

APPENDIX B

GLOSSARY OF TERMS

Set forth below are definitions of some of the terms used in this Official Statement, the Senior Bond Ordinance and the General Subordinate Bond Ordinance. Reference is hereby made to the provisions of the Senior Bond Ordinance for a complete recital of the terms defined therein, some of which are set forth below. Reference is hereby made to the provisions of the General Subordinate Bond Ordinance for a complete recital of the terms defined therein, some of which are set forth below. See also “APPENDIX D — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE” for certain proposed amendments to the definitions.

“*Additional Parity Bonds*” means additional Bonds which the City issues under the Senior Bond Ordinance on a parity with other Senior Bonds.

“*Additional Subordinate Parity Bonds*” means additional Subordinate Bonds which the City issues under the Subordinate Bond Ordinance on a parity with other Subordinate Bonds.

“*AGTS*” means the Airport’s automated guideway transit system.

“*AIP*” means the Federal Aviation Administration’s Airport Improvement Program.

“*Airport*” means Denver International Airport.

“*Airport Consultant*” means an independent airport management consultant or airport management consulting firm, as from time to time appointed by the Manager on behalf and in the name of the City: (a) who has a wide and favorable reputation for special skill and knowledge in methods of the development, operation, and management of airports and airport facilities; but (b) who is not in the regular employ or control of the City.

“*Airport System*” means the following facilities, whether heretofore or hereafter acquired by the City and whether located within or without the boundaries of the City: (a) Stapleton; (b) Denver International Airport; (c) all other airports, heliports or functionally similar aviation facilities; and (d) all other facilities of whatsoever nature relating to or otherwise used in connection with the foregoing, including without limitation, buildings, structures, terminals, parking and ground transportation facilities, roadways, land, hangars, warehouses, runways, shops, hotels, motels and administration offices. The term does not include any Special Facilities, except to the extent otherwise provided in the Senior Bond Ordinance.

“*Airport System Fund*” means the separate fund designated as the “City and County of Denver, Airport System Fund,” created under the Senior Bond Ordinance.

“*Bond Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Revenue Bonds, Interest and Principal Retirement Fund,” created in the Senior Bond Ordinance.

“*Bond Requirements*” for any period means the Debt Service Requirements payable during such period, excluding the amount of any Obligations payable (or for which reserves are required to be deposited) during such period.

“*Bond Reserve Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Revenue Bonds, Bond Reserve Fund,” created under the Senior Bond Ordinance.

“*Bonds*” or “*Senior Bonds*” means bonds, notes, certificates, commercial paper, or other securities issued by the City or by the City, for and on behalf of the Department, pursuant to the provisions of the Senior Bond Ordinance which are payable from the Net Revenues of the Airport System and which payment is secured by a pledge of and lien on such Net Revenues, including, without limitation, Completion Bonds, Refunding Bonds, Serial Bonds, Term Bonds, Credit Enhanced Bonds, Option Bonds, Capital Appreciation Bonds, and Variable Rate Bonds; but the term does not include any Special Facilities Bonds, Subordinate Bonds or any Obligations (except as represented by any bonds registered in the name of any provider of any Credit Facility or its nominee as a result of a purchase by a draw on the Credit Facility).

“*Capital Appreciation Bonds*” means Bonds which by their terms appreciate in value to a stated face amount at maturity.

“*Capital Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Capital Improvement and Replacement Fund,” created under the Senior Bond Ordinance.

“*Capitalized Interest Account*” means the special and separate subaccount within the Project Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Capitalized Interest Account,” created under the Senior Bond Ordinance.

“*Chief Financial Officer*” means the Chief Financial Officer and *ex-officio* Treasurer of the City appointed by the Mayor, currently being the Manager of Finance.

“*City*” means the City and County of Denver, Colorado.

“*City Charter*” means the home-rule charter of the City, as amended from time to time, and the term includes any successor charter or like document adopted as the organic law of the City.

“*City Council*” means the City Council of the City.

“*Code*” or “*Tax Code*” means the Internal Revenue Code of 1986, as from time to time amended, or the Internal Revenue Code of 1954, as amended, to the extent it remains applicable to any Bonds or other matters under the Senior Bond Ordinance. The term includes any regulations of the U.S. Department of the Treasury proposed or promulgated thereunder. Any reference to a specific section of the “*Tax Code*” is deemed to be a reference to the latest correlative section thereof, except where the context by clear implication otherwise requires.

“*Committed Passenger Facility Charges*” means two-thirds of all PFCs received by the City from time to time pursuant to the First PFC Application and the Second PFC Application.

“*Completion Bonds*” means Bonds issued for the purpose of defraying additional Cost of an Improvement Project and thereby implementing its completion.

“*Cost*” means the City’s costs properly attributable to any Improvement Project, Subordinate Bond Improvement Project, Refunding Project, Subordinate Bond Refunding Project or combination thereof (as the context requires), including without limitation: (a) the costs of labor and materials, of

machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work; (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed; (c) administrative and general overhead costs; (d) the costs of reimbursing funds advanced by the City, including any intrafund or interfund loan, or advanced with the approval of the City by the State, any city, the federal government, or by any other person, or any combination thereof; (e) the costs of surveys, appraisals, plans, designs, specifications, or estimates; (f) the costs, fees and expenses of printers, engineers, architects, financial consultants, legal advisors, or other agents or employees; (g) the costs of publishing, reproducing, posting, mailing, or recording; (h) the costs of contingencies or reserves; (i) interest on Bonds or Subordinate Bonds for such period as may be determined by Supplemental Ordinance or Supplemental Subordinate Bond Ordinance, any discount on the sale or remarketing of Bonds or Subordinate Bonds, any reserves for the payment of Bonds or Subordinate Bonds, or any other costs of issuing, carrying or repaying Bonds or Subordinate Bonds or of purchasing, carrying, and selling or redeeming Investment Securities, including without limitation any fees or charges of agents, trustees or other fiduciaries, and any fees, premiums or other costs incurred in connection with any Credit Facility or Subordinate Credit Facility; (j) the costs of amending any resolution, ordinance or other instrument relating to Bonds or Subordinate Bonds; (k) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans; (l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, or franchises; (m) the costs of demolition, removal, and relocation; and (n) all other lawful costs as may be determined by the Manager.

“*Credit Enhanced Bonds*” means Bonds, the payment of which, or other rights in respect of which, is secured in whole or in part by a Credit Facility or by a pledge of revenues other than Gross Revenues.

“*Credit Facility*” means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security or liquidity in respect of Bonds.

“*Credit Facility Obligations*” means repayment or other obligations incurred by the City under a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Credit Facility; but only if such obligations have a lien on the Net Revenues of the Airport System on the same priority as the lien thereon of Bonds.

“*Debt Service Requirements*” for any period means the sum of: (i) the amount required to pay the interest on any Bonds during such period; (ii) the amount required to pay the principal, Redemption Price or Purchase Price of any Bonds during such period, whether at stated or theretofore extended maturity, upon mandatory redemption, upon the exercise of any option to redeem or require tender of such Bonds if the City has irrevocably committed itself to exercise such option, or by reason of any other circumstance which will, with certainty, occur during such period; and (iii) the amount of any Credit Facility Obligations required to be paid and any Regularly Scheduled Hedge Payments to be made by the City with respect to any Hedge Facility secured under the Senior Bond Ordinance during such period, in each case computed as follows: (a) no payments required for any Option Bonds, other Bonds, or Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, shall be included in any computation of Debt Service Requirements prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments shall be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; (b) except for any historical period for which the actual rate or rates are determinable and except as otherwise provided in the Senior Bond Ordinance, Variable Rate Bonds, and Obligations which bear

interest at a variable rate, shall be deemed to bear interest at a fixed annual rate equal to the prevailing rate of such Variable Rate Bonds or Obligations on the date of computation; provided that in any computation (i) of Minimum Bond Reserve; (ii) relating to the issuance of additional Bonds required by the Senior Bond Ordinance; or (iii) required by the rate maintenance covenant of the Senior Bond Ordinance, Variable Rate Bonds shall be deemed to bear interest at a fixed annual rate equal to (y) the average of the daily rates of such Bonds during the 365 consecutive days (or any lesser period such Bonds have been Outstanding) next preceding the date of computation; or (z) with respect to any Variable Rate Bonds which are being issued on the date of computation, the initial rate of such Bonds upon issuance; (c) further, in any computation relating to the issuance of additional Bonds required by the Senior Bond Ordinance and any computation required by the rate maintenance covenant in the Senior Bond Ordinance, there shall be excluded from the computation of Debt Service Requirements amounts which are irrevocably committed to make the payments described in clauses (i), (ii), and (iii) above during such period, including without limitation any amounts in an Escrow Account and any proceeds of Bonds deposited to the credit of the Capitalized Interest Account; and (d) any Variable Rate Bonds with respect to which there exists a Hedge Facility that obligates the City to pay a fixed interest rate shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Hedge Facility for the full term of such Hedge Facility. In the case of any Bonds that bear interest at a fixed rate and with respect to which there exists a Hedge Facility that obligates the City to pay a floating interest rate Debt Service Requirements shall be deemed, for the full term of the Hedge Facility to include the interest payable on such Bonds, less the fixed amounts received by the City under the Hedge Facility, plus the amount of the floating payments (using the conventions described in (b) above) to be made by the City under the Hedge Facility.

“*Department of Aviation*” or “*Department*” means the Department of Aviation of the City and its successor in functions, if any.

“*Designated Passenger Facility Charges*” mean amounts received by the City from the PFCs approved by the FAA by letter dated January 30, 2001, excluding the Committed Passenger Facility Charges, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues. Designated Passenger Facility Charges also include such additional charges as provided for in any written notice from the Manager to the Treasurer.

“*DTC*” means The Depository Trust Company, New York, New York, which will be the registered owner of all the Series 2013A-B Subordinate Bonds.

“*Escrow Account*” means any special and separate account established with a trust bank, designated by Supplemental Ordinance to administer such account in whole or in part with the proceeds of any Refunding Bonds or other moneys to provide for the timely payment of any Bond Requirements.

“*Event of Default*” means each of the events declared an “event of default” under the General Bond Ordinance or the General Subordinate Bond Ordinances, as applicable.

“*Facilities*” or “*Airport Facilities*” means any real, personal, or real and personal property, or any interest therein, and any facilities (other than Special Facilities, except to the extent otherwise provided in the Senior Bond Ordinance) comprising a part of the Airport System, including without limitation, land for environmental or noise abatement purposes.

“*Financial Consultant*” means any financial consultant which is appointed by the City with respect to any series of Bonds.

“*First PFC Application*” means the City’s 1992 PFC Application as amended by the FAA in October 2000.

“*Fiscal Year*” means the 12 months commencing on January 1 of any calendar year and ending on December 31 of the same calendar year, or any other 12-month period which the appropriate authority designates as the fiscal year for the operation of the Airport System.

“*Fitch*” means Fitch, Inc. and its successors.

“*General Bond Ordinance*” or “*Senior Bond Ordinance*” means the General Bond Ordinance passed by the City Council on November 26, 1984, and approved by the Mayor on November 29, 1984, as amended and supplemented.

“*General Subordinate Bond Ordinance*” means Ordinance No. ____, Series of 2013, cited as the “Amended and Restated Airport System General Subordinate Bond Ordinance,” as amended and supplemented from time to time by any Supplemental Subordinate Bond Ordinance.

“*Gross Revenues*” means any income and revenue lawfully derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, whether resulting from an Improvement Project, or otherwise. The term includes, without limitation, all rentals, rates, fees, and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof on and after January 1, 1994, the revenues from the City’s sales and use taxes raised at the rate of two cents for each gallon of fuel purchased for use in the generation of power for propulsion or drawing of aircraft; any passenger taxes, passenger facility charges, or other passenger charges imposed for the use of the Airport System, but only to the extent included as Gross Revenues by the terms of any Supplemental Ordinance; and, except as otherwise provided in the Senior Bond Ordinance, interest and other realized gain from any investment of moneys accounted for in the various accounts of the Airport System Fund. The term does not include: (a) any Bond proceeds and other money (including interest) required to be credited to the Project Fund or the Bond Reserve Fund; (b) any rentals or other revenue, grants, appropriations, or gifts derived directly or indirectly from the United States; (c) any grants, appropriations, or gifts from the State, or any other sources, which are required by their terms to be used only for purposes other than the payment of Debt Service Requirements; (d) except as otherwise provided in the Senior Bond Ordinance, any revenue derived from any Special Facilities other than ground rentals relating to such Special Facilities and any moneys paid to the City in lieu of such ground rentals; (e) the proceeds of any insurance policy, except any such proceeds derived in respect of loss of use or business interruption; (f) any money (including interest) in any Escrow Account or similar account pledged to the payment of any obligations therein specified; (g) any money received in respect of any Credit Facility, unless otherwise provided by Supplemental Ordinance; (h) any Subordinate Bond proceeds or any money received in respect of any Subordinate Credit Facility unless otherwise provided by a Supplemental Subordinate Bond Ordinance; and (i) any Hedge Termination Payments received by the City.

“*Hedge Facility*” means any rate swap transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or similar transaction entered into by the City, for and on behalf of the Department, and a Hedge Provider, which is intended to be integrated with and to convert or limit the interest rate on any Bonds.

“*Hedge Facility Obligations*” means payment obligations of the City in respect of Hedge Facilities (as defined in the General Bond Ordinance), which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under the General Bond Ordinance; but only if such obligations have a lien on the Net Revenues of the Airport System on the same priority as the lien thereon of Senior Bonds; provided that Hedge Termination Payments (as defined in the General Bond

Ordinance) to be made by the City shall not be secured under the General Bond Ordinance on a parity with the Senior Bonds.

“Hedge Provider” means a financial institution whose senior long-term debt obligations, or whose obligations under any Hedge Facility are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% (or such lower percentage as is acceptable to the Rating Agencies) of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by any Federal Reserve Bank or a depository acceptable to the City, (iii) subject to a perfected first lien on behalf of the Bonds, and (iv) free and clear from all third-party liens.

“Hedge Termination Payment” means any amount payable to the City or a Hedge Provider, in accordance with a Hedge Facility, if the Hedge Facility is terminated prior to its scheduled termination date.

“Improvement Project” means any project to acquire, improve or equip (or any combination thereof) Facilities, as authorized and described by Supplemental Ordinance.

“Independent Accountant” means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State, as from time to time appointed and compensated by the City: (a) who is, in fact, independent and not under the control of the City; (b) who does not have a substantial interest, direct or indirect, with the City; and (c) who is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

“Interest Account” means the special and separate subaccount within the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Interest Account,” created under the Senior Bond Ordinance.

“Interest Payment Date” means, with respect to the Series 2013A-B Subordinate Bonds, each November 15 and May 15, commencing May 15, 2013.

“Investment Securities” means, to the extent the following are permitted investments under the City’s investment policy, as such investment policy may be amended from time to time: (a) Federal Securities; and (b) if the laws applicable to the City permit any of the following investments to be made at the time such investment is made, any of the following: (i) Certificates or any other evidences of an ownership interest in Federal Securities or the interest thereon; (ii) interest bearing bank time deposits evidenced by certificates of deposit issued by banks incorporated under the laws of any state (including the State) or the Federal Government, or any national banking association that is a member of the Federal Deposit Insurance Corporation, and interest bearing savings and loan association time deposits evidenced by certificates of deposit issued by savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation, if (1) such deposits are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (2) the shareholders’ equity (e.g., capital stock, surplus, and undivided profits), however denominated, of such bank or savings and loan association is at least equal to \$10,000,000.00, or (3) such deposits are secured by Federal Securities, by obligations described in subparagraphs (b)(i) or (b)(iii) of this definition, or by tax-exempt, unlimited general obligation bonds of a state or municipal government rated “A” (or its equivalent) or better by one or more nationally recognized rating agencies, having at all times a market value in the

aggregate (exclusive of accrued interest) at least equal to the amount of such deposits so secured, including accrued interest (or by any combination thereof); (iii) bonds, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks; the Export-Import Bank of the United States; Federal Land Banks; the Federal National Mortgage Association; the Tennessee Valley Authority; the Government National Mortgage Association; the Federal Financing Bank; the Farmers Home Administration; the Federal Home Loan Bank; or any agency or instrumentality of the Federal Government which is established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (iv) repurchase agreements with banks described in subparagraph (b)(ii) of this definition and government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by depositing Federal Securities or obligations described in subparagraphs (b)(i) or (b)(iii) of this definition with an escrow agent satisfactory to the City, including, without limitation, any Federal Reserve Bank or any branch thereof; (v) banker's acceptances that are rated at the time of purchase in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and that mature not more than 180 days after the date of purchase; (vi) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under a contract with the Federal Government; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the Federal Government; (vii) obligations issued by the City which are rated "A" (or its equivalent) or better by one or more nationally recognized rating agencies, but excluding any Bonds or Subordinate Bonds; (viii) commercial paper that is rated at the time of purchase in the highest short-term rating category of, or is otherwise approved by, the Rating Agencies and that matures not more than 270 days after the date of purchase; (ix) investments in (1) money market funds which are rated, at the time of purchase, in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and (2) public sector investment pools operated pursuant to Rule 2a-7 promulgated by the Securities and Exchange Commission in which the issuer's deposit must not exceed 5% of the aggregate pool balance at any time, if the pool is rated, at the time of purchase, in one of the two highest short-term rating categories by, or is otherwise approved by, the Rating Agencies; (x) any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and either: (A) that are rated, on the date of purchase, based on the irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category by, or are otherwise approved by, the Rating Agencies; or (B) as to which the following apply: (1) such bonds or other obligations are fully secured as to principal, interest and any redemption premium by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of the principal, interest and any redemption premium on those bonds or other obligations on their maturity date or dates or the specified redemption date or dates in accordance with those irrevocable instructions, as appropriate; and (2) the escrow is sufficient, as verified by an independent certified public accountant, to pay principal, interest and any redemption premium on the bonds or other obligations described in this paragraph (x) on the maturity date or dates or the specified redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; (xi) obligations issued by any state of the United States of America or any agency, instrumentality or local government unit of such state, and which obligations have on the date of purchase a rating in one of the two highest rating categories of, or are otherwise approved by, the Rating Agencies, without regard to any numerical or positive or negative designation; (xii) Investment Agreements with: (A) a Broker/Dealer (or its parent) either (1) having uninsured, unsecured and unguaranteed debt rated, at the time of investment, investment grade by, or is otherwise approved by, the Rating Agencies (in which case the agreement must provide that, if the provider is downgraded below investment grade by at least two of the Rating Agencies, the City may terminate the agreement) or (2) providing an investment agreement which is fully secured by Federal Securities which are (a) valued not less frequently than monthly and have a fair market value, exclusive of

accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (b) held by any Federal Reserve Bank or a depository acceptable to the City, (c) subject to a perfected first lien on behalf of owners of the Bonds, and (d) free and clear from all third-party liens; (B) a bank having long-term uninsured, unsecured and unguaranteed debt rated, at the time of investment, in one of the two highest rating categories by, or is otherwise approved by, the Rating Agencies (the agreement must provide that, if the bank is downgraded below “A-” (or its equivalent) by at least two Rating Agencies, the City may terminate the agreement); (C) an insurance company having an uninsured, unsecured, and unguaranteed claims paying ability rated, at the time of investment, in the highest rating category by, or otherwise approved by, the Rating Agencies (the agreement must provide that, if the insurance company is downgraded below the highest rating category by at least two Rating Agencies, the City may terminate the agreement); and (D) a corporation whose principal business is to enter into investment agreements, if that corporation has been assigned, at the time of investment, a counterparty rating in the highest rating category by, or is otherwise approved by, the Rating Agencies, or the Rating Agencies have, at the time of the investment, rated the investment agreements of such corporation in the highest rating category or have otherwise approved such investment agreements (the agreement must provide that, if either the corporation’s counterparty rating or that corporation’s investment agreements rating is downgraded by at least two of the Rating Agencies, the City may terminate the agreement); and (xiii) such other investments as the Treasurer may be authorized to make with the general funds of the City.

“*Junior Lien Obligations*” means bonds, notes, certificates, commercial paper, or other securities, contracts or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of the Subordinate Bonds and other Subordinate Obligations.

“*Manager*” means the manager of the City’s Department of Aviation, or his or her designee and successor in functions, if any.

“*Mayor*” means the mayor of the City, or his or her designee, and his or her successor in functions, if any.

“*Minimum Bond Reserve*” means the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding. With respect to any series of Bonds, 25% or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, if such principal (or stated face amount) is not required to be redeemed or prepaid prior to such date of payment, it will be assumed for purposes of determining the Minimum Bond Reserve that (a) such series of Bonds matures over a twenty-year term from its date of issuance, (b) bears interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined is not to be less than the actual rate or rates borne by such series of Bonds, and (c) is payable on a substantially level annual debt service basis assuming the rate so determined. *This definition would be changed by the Proposed Amendments. See “APPENDIX D — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

“*Minimum Operation and Maintenance Reserve*” means an amount equal to not less than one-sixth and not more than one-third of the actual Operation and Maintenance Expenses of the Airport System during the next preceding Fiscal Year, as determined by the Manager not more often than once in each Fiscal Year.

“*Minimum Subordinate Bond Reserve*” means the amount, if any, so designated with respect to a Series of Subordinate Bonds in the Supplemental Subordinate Bond Ordinance authorizing their issuance which is to be maintained as a continuing reserve to be used, except as otherwise provided, only to prevent deficiencies in the payment of Subordinate Bond Requirements with respect to such Series of Subordinate Bonds.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors.

“*Net Rent Lease*” means a lease of facilities relating to the Airport System or Special Facilities entered into by the City pursuant to which the lessee or licensee agrees to pay to the City rentals during the term thereof, and to pay in addition all operation and maintenance expenses relating to the leased facilities, including, without limitation, maintenance costs, insurance, and all property taxes and assessments now or hereafter lawfully levied. *This definition would be changed by the Proposed Amendments. See “APPENDIX D — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

“*Net Revenues*” means the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses.

“*Ninth Supplemental Ordinance*” means the Supplemental Ordinance which creates the PFC Fund as a separate account within the Airport System Fund, establishes the PFC Debt Service Account and the PFC Project Account as separate subaccounts within the PFC Fund, and provides for the deposit of PFC revenues to such fund and accounts. The procedure for the administration of the PFCs set forth in the Ninth Supplemental Ordinance is replaced and superseded to the extent provided in the PFC Supplemental Ordinances.

“*Obligations*” means Credit Facility Obligations and Hedge Facility Obligations.

