to be used for any lawful Airport System purpose.

DEBT SERVICE COVERAGE

Exhibit H shows forecast Net Revenues and the calculation of debt service coverage according to the Rate Maintenance Covenant of the General Bond Ordinance.

Net Revenues together with Other Available Funds are forecast to exceed the 125% requirement of the Rate Maintenance Covenant in each year of the forecast period for Senior Bonds and the 110% requirement of the Subordinate Bond Rate Maintenance Covenant in each year of the forecast period for Senior and Subordinate Bonds.

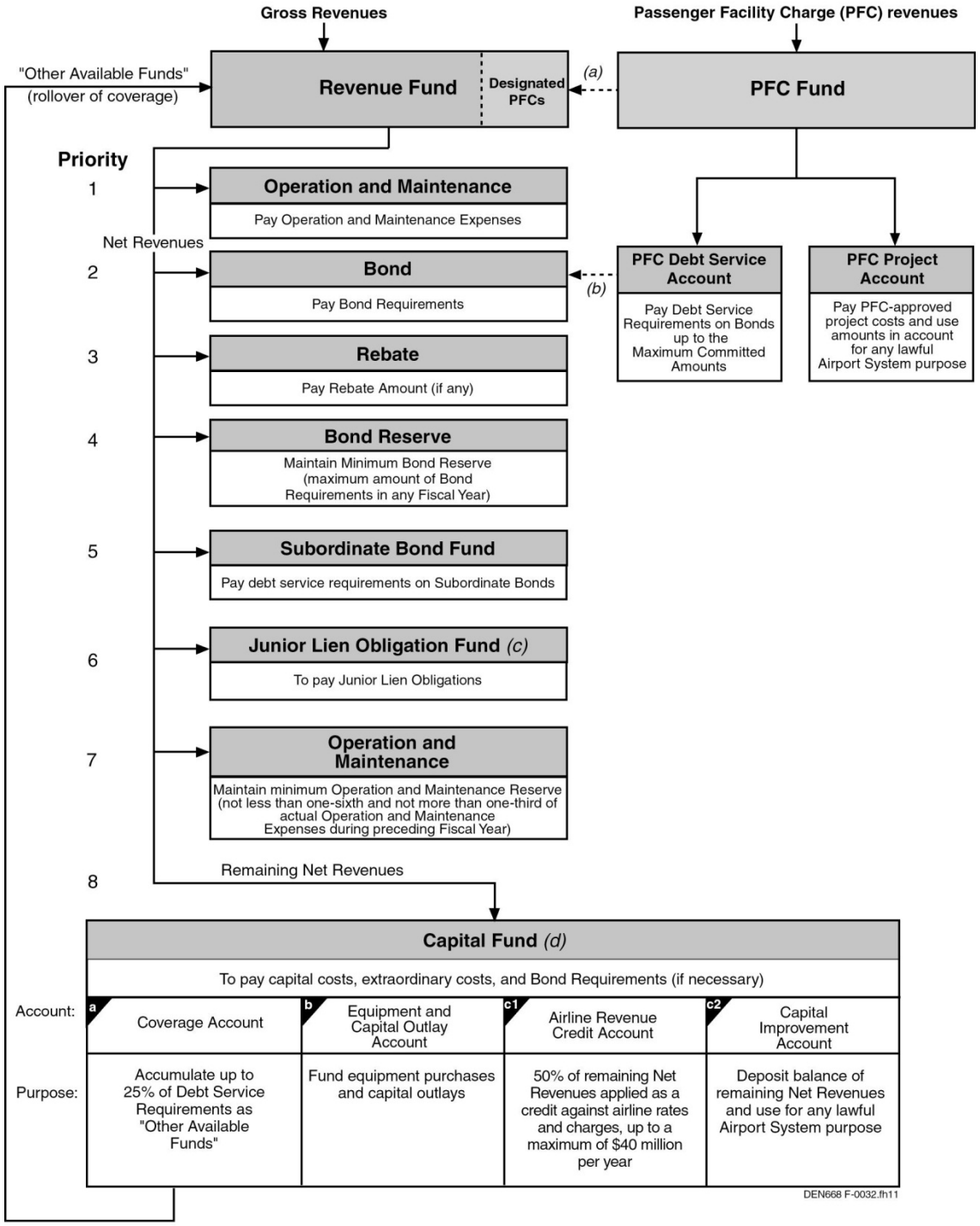
For reference, Table 25 provides historical data on debt service coverage for Senior Bonds*.

*For the historical period shown, Subordinate Bonds were not outstanding.

Figure 32

STRUCTURE OF FUNDS AND ACCOUNTS AND APPLICATION OF REVENUES UNDER THE GENERAL BOND ORDINANCE AND SUBORDINATE BOND ORDINANCE

City and County of Denver



(a) Designated Passenger Facility Charges: Represents one-third of the PFCs received by the City (currently $1.50 of the $4.50 PFC) that are currently considered Gross Revenues under the General Bond Ordinance.

(b) Committed Passenger Facility Charges: Two-thirds of the PFCs received by the City (currently $3.00 of the $4.50 PFC) are irrevocably committed to the payment of Debt Service Requirements on Senior Bonds.

(c) The City expects to create the Junior Lien Obligation Fund in a supplemental subordinate bond ordinance to pay Junior Lien Obligations prior to the opening of the proposed hotel.

(d) Account structure for the Capital Fund to be established by the City as necessary for accounting purposes. The accounts are not required by the General Bond Ordinance.

Table 25

HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE UNDER THE GENERAL BOND ORDINANCE

Denver International Airport

Fiscal Years ended December 31

(dollars in thousands)

Calculation of debt service coverage		2007	2008 *(a)*	2009 *(a)*	2010	2011
Gross Revenues (excluding Designated Passenger Facility Charges)		$616,106	$635,607	$616,506	$651,318	$670,753
Designated Passenger Facility Charges		--	--	31,563	34,021	34,950
Gross Revenues		$616,106	$635,607	$648,069	$685,339	$705,703
Operation and Maintenance Expenses		(282,746)	(305,382)	(309,270)	(302,881)	(312,278)
Net Revenues		$333,360	$330,225	$338,799	$382,459	$393,425
Other Available Funds		53,251	53,575	49,288	47,975	48,045
Total Amount Available to pay Debt Service Requirements	[A]	$386,611	$383,800	$388,087	$430,434	$441,469
Debt Service Requirements (Senior Bonds)		$278,302	$286,161	$264,748	$265,391	$267,321
Committed Passenger Facility Charges		(63,089)	(68,953)	(63,125)	(68,043)	(69,899)
	[B]	$215,213	$217,207	$201,623	$197,349	$197,421
Debt service coverage (Senior Bonds)	[A/B]	180%	177%	192%	218%	244%
Rate Maintenance Covenant		125%	125%	125%	125%	125%

Note: Columns may not add to totals shown because of rounding

(a) The amounts shown in each year were revised by the City following publication of the Audited Financial Statements to exclude certain major maintenance costs that were initially considered "Operation and Maintenance Expenses" under the General Bond Ordinance, and to make certain other corrections. The amount shown in this table may not match the amount shown in Table 22 and the financial exhibits because of the manner in which certain year-end settlements and adjustments to rentals, rates, fees, and charges are calculated.