“*Operation and Maintenance Expenses*” means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining, and repairing the Airport System. The term includes without limitation: (a) engineering, auditing, reporting, legal, and other overhead expenses of the various departments of the City (including without limitation the expenses of the Treasurer) directly related and reasonably allocable to the administration, operation, and maintenance of the Airport System; (b) fidelity bond and property and liability insurance premiums relating to the Airport System, or a reasonably allocable share of a premium of any blanket bond or policy relating to the Airport System; (c) payments to pension, retirement, health, and hospitalization funds, and other insurance, and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance; (d) any general (ad valorem) taxes, assessments, excise taxes, or other charges which may be lawfully imposed on the City, the Airport System, the revenue, or income derived therefrom, or any privilege in connection therewith; (e) the reasonable charges of the Paying Agent and any other depository bank relating to Bonds; (f) costs of contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs, and labor, relating to the Airport System or to Bonds, including without limitation the reasonable expenses and compensation of trustees, receivers, or other agents or fiduciaries; (g) costs incurred in collecting or refunding all or any part of the Gross Revenues including the amount of any such refunds; (h) costs of any utility services furnished to the Airport System by the City or otherwise; (i) periodic fees, premiums or other costs incurred in connection with any Credit Facility Obligations; and (j) all other generally accepted current expenses of operating, maintaining and repairing an airport system similar to the Airport System. The term does not include any allowance for depreciation; the Cost of any Improvement Project (except to the extent not paid as part of such Cost and otherwise properly characterized as an Operation and Maintenance Expense); any reserves for major capital replacements or Operation and Maintenance Expenses (except as required in the Senior

Bond Ordinance); payments in respect of Debt Service Requirements; any expenses incurred by lessees or licensees under Net Rent Leases; any Operation and Maintenance Expenses relating to Special Facilities (except as otherwise provided in the Senior Bond Ordinance); and any liabilities imposed on the City, including, without limitation, negligence in the operation of the Airport System. Any reference to Bonds, Paying Agent, Credit Facility Obligations, Improvement Project or Debt Service Requirements shall be deemed also to include Subordinate Bonds, Subordinate Bond Paying Agent, Subordinate Credit Facility Obligations, Subordinate Bond Improvement Project and Subordinate Debt Service Requirements, respectively.

“*Operation and Maintenance Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Operation and Maintenance Fund,” created under the Senior Bond Ordinance.

“*Operation and Maintenance Reserve Account*” means the special and separate subaccount in the Operation and Maintenance Fund designated as the “City and County of Denver, Airport System Operation and Maintenance Reserve Account,” created under the Senior Bond Ordinance.

“*Option Bonds*” means Bonds which by their terms may be tendered for payment by and at the option of the owners thereof prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the owners thereof.

“*Other Available Funds*” means for any Fiscal Year the amount determined appropriate by the Manager to be transferred from the Capital Fund to the Revenue Fund; but (i) for purposes of the General Bond Ordinance, in no event is such amount to exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year or (ii) for purposes of the General Subordinate Bond Ordinance, in no event is such amount to exceed the greater of 25% of aggregate Debt Service Requirements or 10% of the sum of the aggregate Debt Service Requirements and Subordinate Debt Service Requirements for such Fiscal Year.

“*Outstanding*” when used with reference to any Bonds or Subordinate Bonds and as of any particular date means all such Bonds and Subordinate Bonds in any manner theretofore or thereupon issued, except: (a) any Bonds or Subordinate Bonds canceled or paid by or on behalf of the City on or before such date; (b) any Bonds or Subordinate Bonds which are deemed to be paid pursuant to the Senior Bond Ordinance or the General Subordinate Bond Ordinance, as applicable, or for which sufficient moneys are held in trust pursuant to the Senior Bond Ordinance or the Subordinate Bond Ordinance; (c) any Bonds or any Subordinate Bonds (including without limitation Subordinate Option Bonds deemed tendered or purchased) in lieu of or in substitution for which other Bonds or Subordinate Bonds have been executed and delivered; and, (d) except any Bonds held as Bank Bonds (as defined in any related Supplemental Ordinance), any Option Bonds deemed tendered or purchased as provided by Supplemental Ordinance. In determining whether the owners of the requisite principal amount of Outstanding Bonds or Outstanding Subordinate Bonds have given any request, demand, authorization, direction, notice, consent or waiver, Bonds or Subordinate Bonds owned by the City are to be disregarded and deemed not to be Outstanding.

“*Passenger Facility Charges*” or “*PFCs*” means charges collected by the City pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Paying Agent*” means the Treasurer, or one or more commercial banks or trust banks, designated by Supplemental Ordinance as agent of the City for the payment of Bonds, including any successors

thereof. As the context requires, the term also includes the Treasurer, or one or more commercial banks or trust banks, so designated as co-paying or alternate paying agent of the City for the payment of Bonds, including any successors thereof.

“*PFC Debt Service Account*” means the special and separate subaccount in the PFC Fund designated as the “PFC Debt Service Account,” created under the Senior Bond Ordinance.

“*PFC Fund*” means the special and separate account designated as the “City and County of Denver, Colorado, Airport System Revenue Bonds, PFC Fund,” created under the Senior Bond Ordinance.

“*PFC Project Account*” means the special and separate subaccount in the PFC Fund designated as the “PFC Project Account,” created under the Senior Bond Ordinance.

“*PFC Supplemental Ordinances*” means the Supplemental Ordinances which provide for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund.

“*Pledged Revenues*” means (i) all or a portion of the Gross Revenues and (ii) for purposes of the General Subordinate Bond Ordinance, any other revenues not included in Gross Revenues that are irrevocably pledged under the provisions of any Supplemental Subordinate Bond Ordinance to secure the payment of the Subordinate Bond Requirements of the Subordinate Bonds and, to the extent provided in any Supplemental Subordinate Bond Ordinance, to the payment of any Subordinate Obligations. The designated term indicates a source of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification.

“*Principal Account*” means the special and separate subaccount in the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Principal Account,” created under the Senior Bond Ordinance.

“*Project Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Revenue Bonds, Project Fund,” created under the Senior Bond Ordinance, which consists of (a) separate subaccounts for each Improvement Project and Refunding Project, or combination thereof, as provided by Supplemental Ordinance and (b) the Capitalized Interest Account.

“*Proposed Amendments*” means the proposed amendments to the Senior Bond Ordinance as set forth in “APPENDIX D — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.” Such Proposed Amendments have been proposed and consented to by the requisite amount of the registered owners of the Senior Bonds, but not adopted by the City Council. Such Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council.

“*Purchase Price*” means that amount due an owner of any Bond or Subordinate Bond purchased or deemed purchased pursuant to and as provided in the Supplemental Ordinance or Supplemental Subordinate Bond Ordinance authorizing such Bond or Subordinate Bond.

“*Rating Agencies*” means any of Moody’s, S&P or Fitch then maintaining ratings on any of the Bonds at the request of the City.

“*Redemption Account*” means the special and separate subaccount in the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Redemption Account,” created under the Senior Bond Ordinance.

“*Redemption Date*” means the date fixed by the City for the mandatory or optional redemption or required tender of any Bonds or any Subordinate Bonds prior to their respective fixed maturity dates.

“*Redemption Price*” means, when used with respect to a Current Interest Bond or Subordinate Current Interest Bond, the principal amount thereof, plus the applicable premium, if any, payable on a Redemption Date, or when used with respect to a Capital Appreciation Bond or a Subordinate Capital Appreciation Bond, the accreted value, plus the applicable premium, if any, payable on a Redemption Date.

“*Refunding Bonds*” means any Bonds issued to refund, pay and discharge any Bonds, Credit Facility Obligations, Subordinate Bonds, or other securities or obligations.

“*Refunding Project*” means any undertaking to refund, pay, and discharge any Bonds, Credit Facility Obligations, Subordinate Bonds, or other securities or obligations.

“*Registrar*” means either the Treasurer, or one or more commercial banks or trust banks, designated in a Supplemental Ordinance, to keep books or records for the registration, discharge from registration, transfer, and conversion of Bonds, including any successors thereof. As the context requires, the term also includes the Treasurer, or one or more commercial banks or trust banks, so designated, as co-registrar for such purposes, including any successor thereof.

“*Regularly Scheduled Hedge Payments*” means the regularly scheduled payments under the terms of a Hedge Facility which are due absent any termination, default or dispute in connection with such Hedge Facility.

“*Revenue Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Gross Revenue Fund,” created under the Senior Bond Ordinance.

“*S&P*” means Standard & Poor’s Ratings Service, Inc. and its successors.

“*Second PFC Application*” means the City’s PFC application which was approved by the FAA in January 2001.

“*Securities Depository*” means DTC, designated as the depository for the Series 2013A-B Subordinate Bonds, and includes any nominee or successor thereof.

“*Series 2013A-B Minimum Subordinate Bond Reserve*” means an amount determined on the date of initial issuance of the Series 2013A-B Subordinate Bonds, equal to the lesser of (a) the maximum amount of Subordinate Bond Requirements with respect to the Series 2013A-B Subordinate Bonds in any Fiscal Year, or (b) 125% of the average annual Subordinate Bond Requirements with respect to the Series 2013A-B Subordinate Bonds, or (c) 10% of the lesser of the proceeds of or the stated principal amount of the Series 2013A-B Subordinate Bonds.

“*Series 2013A Subordinate Bonds*” means the Airport System Subordinate Revenue Bonds, Series 2013A, in the original aggregate principal amount of \$_____, offered pursuant to this Official Statement.

“*Series 2013A-B Subordinate Bonds*” means, collectively, the Series 2013A Subordinate Bonds and the Series 2013B Subordinate Bonds.

“*Series 2013A-B Subordinate Bonds Paying Agent*” means any entity providing paying agency services for the Series 2013A-B Subordinate Bonds, initially being Zions First National Bank, Denver, Colorado, and any successor or assign thereof for the Series 2013A-B Subordinate Bonds.

“*Series 2013A-B Subordinate Bonds Registrar*” means, when used with respect to the Series 2013A-B Subordinate Bonds, Zions First National Bank, Denver, Colorado, and any successors and assigns thereof.

“*Series 2013B Subordinate Bonds*” means the Airport System Subordinate Revenue Bonds, Series 2013B, in the original aggregate principal amount of \$_____, offered pursuant to this Official Statement.

“*Sinking Fund Account*” means the special and separate subaccount in the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Sinking Fund Account,” created under the Senior Bond Ordinance.

“*Special Facilities*” means facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds issued pursuant to the Senior Bond Ordinance. *This definition would be changed by the Proposed Amendments. See “APPENDIX D PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

“*Special Facilities Bonds*” means bonds or other securities to finance the cost of any Special Facilities and which are payable solely from all or a portion of the rentals received pursuant to a Net Rent Lease of such Special Facilities.

“*Stapleton*” means the site of the former Stapleton International Airport, which is part of the Airport System.

“*State*” means the State of Colorado.

“*Subordinate Bond Escrow Account*” means any special and separate account established with a Subordinate Bond Escrow Bank in whole or in part with the proceeds of any Subordinate Refunding Bonds or other moneys to provide for the timely payment of any Subordinate Bond Requirements.

“*Subordinate Bond Escrow Bank*” means a trust bank, designated by Supplemental Subordinate Bond Ordinance to administer a Subordinate Bond Escrow Account.

“*Subordinate Bond Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Subordinate Revenue Bonds, Interest and Principal Retirement Fund,” created by the General Bond Ordinance.

“*Subordinate Bond Improvement Project*” means any project (i) to acquire, improve or equip (or any combination thereof) Facilities, or (ii) to effect any other lawful undertaking determined by the Manager to be of benefit to the Airport System, as authorized and described by Supplemental Subordinate Bond Ordinance.

“*Subordinate Bond Refunding Project*” means any project to refund, pay and discharge any Subordinate Bonds, Subordinate Obligations, Junior Lien Obligations, or other securities or obligations.

“*Subordinate Bond Requirements*” means for any period the Subordinate Debt Service Requirements payable during such period, excluding the amount of any Subordinate Obligations payable (or for which reserves are required to be deposited) during such period.

“*Subordinate Bond Reserve Account*” means a special account established within the Subordinate Bond Fund as provided in the General Subordinate Bond Ordinance.

“*Subordinate Bonds*” means bonds, notes, certificates, commercial paper, or other securities issued pursuant to the provisions of the General Subordinate Bond Ordinance which are payable from the Net Revenues of the Airport System and which payment is secured by a pledge of and lien on such Net Revenues, subordinate only to the lien thereon of the Senior Bonds, including without limitation Subordinate Refunding Bonds, Subordinate Serial Bonds, Subordinate Term Bonds, Subordinate Credit Enhanced Bonds, Subordinate Option Bonds, Subordinate Capital Appreciation Bonds, Subordinate Current Interest Bonds and Subordinate Variable Rate Bonds. The term does not include any Subordinate Obligations (except as presented by any bonds registered in the name of any provider of any Subordinate Credit Facility or its nominee as a result of the purchase thereof with proceeds of such Subordinate Credit Facility).

“*Subordinate Capital Appreciation Bonds*” means Subordinate Bonds which by their terms appreciate in value to a stated face amount at maturity.

“*Subordinate Contract Obligations*” means capital leases, installment purchase agreements, guaranty agreements, or other similar contracts incurred pursuant to the provisions of the General Subordinate Bond Ordinance which are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues, subordinate only to the lien thereon of the Bonds. The term does not include (i) Subordinate Bonds, Subordinate Credit Facility Obligations, or Subordinate Hedge Facility Obligations; or (ii) obligations that may be treated as Operation and Maintenance Expenses under generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be so treated as Operation and Maintenance Expenses).

“*Subordinate Credit Enhanced Bonds*” means Subordinate Bonds, the payment of which, or other rights in respect of which, is secured in whole or in part by a Subordinate Credit Facility, or by a pledge of revenues other than Gross Revenues.

“*Subordinate Credit Facility*” means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security or liquidity in respect of Subordinate Bonds.

“*Subordinate Credit Facility Obligations*” means repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Subordinate Credit Facility, and which obligations are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues subordinate only to the lien thereon of the Bonds and any Obligations.

“*Subordinate Current Interest Bonds*” means Subordinate Bonds on which interest is payable on interest payment dates prior to maturity or redemption prior to maturity.

“*Subordinate Debt Service Requirements*” for any period means the sum of: (i) the amount required to pay the interest on any Subordinate Bonds during such period; (ii) the amount required to pay the principal, Redemption Price or purchase price, of any Subordinate Bonds during such period, whether

at stated or theretofore extended maturity, upon mandatory redemption, upon the exercise of any option to redeem or require tender of such Subordinate Bonds if the City has irrevocably committed itself to exercise such option, or by reason of any other circumstance which will, with certainty, occur during such period; and (iii) the amount of any Subordinate Credit Facility Obligations or Subordinate Contract Obligations required to be paid, and any Regularly Scheduled Hedge Payments to be made by the City with respect to any Subordinate Hedge Facility secured under the General Subordinate Bond Ordinance during such period, in each case computed as follows: (a) no payments required for any Subordinate Bonds or Subordinate Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any circumstance which will not, with certainty, occur during such period, shall be included in any computation of Subordinate Debt Service Requirements prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments shall be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; (b) except for any historical period for which the actual rate or rates are determinable and except as otherwise provided in the General Subordinate Bond Ordinance, Subordinate Bonds and Subordinate Obligations which bear interest at a variable rate shall be deemed to bear interest at a fixed annual rate equal to the prevailing rate of such Subordinate Bonds or Subordinate Obligations on the date of computation or such higher annual rate as determined to be reasonable by the Treasurer based on market conditions; provided that in any computation (i) of any applicable minimum reserve requirement set forth in a Supplemental Subordinate Bond Ordinance (except as otherwise provided therein); (ii) relating to issuing or incurring additional Subordinate Bonds or Subordinate Obligations required by the General Subordinate Bond Ordinance; or (iii) required by the rate maintenance covenant in the General Subordinate Bond Ordinance such Subordinate Bonds or Subordinate Obligations shall be deemed to bear interest at a fixed annual rate equal to (x) the average of the daily rates of such Subordinate Bonds or Subordinate Obligations during the 365 consecutive days (or any lesser period such Subordinate Bonds or Subordinate Obligations have been Outstanding) next preceding the date of computation; (y) with respect to any such Subordinate Bonds or Subordinate Obligations which are being issued or incurred on the date of computation, the initial rate of such Subordinate Bonds or Subordinate Obligations; or (z) such higher annual rate as determined to be reasonable by the Treasurer based on market conditions; (c) further, in any computation relating to issuing or incurring additional Subordinate Bonds or Subordinate Obligations required by the General Subordinate Bond Ordinance and any computation required by the rate maintenance covenant in the General Subordinate Bond Ordinance, there shall be excluded from the computation of Subordinate Debt Service Requirements amounts which at the time such computation is made are, or are reasonably expected to be, available for and which are irrevocably committed to make such payments during such period, including without limitation any amounts in an Escrow Account and any proceeds of Subordinate Bonds or Subordinate Obligations so committed for the payment of capitalized interest, but not including any amounts on deposit in the Subordinate Bond Reserve Account; (d) any Subordinate Bonds or Subordinate Obligations which bear interest at a variable rate and with respect to which there exists a Subordinate Hedge Facility that obligates the City to pay a fixed interest rate shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Subordinate Hedge Facility for the full term of such Subordinate Hedge Facility. In the case of any Subordinate Bonds or Subordinate Obligations that bear interest at a fixed rate and with respect to which there exists a Subordinate Hedge Facility that obligates the City to pay a variable rate, Subordinate Debt Service Requirements shall be deemed for the full term of the Subordinate Hedge Facility to include the interest payable on such Subordinate Bonds or Subordinate Obligations, less the fixed amounts received by the City under the Subordinate Hedge Facility, plus the amount of the variable interest payments (using the conventions described above) to be made by the City under the Subordinate Hedge Facility; (e) the Subordinate Debt Service Requirements of any series of Subordinate Bonds or Subordinate Obligations (other than those maturing within one year of the date they are issued or incurred) which includes a maturity of such series or obligation which (i) satisfies the definition of Balloon Maturity set forth below in provision (h) of this definition and (ii) which the City designates in the Supplemental Subordinate Bond Ordinance

authorizing such series or obligation shall be treated as a Balloon Maturity, unless otherwise provided in the applicable Supplemental Subordinate Bond Ordinance, shall be calculated by assuming that principal of and interest on such Balloon Maturity is to be amortized over a 30-year period, beginning on the date of issuance or incurrence, assuming level debt service payable in each year at a rate of interest equal to the actual rate of interest of such Balloon Maturity on the date of calculation, provided that if the date of calculation is within twelve months of the final due date of such Balloon Maturity, the full amount of principal to become due shall be included in the calculation unless provision (g) of this definition then applies to such maturity; (f) if all or any portion of an outstanding series of Subordinate Bonds or Subordinate Obligations constitutes Short-Term/Demand Obligations, then, for purposes of determining Subordinate Debt Service Requirements, each maturity that constitutes Short-Term/Demand Obligations shall, unless otherwise provided in the applicable Supplemental Subordinate Bond Ordinance, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Short-Term/Demand Obligations were issued or incurred, and extending not later than 30 years from the date such Short-Term/Demand Obligations were issued or incurred; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index designated by the Manager, taking into consideration whether such Subordinate Bonds or Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of Subordinate Bonds or Subordinate Obligations only a portion of which constitutes Short-Term/Demand Obligations, the remaining portion shall be assumed to be paid in accordance with an amortization schedule established by the applicable Supplemental Subordinate Bond Ordinance or shall be treated as described in such other provision of this definition as shall be applicable; (g) any maturity of Subordinate Bonds or Subordinate Obligations that is designated by the City as a Balloon Maturity as described in provision (e) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Subordinate Debt Service Requirements is made, shall be assumed to become due and payable on the stated maturity date, and provision (e) above shall not apply thereto, unless the Treasurer shall file a certificate with the Clerk stating (i) that the City intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that City has the financial ability to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Subordinate Debt Service Requirements; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (e) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing; (h) for purpose of this definition: "Balloon Maturity" means, with respect to any series of Subordinate Bonds or Subordinate Obligations 50% or more of the aggregate principal amount (or stated face amount) of which is payable in any Fiscal Year, that portion of that series or obligation which matures within that Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of those Subordinate Bonds or Subordinate Obligations required to be redeemed or otherwise prepaid prior to their stated maturity date. Similar structures with respect to commercial paper, bond anticipation notes or other Short-Term/Demand Obligations shall not be Balloon Maturities for purposes of this Instrument; "Regularly Scheduled Hedge Payments" means the regularly scheduled payments under the terms of a Subordinate Hedge Facility which are due absent any termination, default or dispute in connection with such Subordinate Hedge Facility; and "Short-Term/Demand Obligations" means each series of Subordinate Bonds or Subordinate Obligations issued or incurred pursuant to this Instrument, (a) the payment of principal of which is either (i) payable on demand by or at the option of the owner at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Subordinate Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance or incurrence and is contemplated to be refinanced for a specified period or term either (A) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper or other similar program, or (B) through the

issuance of long-term Subordinate Bonds pursuant to a bond anticipation note or similar program, and (b) the purchase price, payment or refinancing of which is additionally secured by a Subordinate Credit Facility; and (i) in any circumstance where the amounts required to pay Subordinate Bonds or Subordinate Obligations are uncertain and the conventions set forth above are not applicable, the Treasurer may determine such amounts based on the Treasurer's reasonable estimate of the amount of Net Revenues that will effectively be required to pay such Subordinate Bonds or Subordinate Obligations, or any combination thereof; and such determination shall be conclusive. Any such determination may take into account, without limitation, the effect of provisions requiring or permitting the netting of payment obligations and the effect on payment obligations of circumstances that are within the control of the City and are reasonably expected to occur.

“*Subordinate Hedge Facility*” means any rate swap transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or similar transaction, which is intended to convert or limit the interest rate on any Bonds or Subordinate Bonds.

“*Subordinate Hedge Facility Obligations*” means payment obligations of the City in respect of Subordinate Hedge Facilities, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and a lien on such Net Revenues subordinate only to the lien thereon of the Bonds and any Obligations.

“*Subordinate Obligations*” means Subordinate Credit Facility Obligations, Subordinate Contract Obligations and Subordinate Hedge Facility Obligations.

“*Subordinate Option Bonds*” means Subordinate Bonds which by their terms may be tendered for payment by and at the option of the owners thereof prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the owners thereof.

“*Subordinate Refunding Bonds*” means any Subordinate Bonds issued to refund, pay and discharge any Senior Bonds, Subordinate Bonds, Subordinate Obligations, Junior Lien Obligations or other securities or obligations.