(b) Debt service is net of capitalized interest, certain PFC revenues, and other funds irrevocably committed to the payment of debt service.

Sources: City and County of Denver, Airport System Audited Financial Statements, and Airport management records for the years shown.

SENSITIVITY ANALYSIS—FINANCIAL RESULTS

The forecast financial results presented in this report were tested to determine the potential effects on future financial results of potential changes in forecast airline traffic and hotel financial results.

The assumptions for the sensitivity projection include the following:

- Forecast airline traffic under the sensitivity projection would be at levels described in Table 20.

- The financial performance of the proposed hotel would be equal to $0 net operating income beginning the first year the hotel is open and continuing at that level through the remaining years of the forecast period. Net operating income is prior to the payment of Debt Service Requirements on that portion of the 2012B Bonds issued to fund the hotel.

  According to PKF and holding all other assumptions the same, this would be equal to an approximate 50% to 60% reduction in the assumed average daily room rates, or would be equal to an increase in operating expenses from assumed levels of between 45% and 55%.

- Certain sources of nonairline revenues would decrease in proportion to decreases in numbers of originating and connecting passengers, and aviation fuel tax revenues would decrease in proportion to decreases in landed weight at the Airport.

- PFC revenues would also decrease in proportion to the decreases in the number of enplaned passengers, but the City would continue to use PFC revenues as assumed for the baseline forecast.

As shown in Table 26, the City is projected to meet the requirements of the Rate Maintenance Covenant and the Subordinate Bond Rate Maintenance Covenant under the sensitivity projection.

If the hypothetical assumptions of the sensitivity projection were to be realized, the City would take some or all of the actions listed below to (1) meet the Rate Maintenance Covenant, (2) minimize the increase in airline rentals, rates, fees, and charges required to satisfy the Rate Maintenance Covenant, and (3) provide a cost structure for the airlines at the Airport that would not adversely affect airline traffic. Such actions could include:

- Reducing equipment and capital outlays

- Increasing public parking rates or other rates charged to Airport tenants

- Restructuring principal payments on Outstanding bonds

- Deferring or reducing amortization charges
- Using available moneys in the Capital Fund to pay debt service

Table 26
COMPARISON OF FORECAST AND SENSITIVITY RESULTS

	Forecast and Projected Results								
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Airline cost per enplaned passenger									
Baseline forecast	$12.25	$11.07	$11.49	$12.41	$12.72	$12.73	$12.80	$13.15	$13.02
Sensitivity projection	12.25	13.35	13.90	15.51	15.76	15.52	15.36	15.70	15.53
Debt service coverage on Senior Bonds									
Baseline forecast	190%	184%	178%	167%	170%	174%	177%	178%	179%
Sensitivity projection	190%	165%	160%	152%	149%	152%	154%	155%	156%
Debt service coverage on all Bonds									
Baseline forecast	189%	184%	176%	159%	161%	165%	167%	168%	170%
Sensitivity projection	189%	165%	159%	144%	142%	144%	146%	147%	148%

Exhibit A

ESTIMATED COSTS AND SOURCES OF FUNDS
2013-2018 AIRPORT CAPITAL PROGRAM
Denver International Airport
(in thousands)

		Funding Sources for Projects				
	Gross project cost	**Proposed 2012 Bonds**	**Future 2012 Bonds**	**Federal grants-in-aid**	**Prior bond proceeds (a)**	**Future Planned Bonds**
Airfield Area and Concourse Apron						
Rehabilitate targeted slab and joint areas	$221,302	$10,550	$0	$66,648	$26,726	$117,378
Improve taxiways	4,000	4,000	-	-	-	-
Construct ramp area drainage control and mitigation	16,062	13,638	886	-	778	760
Other projects	6,824	-	3,025	-	-	3,799
	$248,188	$28,188	$3,911	$66,648	$27,504	$121,937
Terminal Complex, Baggage Sytem, AGTS, and Other Improvements						
Repair and maintain concourse jet bridges	$7,326	$326	$7,000	$0	$0	$0
North side of terminal HVAC	3,181	3,181	-	-	-	-
Improve AGTS	53,083	37,675	10,237	-	5,171	-
Improve building systems	16,000	167	15,833	-	-	-
Improve and upgrade security systems	4,000	-	4,000	-	-	-
Improve central plant systems	4,480	-	4,480	-	-	-
Upgrade fire alarm systems and information technology equipment	32,824	597	32,227	-	-	-
Upgrade HVAC controls and information technology storage	12,574	500	12,074	-	-	-
Other projects	7,069	483	6,586	-	-	-
	$140,538	$42,930	$92,437	$0	$5,171	$0
Roadways, Parking, Ground Transportation, and Cargo						
Parking system improvements	$25,450	$1,171	$12,800	$0	$10,859	$621
Construct mod 4 east parking garage	42,000	-	42,000	-	-	-
Rehabilitate targeted areas on Pena boulevard	29,205	1,970	14,825	-	12,410	-
Rehabilitate road pavement	7,900	-	7,900	-	-	-
Other projects	8,625	3,767	4,858	-	-	-
	$113,181	$6,907	$82,383	$0	$23,270	$621
South Terminal Redevelopment Program						
Terminal interface	$14,345	$0	$0	$0	$0	$14,345
Terminal station	305,655	109,488	-	-	-	196,168
Hotel	180,000	180,000	-	-	-	-
	$500,000	$289,488	$0	$0	$0	$210,512
Other projects						
Revenue and business development	$10,000	$10,000	$0	$0	$0	$0
Environmental/energy study and improvements	16,478	-	-	-	11,376	5,102
Improve Information technology/telecommunication systems	45,943	11,666	23,523	-	9,720	1,034
	$72,421	$21,666	$23,523	$0	$21,096	$6,136
	$1,074,327	$389,179	$202,254	$66,648	$77,041	$339,206

(a) Reflects the net proceeds of prior Bonds issued by the City on behalf of the Airport. Source: Airport management records.

Note: Gross project costs include construction administration costs, contingencies, and architectural and engineering fees, as appropriate. The costs shown above include inflation to the mid-point of construction.

Source: Airport management records.

Exhibit B

ESTIMATED PLAN OF FINANCING

Denver International Airport
(dollars in thousands)

	Proposed 2012A-B Bonds			Future 2012 Bonds	Future Planned Bonds	Total
	2012A Bonds	2012B Bonds	Total			
SOURCES OF FUNDS						
Par Amount	$133,880	$319,285	$453,165	$225,295	$394,984	$1,073,444
Premium	12,134	41,496	53,630	18,041	-	71,671
Unspent Commercial Paper	8,960	22,140	31,100	-	-	31,100
Interest Earnings	33	98	132	63	4,812	5,007
Total sources of funds	$155,008	$383,019	$538,027	$243,399	$399,796	$1,181,222
USES OF FUNDS						
Project Costs	$70,284	$318,896	$389,179	$202,254	$339,206	$930,639
Defease and refund certain Bonds (a)	-	-	-	-	-	-
CP Takeout	56,000	-	56,000	-	-	56,000
Reimbursement of Airport Capital Fund	8,188	-	8,188	-	-	8,188
Capitalized Interest Fund	9,586	37,064	46,650	22,587	32,343	101,580
Debt Service Reserve Fund	8,991	22,216	31,207	15,177	24,298	70,681
Cost of Issuance	1,959	4,843	6,802	3,382	3,950	14,134
Total uses of funds	$155,008	$383,019	$538,027	$243,399	$399,796	$1,181,222

Notes: Columns may not add to totals shown because of rounding.
See the "Plan of Financing" section of the report for additional information.
The exhibit above presents project costs funded with bond proceeds only, and does not include federal grants-in-aid, prior bond proceeds, or other sources.