“*Subordinate Term Bonds*” means Subordinate Bonds of a series with a fixed maturity date or dates which do not constitute consecutive periodic installments and which Subordinate Bonds are designated as Subordinate Term Bonds by the Supplemental Subordinate Bond Ordinance authorizing their issuance.

“*Subordinate Variable Rate Bonds*” means Subordinate Bonds issued with a variable, adjustable, convertible or other similar rate or rate period which is not fixed to maturity at the date of issue.

“*Supplemental Ordinance*” means any ordinance of the City amending or supplementing the Senior Bond Ordinance, including without limitation any such ordinance authorizing the issuance of Bonds thereunder, and any ordinance amendatory thereof or supplemental thereto.

“*Supplemental Subordinate Bond Ordinance*” means any ordinance of the City amending or supplementing the General Subordinate Bond Ordinance, including without limitation any such ordinance authorizing the issuance of Subordinate Bonds or Subordinate Obligations thereunder, and any ordinance amendatory thereof or supplemental thereto.

“*Term Bonds*” means Bonds of a series with a fixed maturity date or dates which do not constitute consecutive periodic installments and which Bonds are designated as Term Bonds by the Supplemental Ordinance authorizing their issuance.

“*Treasurer*” means the City’s Manager of the Department of Finance, Chief Financial Officer, *ex-officio* Treasurer, or his or her designee, and his or her successor in functions, if any.

“*Underwriters*” means, with respect to the Series 2013A-B Subordinate Bonds, the underwriters identified on the cover of this Official Statement.

“*Variable Rate Bonds*” means Bonds issued with a variable, adjustable, convertible, or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue, but which is subject to a maximum limitation.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE AND THE GENERAL SUBORDINATE BOND ORDINANCE

The following statements are summaries of certain provisions of the Senior Bond Ordinance and the General Subordinate Bond Ordinance, including, without limitation, the PFC Supplemental Ordinances, and are in addition and complementary to the summary found under “THE SERIES 2013A-B SUBORDINATE BONDS.”

Several of the provisions and defined terms used in this summary would be changed by the Proposed Amendments. See “APPENDIX D — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

Description of the Bonds and Subordinate Bonds

The City and the Paying Agent may treat the person in whose name any Bond or Subordinate Bond is registered upon the books or records of the Registrar or Subordinate Bond Registrar as the absolute owner thereof, whether the Bond or Subordinate Bond is overdue or not, for all purposes whatsoever; and payment of, or on account of, the Bond Requirements or Subordinate Bond Requirements of any Bond or Subordinate Bond is to be made only to, or upon the order of, such owner or his legal representative.

The Supplemental Ordinances relating to the issuance of the Outstanding Senior Bonds and the Supplemental Subordinate Bond Ordinance relating to the issuance of the Series 2013A-B Subordinate Bonds each provide that so long as Senior Bonds or Subordinate Bonds are registered in the name of the Securities Depository, all payments of the Debt Service Requirements, Subordinate Debt Service Requirements or Redemption Price and all notices with respect to the Bonds or Subordinate Bonds are to be made and given in the manner provided in the letter of representation from the City to the Securities Depository.

If the date for making any payment or deposit or the last date for performance of any act or the exercise of any right, as provided in the Senior Bond Ordinance or General Subordinate Bond Ordinance, is a Saturday, Sunday, legal holiday or other day on which banking institutions in the City are authorized by law to remain closed, such payment or deposit may be made or act performed or right exercised on the next succeeding day not a Saturday, Sunday, legal holiday or other day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date so provided, and no interest will accrue for the period after such nominal date.

Bonds or Subordinate Bonds which have been called for redemption are due and payable on the Redemption Date stated in the notice of redemption at the applicable Redemption Price, plus interest accrued to the Redemption Date; and upon presentation and surrender thereof, together with a written instrument of transfer duly executed by the owner or by his duly authorized attorney, such Bonds or Subordinate Bonds are to be paid; provided that if at the time of notice of any optional redemption of the Bonds or Subordinate Bonds there have not been deposited moneys in the Redemption Account or to an Escrow Account or the Subordinate Bond Escrow Account available for payment pursuant to the Senior Bond Ordinance or the General Subordinate Bond Ordinance and sufficient to redeem all of the Bonds or Subordinate Bonds called for redemption, the notice may state that it is conditional in that it is subject to the deposit of sufficient moneys by not later than one business day prior to the redemption date, and if the deposit is not timely made the notice shall be of no effect. If on the Redemption Date sufficient moneys

are held by or on behalf of the Paying Agent for the redemption of the called Bonds or Subordinate Bonds, and if notice of redemption has been duly published and mailed, then from and after the Redemption Date such Bonds or Subordinate Bonds will cease to bear interest and no longer will be considered Outstanding.

Additional Parity Senior Bonds

The Senior Bond Ordinance permits the City to issue Additional Parity Bonds to pay the Cost of an Improvement Project or a Refunding Project. In order to issue Additional Parity Bonds for an Improvement Project under the Senior Bond Ordinance, the City is required to obtain:

(a) a certificate or opinion of an Independent Accountant, setting forth for the last audited Fiscal Year or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such series of additional Bonds, as determined by the Independent Accountant, (i) the Net Revenues, together with any Other Available Funds, for such period and (ii) the aggregate Debt Service Requirements for such period; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amount needed to make the required deposits to the credit of the several subaccounts in the Bond Fund and to the credit of the Bond Reserve Fund and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate Debt Service Requirements for such period;

(b) a report of the Airport Consultant estimating, for each of the three Fiscal Years commencing with the earlier of either the Fiscal Year following the Fiscal Year in which the Manager estimates such Improvement Project will be completed or the first Fiscal Year in which there are Debt Service Requirements with respect to the Bonds to be issued for such Improvement Project: (i) the Gross Revenues and (ii) the Operation and Maintenance Expenses and other amounts required to be deposited in each of the subaccounts (other than the Redemption Account) in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account; and demonstrating that the Net Revenues in each such Fiscal Year, together with any Other Available Funds, are projected to be at least equal to the greater of either (A) the amounts needed to make the required deposits to the credit of the several subaccounts (other than the Redemption Account) in the Bond Fund, the Bond Reserve Fund and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate of any Debt Service Requirements for each such Fiscal Year, for the series of Bonds then to be issued and for any future series of Bonds which the Manager estimates will be required to complete payment of the Cost of such Improvement Project (such Debt Service Requirements of any future series of Bonds to be estimated by the Airport Consultant or by the Financial Consultant, if any), in each case after giving effect, among other factors, to the increase in Operation and Maintenance Expenses and to the completion of the Improvement Project or any completed portion thereof, and the increase in rates, fees, rentals or other charges (or any combination thereof) as a result of the completion of such Improvement Project or any completed portion thereof; and

(c) a certificate of the Manager to the effect that as of the date of the adoption of the Supplemental Ordinance authorizing such additional Bonds the City is not in default in making any payments required by the Senior Bond Ordinance.

In any computation required by the above, there is excluded from Gross Revenues any capital gain resulting from any sale or revaluation of Investment Securities or bank deposits, or both. If any one or more of the documents required by subsections (a) through (c) above cannot be given with the required results stated therein, the City may not issue Additional Parity Bonds; *provided however*, the City may

issue Additional Parity Bonds for the purpose of refunding Senior Bonds without having to comply with the requirements described in subparagraphs (a) through (c) above.

Additional Parity Subordinate Bonds

The General Subordinate Bond Ordinance permits the City to issue Additional Parity Subordinate Bonds to pay the Cost of a Subordinate Bond Improvement Project. In order to issue Additional Parity Subordinate Bonds for a Subordinate Bond Improvement Project under the General Subordinate Bond Ordinance, the City is required to obtain either (i) the Certificates described in subsections (a) and (b) below, or (ii) the certificates, opinions and reports described in subsections (b) through (d) below:

(a) a certificate of the Manager to the effect that upon the delivery of such additional Subordinate Bonds the sum of (i) the principal amount (or in the case of Subordinate Bonds issued as capital appreciation bonds an allocated portion of the original principal amount) of all Subordinate Bonds then Outstanding, including the Subordinate Bonds then to be delivered, (ii) the principal amount of all Subordinate Bonds authorized but not then to be delivered, (iii) the principal component of all Subordinate Credit Facility Obligations to the extent such obligations, if they become due, are not in lieu of (or do not otherwise replace) the City's obligations to pay any principal in respect of Subordinate Bonds which is included in paragraphs (i) and (ii) above; (iv) amounts that would be due from the City as termination payments under all Subordinate Hedge Facility Obligations, computed pursuant to their respective terms as if the termination date were the date of the Manager's certificate, using relevant mid-market interest rates as of the last day of the most recently completed fiscal quarter immediately preceding the date of the certificate of the Manager; and (v) the principal, or its equivalent, of all Subordinate Contract Obligations, does not exceed \$800,000,000;

(b) a certificate of the Manager to the effect that as of the date of the adoption of the Supplemental Subordinate Bond Ordinance authorizing such Subordinate Bonds the City is not in default in making any payments required by the Senior Bond Ordinance or the General Subordinate Bond Ordinance;

(c) a certificate or opinion of an Independent Accountant, setting forth for the last audited Fiscal Year or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such Subordinate Bonds, as determined by the Independent Accountant: (i) the Net Revenues, together with any Other Available Funds, for such period, and (ii) the aggregate Debt Service Requirements and Subordinate Debt Service Requirements for such period; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amount needed to make the required deposits to the credit of the several subaccounts (other than the Redemption Account or any similar account) in the Bond Fund, the Bond Reserve Fund, the Subordinate Bond Fund and the Operation and Maintenance Reserve Account, or (B) an amount not less than 110% of the aggregate Debt Service Requirements and Subordinate Debt Service Requirements for such period; and

(d) a report of the Airport Consultant estimating, for each of the five Fiscal Years commencing with the earlier of either the Fiscal Year following the Fiscal Year in which the Manager estimates such Subordinate Bond Improvement Project will be completed, or the first Fiscal Year there are Subordinate Debt Service Requirements with respect to the Subordinate Bonds to be issued for such Subordinate Bond Improvement Project: (i) the Gross Revenues, and (ii) the Operation and Maintenance Expenses and other amounts required to be deposited in each of the subaccounts (other than the Redemption Account or any similar account) in the Bond Fund,

the Bond Reserve Fund, the Subordinate Bond Fund and the Operation and Maintenance Reserve Account; and demonstrating that the Net Revenues in each such Fiscal Year, together with any Other Available Funds, are projected to be at least equal to the larger of either (A) the amounts needed for making the required deposits to the credit of the several subaccounts (other than the Redemption Account or other similar account) in the Bond Fund, the Bond Reserve Fund, the Subordinate Bond Fund and the Operation and Maintenance Reserve Account, or (B) an amount not less than 110% of the sum of aggregate Debt Service Requirements and Subordinate Debt Service Requirements for each such Fiscal Year, the Subordinate Debt Service Requirements of the series of Subordinate Bonds then to be issued, and the Debt Service Requirements and Subordinate Debt Service Requirements in respect of any future Senior Bonds, Subordinate Bonds, or Subordinate Obligations which the Manager shall estimate will be required to complete payment of the Cost of such Improvement Project or Subordinate Bond Improvement Project (such Debt Service Requirements or Subordinate Debt Service Requirements to be estimated by the Airport Consultant or by the Financial Consultant, if any), in each case after giving effect, among other factors, to the increase in Operation and Maintenance Expenses and to the completion of the Improvement Project or Subordinate Bond Improvement Project or any completed portion thereof, and the increase in rates, fees, rentals or other charges (or any combination thereof) as a result of the completion of such Improvement Project or Subordinate Bond Improvement Project, or any completed portion thereof.

In any computation required by the above, there is excluded from Gross Revenues any capital gain resulting from any sale or revaluation of Investment Securities or bank deposits, or both. If any one or more of the documents required above cannot be given with the required results stated therein, the City may not issue Additional Parity Subordinate Bonds; *provided however*, the City may issue Additional Parity Subordinate Bonds for the purpose of refunding Subordinate Bonds without having to comply with the requirements described above.

Additional Senior Bonds Permitted

The City or the City for and on behalf of the Department may issue additional Senior Bonds, and incur other Obligations in the manner and otherwise as provided by the General Bond Ordinance; provided, however, that neither the City nor the City for and on behalf of the Department shall issue additional Senior Bonds or incur other Obligations if the issuance of such additional Senior Bonds or the incurrence of such Obligations would cause the City to fail to comply with the rate maintenance covenant set forth in the General Subordinate Bond Ordinance. Except as described in the preceding sentence, the City or the City for and on behalf of the Department may not otherwise issue bonds or other securities or incur other obligations having a lien on the Net Revenues of the Airport System superior to the lien thereon of Subordinate Bonds, and any such bond or other securities or other obligations are hereby prohibited.

Security

Subject only to the right of the City to pay Operation and Maintenance Expenses of the Airport System and to the obligations of the City in respect of the Senior Bonds and Obligations as provided by the Senior Bond Ordinance, the Gross Revenues and all moneys and securities paid or to be paid to, or held or to be held in, the Subordinate Bond Fund and any other fund or account created and pledged for such purpose herein or by any Supplemental Subordinate Bond Ordinance (except moneys and securities held in any Subordinate Bond Escrow Account and except as otherwise provided herein or in any Supplemental Subordinate Bond Ordinance) are irrevocably pledged to secure the payment of the Subordinate Bond Requirements of the Subordinate Bonds and, to the extent so provided in any Supplemental Subordinate Bond Ordinance, to the payment of any Subordinate Obligations.

Neither the Bond Requirements of the Bonds nor the Subordinate Bond Requirements of the Subordinate Bonds are to constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the Bond Requirements of the Bonds and the Subordinate Bond Requirements of the Subordinate Bonds are not to be considered or held to be general obligations of the City but are to constitute its special obligations. The City has not pledged its full faith and credit and taxing power for the payment of the Bond Requirements of the Bonds or the Subordinate Bond Requirements of the Subordinate Bonds.

The payment of the Bond Requirements and the Subordinate Bond Requirements of any Bonds and Subordinate Bonds is not secured by an encumbrance, mortgage, or other pledge of property of the City, except the Net Revenues and other funds pledged for their payment. No property of the City, subject to such exception, is liable to be forfeited or taken in payment of the Bond Requirements of the Bonds and the Subordinate Bond Requirements of the Subordinate Bonds.

The Airport System Fund

The Senior Bond Ordinance creates the following accounts and subaccounts in the Airport System Fund, all of which are held by the City: the Revenue Fund, the Operation and Maintenance Fund (including the Operation and Maintenance Reserve Account), the Bond Fund (including the Interest Account, Principal Account, Sinking Fund Account and Redemption Account), the Bond Reserve Fund, the Subordinate Bond Fund (in which the General Subordinate Bond Ordinance creates the following accounts: the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account and the Bond Reserve Account), the Capital Fund, the Project Fund (including the Capitalized Interest Account) and the PFC Fund (including the PFC Debt Service Account and the PFC Project Account).

Application of Revenues

So long as any Bonds or Subordinate Bonds are Outstanding, all Gross Revenues of the Airport System, upon their receipt from time to time by the City, are to be deposited to the credit of the Revenue Fund. After making the payments each month required to be credited to the Operation and Maintenance Fund, moneys in the Revenue Fund are required to be transferred and credited to the following accounts and subaccounts in the following order of priority and at the following times:

(a) to the Interest Account of the Bond Fund, monthly, commencing on the first day of the month immediately succeeding the issuance of any Bonds, an amount which if made in substantially equal installments thereafter would be sufficient, together with any other moneys from time to time available therefor from whatever source, including without limitation moneys in the Capitalized Interest Account set aside for the payment of interest, to pay the next maturing installment of interest on Outstanding Bonds (in computing any required credit with respect to any Variable Rate Bonds the interest rate used is to be as provided by Supplemental Ordinance);

(b) to the Principal Account of the Bond Fund, monthly, commencing on the first day of the month immediately succeeding the issuance of any Serial Bonds, or commencing one year prior to the first fixed maturity date of such Serial Bonds, whichever date is later, an amount which if made in substantially equal installments thereafter would be sufficient, together with any other moneys from time to time available therefor from whatever source to pay the next maturing installment of principal on Outstanding Serial Bonds;

(c) with the same priority as the Principal Account, to the Sinking Fund Account of the Bond Fund, monthly, commencing on the first day of the twelfth calendar month prior to the

date on which the City is required to pay any Term Bonds, one-twelfth of the amount necessary to pay the Redemption Price or principal of Outstanding Term Bonds, scheduled to be retired in any year by mandatory redemption, at fixed maturity, or otherwise, except to the extent any other moneys, including without limitation, moneys in any Escrow Account, are available therefor;

(d) on or prior to any date on which the City exercises its option to call for prior redemption any Bonds, to the Redemption Account, an amount necessary to pay the Redemption Price of such Bonds on such Redemption Date, except to the extent any other moneys (including without limitation moneys in any Escrow Account) are available therefor;

(e) to the Bond Reserve Fund, not less frequently than monthly, commencing no later than the first day of the month next succeeding each date on which any series of Bonds is issued or on which the amounts credited thereto are less than the Minimum Bond Reserve, cash or Investment Securities in an amount which, if made in substantially equal installments thereafter, would be sufficient to accumulate the Minimum Bond Reserve on or before the first day of the sixtieth month following the date of commencement (taking into account, in all such cases, the known minimum gain from Investment Securities to be received by the City over such period of sixty months);

(f) to the Subordinate Bond Fund, from any moneys remaining in the Revenue Fund amounts which are required for the payment of any Subordinate Bonds, are to be transferred and credited to the following subaccounts in the following order of priority and at the following times:

(i) except as otherwise provided by Supplemental Subordinate Bond Ordinance, monthly, to the Interest Account of the Subordinate Bond Fund and any subaccount therein, commencing on the first day of the month immediately succeeding the issuance of any Subordinate Bonds, an amount which if made in substantially equal installments thereafter would be sufficient, together with any other moneys from time to time available therefor from whatever source, including without limitation moneys in the Capitalized Interest Account set aside for the payment of such interest, to pay the next maturing installment of interest on such series of Subordinate Bonds. In computing any required credit with respect to any Subordinate Bonds bearing interest at a variable rate, the interest rate used shall be as provided by Supplemental Subordinate Bond Ordinance; moneys accounted for in the Interest Account shall be used to pay interest on Outstanding Subordinate Bonds, as it become due;

(ii) except as otherwise provided by Supplemental Subordinate Bond Ordinance, monthly, to the Principal Account of the Subordinate Bond Fund and any subaccount therein, commencing on the first day of the month immediately succeeding the issuance of any Serial Subordinate Bonds, or commencing one year prior to the first fixed maturity date of such Serial Subordinate Bonds, whichever date is later, an amount which if made in substantially equal installments thereafter would be sufficient, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal of such Serial Subordinate Bonds; moneys accounted for in the Principal Account shall be used to pay the principal of Outstanding Serial Subordinate Bonds, as they mature;

(iii) except as otherwise provided by Supplemental Subordinate Bond Ordinance, monthly to the Sinking Fund Account of the Subordinate Bond Fund, commencing on the first day of the twelfth calendar month prior to the date on which the

City is required to pay any Term Subordinate Bonds, one-twelfth of the amount necessary, together with any moneys from time to time available from whatever source, to pay the Redemption Price or principal of such Term Subordinate Bonds to become due. Moneys shall be so credited to the Sinking Fund Account on the same priority as moneys credited to the Principal Account, and moneys accounted for in the Sinking Fund Account shall be applied to pay the Term Subordinate Bonds so scheduled to be retired in any year by mandatory redemption, at fixed maturity, or otherwise;

(iv) except as otherwise provided by Supplemental Bond Ordinance, to the Redemption Account of the Subordinate Bond Fund, on or prior to any date on which the City exercises its option to call for prior redemption any Subordinate Bonds, an amount necessary to pay the Redemption Price of such Subordinate Bonds on such Redemption Date, except to the extent any other moneys, including without limitation moneys in any Subordinate Bond Escrow Account, are available therefor;

(v) as a second charge on moneys credited to the Subordinate Bond Fund, after making all credits as required above, there shall be credited to the Subordinate Bond Reserve Account and any subaccount created therein as provided by Supplemental Subordinate Bond Ordinance, in addition to any moneys required to be deposited therein by the General Subordinate Bond Ordinance, not less frequently than monthly, commencing no later than the first day of the month next succeeding each date on which any series of Subordinate Bonds with respect to which a Minimum Subordinate Bond Reserve has been designated is issued or on which the amounts credited thereto are less than the Minimum Subordinate Bond Reserve, if any, with respect to the applicable series of Subordinate Bonds, an amount in cash or Investment Securities, or both, which, if made in substantially equal installments thereafter, would be sufficient to accumulate each Minimum Subordinate Bond Reserve on or before the first day of the sixtieth month following the date of commencement (taking into account, in all such cases, the known minimum gain from Investment Securities to be received by the City over such period); a Minimum Subordinate Bond Reserve may be, but is not required to be, established with respect to any series of Subordinate Bonds; no payment need be made into the Subordinate Bond Reserve Account or any subaccount therein so long as the moneys therein shall equal not less than the Minimum Subordinate Bond Reserve with respect to all applicable Subordinate Bonds;

(g) to the Operation and Maintenance Reserve Account, from any moneys remaining in the Revenue Fund, not less frequently than monthly, an amount in cash or Investment Securities, or both, at least equal to the amount which, if made in substantially equal installments thereafter, would be sufficient to accumulate the Minimum Operation and Maintenance Reserve on or before the first day of the 36th month thereafter (taking into account, in all such cases, the known minimum gain from Investment Securities to be received by the City over such period); and

(h) to the Capital Fund, at the end of each Fiscal Year and after all payments referred to in (a) through (g) above have been made, all remaining moneys in the Revenue Fund.

Moneys in the Capital Fund may be withdrawn in any priority for any one, all, or any combination of the following purposes, as the Manager may from time to time determine: (a) to pay the Costs of acquiring, improving or equipping any Airport Facilities, to the extent such Costs are not Operation and Maintenance Expenses; (b) to pay costs of extraordinary and major repairs, renewals, replacements, or maintenance items pertaining to any Airport Facilities, of a type not properly defrayed as

Operation and Maintenance Expenses; and (c) to pay the Bond Requirements of any Bonds (or payments due for Subordinate Bonds) if such payment is necessary to prevent any default in the payment of such Bond Requirements.

If any monthly credit required to be made to the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund is deficient, the City is required to include the amount of such deficiency in the next monthly deposit into such subaccount.