(a) As described in the report, the City may defease and refund certain Bonds based on the market conditions at the time of pricing. The financial forecasts attached to this report assumes that there will not be any savings from refunding Bonds in the future.

Source: Jefferies & Company, Inc., Plan of Financing dated September __, 2012.

Exhibit C

DEBT SERVICE REQUIREMENTS
Denver International Airport
Fiscal Years Ending December 31
(dollars in thousands)

	Actual (a)		Forecast								
DEBT SERVICE REQUIREMENTS (b)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Senior Bonds											
Series 1991D	18,017	17,868	$21,200	$6,400	$0	$0	$0	$0	$0	$0	$0
Series 1992D-G (variable rate)	1,729	1,799	3,500	3,400	3,400	3,600	3,600	3,900	3,900	3,800	4,100
Series 1995C	4,011	4,010	4,000	--	--	--	--	--	--	--	--
Series 1997E	2,068	19,627	10,500	7,900	--	--	--	--	--	--	--
Series 1998A-B	11,605	11,605	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400
Series 2000A	27,675	13,732	--	--	--	--	--	--	--	--	--
Series 2001A-B	26,717	18,202	--	--	--	--	--	--	--	--	--
Series 2001D	6,026	4,869	--	--	--	--	--	--	--	--	--
Series 2002C-D (variable rate)	2,676	3,281	3,600	3,700	3,800	3,800	3,800	3,800	3,900	3,800	3,900
Series 2002E	13,296	13,428	8,700	6,500	6,400	6,800	6,500	6,800	6,700	100	100
Series 2003A-B	11,778	11,838	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900
Series 2005A	11,221	11,291	10,900	10,900	10,900	10,900	10,900	18,700	30,600	28,800	17,100
Series 2006A-B	39,042	41,593	35,100	25,700	16,200	25,000	26,000	29,400	13,100	7,600	12,400
Series 2007A-C	11,757	12,065	12,400	12,400	12,400	12,400	16,200	17,000	11,900	11,900	11,900
Series 2007D-E	8,107	9,791	11,700	11,700	24,500	27,400	27,500	27,400	27,300	27,300	27,300
Series 2007F-G	16,436	16,200	16,100	16,100	40,600	40,900	35,800	35,700	37,700	37,800	37,000
Series 2008A1	39,564	30,614	30,800	34,100	37,500	35,900	15,400	7,000	--	--	--
Series 2008B	4,322	5,102	5,500	9,600	9,400	9,300	9,200	8,900	8,800	8,600	8,400
Series 2008C1-C3	14,198	14,453	16,300	16,300	16,300	16,300	16,300	16,300	30,700	55,300	55,100
Series 2009A	7,919	5,650	11,500	8,700	11,400	8,600	19,000	12,100	7,900	7,900	7,900
Series 2009B	1,367	1,545	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Series 2009C (variable rate)	5,934	5,859	5,800	5,800	5,800	5,800	5,800	5,800	17,000	30,900	29,500
Series 2010A	5,796	8,482	8,500	8,500	8,500	8,500	13,700	13,700	18,600	23,500	25,900
Series 2011A	--	10,252	32,100	34,900	31,900	31,900	41,100	41,000	62,000	54,100	56,900
Series 2011BC	--	--	29,400	44,700	47,400	39,500	39,600	36,600	6,800	500	500
Series 2012A-B	--	--	1,700	4,400	7,200	16,500	33,800	38,600	37,100	37,100	37,100
Future Planned Bonds (2013-2018 Capital Program)	--	--	--	300	300	24,000	24,000	24,000	24,000	24,500	24,500
	$291,261	$293,154	$304,300	$297,000	$318,900	$352,100	$373,200	$371,700	$373,000	$388,500	$384,600
Continental support facilities bonds (c)	5,414	5,417	5,400	5,400	5,400	5,400	5,400	5,400	5,400	500	500
Debt Service Requirements -- Senior Bonds	**$296,675**	**$298,571**	**$309,700**	**$302,400**	**$324,300**	**$357,500**	**$378,600**	**$377,100**	**$378,400**	**$389,000**	**$385,100**

DEBT SERVICE REQUIREMENTS
Denver International Airport
Fiscal Years Ending December 31
(in thousands)

	Actual (a)		Forecast								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
DEBT SERVICE REQUIREMENTS (b)											
Subordinate Bonds											
Swap payments	$ --	$ --	$800	$800	$800	$800	$800	$800	$800	$800	$600
Future 2012 Bonds	--	--	--	--	1,600	14,200	15,500	15,500	15,800	16,200	16,200
	$ --	$ --	$800	$800	$2,400	$15,000	$16,300	$16,300	$16,600	$17,000	$16,800
Total Debt Service Requirements	**$296,675**	**$298,571**	**$310,500**	**$303,200**	**$326,700**	**$372,500**	**$394,900**	**$393,400**	**$395,000**	**$406,000**	**$401,900**
DEBT SERVICE REQUIREMENTS											
To Determine Debt Service Coverage											
Senior Bonds	$296,675	$298,571	$309,700	$302,400	$324,300	$357,500	$378,600	$377,100	$378,400	$389,000	$385,100
Less: Committed Passenger Facility Charges (d)	(68,819)	(69,182)	(68,100)	(71,100)	(72,400)	(73,700)	(75,000)	(76,300)	(77,800)	(79,300)	(80,900)
	$227,856	$229,389	$241,600	$231,300	$251,900	$283,800	$303,600	$300,800	$300,600	$309,700	$304,200
Subordinate Bonds	--	--	800	800	2,400	15,000	16,300	16,300	16,600	17,000	16,800
Total for Rate Maintenance Covenant	**$227,856**	**$229,389**	**$242,400**	**$232,100**	**$254,300**	**$298,800**	**$319,900**	**$317,100**	**$317,200**	**$326,700**	**$321,000**
To Calculate Airline Rates and Charges											
Senior Bonds	$296,675	$298,571	$309,700	$302,400	$324,300	$357,500	$378,600	$377,100	$378,400	$389,000	$385,100
Less: Committed Passenger Facility Charges (d)	(68,819)	(69,182)	(68,100)	(71,100)	(72,400)	(73,700)	(75,000)	(76,300)	(77,800)	(79,300)	(80,900)
Designated Passenger Facility Charges (e)	--	--	(34,500)	(35,100)	(35,800)	(36,400)	(37,100)	(37,700)	(38,500)	(39,200)	(40,000)
	$227,856	$229,389	$207,100	$196,200	$216,100	$247,400	$266,500	$263,100	$262,100	$270,500	$264,200
Subordinate Bonds	--	--	800	800	2,400	15,000	16,300	16,300	16,600	17,000	16,800
Total for Airline Rates and Charges	**$227,856**	**$229,389**	**$207,900**	**$197,000**	**$218,500**	**$262,400**	**$282,800**	**$279,400**	**$278,700**	**$287,500**	**$281,000**
To Determine Other Available Funds balance											
Senior Bonds (Airport portion)	$291,261	$293,154	$304,300	$297,000	$318,900	$352,100	$373,200	$371,700	$373,000	$388,500	$384,600
Less: Committed Passenger Facility Charges (d)	(68,819)	(69,182)	(68,071)	(71,059)	(72,378)	(73,667)	(74,970)	(76,284)	(77,793)	(79,335)	(80,905)
	$222,442	$223,971	$236,229	$225,941	$246,522	$278,433	$298,230	$295,416	$295,207	$309,165	$303,695
Coverage on Senior Bonds	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Coverage requirement--Airport portion	$55,611	$55,993	$59,100	$56,500	$61,600	$69,600	$74,600	$73,900	$73,800	$77,300	$75,900
Senior Bonds (Continental/United Airlines)	$5,414	$5,417	$5,400	$5,400	$5,400	$5,400	$5,400	$5,400	$5,400	$500	$500
Coverage on Senior Bonds	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Coverage requirement--Continental/United Airlines)	$1,354	$1,354	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$1,400	$100	$100
Total--Other Available Funds balance	**$56,964**	**$57,347**	**$60,500**	**$57,900**	**$63,000**	**$71,000**	**$76,000**	**$75,300**	**$75,200**	**$77,400**	**$76,000**