If any monthly credit required to be made to the Interest Account, the Principal Account or the Sinking Fund Account of the Subordinate Bond Fund is deficient, the City is required to include the amount of such deficiency in the next monthly deposit into such subaccount.

No payment need be made into the Bond Reserve Fund or the Subordinate Bond Reserve Fund so long as the moneys therein are at least equal to the Minimum Bond Reserve or Minimum Subordinate Bond Reserve, and any moneys therein exceeding the Minimum Bond Reserve or Minimum Subordinate Bond Reserve are to be transferred as Gross Revenues to the Revenue Fund and used for the purposes thereof, as provided in the Senior Bond Ordinance or General Subordinate Bond Ordinance. In the event any Supplemental Ordinance or Supplemental Subordinate Bond Ordinance so provides, the City may at any time or from time to time, subject to certain limitations, deposit a Credit Facility or Subordinate Credit Facility in the Bond Reserve Fund or Subordinate Bond Reserve Account, as applicable, in full or partial satisfaction of the Minimum Bond Reserve or Minimum Subordinate Bond Reserve; provided that any such Credit Facility or Subordinate Credit Facility is to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund or Subordinate Bond Reserve Account as provided in the Senior Bond Ordinance or Supplemental General Subordinate Bond Ordinance. The Supplemental Ordinances authorizing the respective series of outstanding Senior Bonds impose limitations on the City's ability to deposit a Credit Facility in the Bond Reserve Fund.

So long as any Senior Bonds remain rated by Moody's, and unless Moody's otherwise agrees, no Credit Facility may be deposited in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, pursuant to the Senior Bond Ordinance, unless the then current Moody's rating on the Senior Bonds is equal to or less than the Moody's rating (or public finance equivalent thereof) of (a) the senior unsecured debt instruments of the provider of such Credit Facility or (b) in the event the provider of such Credit Facility is a bond or other insurance company the higher of the following: (i) any claims paying rating assigned by Moody's to such provider or (ii) any Moody's rating of debt secured by the insurance policies or surety bonds of such provider. In no event may any rating described in clause (a) or clause (b) above be less than "A" or "A3," as the case may be, unless Moody's otherwise agrees. In addition, no Credit Facility may be deposited in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, pursuant to the Senior Bond Ordinance, unless the then current rating of the provider of such Credit Facility by Moody's or by S&P is in one of the two highest rating categories of such rating agency.

If on any Bond Requirement payment date the City has failed for any reason to pay the full amount required into the Interest Account, the Principal Account and the Sinking Fund Account, as described above, an amount equal to the respective difference between that paid from the Net Revenues and the full amount required is to be paid on such date into such subaccounts from the Bond Reserve Fund (including any Credit Facility therein). The moneys so used are to be reaccumulated (or any such Credit Facility will be reinstated) in the Bond Reserve Fund from the first Net Revenues thereafter received (not required to be otherwise applied) in not more than sixty substantially equal monthly installments (taking into account the known minimum gain from Investment Securities to be received). If any monthly payment to be made into the Bond Reserve Fund is deficient, the City is required to pay into such fund the amount of such deficiency from the first Net Revenues thereafter received.

No payment is to be made into the Operation and Maintenance Reserve Account if the moneys therein then equal not less than the Minimum Operation and Maintenance Reserve. The moneys in the Operation and Maintenance Reserve Account are to be accumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Operation and Maintenance Expenses of the Airport System resulting from the failure to deposit into the Operation and Maintenance Fund sufficient funds to pay such expenses as the same accrue and become due.

PFC Fund

All Passenger Facility Charges, upon their receipt from time to time by the City, are to be immediately deposited directly to the credit of the subaccounts in the PFC Fund in the following order of priority:

(a) First, to the PFC Debt Service Account in each Fiscal Year through 2018, inclusive, the lesser of (i) all Committed Passenger Facility Charges received in each such Fiscal Year, and (ii) that portion of Committed Passenger Facility Charges received in each such Fiscal Year which, together with other available amounts credited to the PFC Debt Service Account, will be sufficient to make the payments from the PFC Debt Service Account to the Bond Fund required in each such Fiscal Year, as set forth below; and

(b) Second, to the PFC Project Account all Passenger Facility Charges so received by the City in each Fiscal Year not otherwise required to be applied as described in (a).

The following amounts, to the extent credited to the PFC Debt Service Account, will be irrevocably committed under the PFC Supplemental Ordinances to the payment of Debt Service Requirements on Senior Bonds in each Fiscal Year through 2018, inclusive:

| | |
|------|---------------|
| 2012 | \$128,188,000 |
| 2013 | 132,673,000 |
| 2014 | 132,673,000 |
| 2015 | 132,673,000 |
| 2016 | 132,673,000 |
| 2017 | 132,673,000 |
| 2018 | 132,673,000 |

If no payments to the PFC Debt Service Account are required, no Passenger Facility Charges are required to be deposited to the credit of the PFC Debt Service Account. Any amounts remaining in the PFC Debt Service Account on December 31, 2018, are to be credited to the PFC Project Account.

Amounts credited to the PFC Project Account may be applied to any lawful purpose relating to the Airport System as the Manager may from time to time determine, including the transfer to the PFC Debt Service Account for the payment of Debt Service Requirements.

The PFC Supplemental Ordinances are applicable only to the Passenger Facility Charges, as defined therein.

Notwithstanding the provisions of the PFC Supplemental Ordinances relating to the use of Passenger Facility Charges in excess of the Committed Passenger Facility Charges, Designated Passenger Facility Charges are to be included in Gross Revenues of the Airport System for purposes of the General Bond Ordinance in each of the Fiscal Years 2009 through 2018, inclusive, and are to continue to be included in Gross Revenues of the Airport System each Fiscal Year thereafter until such time as the

Manager gives written notice to the Treasurer that such Designated Passenger Facility Charges are no longer to continue to be included in Gross Revenues for purposes of the General Bond Ordinance. While the Designated Passenger Facility Charges are included in Gross Revenues for purposes of the General Bond Ordinance, all such Designated Passenger Facility Charges, upon their receipt from time to time, to the extent not otherwise required to be applied under the General Bond Ordinance, are to be applied as follows: (1) first, in such amounts as the Manager determines, to pay Debt Service Requirements for Outstanding Bonds; (2) second, all Designated Passenger Facility Charges not applied as described in clause (1) above are to be irrevocably deposited in one or more Escrow Accounts established by the Manager to provide for the timely payment of Debt Service Requirements on such Outstanding Bonds as identified in such Escrow Accounts; and (3) third, all Designated Passenger Facility Charges not applied as described in (1) or (2) are to be expended for PFC eligible projects. All amounts credited to such Escrow Accounts pursuant to clause (2) in the previous sentence have been irrevocably committed to pay Debt Service Requirements on such identified Bonds and are to be excluded from the computation of Debt Service Requirements relating to the issuance of Additional Bonds under the General Bond Ordinance or any computation required by the Rate Maintenance Covenant under the General Bond Ordinance.

Project Fund

The money in the appropriate subaccount in the Project Fund is to be applied to the payment of the Cost of the Improvement Project, Refunding Project, Subordinate Bond Improvement Project or Subordinate Bond Refunding Project, or a combination thereof, as the case may be.

Payments from the Project Fund can be made only after the Manager has certified that such payments will comply with the Tax Code and upon voucher drawn by the Manager and filed with the Auditor. For each Fiscal Year after the delivery of any Bonds or any Subordinate Bonds, until the termination of each Improvement Project or Subordinate Bond Improvement Project, the City will cause an audit to be made by an Independent Accountant of all receipts and money then on deposit in the Project Fund and all disbursements made pursuant to the provisions of the Senior Bond Ordinance and General Subordinate Bond Ordinance.

Upon substantial completion of the Improvement Project, surplus moneys in the Project Fund, not reserved for the payment of any remaining Cost, are to be paid to the Bond Reserve Fund if the Minimum Bond Reserve is not fully accumulated, and then paid to the Interest Account, the Principal Account or the Sinking Fund Account or to any combination of such subaccounts. Notwithstanding the above, any surplus moneys in the Project Fund will be applied so as to permit compliance with requirements of the Tax Code.

Subject to the prior application of amounts in the Capital Fund for such purpose, as provided by the Senior Bond Ordinance, the Treasurer shall use the proceeds of any series of Subordinate Bonds credited to any subaccount in the Project Fund, without further order or warrant, to pay the Subordinate Bond Requirements of such series of Subordinate Bonds as the same become due whenever and to the extent moneys in the Subordinate Bond Fund are insufficient for that purpose, unless such Subordinate Bond proceeds shall be needed to defray Costs accrued and to accrue under any contracts then existing and relating to a Subordinate Bond Improvement Project. The Treasurer shall promptly notify the Mayor and the Manager of any such use of moneys in the Project Fund. Any moneys so used shall be restored to the appropriate subaccount, from the first Pledged Revenues thereafter received and not needed to meet the payment requirements in the Senior Bond Ordinance.

Alterations of, additions to, and deletions from any Improvement Project may be made prior to the withdrawal of all moneys accounted for in the applicable subaccount in the Project Fund, but, in the

required Airport Consultant's opinion, any such alterations, additions and deletions will neither render the City incapable of meeting its rate maintenance covenant nor increase the estimated Cost of such Improvement Project, as fixed by Supplemental Ordinance, by more than 25% (excluding from such determination of Cost any capitalized interest, funded reserves, purchase discounts, or costs of issuance).

Alterations of, additions to, and deletions from any Subordinate Bond Improvement Project may be made prior to the withdrawal of all moneys accounted for in the applicable subaccount in the Project Fund in accordance with the General Subordinate Bond Ordinance, but any such alterations, additions and deletions shall not, in the opinion of the Airport Consultant, render the City incapable of performing its obligations under any rate maintenance covenant in respect of Subordinate Bonds.

Investments

The Investment Securities purchased as an investment or reinvestment of moneys in any such account or subaccount are to be deemed at all times to be part of the account or subaccount and held in trust therefor. Except as otherwise provided in the Senior Bond Ordinance, any interest earned on, or any profit or loss realized from the liquidation of, such Investment Securities and any interest or other gain from the deposit of moneys in any commercial bank, are to be credited or charged to the Revenue Fund as such gain or loss is realized; but any such interest, profit or loss on Investment Securities in any subaccount in the Project Fund or in the Bond Reserve Fund is to be credited or charged to such account or subaccount, and no interest or profit transferred to the Revenue Fund from any subaccount in the Project Fund until its termination or from the Bond Reserve Fund until the moneys accounted for therein, after any such transfer, are at least equal to the Minimum Bond Reserve.

In the computation of the amount in any account or subaccount as required by the Senior Bond Ordinance, Investment Securities purchased as an investment of moneys therein are to be valued at the cost thereof (including any amount paid as accrued interest) or the principal amount thereof, whichever is less; except that Investment Securities purchased at a premium initially may be valued at the cost thereof, but in each year after such purchase are to be valued at a lesser amount determined by ratably amortizing the premium over their remaining term. Any bank deposits shall be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the City until such gain is realized by the receipt of an interest-earned notice, or otherwise. The valuation of Investment Securities and bank deposits accounted for in any account or subaccount must be made not less frequently than annually.

Insurance

The City has covenanted that it will insure and at all times keep the Airport System insured to the extent insurable by a responsible insurance company, companies, or carriers authorized and qualified under the laws of the State to assume the risk thereof against direct physical damage or loss from fire and so-called extended coverage perils in an amount not less than 80% of the replacement value of the Facilities so insured, less depreciation; but such amount of insurance will at all times be sufficient to comply with any legal or contractual requirement which, if breached, would result in assumption by the City of a portion of any loss or damage as a co-insurer; and also, if at any time the City is unable to obtain such insurance to the extent required at reasonable cost, the City will maintain such insurance to the extent reasonably obtainable. The proceeds of all such insurance will be available for, and to the extent necessary will be applied to, the repair, reconstruction and other replacement of damaged or destroyed Facilities. If the proceeds are more than sufficient for such purpose, the balance remaining will be paid first into the Bond Reserve Fund to the extent necessary to bring the amount on deposit therein up to the then Minimum Bond Reserve, then any balance will be transferred into the Capital Fund. If such proceeds are insufficient to repair, reconstruct or otherwise replace the damaged or destroyed Facilities,

the deficiency may be supplied from moneys in the Capital Fund, or any other moneys legally available for such purposes.

The City also covenants that it will at all times carry with a responsible insurance company, to the extent not provided for in leases and agreements between the City and others relating to the Airport System, insurance covering the loss of revenues from Facilities by reason of necessary interruption, total or partial, in the use thereof, resulting from damage thereto, or destruction thereof, however caused, in such amounts as are estimated to be sufficient to provide a full normal income during the period of suspension subject to certain conditions. The Senior Bond Ordinance also makes provision for insurance against liability to any person sustaining bodily injury or property damage or the death of any person by reason of defect or want of repair in or about the Airport System or by reason of the negligence of any employee, and against such other liability for individuals, including workmen's compensation insurance, to the extent attributed to ownership and operation of the Airport System and damage to property.

For any company insuring the Airport System under a general liability policy, the total liability of such company for all damages resulting from all bodily injury and all property damage as the result of any one occurrence, will not be less than \$75 million under a single limit of liability endorsement or other like provision of the policy regardless of the number of insureds under the policy, individuals who sustain bodily injury or property damage, claims made or suits brought on account of bodily injury or property damage, or occurrences.

Records, Reports and Audits

The City has covenanted that it will keep complete and correct books and records showing the monthly revenues derived from the Airport System or any Special Facilities and of the disposition thereof in reasonable detail as may be determined by the Manager, and in accordance with generally accepted accounting principles; and that, on the basis of such books and records, the City will cause reports to be prepared quarterly and copies to be mailed promptly (a) to the Airport Consultant and (b) to those owners of Outstanding Bonds who may request in writing such reports.

The City has covenanted it will cause an audit to be made of its books and accounts pertaining to the Airport System by an Independent Accountant as soon as practicable following the close of each Fiscal Year. The annual audit report is to include for the period covered (a) a statement showing, among other things, (i) the amount of Gross Revenues, (ii) the amount of Operation and Maintenance Expenses, (iii) the amount of Net Revenues including a statement as to the amount of Other Available Funds and as to whether or not such Net Revenues together with Other Available Funds have been at least sufficient to meet the Rate Maintenance Covenant, and (iv) the amount of any capital expenditures pertaining to the Airport System and any Special Facilities; (b) a balance sheet as of the end of the Fiscal Year; (c) a comment by the Independent Accountant concerning the City's methods of operation, accounting practices, and compliance with the Senior Bond Ordinance and other instruments and proceedings relating to the Airport System and any Special Facilities as is deemed appropriate; (d) a list of insurance policies in effect at the end of the audit period; and (e) a recapitulation of each account and subaccount created by the Senior Bond Ordinance and any other instrument or proceeding relating to the Airport System. Within 90 days after each annual audit report is filed with the City, copies of such reports are to be mailed to the Airport Consultant, to those owners of Outstanding Bonds who may request in writing such report, and to any others as required.

Defeasance of Senior Bonds

When all principal, interest, and any prior redemption premiums due in connection with the Bonds have been duly paid, or provision made therefor in accordance with the Senior Bond Ordinance, all

covenants, agreements and other obligations of the City to the owners of the Bonds will thereby terminate, become void and be discharged and satisfied.

Any Outstanding Bond, prior to the maturity or Redemption Date thereof, will be deemed to have been paid if (a) in case such Bond is to be redeemed on any date prior to its maturity, the City has by Supplemental Ordinance given irrevocable instructions to effect due notice of redemption on such Redemption Date, if such notice is required; (b) there have been deposited in an Escrow Account, either (i) moneys in an amount which will be sufficient or (ii) direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America (“Federal Securities”) which do not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in such Escrow Account at the same time, will be sufficient to pay when due the principal of and interest due and to become due on such Bond on or prior to its redemption or maturity date; and (c) in the event such Bond is not subject to redemption within the next 60 days, the City by Supplemental Ordinance will have given irrevocable instructions to effect, as soon as practicable, notice to the owner of such Bond that the deposit required by (b) above has been placed in such Escrow Account and that such Bond is deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bond.

As to Variable Rate Bonds, the amount required for the interest thereon will be calculated at the maximum rate which such Variable Rate Bonds may bear; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and such Federal Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Variable Rate Bonds, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing such Variable Rate Bonds or otherwise existing under the Senior Bond Ordinance.

Notwithstanding any provisions of the Senior Bond Ordinance to the contrary, Option Bonds may only be discharged and satisfied by depositing moneys or Federal Securities which together with other moneys lawfully available therefor are sufficient at the time of such deposit to pay when due the maximum amount of principal of, premium, if any, and interest on such Option Bonds which could become payable to the owners of such Option Bonds upon the exercise of any options provided to the owner of such Option Bonds or upon the mandatory tender thereof; provided, however, that if, at the time such a deposit is made, the options originally exercisable by the owner of an Option Bond are no longer exercisable or such Option Bonds are no longer subject to mandatory tender, such Option Bond will not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited for the payment of the principal of, and premium, if any, and interest on Option Bonds is not required for such purpose, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing said Option Bonds or otherwise existing under the Senior Bond Ordinance.

This provision would be changed by the Proposed Amendments. See “APPENDIX D PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

Defeasance of Subordinate Bonds

When all principal, interest, and any prior redemption premiums due in connection with the Subordinate Bonds have been duly paid, or provision made therefor in accordance with the General

Subordinate Bond Ordinance, all covenants, agreements and other obligations of the City to the owners of the Subordinate Bonds will thereupon cease, terminate, become void and be discharged and satisfied.

Any Subordinate Bond, prior to the maturity or Redemption Date thereof, will be deemed to have been paid if (a) in case such Subordinate Bond is to be redeemed on any date prior to its maturity, the City shall have given irrevocable instructions to effect due notice of redemption on such Redemption Date, if such notice is required; (b) there have been deposited in a Subordinate Bond Escrow Account, either (i) moneys in an amount which will be sufficient or (ii) Defeasance Securities which do not contain provisions permitting the redemption thereof at the option of the obligor, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in such Subordinate Bond Escrow Account at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on such Subordinate Bond on or prior to its Redemption Date or maturity date; (c) no such Subordinate Bond shall be subject to optional or mandatory tender prior to the maturity or Redemption Date thereof; and (d) in the event such Subordinate Bond is not subject to redemption within the next 60 days, the City by Supplemental Subordinate Bond Ordinance will have given irrevocable instructions to effect, as soon as practicable, notice to the owner of such Subordinate Bond that the deposit required by (b) above has been placed in such Subordinate Bond Escrow Account and that such Subordinate Bond is deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of a principal of, premium, if any, and interest on such Subordinate Bond.

As to Subordinate Variable Rate Bonds, the amount required for the interest thereon will be calculated at the maximum rate which such Subordinate Variable Rate Bonds may bear prior to maturity or applicable redemption date; provided, however, that if on any date, as a result of such Subordinate Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and such Defeasance Securities on deposit for the payment of interest on such Subordinate Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Subordinate Variable Rate Bonds in order to fully discharge and satisfy such Subordinate Variable Rate Bonds, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing such Subordinate Variable Rate Bonds or otherwise existing under the General Subordinate Bond Ordinance.

Notwithstanding any provisions of the General Subordinate Bond Ordinance to the contrary, Subordinate Option Bonds may only be discharged and satisfied by depositing moneys or Defeasance Securities which together with other moneys lawfully available therefor are sufficient at the time of such deposit to pay when due the maximum amount of principal of, premium, if any, and interest on such Subordinate Option Bonds which could become payable to the owners of such Subordinate Option Bonds upon the exercise of any options provided to the owner of such Subordinate Option Bonds or upon the mandatory tender thereof; provided, however, that if, at the time such a deposit is made, the options originally exercisable by the owner of a Subordinate Option Bond are no longer exercisable or such Subordinate Option Bonds are no longer subject to mandatory tender, such Subordinate Option Bond will not be considered a Subordinate Option Bond for purposes of this paragraph. If any portion of the moneys deposited for the payment of the principal of, and premium, if any, and interest on Subordinate Option Bonds is not required for such purpose, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing said Subordinate Option Bonds or otherwise existing under the General Subordinate Bond Ordinance.

Modification of the Senior Bond Ordinance

The Senior Bond Ordinance may be amended or supplemented by a Supplemental Ordinance without the consent of or notice to the owners of Bonds as follows: (a) to authorize the issuance of Additional Parity Bonds and to specify and determine matters which are not contrary to or inconsistent with the Senior Bond Ordinance; (b) to cure defects in the Senior Bond Ordinance; (c) to grant any additional rights to the owners of Bonds, including, without limitation, the designation of a trustee; (d) to add covenants of the City; (e) to add limitations on the City; (f) to confirm any pledge of the Pledged Revenues or any other moneys; (g) to cause the Senior Bond Ordinance to comply with the Trust Indenture Act of 1939, as amended; and (h) to effect any other changes in the Senior Bond Ordinance which in the opinion of an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, do not materially and prejudicially affect the rights of the owners of any Bonds.

The Senior Bond Ordinance also may be amended or supplemented by a Supplemental Ordinance adopted by the City upon the written consent of the owners of Bonds constituting more than 50% in aggregate principal amount of all Bonds then Outstanding and affected by the amendment or supplement. Notwithstanding, no such Supplemental Ordinance will have the effect of permitting without the consent of the owner of any Bond Outstanding so affected: (a) a change (other than as expressly provided for in the Supplemental Ordinance authorizing such Bond) in the maturity or in the terms of redemption of principal, or any installment of interest of any Outstanding Bond; (b) a reduction of the principal, interest rate or prior redemption premium of any Bond; (c) the creation of a lien upon or a pledge of Net Revenues ranking prior to the lien or to the pledge created by the Senior Bond Ordinance; (d) a reduction of the principal amount or percentages of Bonds, the consent of the owners of which is required for any such amendment or modifications; (e) the establishment of priorities as between Outstanding Bonds; or (f) modifications materially and prejudicially affecting the rights of the owners of any Bonds then Outstanding.

This provision would be changed by the Proposed Amendments. See “APPENDIX D PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

Modification of the General Subordinate Bond Ordinance

The General Subordinate Bond Ordinance may be amended or supplemented by a Supplemental Subordinate Bond Ordinance without the consent of or notice to the owners of the Subordinate Bonds as follows: (a) to authorize the issuance of Subordinate Bonds or the incurrence of Subordinate Obligations and to specify and determine matters which are not contrary to or inconsistent with the General Subordinate Bond Ordinance; (b) to cure defects in the General Subordinate Bond Ordinance or comply with requirements of the Senior Bond Ordinance; (c) to grant any additional rights to the owners of Subordinate Bonds, including, without limitation, the designation of a trustee; (d) to add covenants of the City; (e) to add limitations on the City; (f) to confirm any pledge of the Pledged Revenues or any other moneys; (g) to cause the General Subordinate Bond Ordinance to comply with the Trust Indenture Act of 1939, as amended; and (h) to effect, in connection with any Subordinate Bonds, Subordinate Obligations or otherwise any other changes in the General Subordinate Bond Ordinance which in the opinion of an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, do not materially and prejudicially affect the rights of the owners of any Subordinate Bonds or the beneficiaries of any Subordinate Obligations.