(a) Source: 2010 and 2011 Airport management records based on audited financial results. Source for Debt Service Requirements: Jefferies & Company, Inc.
(b) Net of capitalized interest. The amounts shown are also net of funds in escrow to economically defease certain Senior Bonds.
(c) Includes debt service on Senior Bonds allocable to Continental's support facilities at the Airport.
(d) Reflects two-thirds (generally equal to $3) of forecast Passenger Facility Charges and associated interest income, as provided under the PFC Supplemental Bond Ordinance covering commitments through 2018. For purposes of this report, forecast PFC revenues in 2019 and 2020 were assumed to be used in a manner similar to prior years.
(e) Reflects one-third (generally equal to $1.50) of forecast Passenger Facility Charges and associated interest income, as provided under the PFC Supplemental Bond Ordinance covering commitments through 2018. For purposes of this report, forecast PFC revenues in 2019 and 2020 were assumed to be used in a manner similar to prior years.

Exhibit C-1

DEBT SERVICE USED TO CALCULATE AIRLINE RATES AND CHARGES
Denver International Airport
Fiscal Years Ending December 31
(dollars in thousands)

	Actual (a)		Forecast								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
DEBT SERVICE REQUIREMENTS (b)											
Debt Service Requirements	$296,675	$298,571	$310,500	$303,200	$326,700	$372,500	$394,900	$393,400	$395,000	$406,000	$401,900
Less: Committed Passenger Facility Charges (b)	(68,819)	(69,182)	(68,100)	(71,100)	(72,400)	(73,700)	(75,000)	(76,300)	(77,800)	(79,300)	(80,900)
Designated Passenger Facility Charges (b)	--	--	(34,500)	(35,100)	(35,800)	(36,400)	(37,100)	(37,700)	(38,500)	(39,200)	(40,000)
	$227,856	**$229,389**	**$207,900**	**$197,000**	**$218,500**	**$262,400**	**$282,800**	**$279,400**	**$278,700**	**$287,500**	**$281,000**
ALLOCATION TO COST CENTERS											
Airline cost centers											
Terminal Complex	$96,052	$92,010	$73,500	$53,100	$57,800	$60,000	$55,300	$51,200	$41,700	$45,200	$41,000
Tenant Finishes and Equipment											
Landside Terminal	3,194	3,273	3,300	3,300	3,400	3,500	3,500	3,300	3,200	3,400	3,500
Concourse A	6,574	7,815	8,100	7,900	8,300	8,400	8,500	8,100	7,600	8,200	8,400
Concourse B	12,173	12,377	13,200	12,700	13,300	14,500	13,600	12,600	11,500	12,800	15,000
Concourse C	1,543	2,410	2,700	2,600	2,700	2,800	2,800	2,600	2,400	2,700	3,000
Loading Bridges	771	804	900	1,000	1,200	1,100	1,100	1,000	900	900	900
International Facilities	1,443	1,447	1,500	1,500	1,500	1,600	1,600	1,500	1,500	1,600	1,600
Common Use Terminal Equipment	94	99	100	100	200	200	200	200	200	200	200
Concourse A commuter facility	136	136	200	200	200	200	200	200	200	200	200
Concourse B regional jet facility	1,818	1,857	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Baggage Claim	1,433	1,439	400	200	100	100	500	100	100	100	100
Automated Baggage Systems	110	48	100	100	200	200	200	200	200	200	200
Conventional Baggage Systems	10,220	10,182	9,300	9,200	9,700	14,300	14,500	14,000	13,600	14,300	14,600
International Facilities	1,378	1,196	900	900	900	900	800	800	900	800	1,000
Automated Guideway Transit System	5,457	5,584	5,800	6,300	7,300	8,500	16,100	14,100	13,800	14,200	14,400
Concourse Ramp Area	3,984	4,103	4,400	4,400	6,200	6,600	6,500	6,500	6,800	6,000	5,900
Airfield Area	20,047	21,408	28,600	30,900	35,600	46,000	49,100	53,600	65,100	69,000	62,800
Fueling System	9,608	9,638	10,000	9,700	10,000	10,100	10,100	9,700	9,200	10,000	10,300
	$176,036	$175,828	$164,700	$145,800	$160,300	$180,700	$186,300	$181,400	$180,600	$191,500	$184,800
Nonairline cost centers	46,406	48,144	37,800	45,800	52,800	76,300	91,100	92,600	92,700	95,500	95,700
Continental support facilities	5,414	5,417	5,400	5,400	5,400	5,400	5,400	5,400	5,400	500	500
	$227,856	**$229,389**	**$207,900**	**$197,000**	**$218,500**	**$262,400**	**$282,800**	**$279,400**	**$278,700**	**$287,500**	**$281,000**

(a) Source: 2010 and 2011 Airport management records based on audited financial results.
(b) See Exhibit C.