The General Subordinate Bond Ordinance also may be amended or supplemented by a Supplemental Subordinate Bond Ordinance adopted by the City upon the written consent of the owners of Subordinate Bonds constituting more than 50% in aggregate principal amount of all Subordinate Bonds

then Outstanding and affected by the amendment or supplement. No such Supplemental Subordinate Bond Ordinance, however, may have the effect of permitting without the consent of the owner of any Outstanding Subordinate Bond or beneficiary of any Subordinate Obligation so affected: (a) a change (other than as expressly provided for in the Supplemental Subordinate Bond Ordinance authorizing such Subordinate Bond) in the maturity or in the terms of redemption of principal, or any installment of interest of any Outstanding Subordinate Bond or Subordinate Obligation; (b) a reduction (other than as expressly provided for in the Supplemental Subordinate Bond Ordinance authorizing such Subordinate Bond) of the principal, interest rate or prior redemption premium of any Outstanding Subordinate Bond or Subordinate Obligation; (c) except as provided in the General Subordinate Bond Ordinance, the creation of a lien upon or a pledge of Net Revenues ranking prior to the lien or to the pledge created by the General Subordinate Bond Ordinance; (d) a reduction of the principal amount or percentages of Subordinate Bonds, the consent of the owners of which is required for any such amendment or modifications; or (e) the establishment of priorities as between Subordinate Bonds or Subordinate Obligations issued or incurred under the General Subordinate Bond Ordinance.

In addition, the General Bond Ordinance may not be amended or supplemented without the consent of the owner of any Outstanding Subordinate Bond or Subordinate Obligation affected thereby, unless, in the opinion of an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, such amendment or supplement does not materially and prejudicially affect the right of the owners of any Subordinate Bonds or the beneficiaries of any Subordinate Obligations. Any consent by the owners of any such Subordinate Bonds or Subordinate Obligations shall be set forth in an instrument or instruments executed by the required owners or their appointed consent agents and filed with the Clerk, which instrument or instruments shall refer to the proposed amendments or the Supplemental Ordinance approving such amendments and shall specifically consent to and approve the adoption of such amendments. Such consent shall be irrevocable and shall be conclusive and binding upon all future owners of the same Subordinate Bonds or Subordinate Obligations.

Events of Default Under the Senior Bond Ordinance

The Senior Bond Ordinance provides that each of the following events is an “Event of Default”:

- (a) the City’s failure to pay when due the principal of any Bond, or any prior redemption premium in connection therewith, or both, or any failure to pay any installment of interest after it is due and payable;
- (b) the City is rendered incapable of fulfilling its obligations under the Senior Bond Ordinance;
- (c) the City’s failure to perform (or in good faith begin the performance of) all acts required of it under any contract relating to the Pledged Revenues, the Airport System, or otherwise, which failure continues for 60 days after receipt of notice by the City from the owners of 10% in principal amount of all Bonds then Outstanding of such failure;
- (d) the City discontinues, delays, or fails to carry out the repair, reconstruction or replacement of any material part of the Airport System (which, if not promptly repaired, would have a material adverse effect on the Pledged Revenues) which is destroyed or damaged and is not promptly replaced (whether such failure to replace the same is due to impracticability of such replacement, is due to a lack of moneys therefor, or for any other reason);
- (e) an order or decree is entered with the City’s consent appointing a receiver for the Airport System or the Pledged Revenues derived therefrom, or having been entered without the consent of the City, such order or decree is not vacated, discharged, or stayed on appeal within 60 days after entry;
- (f) the City defaults in the due and punctual performance of any other covenants, agreements, and provisions contained in any Bonds or in the Senior Bond Ordinance on its part to be performed, and such default has continued for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the owners of 10% in principal amount of all Bonds then Outstanding;
- (g) the City files a petition pertaining to its Airport System and seeking a composition of indebtedness under the Federal Bankruptcy Law, or under any other applicable law or statute of the United States of America or the State; and
- (h) such other

Event of Default as is set forth in any Supplemental Ordinance; provided, however, that it will not be an Event of Default under clauses (c) or (f) if the Manager determines that corrective action has been instituted within the 60-day period and is being diligently pursued.

Events of Default under the General Subordinate Bond Ordinance

The General Subordinate Bond Ordinance provides that each of the following events is an “event of default”: (a) an Event of Default shall have occurred with respect to any Senior Bonds; (b) the City’s failure to pay the principal of any Subordinate Bonds, or any prior redemption premium in connection therewith, or both, when the same becomes due and payable either at maturity, by mandatory or optional prior redemption or otherwise; (c) the City’s failure to pay any installment of interest on any Subordinate Bond when the same becomes due and payable; (d) the City’s failure to pay the principal of, interest on, or any other amount due in connection with any Subordinate Obligation when the same becomes due and payable; (e) the City fails to perform any of the representations, covenants, conditions, agreements and other provisions contained in any Subordinate Bonds or in the General Subordinate Bond Ordinance on its part to be performed, and such failure continues for sixty days after written notice specifying such failure and requiring the same to be remedied is given to the City by the owners of 25% in principal amount of the Subordinate Bonds then Outstanding; provided, however, it shall not be considered an event of default under this section if the Manager determines that corrective action has been instituted within such sixty day period and is being diligently pursued; and (f) such other events of default as are provided for in any Supplemental Subordinate Bond Ordinance or any series of Subordinate Bonds.

Remedies of Owners of Senior Bonds

Upon the occurrence and continuance of any Event of Default under the Senior Bond Ordinance (except as otherwise provided by Supplemental Ordinance with respect to Credit Enhanced Bonds), the owners of not less than 10% in principal amount of all Bonds then Outstanding may declare the principal and interest of the Bonds then outstanding due and immediately payable and proceed against the City to protect and enforce the rights of the owners of the Bonds issued under the Senior Bond Ordinance by mandamus or by other suit, action, or special proceedings in equity, or at law, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in, or by any award of execution of any power granted in the Senior Bond Ordinance or for the enforcement of any proper legal or equitable remedy as such bond owners may deem most effectual to protect and enforce such rights, or for acceleration subject to the conditions of the Senior Bond Ordinance. No remedy specified in the Senior Bond Ordinance is intended to be exclusive of any other remedy, and each and every remedy is to be cumulative.

Upon the happening of an Event of Default under the Senior Bond Ordinance, the City will perform all acts on behalf of the owners of the Bonds to protect the security created for the Bonds and to insure timely payment thereof. During the continuance of an Event of Default, subject to any limitations with respect to payment of Credit Enhanced Bonds, the City, after payment (but only out of moneys received other than pursuant to a draw on a Credit Facility) of the amounts required for reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the Airport System necessary in the judgment of the City to prevent a loss of Gross Revenues, will apply all moneys, securities and funds under the Senior Bond Ordinance, including, without limitation, Gross Revenues as an express trust for the owners of the Bonds and will apply the same toward the payment of principal of and interest on the Bonds in the order specified in the Senior Bond Ordinance.

Remedies for Owners of Subordinate Bonds

Upon the occurrence and continuance of any of any Event of Default under the General Subordinate Bond Ordinance (except as otherwise provided by Supplemental Subordinate Bond Ordinance with respect to Subordinate Credit Enhanced Bonds), so long as such event of default has not been remedied, unless the principal of all Subordinate Bonds has already become due and payable, the owners of not less than 25% in principal amount of all Subordinate Bonds then Outstanding may declare the principal and interest of the Subordinate Bonds then Outstanding due and payable immediately and proceed against the City to protect and enforce the rights of the owners of the Subordinate Bonds issued under the General Subordinate Bond Ordinance by mandamus or by other suit, action, or special proceedings in equity, or at law, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in, or by any award of execution of any power granted in the General Subordinate Bond Ordinance or for the enforcement of any proper legal or equitable remedy as such bond owners may deem most effectual to protect and to enforce such rights. No remedy specified in the General Subordinate Bond Ordinance is intended to be exclusive of any other remedy, and each and every remedy is to be cumulative.

Upon the happening of an Event of Default under the General Subordinate Bond Ordinance, the City will perform all acts on behalf of the owners of the Subordinate Bonds to protect the security created for the Subordinate Bonds and to insure timely payment thereof. During the continuance of an Event of Default under the General Subordinate Bond Ordinance, subject to any limitations with respect to payment of Subordinate Credit Enhanced Bonds, the City, after payment (but only out of moneys received other than pursuant to a draw on a Subordinate Credit Facility) of the amounts required for reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the Airport System necessary in the judgment of the City to prevent a loss of Gross Revenues, will apply all moneys, securities and funds under the General Subordinate Bond Ordinance, including, without limitation, Gross Revenues as an express trust for the owners of the Subordinate Bonds and will apply the same toward the payment of principal of and interest on the Subordinate Bonds in the order specified in the General Subordinate Bond Ordinance.

Covenant Against Competing Facilities

Unless, in the opinion of an attorney or firm of attorneys of recognized standing, compliance with such covenant in a particular situation would violate federal or State antitrust laws, the City has covenanted that it will neither construct, affirmatively permit to be constructed, facilitate the construction or operation of, nor enter into any agreement permitting or otherwise facilitating the construction or operation of, other facilities to be operated by any person competing with the operation of the Airport in a manner that would materially and adversely affect the City's ability to comply with the requirements of the rate maintenance covenant, but nothing in such covenant impairs the police power of the City, and nothing therein prevents the City from participating in a joint action agency, other regional entity or as a party to any intergovernmental agreement for the acquisition, operation and maintenance of airport facilities so long as provision has been made for the repayment of all Bond Requirements and Subordinate Bond Requirements of all Outstanding Bonds and Outstanding Subordinate Bonds or so long as such acquisition, operation and maintenance of such airport facilities, in the opinion of the Airport Consultant, will not materially and adversely affect the City's ability to comply with the requirements of the rate maintenance covenant of the Senior Bond Ordinance.

Corporate Existence

The City has covenanted that it will maintain its corporate identity and existence so long as any Bonds or Subordinate Bonds remain Outstanding, unless another body corporate and politic, by operation

of law or by contract, succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the City with respect to the Airport System without, in an attorney's opinion, adversely and materially affecting the privileges and rights of any owner of any Outstanding Bond or Subordinate Bond.

Disposal of Airport Property

The City has covenanted that, except in the normal course of business and except as otherwise provided below, neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Bonds have been paid in full, or unless provision has been made therefor. The City may, however, transfer all or a substantial part of the Airport System to another body corporate and politic (including without limitation, any successor of the City) which assumes the City's obligations with respect to the Airport System, wholly or in part, if in an attorney's opinion, the privileges and rights of any owner of any Outstanding Bonds are not materially and adversely affected. In the event of any such transfer and assumption, the City is not prevented from retaining any facility of the Airport if, in an attorney's opinion, such retention will not materially and adversely affect the privileges and rights of any owner of any Outstanding Bonds or Subordinate Bonds.

The City may execute (with certain limitations) leases, licenses, easements, or other agreements in connection with the operation of the Airport System.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any Facilities constituting a part of the Airport System which have, in the opinion of the Manager, ceased to be necessary for the efficient operation of the Airport System, or which have been replaced by other Facilities of at least equal value, except to the extent the City is prevented from so doing by any contractual limitation pertaining thereto. The net proceeds of the sale of any such Facilities are to be used for the purpose of replacing Facilities at the Airport System, or are to be paid into the Capital Fund.

Tax Covenant

The City has covenanted that it will not take (or omit to take) or permit or suffer any action to be taken if the result thereof would cause any of the Series 2013A or Series 2013B Subordinate Bonds to become arbitrage bonds within the meaning of Section 148 of the Tax Code. The City further has covenanted that it will not (a) make any use of the proceeds of any Bonds or Subordinate Bonds, any fund reasonably expected to be used to pay the principal of or interest on any of such Bonds, or any other funds of the City, (b) make any use of any Facilities, or (c) take (or omit to take) any other action with respect to any Bonds or Subordinate Bonds, if such use, action or omission would, under the Tax Code, cause the interest on any Bonds or Subordinate Bonds to be included in gross income for federal income tax purposes. Notwithstanding such covenant, the City may issue Bonds or Subordinate Bonds the interest on which is intended to be included in gross income for federal income tax purposes and, in such event, the provisions of the forgoing covenant and any other requirement of the General Bond Ordinance or General Subordinate Bond Ordinance intended to establish or maintain the exclusion from federal income taxation of interest on such Bonds or Subordinate Bonds shall be inapplicable to such Bonds or Subordinate Bonds.

Miscellaneous

The City has agreed that it will maintain and keep the Facilities in a sanitary condition, in good repair, in working order, and free from obstructions. The City further has agreed to maintain and operate the Facilities in a manner suitable for air transport operations. The City will make any further assurances as may be necessary with respect to the pledge of Gross Revenues of the Airport System. The City will prevent any accumulation of claims for interest after maturity.

Series 2013A-B Supplemental Subordinate Ordinances

The undertakings, covenants, agreements, obligations, warranties and representations of the City in the General Subordinate Bond Ordinance in respect of the Series 2013A-B Subordinate Bonds are the undertakings, covenants, agreements, obligations, warranties and representations of the City, for and on behalf of the Department.

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APPENDIX D

PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE

*The amendments to the Senior Bond Ordinance that have been proposed but not yet adopted are set forth below. These Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council. The City Council is under no obligation to adopt any of these Proposed Amendments, and no representation is made herein regarding which of the remaining Proposed Amendments, if any, may eventually be adopted. By purchase and acceptance of the Series 2013A-B Subordinate Bonds, the Owners and Beneficial Owners thereof are deemed to have consented to the adoption of the Proposed Amendments, either in whole or in part, substantially in the form set forth below and to the appointment of UMB Bank, n.a. as their agent with irrevocable instructions to file a written consent to that effect at the time and place and in the manner provided by the Senior Bond Ordinance. The purchasers of all Senior Bonds issued by the City in 2000 and thereafter have likewise been deemed to have consented to the Proposed Amendments. See also "SECURITY AND SOURCES OF PAYMENT – Other Matters Related to the Senior Bonds." **The Proposed Amendments are shown in blackline.***

DEFINITIONS—SECTION 102 A.

The following definitions are to be amended to read as follows:

(8.1) "Balloon Maturities" means, with respect to any series of Bonds or other Obligations 50% or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, that portion of that series which matures within that Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of those Bonds or other Obligations required to be redeemed or otherwise prepaid prior to their stated maturity date. Similar structures with respect to commercial paper, bond anticipation notes or other Short-Term/Demand Obligations shall not be Balloon Maturities for purposes of this Instrument.

(22.1) "Contract Obligations" means capital leases, installment purchase agreements, guaranty agreements, or other similar contracts, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under this Instrument. The term does not include (a) Bonds, Credit Facility Obligations, or Hedge Facility Obligations; or (b) obligations that may be treated as Operation and Maintenance Expenses under generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be so treated as Operation and Maintenance Expenses).

(47) "Minimum Bond Reserve" means (i) so long as any Bonds issued prior to August 1, 2000 are Outstanding, the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding, and (ii) if no Bonds issued prior to August 1, 2000 are Outstanding, an amount equal to the lesser of (A) the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding or (B) 125% of the average annual aggregate Bond Requirements on the Bonds then Outstanding; provided that if no Bonds issued prior to August 1, 2000 remain

Outstanding, the Minimum Bond Reserve may be reduced to the maximum amount which is permitted to be capitalized for such purpose from the proceeds of such Bonds under then current law in order to maintain the exclusion from gross income for federal income tax purposes of interest on such Bonds; and provided further that no Minimum Bond Reserve shall be required for any Short-Term/Demand Obligations. With respect to any series of Bonds, ~~25%~~ **50%** or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, if such principal (or stated face amount) is not required to be redeemed or prepaid prior to such date of payment, it shall be assumed for purposes of determining the Minimum Bond Reserve that ~~(i) such~~ **(x) such** series of Bonds matures over a ~~twenty~~ **thirty**-year term date from its date of issuance, ~~(ii) bears~~ **(y) bears** interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined shall not be less than the actual rate or rates borne by such series of Bonds, and ~~(iii) is~~ **(z) is** payable on a substantially level annual debt service basis assuming the rate so determined.

(50) “Net Rent Lease” means a lease **or license** of facilities relating to the Airport System or Special Facilities entered into by the City pursuant to which the lessee or licensee agrees to pay to the City rentals **or other payments** during the term thereof **for the use of certain facilities**, and to pay in addition all operation and maintenance expenses relating to ~~the leased~~ **such** facilities, including, without limitation, maintenance costs, insurance, and all property taxes and assessments now or hereafter lawfully levied.

(56.1) “Other Defeasance Securities” means any type of security or obligation, in addition to Federal Securities, that the Rating Agencies then maintaining ratings on any Bonds to be defeased have determined are permitted defeasance securities and qualify the Bonds to be defeased thereby for a rating in the highest category of, or are otherwise approved by, such Rating Agencies; provided that such security or obligation must be a permitted investment under the City’s investment policy as then in effect.

(58) The terms “owner” or any similar term, when used in connection with any Bonds means the registered owner of any Bond or the owner of record as to any Bond issued in book-entry form; **provided that with respect to any series of Bonds which is insured by a bond insurance policy, the term “owner” for purposes of all consents, directions, and notices provided for in this Instrument and any applicable Supplemental Ordinance, shall mean the issuer of such bond insurance policy so long as such policy issuer has not defaulted under its policy.**

(71.2) “Released Revenues” means revenues of the Airport System in respect of which the following have been filed with the Clerk:

(a) a certificate of the Manager describing such revenues and requesting that such revenues be excluded from the term Gross Revenues;

(b) either (i) an Independent Accountant’s certificate to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues covered by the Manager’s request are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits to the credit of the several subaccounts in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account, or (B) an amount not less than 135% of the average Debt Service Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues; or (ii) an

Airport Consultant's certificate containing the estimates required by Section 704B, to the effect that, based upon reasonable assumptions, projected Net Revenues for each of the three full Fiscal Years following the Fiscal Year in which such certificate is delivered, after the revenues covered by the Manager's certificate are excluded, will not be less than the larger of (A) the amounts needed for making the required deposits to the credit of the several subaccounts in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account, of (B) an amount not less than 150% of the average Debt Service Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Gross Revenues and from the pledge and lien of this Instrument will not, in and of itself, cause the interest on any outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the Rating Agencies to the effect that the exclusion of such revenues from the pledge and lien of this Instrument will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues described in the Manager's certificate shall no longer be included in Gross Revenues and shall be excluded from the pledge and lien of this Instrument.

(74.1) "Short-Term/Demand Obligations" means each series of Bonds issued pursuant to this Instrument, (a) the payment of principal of which is either (i) payable on demand by or at the option of the owner at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term either (A) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper or other similar program, or (B) through the issuance of long-term Bonds pursuant to a bond anticipation note or similar program, and (b) the purchase price, payment or refinancing of which is additionally secured by a Credit Facility.

(77) "Special Facilities" means facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds issued pursuant to art. VIII hereof. The Cost of any Special Facilities may include the types of costs included herein under the definition of "Cost," and may also include indirect costs for improvements to other parts of the Airport System or public utilities and other infrastructure not owned by the City that the Manager deems necessary and desirable in connection with such Special Facilities.

The following new subparagraphs (e), (f), and (g) are to be added to the definition of "Debt Service Requirements":

(e) The Debt Service Requirements of any series of Bonds (other than Bonds that mature within one year of the date of issuance thereof) or other Obligations all or a portion of which constitutes a Balloon Maturity shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Bonds

are authorized, be calculated by assuming that principal and interest on such Balloon Maturity is to be amortized over a 30-year period, beginning on the date of issuance or incurrence, assuming level debt service payable in each year at a rate of interest equal to the actual rate of interest of such Balloon Maturity on the date of calculation, provided that if the date of calculation is within 12 months of the final due date of such Balloon Maturity, the full amount of principal to become due shall be included in the calculation unless provision (g) of this definition than applies to such maturity.

(f) If all or any portion of an outstanding series of Bonds constitutes Short-Term/Demand Obligations, then, for purposes of determining Debt Service Requirements, each maturity that constitutes Short-Term/Demand Obligations shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Bonds are authorized, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Short-Term/Demand Obligations were issued, and extending not later than 30 years from the date such Short-Term/Demand Obligations were originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index designated by the Manager, taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of Bonds only a portion of which constitutes Short-Term/Demand Obligations, the remaining portion shall be assumed to be paid in accordance with any amortization schedule established by the Supplemental Ordinance setting forth the terms of such Bonds or shall be treated as described in such other provision of this definition as shall be applicable.

(g) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (e) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Debt Service Requirements is made, shall be assumed to become due and payable on the stated maturity date, and provision (e) above shall not apply thereto, unless the Treasurer shall file a certificate with the Clerk stating (i) that the City intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that City has the financial ability to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service Requirements; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (e) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

The following new subparagraph (i) is to be added to the definition of “Gross Revenues”:

(i) Any Released Revenues in respect of which there have been filed with the Clerk a Manager’s certificate, an Airport Consultant’s certificate, and an opinion of Bond Counsel and the other documents contemplated in the definition of “Released Revenues.”

OTHER PROVISIONS

The last paragraph of Section 603 (Deposition and Investment of Moneys) is to be amended to read as follows:

Moneys held in the Bond Fund, Capitalized Interest Account and the Bond Reserve Fund shall not be invested and reinvested in any obligations of the City included within the definition of Investment Securities. Investments of money in the Bond Reserve Fund shall mature not later than ~~ten years from the date of investment, and in no event later than~~ the final fixed maturity date of Bonds the payment of which is secured thereby. For purposes of any such investment or reinvestment, Investment Securities shall be deemed to mature at the earliest date on which the obligor **or a third party** is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations. In scheduling each such investment or reinvestment, the Treasurer may rely upon estimates of appropriate officers or employees of the City.

A new Section 709 is to be added as follows:

Section 709. Contract Obligations.