Exhibit D

OPERATION AND MAINTENANCE EXPENSES
Denver International Airport
Fiscal Years Ending December 31
(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual (a)		Forecast								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
BY OBJECT TYPE											
Personnel services	$111,864	$115,241	$124,700	$132,400	$138,000	$143,800	$149,800	$156,100	$162,700	$169,500	$176,600
Contractual services											
Professional services	$55,213	$60,324	$62,800	$66,800	$69,000	$71,000	$73,400	$76,000	$78,500	$81,100	$83,700
Utility services	23,500	24,326	22,600	23,700	24,400	25,200	26,000	26,900	27,800	28,700	29,700
Cleaning services	29,864	25,249	30,900	33,700	34,800	35,800	37,000	38,300	39,600	40,900	42,200
Other services	18,666	16,990	19,900	16,800	17,400	17,900	18,500	19,200	19,800	20,500	21,100
Repairs and maintenance (b)	33,450	33,916	34,700	36,100	37,300	38,400	39,700	41,100	42,400	43,800	45,300
Rentals	542	628	600	700	700	700	700	700	800	800	800
Insurance	3,352	2,486	2,500	2,900	3,000	3,000	3,100	3,300	3,400	3,500	3,600
Other contractual services (c)	1,879	2,753	2,900	3,600	3,700	3,800	3,900	4,000	4,200	4,300	4,500
	$166,466	$166,673	$176,900	$184,300	$190,300	$195,800	$202,300	$209,500	$216,500	$223,600	$230,900
Maintenance, supplies, and materials	18,762	22,827	26,900	28,500	29,400	30,300	31,400	32,500	33,500	34,600	35,800
	$297,092	**$304,740**	**$328,500**	**$345,200**	**$357,700**	**$369,900**	**$383,500**	**$398,100**	**$412,700**	**$427,700**	**$443,300**
Additional O&M Expenses (2013-2018 Capital Program) (d)											
Proposed hotel	--	--	--	--	--	--	26,500	28,000	29,200	30,200	31,100
All other projects in the Capital Program	--	--	200	400	1,800	16,900	17,900	17,900	17,900	17,900	17,900
	$297,092	**$304,740**	**$328,700**	**$345,600**	**$359,500**	**$386,800**	**$427,900**	**$444,000**	**$459,800**	**$475,800**	**$492,300**
BY COST CENTER											
Airline cost centers											
Terminal Complex (e)	$96,727	$103,433	$110,400	$114,400	$119,900	$125,600	$131,000	$135,900	$140,800	$145,800	$150,900
International Facilities	1,006	1,073	300	1,400	1,400	1,500	1,600	1,600	1,700	1,700	1,800
Automated Baggage Systems	418	398	300	500	500	500	600	600	600	600	600
Conventional Baggage Systems	1,875	1,926	1,800	2,000	2,100	5,700	5,700	5,800	5,900	6,000	6,100
Baggage Claim	--	--	--	--	--	--	--	--	--	--	--
Automated Guideway Transit System	20,871	22,044	24,200	25,600	26,600	27,500	28,500	29,600	30,700	31,800	33,000
Common Use Terminal Equipment	2	90	100	100	100	100	100	100	100	100	100
Concourse B RJ Facility	637	660	800	800	800	900	900	900	1,000	1,000	1,000
Concourse Ramp Area	10,094	9,813	11,500	11,900	12,300	12,700	13,200	13,700	14,200	14,700	15,300
Concourse A commuter facility	374	392	500	500	500	500	600	600	600	600	600
Airfield Area	77,452	71,633	81,000	85,600	88,800	95,200	98,600	102,200	105,800	109,500	113,400
Fueling System	1,864	1,917	1,600	1,700	1,800	1,800	1,900	2,000	2,000	2,100	2,200
	$211,319	$213,382	$232,500	$244,500	$254,800	$272,000	$282,700	$293,000	$303,400	$313,900	$325,000
Nonairline cost centers	85,773	91,359	96,200	101,100	104,700	114,800	145,200	151,000	156,400	161,900	167,300
	$297,092	**$304,740**	**$328,700**	**$345,600**	**$359,500**	**$386,800**	**$427,900**	**$444,000**	**$459,800**	**$475,800**	**$492,300**
Annual rate of growth	(2.6%)	2.6%	7.9%	5.1%	4.0%	7.6%	10.6%	3.8%	3.6%	3.5%	3.5%

(a) Source: Airport management records. Based on audited financial results.
(b) Excludes maintenance costs of the conventional baggage system.
(c) Includes bad debt expenses, if any, for the historical years shown.
(d) Includes allowances for additional O&M Expenses associated with the Capital Program, including those for the proposed hotel. Forecast O&M Expenses for proposed hotel as provided by PKF Consulting USA.
(e) Includes expenses associated with maintaining the loading bridges which are recovered through TF&E Charges.

Exhibit E

AIRLINE RENTALS, FEES, AND CHARGES
Denver International Airport
Fiscal Years Ending December 31
(in thousands, except rates)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Exhibit reference	Actual (a) 2010	Actual (a) 2011	Forecast 2012	2013	2014	2015	2016	2017	2018	2019	2020
Airline Revenues												
Landing fees--Signatory Airlines	E-1	$120,354	$116,192	$133,000	$138,500	$143,600	$160,400	$167,200	$175,900	$189,800	$197,500	$195,200
Landing fees--nonsignatory airlines		94	128	200	100	100	100	100	100	100	100	100
Terminal complex rentals	E-2	71,723	72,353	78,500	65,200	69,200	71,900	71,400	72,000	69,700	72,900	73,200
Nonpreferential, commuter, common-use gates		1,480	1,970	600	500	500	500	500	500	500	500	500
Tenant finishes and equipment charges (b)		52,138	53,806	52,700	37,000	38,700	40,500	39,400	38,100	36,100	38,500	40,400
Automated baggage system fees		6,355	6,450	3,500	1,300	1,400	1,400	1,500	1,500	1,500	1,500	1,500
Conventional baggage system fees		23,405	22,736	22,400	21,900	23,000	29,900	30,000	29,700	29,100	30,200	30,600
International facility fees		5,519	4,678	2,900	3,000	3,200	3,300	3,500	3,600	3,800	3,900	4,100
Automated Guideway Transit System charges		27,659	29,310	32,000	33,900	35,800	38,000	46,700	45,900	46,300	47,700	48,900
Baggage claim charges		16,947	17,270	15,800	14,900	15,700	16,300	16,600	16,300	15,700	16,500	16,500
Interline baggage fees		755	792	800	800	800	900	900	900	900	900	900
Concourse ramp fees		12,279	12,317	15,000	15,400	17,400	18,100	18,500	19,100	19,700	19,400	19,800
Commuter ramp fees		292	276	200	200	200	200	200	200	200	200	200
Common use terminal equipment fees		31	85	100	100	100	100	100	100	--	--	--
Fueling system charges		11,790	11,968	11,700	11,500	11,900	11,900	12,000	11,700	11,100	12,000	12,400
Total rentals, fees, and charges		**$350,820**	**$350,332**	**$369,400**	**$344,300**	**$361,600**	**$393,500**	**$408,600**	**$415,600**	**$424,500**	**$441,800**	**$444,300**
Less: Balance in Airline Revenue Credit Account	G	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**
Net rentals, fees, and charges		**$310,820**	**$310,332**	**$329,400**	**$304,300**	**$321,600**	**$353,500**	**$368,600**	**$375,600**	**$384,500**	**$401,800**	**$404,300**
Net rentals, fees, and charges by airline												
United		$134,236	$129,926	$135,900	$121,000	$128,100	$140,500	$142,900	$144,200	$144,300	$150,800	$152,400
Other airlines		176,585	180,406	193,500	183,300	193,500	213,000	225,700	231,400	240,200	251,000	251,900
		$310,820	$310,332	$329,400	$304,300	$321,600	$353,500	$368,600	$375,600	$384,500	$401,800	$404,300
Less: cargo carrier landing and other fees (c)		(4,410)	(4,292)	(5,000)	(5,200)	(5,300)	(5,900)	(6,100)	(6,400)	(6,800)	(7,000)	(6,900)
	[A]	**$306,411**	**$306,040**	**$324,400**	**$299,100**	**$316,300**	**$347,600**	**$362,500**	**$369,200**	**$377,700**	**$394,800**	**$397,400**
Enplaned passengers	[B]	26,025	26,456	26,497	27,021	27,523	28,013	28,508	29,008	29,513	30,023	30,515
Airline cost per enplaned passenger	[A/B]	**$11.77**	**$11.57**	**$12.24**	**$11.07**	**$11.49**	**$12.41**	**$12.72**	**$12.73**	**$12.80**	**$13.15**	**$13.02**
Maximum cost per enplaned revenue passenger for United (in 1990 dollars) (d)		**$11.02**	**$12.39**	**$12.13**	**$10.23**	**$10.45**	**$11.09**	**$10.92**	**$10.70**	**$10.34**	**$10.44**	**$10.21**

(a) Source: 2010 and 2011 Airport management records based on audited financial results.
(b) Includes debt service associated with the Concourse B regional jet facility.
(c) Cargo carriers do not enplane passengers. As such, their landing fees are excluded from the calculation of the average cost per enplaned pasenger.
(d) Source for the discount factor: Historical based on actual Consumer Price Index (CPI) for the Denver-Boulder-Greeley Consolidated Metropolitan Statistical Area (CMSA). Forecast was based on a 2.1% discount factor, which approximates the Denver-Boulder-Greeley CMSA CPI from 2012-2020.

Exhibit E-1

LANDING FEES
Denver International Airport
Fiscal Years Ending December 31
(in thousands, except rates)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Exhibit	Actual (a)		Forecast								
	reference	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operation and Maintenance Expenses	D	$77,452	$71,633	$81,000	$85,600	$88,800	$95,200	$98,600	$102,200	$105,800	$109,500	$113,400
Operation and Maintenance Reserve Account replenishment (b)		--	1,467	400	--	500	700	1,300	2,000	800	800	800
Equipment and capital outlays		1,671	821	3,400	2,800	2,900	2,900	3,000	3,100	3,100	3,200	3,300
Debt service	C-1	20,047	21,408	28,600	30,900	35,600	46,000	49,100	53,600	65,100	69,000	62,800
Variable rate bond fees (c)		1,055	1,100	800	500	500	500	400	400	400	400	300
Amortization charges		27,154	28,502	29,400	29,000	25,800	25,500	25,500	25,500	25,500	25,500	25,500
Other allocable costs		287	302	300	300	300	300	300	300	300	300	300
Capital cost of north site (50%)		1,248	1,239	1,200	1,200	1,200	1,300	1,200	1,200	1,200	1,200	1,200
Total Airfield Area Requirement		**$128,915**	**$126,472**	**$145,100**	**$150,300**	**$155,600**	**$172,400**	**$179,400**	**$188,300**	**$202,200**	**$209,900**	**$207,600**
Less credits:												
Nonairline revenues	F	($5,947)	($7,578)	($9,300)	($9,200)	($9,200)	($9,200)	($9,100)	($9,100)	($9,100)	($9,100)	($9,100)
Nonsignatory airline landing fees (d)		(94)	(128)	(200)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Interest income (e)		(2,513)	(2,574)	(2,600)	(2,500)	(2,700)	(2,700)	(3,000)	(3,200)	(3,200)	(3,200)	(3,200)
Net Airfield Area Requirement		$120,361	$116,192	$133,000	$138,500	$143,600	$160,400	$167,200	$175,900	$189,800	$197,500	$195,200
Signatory Airline landed weight (1,000 pound units) (f)		33,262	32,472	31,602	31,956	32,191	32,425	32,656	32,886	33,113	33,336	33,534
Signatory Airline landing fee rate		**$3.62**	**$3.58**	**$4.21**	**$4.33**	**$4.46**	**$4.95**	**$5.12**	**$5.35**	**$5.73**	**$5.92**	**$5.82**
Total Signatory Airline landing fees		**$120,354**	**$116,192**	**$133,000**	**$138,500**	**$143,600**	**$160,400**	**$167,200**	**$175,900**	**$189,800**	**$197,500**	**$195,200**

(a) Source: 2010 and 2011 Airport management records based on audited financial results.
(b) Allocated to Airport cost centers based on Operation and Maintenance Expenses.
(c) Source: the City's Financial Advisors for the total variable rate bond fees, which are allocated to Airport cost centers based on debt service.
(d) Reflects the calculated Signatory Airline landing fee rate multiplied by a premium of 20% and assessed to nonsignatory airline landed weight.
(e) Allocated to all Airport cost centers based on debt service requirements on Bonds issued to construct the Airport.
(f) Based on the forecast of landed weight presented in the report prorated for Signatory Airline traffic.

Exhibit E-2

TERMINAL COMPLEX RENTALS
Denver International Airport
Fiscal Years Ending December 31
(in thousands, except rates)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Exhibit	Actual (a)		Forecast								
	reference	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operation and Maintenance Expenses	D	$96,727	$103,433	$110,400	$114,400	$119,900	$125,600	$131,000	$135,900	$140,800	$145,800	$150,900
Less: Loading bridge maintenance expenses (b)		(600)	(704)	(800)	(800)	(800)	(900)	(900)	(900)	(1,000)	(1,000)	(1,000)
Operation and Maintenance Reserve Account replenishment (c)		--	2,391	600	--	700	1,000	1,800	2,700	1,000	1,000	1,000
Equipment and capital outlays		989	426	1,500	2,200	2,200	2,200	2,300	2,300	2,400	2,500	2,500
Debt service		96,948	92,910	73,500	53,100	57,800	60,000	55,300	51,200	41,700	45,200	41,000
Variable rate bond fees (d)		2,720	2,799	1,800	1,100	1,100	1,000	1,000	900	900	800	700
Amortization charges		10,816	10,637	10,400	9,800	9,800	9,800	7,300	7,300	7,300	7,300	7,300
Other allocable costs		740	780	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Terminal Complex Requirement		**$208,340**	**$212,670**	**$198,400**	**$180,800**	**$191,700**	**$199,700**	**$198,800**	**$200,400**	**$194,100**	**$202,600**	**$203,400**
Less credits: Interest income (e)		(6,482)	(6,638)	(7,300)	(7,900)	(8,100)	(9,000)	(9,400)	(9,400)	(9,400)	(9,400)	(9,400)
Net Terminal Complex Requirement		$201,858	$206,032	$191,100	$172,900	$183,600	$190,700	$189,400	$191,000	$184,700	$193,200	$194,000
Rentable space (square feet)		2,331	2,331	2,221	2,111	2,111	2,111	2,111	2,111	2,111	2,111	2,111
Average rental rate per square foot		**$86.61**	**$88.39**	**$86.04**	**$81.90**	**$86.96**	**$90.33**	**$89.71**	**$90.47**	**$87.48**	**$91.51**	**$91.89**
Average rental rate per square foot at 100%		$86.61	$88.39	$86.04	$81.90	$86.96	$90.33	$89.71	$90.47	$87.48	$91.51	$91.89
Differential rate per square foot at 65%		$56.29	$57.45	$55.92	$53.23	$56.53	$58.71	$58.31	$58.80	$56.86	$59.48	$59.73
Total airline space rentals (f)		$71,723	$72,353	$78,500	$65,200	$69,200	$71,900	$71,400	$72,000	$69,700	$72,900	$73,200

(a) Source: 2010 and 2011 Airport management records based on audited financial results.
(b) These expenses are recovered through tenant finish charges.
(c) Allocated to Airport cost centers based on Operation and Maintenance Expenses.
(d) Source: the City's Financial Consultants for the total variable rate bond fees, which are allocated to Airport cost centers based on debt service.
(e) Allocated to all Airport cost centers based on debt service requirements on Bonds issued to construct the Airport.
(f) Includes exclusive, preferential, and joint-use space rentals.