The City or the City for and on behalf of the Department may incur Contract Obligations for any Improvement Project or Refunding Project. Such Contract Obligations shall be incurred pursuant to a Supplemental Ordinance, which (i) may pledge all or any designated portion of the Net Revenues to the payment of such Contract Obligations; (ii) shall provide the terms and conditions of such Contract Obligations; (iii) shall provide for the payment of such Contract Obligations; and (iv) may provide for such other matters as the Manager and the City shall determine. Prior to the incurrence of any Contract Obligations there shall be filed with the Clerk the certificates, opinions and reports described in subsections B and C of Section 704 hereof; provided that for the purposes of such certificates, opinions and reports Contract Obligations shall be treated, as nearly as practicable, as Bonds.

A New Section 806 is to be added as follows:

Section 806. Loan Agreements for Special Facilities Bonds.

In connection with Special Facilities to be used by one or more person, in lieu of a Net Rent Lease the City may also enter into a loan or financing Agreement under which the user or users of the Special Facilities agree to pay all expenses of operation and maintenance and to make payments sufficient to pay the principal of, interest on, and any redemption premium due in connection with Special Facilities Bonds to be issued by the City to finance such Special Facilities. Except for ground rentals or payments in lieu of ground rentals to be received by the City, all or part of the payments to be made under such loan or financing agreement may be assigned by the City to secure the payment of Special Facilities Bonds issued by the City to finance such Special Facilities.

The last paragraph of Section 1101 (Defeasance) is to be amended to read as follows:

For all purposes of this section, the term "Federal Securities" shall be deemed to include those Investment Securities described in (but subject to the limitations of) § 102A(44)(b)(i) hereof **and Other Defeasance Securities.**

A new Section 1106 is to be added as follows:

Section 1106. Notice to Ratings Agencies.

The Treasurer shall provide or cause to be provided to each of the Rating Agencies a copy of each notice given to owners of the Bonds, such notices to be sent to the address of each Rating Agency as filed with the Treasurer.

Paragraph (F) of Section 1303 (Amendments) is to be amended to read as follows:

F. Prejudicial Modification. ~~Modifications~~ **Other modifications** materially and prejudicially affecting the rights of the owners of ~~any~~ **some (but not all)** Bonds then Outstanding.

OTHER CHANGES

The General Bond Ordinance may be changed in other respects as necessary to implement the foregoing amendments and integrate them into the existing text of the Ordinance.

* * *

APPENDIX E

DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the City nor the Department takes any responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the City, the Department, the Paying Agent, the Registrar or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2013A-B Subordinate Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2013A-B Subordinate Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2013A-B Subordinate Bonds or (5) any other related matter.

DTC will act as securities depository for the Series 2013A-B Subordinate Bonds. The Series 2013A-B Subordinate Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the Series 2013A-B Subordinate Bonds, each in the aggregate principal amount of such maturity, and will be deposited with the DTC. The Series 2013A-B Subordinate Bonds may in the future be registered in such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of Series 2013A-B Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A-B Subordinate Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013A-B Subordinate Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013A-B Subordinate Bonds except in the event that use of the book-entry system for the Series 2013A-B Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A-B Subordinate Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013A-B Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013A-B Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013A-B Subordinate Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013A-B Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013A-B Subordinate Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Bond Ordinance. For example, Beneficial Owners of Series 2013A-B Subordinate Bonds may wish to ascertain that the nominee holding the Series 2013A-B Subordinate Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2013A-B Subordinate Bonds within a maturity of the Series 2013A-B Subordinate Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consider or vote with respect to the Series 2013A-B Subordinate Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013A-B Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2013A-B Subordinate Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2013A-B Subordinate Bonds to Cede & Co., or to such other nominee as may be requested by an authorized representative to DTC, is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013A-B Subordinate Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the Series 2013A-B Subordinate Bonds are required to be printed and delivered as provided in the Senior Bond Ordinance.

The City may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2013A-B Subordinate Bonds. In that event, certificates representing the Series 2013A-B Subordinate Bonds will be printed and delivered to DTC.

* * *

APPENDIX F

ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2012 AND 2011

This appendix includes the following sections from the 2012 Annual Financial Report of the Airport System: Independent Auditors' Report (pages 8 and 9); Management's Discussion and Analysis (pages 10 through 23); Financial Statements and Notes thereto (pages 24 through 63); and Supplemental Information (pages 64 through 69). The Introduction (pages 1 through 7) and Annual Financial Information (pages 70 through 76) have not been included but are available from the sources set forth in "Request for Information" on page 23 of this appendix.



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City and County of Denver Municipal Airport System

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Introduction

The Municipal Airport System (Airport System) is organized as a department of the City and County of Denver, Colorado (the City). The Airport System includes Denver International Airport (Denver International or the Airport) and former Stapleton International Airport (Stapleton). The Airport System is headed by a Manager of Aviation who reports directly to the Mayor. The senior management team further comprises seven deputy managers. This report was prepared by the Airport System's Finance Section in collaboration with other Airport System personnel to provide a better understanding of the Airport System than annual financial statements typically provide.

Description of Denver International

Situated approximately 24 miles northeast of Downtown Denver, Denver International is the primary air carrier airport serving the Denver region. According to Airports Council International, in 2012 Denver International was the fifth-busiest airport in the United States and the thirteen-busiest in the world, serving 53.2 million passengers. Denver International comprises approximately 33,800 acres (53 square miles) of land, an area larger than the island of Manhattan. The passenger terminal complex is reached via Peña Boulevard, a 12-mile dedicated access road from Interstate 70. Denver International has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline and the ability to accommodate the new generation of massive airliners, such as the Airbus A-380.

The Airport's passenger complex has a landside terminal and three airside concourses. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and passenger screening and is flanked by roads and curbs for public and private vehicles. Automobile parking is available in two public garages adjacent to the landside terminal and in surface parking lots. Spaces are also provided for employee parking.

Passengers travel between the landside terminal and three airside concourses (Concourses A, B, and C) via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The airside concourses provide 90 full-service jet gates for large jet aircraft and up to 64 parking positions for regional/commuter airline aircraft.

Air Traffic

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Denver has airline service to more than 160 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by Denver International's ability to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2012, 53.2 million passengers traveled through Denver International, of which approximately 55.3% originated or terminated their air journeys in Denver, and 44.7% made flight connects. The Denver Metropolitan Area, with a population of more than 2.9 million, is the primary region served by Denver International. The Denver Metropolitan Area comprise Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, in January 2013, 23 airlines provided scheduled passenger service at Denver International: 10 major/national airlines, 7 regional/commuter airlines, and 6 foreign-flag airlines.

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In addition, several passenger charter and all-cargo airlines, including DHL Worldwide Express, Federal Express, and United Parcel Service provide service at Denver International.

Table 1
Scheduled Passenger Airlines Serving Denver

January 2013

| Major/national | Regional/commuter |
|--|--|
| AirTran Airways (2) Alaska Airlines American Airlines Delta Air Lines Frontier Airlines JetBlue Airways Southwest Airlines (2) Spirit Airlines (4) United Airlines (3) US Airways | Compass Airlines ExpressJet (operating United Express) GoJet Airline (operating United Express) Pinnacle (operating as Delta Connection) Republic Holdings (Frontier, Frontier Express and United Express) Shuttle America (operating United Express) Sky West Airlines (operating as United Express and Delta connection) |
| | Foreign-flag |
| | Aero-Mexico Air Canada British Airways Icelandair (3) Lufthansa German Airlines Volaris Airlines (1) |

Source: Airport management records, January 2013

- (1) Volaris Airlines, began nonstop flights on the weekend to Mexico City, Mexico.
- (2) Southwest entered into a definitive merger agreement with AirTran Holdings Inc., Southwest merger was complete on March 1, 2012.
- (3) Icelandair commenced nonstop service from the Airport to Reykjavik, Iceland, in May 2012.
- (4) Spirit Airlines became signatory in September of 2012.

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Airlines' Rates, Fees, and Charges

The Airport System has a hybrid rate structure. Rates charged to the airlines for landing fees are residual in nature, i.e., the Airport System recovers its costs of operating the airfield. Airline space rentals are compensatory wherein any unrecovered costs serve to reduce the airline revenue credit described below. Concessionaires and nonairline tenants operate under agreements with the Airport System that provide for the payment of a minimum annual guarantee, which was set by the Airport System to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues, whichever is higher. Under the airline use and lease agreements, 2012 net revenue as defined, has been shared between the Airport System and airlines, with the airlines receiving 50% of the net (up to a \$40 million cap per year). The \$83.0 million that the Airport System received was deposited in the capital improvement account and can be used by the Airport System for any lawful airport purpose. The net revenue available for sharing for the years ended December 31, 2003 through 2012 is reflected in Table 2 below. In 2011 and 2012, the net revenues share increased due principally to the growth in public parking and State Aviation Fuel Tax revenues.

Table 2
Net Revenue Available for Sharing
(In thousands)

| Year | Total | Airport share |
|--------|-----------|---------------|
| 2003 | \$ 59,736 | \$ 19,736 |
| 2004 | 66,321 | 26,322 |
| 2005 | 79,399 | 39,399 |
| 2006 | 97,721 | 57,721 |
| 2007 | 89,152 | 49,152 |
| 2008 | 73,508 | 36,402 |
| 2009 | 49,681 | 24,481 |
| 2010 | 87,188 | 47,188 |
| 2011 | 126,686 | 86,686 |
| 2012 * | 123,026 | 83,026 |

* Estimate amount

Source: Airport Management

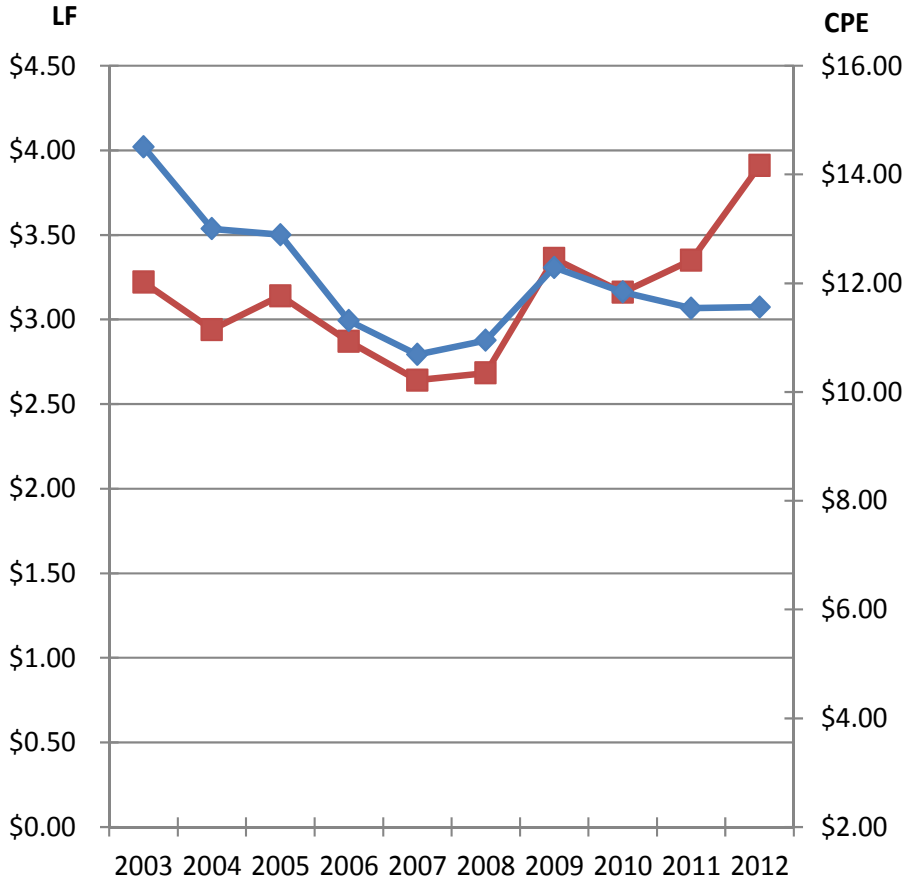
From 2003 through 2008, the airline rates, fees, and charges steadily declined. In 2009 and 2010, the landing fee significantly increased due to the combination of operating expense increases for airfield chemicals and snow removal costs, a lower offset of State Aviation Fuel Tax revenue to the airfield, and lower landed weight. In 2011, the landing fee was slightly lower due to lower operating expenses and an increase in the offset of oil and gas revenues. In 2012, the landing fee increased primarily due to an increase in airfield operating expenses offset by lower landed weight.

The overall cost per enplanement (CPE) was flat in 2012 as overall airline cost centers expenses and enplaned passengers were relatively flat.

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■ LF
◆ CPE

LF = Landing Fee – Cost per 1,000 lbs. landed weight

CPE = Cost per enplaned passenger

Source: Airport Management Records

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Cash Management

The Airport System's cash is under the control of the City's Chief Financial Officer who invests the funds pursuant to the City's investment policy. As of December 31, 2012 and 2011, cash and investments totaled approximately \$1,663.4 million and \$1,403.9 million, respectively. Current investment vehicles include U.S. Government securities, high-grade Commercial Paper, and local government investment pools. In 2012 and 2011, the City charged a fee of \$463,638 and \$434,036, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was up .6% in 2012 compared with a national average increase of 0.8% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). Passenger traffic was flat through March 2013 compared to year-to-date March 2012.

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 3.2% in 2012 compared to 2011, largely as the result of increase in origination and destination passengers (O&D) traffic of 1.7%.

United Group (United and Continental)

United, one of the world's largest airlines is the principal air carrier operating at Denver International. United Airlines operates a major connecting hub at Denver International under a use-and-lease agreement with the City that expires in 2025. United currently leases 36 of the Airport's 90 full-service jet gates and all 16 gates at Concourse B's regional jet facility.

At Denver International, the United Group accounted for approximately 40.5% and 42.2% of passenger enplanements in 2012 and the first three months of 2013, respectively.

In an agreement between United Airlines and the Airport System dated October 6, 2009 United agreed to provide the Airport System with five gates on Concourse B and in exchange, the Airport agreed to compensate United for these gates in the amount of \$2.5 million per gate, for a total of \$12.5 million, which amount was paid in 2009. United was relieved of all lease payments obligations for the leasehold (gates, holdrooms, support areas, equipment rental, etc.) for a period of six years beginning January 1, 2010. The Airport System will lease the gates to other carriers. Effective January 1, 2016, the leasehold will automatically revert to United Airlines. In connection with an amendment of the United Use and Lease Agreement in December 2009, US Airways which belongs to the Star Alliance airline network, (to which United belongs), relocated its operations from Concourse C, to the other five full service jet gates on Concourse B.

Southwest Airlines

Southwest Airlines (Southwest) has the second largest market share at the Airport for 2012 and for the first three months of 2013. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airline's sixth busiest station in its system. Southwest currently leases 19 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 23.7% and 24.9% of passenger enplanements at the Airport in 2012 and the first three months of 2013, respectively.

In May of 2011, Southwest acquired AirTran Holdings, Inc. and integrated AirTran Airways into the Southwest brand on March 1, 2012, and is operating under a single FAA operating certificate.

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Frontier Group (Frontier and Republic Holdings)

Frontier has the third largest market share at Denver International for 2012 and for the first three months of 2013. Denver International is one of Frontier's three hubs and, in 2012, the busiest airport in the Frontier system. Frontier currently leases 14 of the 30 full-service gates on Concourse A, constituting approximately 15.2% of the current 92 full-service gates at the Airport. The Frontier Group accounted for 21.9% and 18.2% of passenger enplanements at the Airport in 2012 and the first three months of 2013, respectively.

Frontier Airlines is a wholly-owned subsidiary of Republic Holdings. On March 2011, Republic Holdings discontinued the operations of Lynx service and transitioned its Q400 turboprop service to its Frontier Express brand.

Frontier filed for bankruptcy protection in April 2008, received approval of a plan of reorganization in September 2009, and emerged from bankruptcy on October 1, 2009, as a subsidiary of Republic Holdings, which purchased Midwest Airlines in July 2009.

As part of its bankruptcy proceedings and pursuant to the Frontier Stipulated Order, Frontier assumed its Denver International use and lease agreement, as well as certain ground service and cargo leases, as part of its reorganization proceedings. To cure their debt owed to the Airport prior to filing for bankruptcy, Frontier issued and delivered a \$3.0 million promissory note, payable in three equal installments, plus interest thereon at 3% per annum. The use and lease agreement was amended to reduce Frontier's gate commitment to eliminate some administrative space leased, such as those for ticket counters and office space.

The Airport currently holds a \$2.0 million letter of credit provided by Frontier as security for its obligations under the terms of its use and lease agreement.

Accounting and Internal Control

The Airport System follows accounting principles generally accepted in the United States of America applicable to governmental unit enterprise funds. Accordingly, the financial statements are prepared on the accrual basis of accounting in accordance with these accounting principles. In developing and evaluating the Airport System's accounting system, consideration has been given to the adequacy of internal controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe that the Airport System's process of internal control adequately safeguards assets and provides reasonable assurance that financial transactions are recorded properly.

City and County of Denver
Municipal Airport System
INTRODUCTION (UNAUDITED)

December 31, 2012 and 2011

Acknowledgments

The preparation of this report in a timely and efficient manner is the result of, in large part, the dedicated service and professionalism of the Airport System's accounting staff. We thank all members of the Airport System who contributed to the preparation of the report.

Respectfully Submitted,



Kim Day
Manager of Aviation



Patrick Heck
Deputy Manager of Aviation

Independent Auditor's Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of the City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), which are comprised of statements of net position as of December 31, 2012 and 2011, and statements of revenues, expenses, and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Audit Committee
City and County of Denver

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2012 and 2011, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit plan information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Audit Committee
City and County of Denver

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information listed in the table of contents under “Introductory Section” and “Other Information Section” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Denver, Colorado
May 30, 2013

City and County of Denver Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

Management's Discussion and Analysis (MD&A)

The following discussion and analysis of the financial position of and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2012 and 2011. The Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

Operating revenues at the Airport were \$624.7 million for the year ended December 31, 2012, an increase of \$21.9 million (3.6%), as compared to the year ended December 31, 2011. The increase in revenue was primarily related to the increased rates for airline facilities and landing fees, and an increase in origination and destination (O&D) passenger traffic of 1.7% which contributed to the increase in concession, parking, and car rental revenues.

Operating expenses, exclusive of depreciation and amortization, were \$388.2 million for the year ended December 31, 2012, a decrease of \$4.7 million (1.2%) as compared to the year ended December 31, 2011. The decrease was attributable to a decrease in electric, gas and chemicals expenses.

Overview of the Financial Statements

The Airport System is an enterprise fund of the City. An enterprise fund is established to account for operations that are financed and operated in a manner similar to business-type activities, where fees are charged to external parties to cover the costs of providing goods and services. An enterprise fund uses the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

The Airport System's financial statements consist of its statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and notes to financial statements. The statements of net position present information on the Airport System's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statements of revenues, expenses, and changes in net position present information showing how the Airport System's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

This report also includes other postemployment benefits required supplementary information and other information presented for the purposes of additional analysis.

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – the current year, the prior year and the year preceding the prior year (i.e. 2012, 2011 and 2010).

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

Summary of Revenues, Expenses, and Changes in Net Position

The following is a summary of the revenues, expenses, and changes in net position for the years ended December 31, 2012, 2011, and 2010 (in thousands):

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|-------------------|
| Operating revenues | \$ 624,673 | \$ 602,769 | \$ 601,402 |
| Operating expenses before depreciation and amortization | <u>(388,171)</u> | <u>(392,862)</u> | <u>(409,865)</u> |
| Operating income before depreciation and amortization | 236,502 | 209,907 | 191,537 |
| Depreciation and amortization | <u>(178,567)</u> | <u>(179,070)</u> | <u>(181,496)</u> |
| Operating income | 57,935 | 30,837 | 10,041 |
| Nonoperating revenues | 153,047 | 136,100 | 150,747 |
| Nonoperating expenses | (196,716) | (211,588) | (238,542) |
| Capital grants and contributions | <u>22,996</u> | <u>34,702</u> | <u>30,200</u> |
| Increase(decrease) in net position | 37,262 | (9,949) | (47,554) |
| Net position, beginning of year | <u>545,074</u> | <u>555,023</u> | <u>602,577</u> |
| Net position, end of year | <u>\$ 582,336</u> | <u>\$ 545,074</u> | <u>\$ 555,023</u> |

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

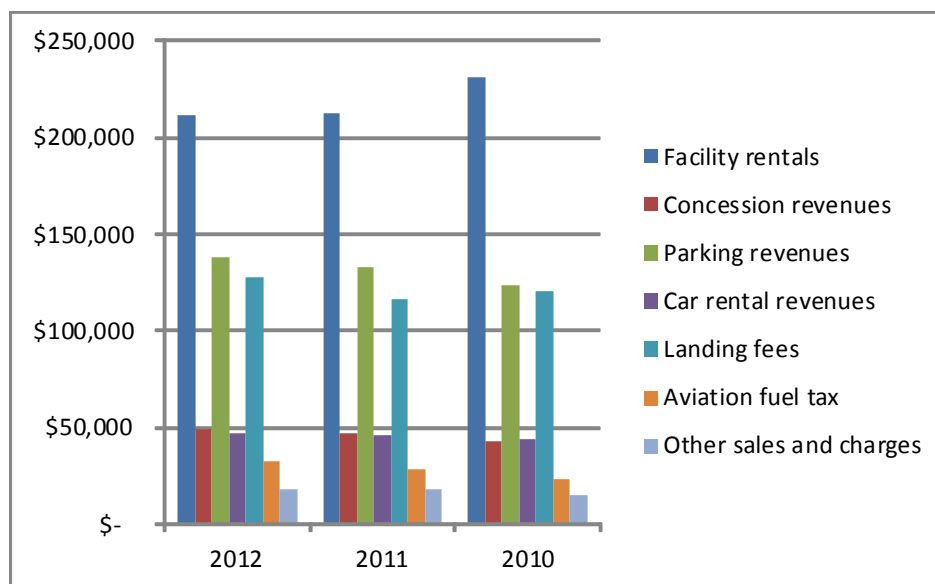
December 31, 2012 and 2011

The following is a summary of operating revenues for the years ended December 31, 2012, 2011, and 2010:

| | Operating Revenues | | |
|--------------------------|---------------------------|-------------|-------------|
| | (In thousands) | | |
| | 2012 | 2011 | 2010 |
| Operating revenues: | | | |
| Facility rentals | \$ 211,411 | \$ 212,408 | \$ 231,603 |
| Concession revenues | 49,592 | 47,499 | 43,398 |
| Parking revenues | 137,912 | 132,728 | 123,673 |
| Car rental revenues | 47,222 | 46,353 | 44,181 |
| Landing fees | 127,347 | 116,506 | 120,054 |
| Aviation fuel tax | 32,783 | 28,892 | 23,680 |
| Other sales and charges | 18,406 | 18,383 | 14,813 |
| Total operating revenues | \$ 624,673 | \$ 602,769 | \$ 601,402 |

Percentage of Total Operating Revenues

(\$ in thousands)



City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

In order to understand some of the variances in the Airport System financial statement changes, the analysis below helps explain the changes in revenues.

The Airport System's activities increased in some areas and decreased in others as described below for the year ended December 31, 2012 as compared to 2011 (in thousands):

| | <u>2012</u> | <u>2011</u> | <u>Percentage change</u> |
|-------------------------|-------------|-------------|------------------------------|
| Enplanements | 26,597 | 26,456 | 0.5 % |
| Passengers | 53,156 | 52,849 | 0.6 % |
| Aircraft operations (1) | 618 | 635 | (2.7) % |
| Cargo (in pounds) | 521,793 | 547,152 | (4.6) % |
| Landed weight (in tons) | 31,885 | 32,499 | (1.9) % |

(1) Aircraft operations are takeoffs, landings, or other communications with the control tower.

The Airport System's activities increased in some areas and decreased in others for the year ended December 31, 2011 as compared to 2010 (in thousands):

| | <u>2011</u> | <u>2010</u> | <u>Percentage change</u> |
|-------------------------|-------------|-------------|------------------------------|
| Enplanements | 26,456 | 26,025 | 1.7 % |
| Passengers | 52,849 | 51,985 | 1.7 % |
| Aircraft operations (1) | 635 | 635 | - % |
| Cargo (in pounds) | 547,152 | 555,186 | (1.4) % |
| Landed weight (in tons) | 32,499 | 33,275 | (2.3) % |

(1) Aircraft operations are takeoffs, landings, or other communications with the control tower.

2012/2011

Operating revenues increased by \$21.9 million, or 3.6%, from \$602.8 million in 2011 to \$624.7 million in 2012, primarily due to an increase in landing fees, aviation fuel tax, and nonairline revenue; concession, parking and car rental.

Landing fees increased by \$10.8 million, or 9.3%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from \$3.35 for signatory and \$4.24 for non-signatory airlines in 2011 to \$3.91 for signatory and \$4.69 for non-signatory airlines in 2012.

Facility rentals decreased by \$1.0 million, or .5%, due to a decrease in airline baggage spine system fee and airline space rent and offset by an increase in airline ramp rent, AGTS system and backup baggage system.

Concession revenues between 2012 and 2011 increased by \$2.1 million, or 4.4%, primarily due to the increase in food and beverage sales due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from \$10.20 in 2011 to \$10.58 in 2012.

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

Parking revenue increased by \$5.2 million, or 3.9%, which is attributable to the increase in originating and destination (O&D) traffic.

Car rental revenues increased \$0.9 million or 1.9%, to \$47.2 million due to an increase in O&D passenger traffic. Total passenger traffic increased .6% for the year ended December 31, 2012; O&D passenger traffic increased 1.7%.

Aviation fuel tax increased in 2012 by \$3.9 million, or 13.5%, due to increases in fuel prices.

2011/2010

Operating revenues increased by \$1.4 million, or .2%, from \$601.4 million in 2010 to \$602.8 million in 2011, primarily due to increase in aviation fuel tax, other sales and charges, and nonairline revenue; concession, parking and car rental.

Landing fees decreased by \$3.5 million, or 3.0%, which is attributable to the decrease in landing fee rates per 1,000 pounds landed weight from \$3.62 for signatory and \$4.34 for non-signatory airlines in 2010 to \$3.35 for signatory and \$4.24 for non-signatory airlines in 2011.

Facility rentals decreased by \$19.2 million, or 8.3%, which is attributable to \$15.7 million year-end settlement credit that is credited back to the airlines and a decrease in airline non preferential use fee and airline space rent which are offset by an increase in airline space rent, baggage maintenance and baggage sortation.

Concession revenues between 2011 and 2010 increased by \$4.1 million, or 9.4%, primarily due to the increase in advertising and food and beverage sales due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from \$9.84 in 2010 to \$10.20 in 2011.

Parking revenue increased by \$9.1 million, or 7.3%, which is attributable to the increase in O&D traffic.

Car rental revenues increased \$2.2 million or 4.9%, to \$46.4 million due to an increase in O&D passenger traffic. Total passenger traffic increased 1.7% for the year ended December 31, 2011; O&D passenger traffic increased 3.8%.

Aviation fuel tax increased in 2011 by \$5.2 million, or 22.0%, due to increases in fuel prices and flight operations.

Other sales and charges increased by \$3.6 million, or 24.1%, due to an increase in natural resources and ground transportation lane fees, which was offset by a decrease in interest and miscellaneous revenues.

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2012, 2011, and 2010:

Operating Expenses Before Depreciation and Amortization

(In thousands)

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|-------------------|
| Operating expenses before depreciation and amortization | | | |
| Personnel services | \$ 120,334 | \$ 115,648 | \$ 112,230 |
| Contractual services | 175,420 | 174,203 | 172,492 |
| Repair and maintenance projects | 68,047 | 79,952 | 105,943 |
| Maintenance, supplies, and materials | <u>24,370</u> | <u>23,059</u> | <u>19,200</u> |
| Total operating expenses before depreciation and amortization | <u>\$ 388,171</u> | <u>\$ 392,862</u> | <u>\$ 409,865</u> |

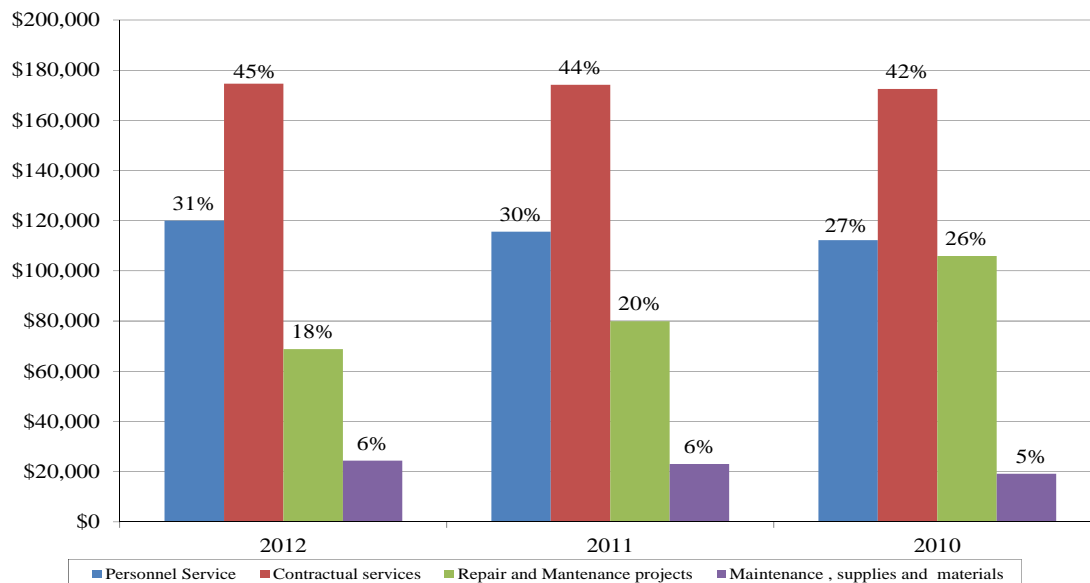
City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

Percentage Total Operating Expenses before Depreciation and Amortization

(\$ in thousands)



2012/2011

Operating expenses before depreciation and amortization decreased by \$4.7 million, or 1.2%, from \$392.9 million in 2011 to \$388.2 million in 2012.

Personnel services increased by \$4.7 million, or 4.1%, in 2012 which was due to an increase in other city agency overtime, salaries and retirement costs.

Contractual services increased in 2012 compared to 2011 by \$1.2 million, or .7%, due primarily to an increase in professional services contracts, and snow removal, offset by a decrease in electricity, gas and repair and maintenance of technical equipment.

Repair and Maintenance Projects decreased by \$11.9 million, or 14.9%, primarily due to construction costs that are associated with the South Terminal Project, currently in the design and construction stage, being recorded as construction-in-progress and are no longer expensed. Additionally, \$67 million has been expensed, such as apron, ramp and repairs, sewer repairs, stair repairs, HVAC system and IT projects for on call and management services.

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

Maintenance, supplies and materials increased \$1.3 million, or 5.7%, to \$24.4 million from \$23.1 million in 2011 due to increases in runway lighting, air conditioning repair parts, computer hardware, and communications and utilities.

2011/2010

Operating expenses before depreciation and amortization increased by \$17.0 million, or (4.1%), from \$409.9 million in 2010 to \$392.9 million in 2011.

Personnel services increased by \$3.4 million, or 3.0%, in 2011 which was due to an increase in other city agency overtime, salaries and retirement costs.

Contractual services increased in 2011 compared to 2010 by \$1.7 million, or 1.0%, due primarily to an increase in professional services, construction services and repair and maintenance of the baggage system, offset by a decrease in snow removal, insurance, and repair and maintenance of nonstructural improvements.

Repair and maintenance of projects decreased \$26 million, or 24.5%, primarily due to the construction costs associated with the South Terminal Project, currently in the design stage, being recorded in construction-in-progress and are no longer being expensed. Additionally, \$25.1 million for the fourth quarter were being expensed for such items as runway ramp repairs, roadway surface repairs, relocation and remodeling expenses, and terminal parking stair replacement that had been funded through the capital improvement program.

Maintenance, supplies and materials increased \$3.9 million, or 20.1%, to \$23.1 million from \$19.2 million in 2010 due to increases in emergency electrical lighting equipment, runway lighting, software, fuel, and commercial chemicals and solvents because of increases in price and usage, which is offset by a decrease in computer equipment and hardware.

Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions

2012/2011

Total nonoperating expenses, net of nonoperating revenues, decreased by \$31.8 million to \$43.7 million in 2012. The decrease was due to a decrease in interest expense, and an increase in investment income and PFCs, offset by an increase in other expenses of \$4.5 million.

In 2012 and 2011, capital grants totaled \$23.0 million and \$34.7 million, respectively. The decrease was due to the decrease in reimbursements in 2012 for FAA grants.

2011/2010

Total nonoperating expenses, net of nonoperating revenues, decreased by \$12.3 million to \$75.5 million in 2011. The decrease was due to a decrease in interest expense, other expenses, and an increase in PFCs, offset by a decrease in investment income of \$15.3 million.

In 2011 and 2010, capital grants totaled \$34.7 million and \$25.7 million, respectively. The increase was due to the increase in reimbursements in 2011 for FAA grants.

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

Summary of Net Position

The following is a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2012, 2011, and 2010 (in thousands):

| Assets: | 2012 | 2011 | 2010 |
|--|------------|------------|------------|
| Current assets, unrestricted | \$ 293,663 | \$ 282,157 | \$ 301,899 |
| Restricted assets, current | 315,377 | 197,713 | 260,573 |
| Noncurrent investments | 294,947 | 362,037 | 263,705 |
| Long-term receivables | 10,694 | 11,049 | 4,885 |
| Prepaid expense and other | 11,986 | - | - |
| Capital assets, net | 3,088,895 | 3,087,363 | 3,198,235 |
| Bond issue costs, net | 29,587 | 42,923 | 45,594 |
| Interest rate swaps | 62,822 | 58,481 | 31,715 |
| Investments – restricted | 845,033 | 634,640 | 686,209 |
| Assets held for disposition | 3,158 | 9,327 | 9,620 |
| Total assets | 4,956,162 | 4,685,690 | 4,802,435 |
| Deferred outflows of resources | | | |
| Accumulated decrease in fair value of hedging derivatives | 42,900 | 33,852 | 1,814 |
| Liabilities: | | | |
| Current liabilities, unrestricted | 125,810 | 142,347 | 110,395 |
| Current liabilities payable from restricted assets | 293,116 | 227,211 | 242,392 |
| Bonds payable, noncurrent | 3,665,726 | 3,480,639 | 3,649,442 |
| Interest rate swaps, noncurrent | 300,457 | 304,316 | 207,548 |
| Notes payable, noncurrent | 25,322 | 13,940 | 20,640 |
| Compensated absences payable, noncurrent | 6,295 | 6,015 | 6,020 |
| Total liabilities | 4,416,726 | 4,174,468 | 4,236,437 |
| Deferred inflows of resources | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | 12,789 |
| Net position (deficit) | | | |
| Net investment in capital assets | (544,739) | (649,695) | (575,270) |
| Restricted | 653,318 | 623,745 | 666,022 |
| Unrestricted | 473,757 | 571,024 | 464,271 |
| Total net position | \$ 582,336 | \$ 545,074 | \$ 555,023 |

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

2012/2011

Total assets increased by \$270.5 million in 2012, compared to 2011. This was primarily due to increases in current restricted cash and investments, (net) of \$110.3 million, an increase in accounts receivable, an increase in construction-in-progress of \$116.5 million, and an increase in noncurrent restricted investments of \$210.4 offset by a decrease in noncurrent investments of \$67.1 million and an increase in accumulated depreciation and amortization of \$173.6 million.

Total deferred outflows of resources increased by \$9 million due to changes in the fair value of the hedging derivatives of effective swaps.

Total liabilities increased by \$242.3 million in 2012, compared to 2011. The increase was primarily attributed to the issuance of new debt that when offset by the savings from refunding of debt, and an increase in vouchers payable, which is offset by a decrease in other liabilities related to 2010 and 2011 revenue credit taken as of December 31, 2011, and interest rate swaps associated with GASB 53.

Of the Airport System's 2012 total net position, 112% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$630.6 million for debt service and \$22.7 million for capital projects, respectively.

At December 31, 2012, the remaining net position included unrestricted net position of \$473.8 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67.3 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$544.7) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2011/2010

Total assets decreased by \$116.7 million in 2011, compared to 2010. This was primarily due to a decrease in capital assets, (net) of \$110.9 million, a decrease in accounts receivable of \$18.8 million, and a decrease in restricted cash and cash equivalents and investments of \$116.6 million which was spent on construction projects such as the South Terminal Redevelopment Program and on repairs of runways ramps, offset by an increase in investments of \$119.1 million associated with the net operating income and an increase in long-term receivables, and interest rate swaps associated with GASB 53.

Total deferred outflows of resources increased by \$32 million due to changes in the fair value of the hedging derivatives of effective swaps.

Total liabilities decreased by \$62.0 million in 2011, compared to 2010. The decrease was primarily attributed to the payment of principal on revenue bonds of \$127.5 million, and a decrease in notes payable, which is offset by an increase in other liabilities related to 2010 year-end credit not taken as of December 31, 2011 and the 2011 year-end credit, and interest rate swaps associated with GASB 53.

Deferred inflows of resources decreased by \$12.8 due to changes in the fair value of the hedging derivatives.

Of the Airport System's 2011 total net position, 114% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$605.2 million for debt service and \$18.5 million for capital projects, respectively.

At December 31, 2011, the remaining net position, include unrestricted net position of \$359.0 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67.3 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$437.7) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

Long-Term Debt

As of December 31, 2012 and 2011, the Airport System had approximately \$3.9 and \$3.8 billion respectively, in outstanding bonded debt (exclusive of deferred loss on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately \$314.2 million in 2012.

The Airport System's senior lien debt is currently rated by Standard & Poor's, Moody's, and Fitch at A+, A1 and A+, respectively, with Standard and Poor's and Fitch giving the Airport a stable outlook and Moody's rating the Airport with a negative outlook.

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2012 and 2011 was 180% and 197%, respectively, of total debt service.

On October 17, 2012, the Airport System issued \$315,780,000, \$510,140,000 and \$30,285,000 of Airport System Revenue Bonds, Series 2012A, B and C, respectively, in a fixed rate mode to finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the remaining 1998A Bonds in the amount of \$104,050,000, current refund of all of the remaining 1998B Bonds of \$103,395,000, current refund a portion of the 2002E Bonds in an amount of \$63,570,000, current refund a portion of the 2003A Bonds in the amount of \$134,475,000, advance refund a portion of the 2003A Bonds in the amount of \$27,490,000, advance refund all of the 2003B Bonds in the amount of \$75,460,000, and refund all of the outstanding Subordinate Commercial Paper Note Series A in the amount of \$56,000,000.

On October 1, 2012, the Airport System terminated the Existing Letter of Credit for the Series 2009C Bonds and entered into an agreement with U.S. Bank pursuant to which U.S. Bank will agree to hold the 2009C Bonds which, subject to certain conditions, will bear interest at the LIBOR index rate, through April 30, 2017.

On July 20, 2012, the Airport System defeased certain bonds as a part of the City's obligations under the Lease Amendment with United Airlines approved on June 2012 and to complete the baggage system defeasance.

On May 30, 2012, the Airport System drew \$56,000,000 of Commercial Paper. The proceeds will be used to reimburse approximately \$19,500,000 of prior capital expenditures and \$36,500,000 will be used to fund capital projects.

On January 10, 2012, the Airport System entered in to a \$20.5 million Master Lease Installment Purchase agreement with Sovereign Leasing, LLC to finance capital equipment purchases, primarily replacement equipment.

On October 5, 2011, the Airport issued \$198,370,000 and \$15,310,000 of Airport System Revenue Bonds, Series 2011B and 2011C, respectively, in a fixed rate mode to current refund all of the remaining 2001A bonds in an amount of \$171,125,000, all of the 2001B bonds in the amount of \$16,675,000 and all of the remaining 2001D bonds in the amount of \$43,410,000.

On August 31, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C2-C3 Bonds and entered into an agreement with Royal Bank of Canada and RBCCM pursuant to which Royal Bank of Canada and RBCCM will agree to hold the 2008C2-C3 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 29, 2014.

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

On August 8, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C1 Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008C1 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 8, 2016.

On July 29, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008B Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008B Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through July 29, 2016.

On April 14, 2011, the Airport System issued \$349,730,000 of the Airport System Revenue Bonds, Series 2011A, in a fixed-rate mode to currently refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds in the amounts of \$122,060,000 and \$72,350,000, respectively, and all of the remaining Series 2000A Bonds in the amount of \$160,135,000.

Additional information related to the Airport's long-term debt can be found in notes 8, 9, 10, 11 and 12.

Capital Assets

As of December 31, 2012 and 2011, the Airport System had capital assets of approximately \$3.1 billion and \$3.1 billion, respectively. These amounts are net of accumulated depreciation of approximately \$2.4 billion and \$2.3 billion, respectively.

On January 10, 2012, the Airport System entered into a \$20.5 million Master Lease Installment Purchase agreement with Sovereign Leasing LLC to finance capital equipment purchases, primarily replacement equipment, based on a 10 to 15 year life.

The South Terminal Redevelopment Program consists of a variety of projects which are in part under construction. The south terminal is made up of three independent, yet physically integrated projects, which include the design and construction of:

Westin Hotel and Conference Center: Hotel with 519 rooms, conference center space for meetings, banquets, conventions and trade shows, full service restaurant, full gym and indoor pool.

Public Transit Center: Aviation commuter rail station with trains connecting the Airport with Denver's Union Station as part of the Regional Transportation District's east rail line under construction by Denver Transit Partners.

Public Plaza: A connection of the hotel and transit center to the Jeppesen Terminal that also provides a venue for programs and events where passengers and visitors can find entertainment, relaxation, art and restaurants.

Excavation work for the project is nearly complete and foundations have been set to allow vertical construction to begin. The Public Transit Center is planned to be open to revenue passengers in 2016 with the hotel open in late 2015.

The Airport's current capital program represents the expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities from 2013-2018. The 2013-2018 Capital Programs have an estimated total cost of approximately \$1.06 billion and are expected to be financed with a combination of Airport System Revenue Bonds, Commercial Paper, and Airport System monies.

Construction Commitments: As of December 31, 2012, the Airport System had outstanding contractual construction and professional services commitments of approximately \$123.1 million and had made over \$628.5 million in contractual payments for the year then ended.

Additional information related to the Airport's capital assets can be found in note 5.

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

PFC: In 1992, the PFC program authorized the imposition of a fee of \$3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of \$4.50. In 2000, the Federal Aviation Administration (FAA) approved the Airport's application for an increase in the rate of PFC from \$3.00 to \$4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from \$3.00 to \$4.50 effective April 1, 2001. As of December 31, 2012, a total of \$1.4 billion has been remitted to the Airport, (including interest earned on late payments), of which \$105.0 million has been expended on approved projects, \$1.3 billion has been used to pay debt service on the Airport's general airport revenue bonds, and \$8.2 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of January 1, 2030 or upon the collection of \$3.3 billion authorized maximum amount of PFC revenues.

Economic Factors

Passenger traffic was up 0.6% in 2012 compared with a national average change of 0.8% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International is United Airlines, which together with its affiliates accounted for approximately 40.5% and 42.2% of passenger enplanements at the Airport in 2012 and for three months of 2013, respectively.

The UAL Corporation, Inc. (the parent company of United) and Continental merged effective October 1, 2010, under a plan in which United and Continental became wholly-owned subsidiaries of UAL, which then changed its name to United Continental Holdings, Inc. United Continental Holdings, Inc. has integrated the two airlines under the United brand, to operate under a single FAA operating certificate, effective November 30, 2011.

Southwest Airlines (Southwest) has the second-largest market share at the Airport for 2012 and for the first three months of 2013. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airlines sixth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 23.7% and 24.9% of passenger enplanements at the Airport in 2012 and the first three months of 2013, respectively.

In May of 2011, Southwest acquired AirTran Holdings, Inc. and integrated AirTran Airways into the Southwest brand on March 1, 2012 and is operating under a single FAA operating certificate.

Frontier has the third largest market share at the Airport for 2012 and 2013. The Airport serves as Frontier's largest hub. Frontier accounted for approximately 21.9% of passenger enplanements in 2012 and 18.2% for the first three months of 2013.

As previously discussed, operating revenues were up 3.6% in 2012 compared to 2011. Operating income before depreciation and amortization of \$236.5 million represented an increase of \$26.6 million compared to 2011. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, was \$123 million. The airlines will receive \$40.0 million, with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

Request for Information

This financial report is designed to provide a general overview of the Airport System's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Laura Trujillo, Controller, Denver International Airport, Airport Office Building, 8th Floor, 8500 Peña Boulevard, Denver, CO 80249-6340. Copies are available on-line at www.flydenver.com.