Exhibit F

REVENUES OTHER THAN
AIRLINE RENTALS, FEES, AND CHARGES
Denver International Airport
Fiscal Years Ending December 31
(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual (a)		Forecast								
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Terminal concession revenues											
Food and beverage	$22,582	$24,127	$24,800	$26,500	$28,200	$30,000	$32,100	$34,300	$35,700	$37,100	$38,600
Merchandise	11,923	12,100	12,400	13,300	14,200	15,100	16,100	17,200	17,900	18,600	19,400
Terminal services (b)	7,723	9,817	10,600	11,100	11,500	12,000	12,500	13,000	13,600	14,100	14,700
	$42,228	$46,044	$47,800	$50,900	$53,900	$57,100	$60,700	$64,500	$67,200	$69,800	$72,700
Outside concession revenues											
Public automobile parking	$118,183	$127,033	$135,000	$141,000	$147,000	$156,000	$167,000	$174,000	$181,000	$189,000	$196,000
Rental car privilege fees	34,421	35,943	35,000	36,100	37,200	38,200	39,400	40,500	41,700	42,900	44,100
Ground transportation	3,736	5,094	5,200	5,500	5,700	6,000	6,200	6,400	6,700	7,000	7,300
	$156,340	$168,071	$175,200	$182,600	$189,900	$200,200	$212,600	$220,900	$229,400	$238,900	$247,400
Other terminal revenues											
Employee parking fees	$5,518	$5,715	$5,900	$6,000	$6,100	$6,200	$6,400	$6,500	$6,700	$6,900	$7,000
Rental car											
Service and storage rentals (c)	5,580	5,835	6,000	6,300	6,600	6,900	7,200	7,400	7,700	8,100	8,400
Additional building rentals (d)	4,057	4,444	4,600	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,400
Other terminal space rentals	720	730	700	800	800	800	800	800	900	900	900
Proposed hotel (e)	--	--	--	--	--	--	41,500	43,900	45,200	46,500	47,900
	$15,876	$16,724	$17,200	$17,800	$18,300	$18,800	$60,900	$63,700	$65,700	$67,700	$69,600
Airfield											
General aviation landing fees	$161	$167	$200	$200	$200	$200	$200	$200	$200	$200	$200
Farming income	243	250	300	300	300	300	300	300	300	300	300
Oil and gas royalty revenues	5,467	7,087	8,700	8,600	8,600	8,600	8,500	8,500	8,500	8,500	8,500
Fuel flowage fees	75	75	100	100	100	100	100	100	100	100	100
	$5,947	$7,578	$9,300	$9,200	$9,200	$9,200	$9,100	$9,100	$9,100	$9,100	$9,100

Exhibit F (page 2 of 2)

REVENUES OTHER THAN
AIRLINE RENTALS, FEES, AND CHARGES
Denver International Airport
Fiscal Years Ending December 31
(dollars in thousands)

	Actual (a)		Forecast								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Building and ground rentals											
Continental support facilities	$7,805	$7,886	$7,800	$7,700	$7,800	$7,900	$7,900	$7,900	$8,000	$8,000	$3,200
Other North Airline Support Area	1,408	1,408	1,600	1,600	1,600	1,700	1,700	1,700	1,700	1,700	1,800
Other South Airline Support Area	538	612	900	800	800	900	900	900	900	900	900
South Cargo Area	4,493	4,604	4,400	4,700	4,700	4,800	4,900	4,900	4,800	4,700	4,800
FedEx	582	582	600	600	600	600	600	--	--	--	--
General Aviation Area	383	396	400	400	400	400	400	400	400	400	400
	$15,211	$15,489	$15,700	$15,800	$15,900	$16,300	$16,400	$15,800	$15,800	$15,700	$11,100
Other revenues											
In-flight catering fees	$1,051	$1,395	$1,400	$1,500	$1,600	$1,600	$1,700	$1,800	$1,800	$1,900	$2,000
Coverage--Continental Support Facilities	--	--	--	--	--	--	--	--	--	--	--
Aviation fuel tax proceeds											
City	7,490	7,452	7,600	7,300	7,400	7,400	7,500	7,600	7,600	7,700	7,700
State	16,191	21,440	20,900	21,100	21,200	21,400	21,600	21,700	21,900	22,000	22,200
Miscellaneous revenues	6,042	6,737	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700
	$30,774	$37,024	$36,600	$36,600	$36,900	$37,100	$37,500	$37,800	$38,000	$38,300	$38,600
Total	**$266,376**	**$290,931**	**$301,800**	**$312,900**	**$324,100**	**$338,700**	**$397,200**	**$411,800**	**$425,200**	**$439,500**	**$448,500**
Annual rate of growth	8.6%	9.2%	3.7%	3.7%	3.6%	4.5%	17.3%	3.7%	3.3%	3.4%	2.0%

(a) Source: 2010 and 2011 Airport management records based on audited financial results.
(b) Includes telephone, advertising, luggage cart, other in-terminal concession revenues, and an off-Airport parking concession privilege fee.
(c) Reflects ground and facility rentals based, in part, on debt service requirements.
(d) Reflects additional rentals payable by the rental car companies to the City.
(e) Source: PKF Consulting USA.

Exhibit G

APPLICATION OF GROSS REVENUES
Denver International Airport
Fiscal Years Ending December 31
(in thousands)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Exhibit	Actual		Forecast								
	reference	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Revenues												
Airline rentals, fees, and charges	E	$350,820	$350,332	$369,400	$344,300	$361,600	$393,500	$408,600	$415,600	$424,500	$441,800	$444,300
Other Airport revenues	F	266,376	290,931	301,800	312,900	324,100	338,700	397,200	411,800	425,200	439,500	448,500
Interest income		26,802	25,487	26,100	24,400	25,600	25,300	27,800	29,200	29,600	30,000	30,000
Designated Passenger Facility Charges (a)		34,198	34,403	34,500	35,100	35,800	36,400	37,100	37,700	38,500	39,200	40,000
		$678,197	$701,153	$731,800	$716,700	$747,100	$793,900	$870,700	$894,300	$917,800	$950,500	$962,800
Operation and Maintenance Expenses												
Operating expenses	D	$297,092	$304,740	$328,700	$345,600	$359,500	$386,800	$427,900	$444,000	$459,800	$475,800	$492,300
Variable rate bond fees		7,157	7,374	4,600	3,000	2,900	2,800	2,700	2,600	2,500	2,200	1,900
		$304,249	$312,114	$333,300	$348,600	$362,400	$389,600	$430,600	$446,600	$462,300	$478,000	$494,200
Net Revenues		**$373,948**	**$389,039**	**$398,500**	**$368,100**	**$384,700**	**$404,300**	**$440,100**	**$447,700**	**$455,500**	**$472,500**	**$468,600**
Other Available Funds (coverage requirement)	C	56,964	57,347	60,500	57,900	63,000	71,000	76,000	75,300	75,200	77,400	76,000
Net Revenues plus Other Available Funds		**$430,912**	**$446,386**	**$459,000**	**$426,000**	**$447,700**	**$475,300**	**$516,100**	**$523,000**	**$530,700**	**$549,900**	**$544,600**
Less transfers to:												
Bond Fund (b)												
Designated Passenger Facility Charge Revenues		$ --	$30,857	$34,500	$35,100	$35,800	$36,400	$37,100	$37,700	$38,500	$39,200	$40,000
Other Gross Revenues		227,856	198,532	207,100	196,200	216,100	247,400	266,500	263,100	262,100	270,500	264,200
Reserve account for FedEx project (c)		55	65	100	100	100	100	100	--	--	--	--
Reserve account for other outstanding bonds (c)		1,184	1,628	1,300	1,300	1,300	1,300	3,200	1,300	1,300	1,300	1,300
Redemption Account (d)		34,198	3,546	--	--	--	--	--	--	--	--	--
Subordinate Lien Bond Fund		--	--	800	800	2,400	15,000	16,300	16,300	16,600	17,000	16,800
Junior Lien Obligation Fund		--	--	--	--	--	--	400	900	1,800	2,300	3,400
Operation and Maintenance Reserve Account		--	6,478	1,700	--	2,000	2,900	5,800	8,700	3,400	3,300	3,400
Transfer to Capital Fund		**$167,619**	**$205,280**	**$213,500**	**$192,500**	**$190,000**	**$172,200**	**$186,700**	**$195,000**	**$207,000**	**$216,300**	**$215,500**
Adjustments (e)		691	691	700	700	700	700	700	3,100	4,000	4,200	4,700
Adjusted transfer to Capital Fund		**$168,310**	**$205,971**	**$214,200**	**$193,200**	**$190,700**	**$172,900**	**$187,400**	**$198,100**	**$211,000**	**$220,500**	**$220,200**

Exhibit G (page 2 of 2)

APPLICATION OF GROSS REVENUES
Denver International Airport
Fiscal Years Ending December 31
(in thousands)

	Exhibit	Actual		Forecast								
	reference	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Allocation of Capital Fund transfer												
Rollover to Coverage Account	C	$56,964	$57,347	$60,500	$57,900	$63,000	$71,000	$76,000	$75,300	$75,200	$77,400	$76,000
Addition to Coverage Account (Continental/United portion)	C	--	1	--	--	--	--	--	--	--	--	--
Addition to Coverage Account (Airport portion)	C	--	--	--	--	--	--	--	--	--	500	--
Interest income credit to Continental Airlines (f)		31	19	--	--	--	--	--	--	--	--	--
Equipment and Capital Outlay Account												
Other equipment purchases		3,526	1,704	6,700	6,900	7,000	7,200	7,300	7,500	7,700	7,800	8,000
Set-aside for installment purchase equipment payments (g)		18,133	16,814	17,300	17,100	10,800	10,300	10,300	10,300	10,300	10,300	9,700
Capital Improvement Account (h)												
Remaining balance deposit for Airport Improvements (i)		48,274	88,703	88,300	69,900	68,500	43,000	52,400	58,800	69,800	76,100	77,100
Other (e)		691	691	700	700	700	700	700	3,100	4,000	4,200	4,700
Airline Revenue Credit Account (i)		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
		$167,619	**$205,280**	**$213,500**	**$192,500**	**$190,000**	**$172,200**	**$186,700**	**$195,000**	**$207,000**	**$216,300**	**$215,500**

(a) Under a Supplemental Bond Ordinance revenues from $1.50 of each $4.50 PFC received from eligible enplaned passengers will be included in Gross Revenues of the Airport and will be available for the calculation of debt service coverage through 2018. See the "Passenger Facility Charge Revenues" in this report for additional information.

(b) Required annual debt service requirements to be deposited in the Bond Fund, net of Committed Passenger Facility Charges presented on Exhibit C

(c) Reflects the difference between the rentals paid by FedEx and actual debt service allocable to the FedEx facilities. The deposit will be used to fund debt service payments in the future that are in excess of annual FedEx rental payments. Also includes a set-aside for the difference between lease payments on the Concourse B regional jet facility and the actual debt service on that facility. The reserve account for other outstanding bonds includes the remaining revenues associated with the hotel.

(d) The City intends to establish an escrow account for the defeasance of bonds in the year following the year in which the deposits to the redemption account are made.

(e) Reflects an adjustment to remove any impact from the use of Capital Improvement Account deposits to pay debt service on the proposed new Airport hotel from the Net Revenues available for revenue sharing.

(f) Continental/United receives a "rental" credit each year for interest earned on moneys it has deposited in the Coverage Account.

(g) Equipment funded by those companies and leased by the City.

(h) Remaining Net Revenues are to be allocated to the Capital Improvement Account as follows: 50% to Signatory Airlines and 50% to the Airport. Under the Airline Agreement, remaining Net Revenues deposited in the Airline Revenue Account cannot exceed $40 million in any year.

(i) Does not include any offset to United's portion of the Airline Revenue Credit Account for not meeting its connecting-revenue passenger and ASM targets at the Airport.

Exhibit H

NET REVENUES AND DEBT SERVICE COVERAGE

Denver International Airport
Fiscal Years Ending December 31
(in thousands, except coverage ratios)

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Actual		Forecast								
		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
GENERAL BOND ORDINANCE												
Net Revenues and Other Available Funds (a)												
Gross Revenues		$678,197	$701,153	$731,800	$716,700	$747,100	$793,900	$870,700	$894,300	$917,800	$950,500	$962,800
Operation and Maintenance Expenses (b)		304,249	312,114	333,300	348,600	362,400	389,600	430,600	446,600	462,300	478,000	494,200
Net Revenues		$373,948	$389,039	$398,500	$368,100	$384,700	$404,300	$440,100	$447,700	$455,500	$472,500	$468,600
Other Available Funds		56,964	57,347	60,500	57,900	63,000	71,000	76,000	75,300	75,200	77,400	76,000
	[A]	$430,913	$446,386	$459,000	$426,000	$447,700	$475,300	$516,100	$523,000	$530,700	$549,900	$544,600
Debt Service Requirements (c)												
Senior Bonds	[B]	$227,856	$229,389	$241,600	$231,300	$251,900	$283,800	$303,600	$300,800	$300,600	$309,700	$304,200
Subordinate Bonds		--	--	800	800	2,400	15,000	16,300	16,300	16,600	17,000	16,800
	[C]	$227,856	$229,389	$242,400	$232,100	$254,300	$298,800	$319,900	$317,100	$317,200	$326,700	$321,000
Debt service coverage on Senior Bonds	[A/B]	**189%**	**195%**	**190%**	**184%**	**178%**	**167%**	**170%**	**174%**	**177%**	**178%**	**179%**
Debt service coverage on Senior and Subordinate Bonds	[A/C]	**189%**	**195%**	**189%**	**184%**	**176%**	**159%**	**161%**	**165%**	**167%**	**168%**	**170%**

(a) See Exhibit G.
(b) Includes variable rate bond fees.
(c) Net of certain Committed Passenger Facility Charges. See Exhibit C.