City and County of Denver
Municipal Airport System

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

| | 2012 | 2011 |
|---|-----------------|-----------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 95,311,462 | \$ 95,944,708 |
| Investments | 139,739,059 | 133,155,686 |
| Accounts receivable (net of allowance for doubtful accounts \$217,322 and \$237,689) | 37,770,507 | 32,214,108 |
| Due from other City agencies | 1,642,309 | 14,235 |
| Accrued interest receivable | 5,889,690 | 6,625,556 |
| Other receivables | 761,976 | 1,763,561 |
| Inventories | 10,523,594 | 10,705,333 |
| Prepaid expenses and other | 2,024,914 | 1,734,177 |
| Total current unrestricted assets | 293,663,511 | 282,157,364 |
| Restricted assets: | | |
| Cash and cash equivalents | 151,056,037 | 33,554,703 |
| Investments | 137,311,950 | 144,538,127 |
| Accrued interest receivable | 2,572,119 | 1,461,167 |
| Prepaid expenses and other | 2,837,201 | 2,061,962 |
| Grants receivable | 9,963,844 | 5,857,461 |
| Passenger facility charges receivable | 11,635,716 | 10,239,667 |
| Total current restricted assets | 315,376,867 | 197,713,087 |
| Total current assets | 609,040,378 | 479,870,451 |
| Noncurrent assets: | | |
| Investments | 294,946,838 | 362,037,142 |
| Long-term receivables, net of current portion | 10,694,554 | 11,049,162 |
| Prepaid expense and other | 11,986,497 | - |
| Capital assets: | | |
| Buildings | 2,007,840,022 | 2,000,131,930 |
| Improvements other than buildings | 2,275,358,468 | 2,258,895,410 |
| Machinery and equipment | 769,391,221 | 734,921,597 |
| | 5,052,589,711 | 4,993,948,937 |
| Less accumulated depreciation and amortization | (2,435,888,059) | (2,262,245,368) |
| | 2,616,701,652 | 2,731,703,569 |
| Construction-in-progress | 176,889,592 | 60,355,766 |
| Land, land rights and air rights | 295,303,475 | 295,303,475 |
| Total capital assets | 3,088,894,719 | 3,087,362,810 |
| Bond issue costs, net of accumulated amortization | 29,586,939 | 42,922,700 |
| Interest rate swaps | 62,821,862 | 58,481,233 |
| Investments - restricted | 845,032,887 | 634,640,342 |
| Assets held for disposition | 3,157,690 | 9,326,437 |
| | 4,347,121,986 | 4,205,819,826 |
| Total noncurrent assets | 4,347,121,986 | 4,205,819,826 |
| Total assets | 4,956,162,364 | 4,685,690,277 |
| Deferred Outflows of Resources | | |
| Accumulated decrease in fair value of hedging derivatives | 42,899,753 | 33,851,633 |

City and County of Denver
Municipal Airport System

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

| | 2012 | 2011 |
|--|----------------|----------------|
| Liabilities | | |
| Current liabilities: | | |
| Unrestricted | | |
| Vouchers payable | \$ 33,256,393 | \$ 31,192,632 |
| Due to other City agencies | 5,174,973 | 6,065,644 |
| Compensated absences payable | 2,704,267 | 2,610,352 |
| Other liabilities | 32,235,241 | 40,781,756 |
| Revenue credit payable | 40,000,000 | 40,000,000 |
| Deferred rent | 12,438,881 | 21,696,494 |
| Total current unrestricted liabilities | 125,809,755 | 142,346,878 |
| Restricted: | | |
| Vouchers payable | 65,093,650 | 18,420,636 |
| Retainages payable | 18,612,137 | 16,875,018 |
| Accrued interest and matured coupons | 23,295,649 | 22,832,632 |
| Notes payable | 7,243,415 | 6,700,032 |
| Other liabilities | 19,930,992 | 21,322,630 |
| Revenue bonds | 158,940,000 | 141,060,000 |
| Total current restricted liabilities | 293,115,843 | 227,210,948 |
| Total current liabilities | 418,925,598 | 369,557,826 |
| Noncurrent liabilities: | | |
| Bonds payable: | | |
| Revenue bonds, net of current portion | 3,738,480,000 | 3,637,635,000 |
| (Less) plus: | | |
| Deferred losses on bond refundings | (240,355,371) | (227,005,888) |
| Net unamortized premiums | 167,602,117 | 70,010,140 |
| Total bonds payable, noncurrent | 3,665,726,746 | 3,480,639,252 |
| Interest rate swaps | 300,456,510 | 304,315,851 |
| Notes payable | 25,322,372 | 13,940,213 |
| Compensated absences payable | 6,295,227 | 6,014,921 |
| Total noncurrent liabilities | 3,997,800,855 | 3,804,910,237 |
| Total liabilities | 4,416,726,453 | 4,174,468,063 |
| Net Position | | |
| Net investment in capital assets (deficit) | (544,739,341) | (649,695,316) |
| Restricted for: | | |
| Capital projects | 22,668,820 | 18,562,436 |
| Debt service | 630,648,968 | 605,182,758 |
| Unrestricted | 473,757,217 | 571,023,969 |
| Total net position | \$ 582,335,664 | \$ 545,073,847 |

City and County of Denver
Municipal Airport System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|----------------|----------------|
| Operating revenues: | | |
| Facility rentals | \$ 211,411,304 | \$ 212,407,814 |
| Concession | 49,592,429 | 47,499,304 |
| Parking | 137,912,053 | 132,728,104 |
| Car rental | 47,221,960 | 46,352,620 |
| Landing fees | 127,346,400 | 116,505,913 |
| Aviation fuel tax | 32,782,884 | 28,892,133 |
| Other sales and charges | 18,406,121 | 18,383,413 |
| Total operating revenues | 624,673,151 | 602,769,301 |
| Operating expenses: | | |
| Personnel services | 120,333,936 | 115,647,989 |
| Contractual services | 175,420,405 | 174,203,413 |
| Repair and maintenance projects | 68,046,919 | 79,951,470 |
| Maintenance, supplies and materials | 24,369,787 | 23,058,681 |
| Total operating expenses, before depreciation and amortization | 388,171,047 | 392,861,553 |
| Operating income before depreciation and amortization | 236,502,104 | 209,907,748 |
| Depreciation and amortization | 178,567,245 | 179,069,943 |
| Operating income | 57,934,859 | 30,837,805 |
| Nonoperating revenues (expenses): | | |
| Passenger facility charges | 105,472,260 | 103,209,991 |
| Investment income | 46,899,203 | 32,489,698 |
| Interest expense | (190,255,614) | (209,599,454) |
| Grants | 674,984 | 400,500 |
| Other expense | (6,460,030) | (1,989,394) |
| Total nonoperating expenses, net | (43,669,197) | (75,488,659) |
| Change in net position before capital grants and contributions | 14,265,662 | (44,650,854) |
| Capital grants | 22,996,155 | 34,701,591 |
| Change in net position | 37,261,817 | (9,949,263) |
| Net position, beginning of year | 545,073,847 | 555,023,110 |
| Net position, end of year | \$ 582,335,664 | \$ 545,073,847 |

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 606,076,457 | \$ 626,056,437 |
| Payments to suppliers | (266,509,420) | (259,535,060) |
| Interfund activity payments to other funds | (17,291,229) | (16,335,504) |
| Payments to employees | (119,465,824) | (115,369,822) |
| Net cash provided by operating activities | 202,809,984 | 234,816,051 |
| Cash flows from noncapital financing activities: | | |
| Operating grants received | 484,500 | 400,500 |
| Net cash provided by noncapital financing activities | 484,500 | 400,500 |
| Cash flows from capital and related financing activities: | | |
| Proceeds from issuance of debt | 458,557,716 | 2,485,087 |
| Proceeds from issuance of notes payable | 20,500,000 | - |
| Principal paid on notes payable | (8,574,458) | (10,789,052) |
| Principal paid on revenue bonds | (147,765,000) | (174,505,000) |
| Interest paid on revenue bonds | (146,031,441) | (149,836,846) |
| Bond issuance costs paid | (5,819,582) | (5,335,284) |
| Interest paid on notes payable | (1,074,453) | (1,004,993) |
| Capital grants receipts | 19,080,255 | 35,769,414 |
| Passenger Facility Charges | 104,076,211 | 103,241,681 |
| Purchases of capital assets | (95,081,496) | (30,318,980) |
| Payments of accrued capital asset costs | (31,315,919) | (34,650,433) |
| Payments to escrow for current refunding of debt | (119,692,744) | (15,316,126) |
| Proceeds from sale of capital assets | 317,814 | 133,448 |
| Net cash provided by (used in) capital and related financing activities | 47,176,903 | (280,127,084) |
| Cash flows from investing activities: | | |
| Purchases of investments | (3,159,289,282) | (3,596,982,311) |
| Proceeds from sales and maturities of investments | 3,025,998,687 | 3,551,334,280 |
| Proceeds from sales of assets held for disposition | 6,168,747 | 293,731 |
| Interest rate swap settlements | (36,827,893) | (37,934,874) |
| Payments to maintain assets held for disposal | (63,708) | (17,001,083) |
| Insurance recoveries for Stapleton environmental remediation | 2,112,638 | 25,798,064 |
| Interest and dividends on investments and cash equivalents | 28,297,512 | 35,033,317 |
| Net cash used in investing activities | (133,603,299) | (39,458,876) |
| Net increase (decrease) in cash and cash equivalents | 116,868,088 | (84,369,409) |
| Cash and cash equivalents, beginning of year | 129,499,411 | 213,868,820 |
| Cash and cash equivalents, end of year | \$ 246,367,499 | \$ 129,499,411 |
| Cash and cash equivalents statements of net position classifications: | | |
| Current assets - unrestricted | \$ 95,311,462 | \$ 95,944,708 |
| Current assets - restricted | 151,056,037 | 33,554,703 |
| | \$ 246,367,499 | \$ 129,499,411 |

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|----------------|----------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 57,934,859 | \$ 30,837,805 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 178,567,245 | 179,069,943 |
| Miscellaneous income | 2,094,303 | 566,050 |
| Changes in assets and liabilities: | | |
| Receivables, net of allowance | (2,886,869) | (8,968,719) |
| Inventories | 181,739 | 27,375 |
| Prepaid expenses and other | (13,170,299) | 100,342 |
| Vouchers and other payables | 2,063,761 | 1,663,054 |
| Deferred rent | (9,257,613) | (1,398,613) |
| Due to other City agencies | (2,518,745) | (1,155,072) |
| Compensated absences | 374,221 | 246,128 |
| Other operating liabilities | (10,572,618) | 33,827,758 |
| Net cash provided by operating activities | \$ 202,809,984 | \$ 234,816,051 |

Noncash activities:

The Airport System issued bonds in the amount of \$856,205,000 and \$563,410,000 in 2012 and 2011, respectively, in order to refund debt and fund capital projects. Net bond proceeds of \$555,071,369 and \$586,439,192 for 2012 and 2011, respectively, were deposited immediately in an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts. Original issue premiums on bonds of \$105,764,998 and \$28,129,083 were realized on the issuance of bonds in 2012 and 2011, respectively.

| | | |
|---|------------|---------------|
| Unrealized gain on investments | \$ 987,515 | \$ 22,073,428 |
| Unrealized gain (loss) on derivatives | 17,248,090 | (25,174,076) |
| Capital assets added through incurrence of vouchers and retainages payable | 82,718,988 | 31,315,919 |
| Amortization of bond premiums, deferred losses on bond refundings, and bond costs | 15,764,475 | 16,626,877 |

City and County of Denver
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(1) Organization and Reporting Entity

(a) Nature of Operations

Pursuant to Article XX of the State of Colorado Constitution and the City and County of Denver, Colorado (the City) Charter, the City acquired, owns, operates, and maintains certain airport facilities. These facilities include Denver International Airport (Denver International) and certain assets of Stapleton International Airport (Stapleton) and are referred to herein as the City and County of Denver Municipal Airport System (the Airport System). The Airport System is operated as the Department of Aviation, with a Manager of Aviation appointed by and reporting to the Mayor.

Denver International consists of a landside terminal building, three airside concourses, six runways, roadways, and ancillary facilities on a 53-square mile site. Stapleton was closed to all air traffic on February 27, 1995. See note 6 for further discussion regarding Stapleton.

(b) Reporting Entity

The accompanying financial statements present only the Airport System enterprise fund and are not intended to present fairly the financial position of the City, the changes in its financial position or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Airport System is an enterprise fund of the City and, as such, is an integral part of the City. An enterprise fund is established to account for an activity that is financed with debt secured solely by a pledge of net revenues from fees and charges of the activity or when laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges rather than with taxes or similar revenues. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). As an enterprise fund, the Airport System uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred (flow of economic resources measurement focus).

During the year ended December 31, 2012, the Airport System adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement is intended to address the accounting and financial reporting disclosure requirements surrounding service concession agreements.

During the year ended December 31, 2012, the Airport System adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement places all applicable pre-November 30, 1989 FASB and AICPA pronouncements within the authoritative GASB literature.

During the year ended December 31, 2012, the Airport System also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement changes the organization of the statement of net position, formerly the statement of net assets. Under this new standard, the statement of net position includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities and will report net position instead of net assets.

City and County of Denver
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

The adoption of the GASB 60, 62, and 63 had no material impact on the financial statements.

(b) Cash and Cash Equivalents

Cash and cash equivalents, which the City manages, consist principally of U.S. Treasury securities, U.S. agency securities, and Commercial Paper with original maturities of less than 90 days.

(c) Investments

Investments, which the City manages, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2012 and 2011. The Airport System's investments are maintained in pools at the City and include U.S. Treasury securities, U.S. Agency securities, and Commercial Paper.

(d) Inventories

Inventories consist of materials and supplies which have been valued at the lower of cost (weighted average cost method) or market.

(e) Capital Assets

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Repairs and maintenance are charged to operations as incurred, unless they have the effect of improving and extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Costs associated with ongoing construction activities of Denver International are included in construction-in-progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2012 and 2011 was \$1,879,927 and \$6,422,557, respectively.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

| | |
|------------------------------|---------------|
| Buildings | 20 – 40 years |
| Roadways | 30 – 40 years |
| Runways/taxiways | 35 – 40 years |
| Other improvements | 15 – 40 years |
| Major system equipment | 15 – 25 years |
| Vehicles and other equipment | 5 – 10 years |

(f) Bond Issue Costs, Deferred Losses on Bond Refundings, and Unamortized Premiums (Discounts)

Bond issue costs, losses on bond refundings, and premiums (discounts) are deferred and amortized over the life of the old bonds, or the remaining life of the refunding bonds, whichever is shorter, using the effective interest rate method. Bond issue costs are recorded as deferred charges. Unamortized premiums on bond refundings are recorded as an addition to the face amount of the bonds payable. Unamortized discounts and deferred losses on bond refundings are recorded as a reduction of the face amount of the bonds payable.

(g) Assets Held for Disposition

Assets held for disposition consist of the Stapleton assets. Depreciation is not recorded on those assets held for sale. Ongoing maintenance and redevelopment costs are expensed as incurred. See note 6 for further discussion of assets held for disposition.

City and County of Denver
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(h) *Compensated Absences Payable*

Accumulated vested sick and vacation benefits are recorded as an expense and a liability as benefits accrue to employees. The Airport System uses the vesting method for estimating sick leave compensated absences payable.

(i) *Special Incentive Program (SIP)*

In 2009, the City approved a Special Incentive Program (SIP) for the purpose of reducing payroll expenses by encouraging employees eligible to retire to separate from employment. Under SIP, each employee who separated from employment will receive \$500 per month for thirty months beginning in January 2010. The Airport System had a total of 36 employees who elected to accept the plan. The Airport System had \$0 liability as of December 31, 2012, with the program ending on June 30, 2012. The amounts related to SIP of \$122,721 are included in the statement of net position in compensated absences as of December 31, 2011.

(j) *Deferred Rent*

Deferred rent is recorded when rental payments are received by the Airport System prior to a legal claim to them. Included in deferred rent are customer credits and deposits.

(k) *Net Position*

2012

The Airport System assets exceeded liabilities by \$582,335,664 as of December 31, 2012, a \$37,261,817 increase in net position from the prior year-end. Of the Airport System's 2012 net position, 112.2% is restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$630,648,968 and are externally restricted for debt service. The net position restricted for capital projects represents \$22,668,820.

The remaining net position includes unrestricted net position of \$473,757,217 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67,267,320 of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$544,739,341) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2011

The Airport System assets exceeded liabilities by \$545,073,847 as of December 31, 2011, a \$9,949,263 decrease in net position from the prior year-end. Of the Airport System's 2011 net position, 114.4% is restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$605,182,758 and are externally restricted for debt service. The net position restricted for capital projects represents \$18,562,436.

The remaining net position includes unrestricted net position of \$571,023,969 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67,267,320 of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$649,695,316) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

City and County of Denver
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(l) *Restricted and Unrestricted Resources*

Uses of restricted and unrestricted resources are made on a case-by-case basis by management depending on overall requirements. Generally, management applies restricted resources and then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

(m) *Operating Revenues and Expenses*

The statement of revenues, expenses, and changes in net position distinguish operating revenues and expenses from nonoperating activity and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Denver International's principal ongoing operations. The principal operating revenues of the Airport System are charges to airline tenants for facility rentals, landing fees and parking. Operating expenses include the cost of providing services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. Such items include PFCs interest expense, interest income, grants from the federal government and Stapleton demolition and remediation expenses.

(n) *Governmental Grants*

The Airport System periodically receives grant revenues from federal agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred by the Airport System. Revenues from capital grants are reported as capital contributions on the statements of revenues, expenses, and changes in net position and revenues from operating grants are reported as nonoperating revenues.

(o) *Rates and Charges*

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2012 and 2011, the Airport System had accrued a liability to the airlines, included in current other liabilities, of \$25,586,239 and \$15,731,054, respectively.

50% of Net Revenues (as defined by the bond ordinance) with an annual cap of \$40,000,000 remaining at the end of the year are to be credited in the following year to the passenger airlines signatory use and lease agreement. The Net Revenues credited to the airlines totaled \$40,000,000 for both 2012 and 2011. Liabilities for these amounts were accrued as of December 31, 2012 and 2011 and are reported in the statement of net position as revenue credit payable.

(p) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

(q) *Reclassifications*

Certain 2011 balances have been reclassified to conform to the 2012 financial statement presentation.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(3) Cash, Cash Equivalents, and Investments

(a) Deposits

The Airport System's deposits are commingled with the City's and are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's investment policy requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the Act valued at 102% of the deposits. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2012, the amount of the Airport System's deposits was \$24,524,372 (includes \$15,489,271 of certificates of deposit). In addition, the Airport System had \$3,328,535 in uncashed payroll and vendor warrants at December 31, 2012. At December 31, 2011, the amount of the Airport System's deposits was \$42,337,651 (includes \$28,395,835 of certificates of deposit). In addition, the Airport System had \$1,399,954 in uncashed payroll and vendor warrants at December 31, 2011.

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty, the Airport System would not be able to recover its deposits, investments, or collateral securities.

(b) Investments

The Airport System's investments are managed by the City and are subject to the Investment Policy of the City. The objectives of the City's Investment Policy, in order of priority are to maintain principal, to ensure the availability of funds to meet obligations promptly, and to maximize yield on the investment portfolio. The City's Investment Policy applies to all investment activity of the City under the control of the Chief Financial Officer (CFO), including investments of certain monies related to business-type activities, and trust and agency funds. The City's investment policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the CFO for investment shall also be administered in accordance with the Investment Policy.

The City Charter, Section 2.5.3(c), and Denver Revised Municipal Code, Section 20-21, authorizes the type of investments that the City can hold. The Investment Policy generally requires that investments shall be managed in accordance with portfolio theory management principles to compensate for actual or anticipated changes in market interest rates. To the extent possible, investment maturity will be matched with anticipated cash flow requirements of each investment pool. Additionally, to the extent possible, investments will be diversified by security type and institution. This diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Deviations from expectations shall be reported in a timely fashion and appropriate action taken to control adverse developments.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

At December 31, 2012 and 2011, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

| | December 31, 2012 | December 31, 2011 |
|---|------------------------------|------------------------------|
| Cash equivalents (including cash on hand) | \$ 8,796 | \$ 12,624 |
| Certificate of deposit | 15,489 | 28,396 |
| Local government investment pools | 38,733 | 43,837 |
| Municipal securities | - | 531 |
| Commercial Paper | 212,188 | 122,599 |
| State & local government securities | 3,316 | 5,773 |
| U.S. Treasury securities | 293,059 | 210,870 |
| U.S. Agency securities | 1,091,818 | 979,241 |
| | <u>\$ 1,663,399</u> | <u>\$ 1,403,871</u> |

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2012 and 2011, is as follows (amount expressed in thousands).

| | December 31, 2012 | December 31, 2011 |
|-----------------------------|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 95,312 | \$ 95,945 |
| Investments | 434,686 | 495,193 |
| Restricted cash equivalents | 151,056 | 33,555 |
| Restricted investments | 982,345 | 779,178 |
| | <u>\$ 1,663,399</u> | <u>\$ 1,403,871</u> |

Interest Rate Risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for investments under the control of the CFO by limiting their maximum maturity of investments. Commercial Paper can have a maximum maturity of 366 days. U.S. Treasury and Agency securities can have a maximum maturity of ten years.

At December 31, 2012, the Airport System's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

| Investment type | Investments maturity in years | | | | |
|---|--------------------------------------|--------------------|-------------------|-------------------|--------------------------|
| | Fair value | Less than 1 | 1-5 | 6-10 | Greater than 10** |
| Discount Commercial Paper | \$ 212,188 | \$ 212,188 | \$ - | \$ - | \$ - |
| U.S. Treasury and State and Local Government Securities | 296,375 | 13,999 | 230,209 | 52,167 | - |
| U.S. Agency securities | 1,091,818 | 168,496 | 636,388 | 230,429 | 56,505 |
| Total | <u>\$ 1,600,381</u> | <u>\$ 394,683</u> | <u>\$ 866,597</u> | <u>\$ 282,596</u> | <u>\$ 56,505</u> |

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

** The CFO is authorized to waive certain portfolio constraints when such action is deemed to be in the best interest of the City. The CFO has waived the maximum maturity for certain investments in U.S. Agency securities that are part of the Airport System's structured pool created to facilitate an economic defeasance of a portion of the future debt service payments due on certain Airport System bonds.

As of December 31, 2012, the Airport System's portfolio included callable U.S. Agency securities with a fair value of \$64,066,893. If a callable U.S. Agency security is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date.

Credit Quality Risk: Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation to the City. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are assigned credit quality ratings AAA. Of the City's investments at December 31, 2012, Commercial Paper, state and local government securities, U.S. Agency securities and local government investment pools were subject to credit quality risk. The City's investment policy requires that Commercial Paper be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's, and Fitch, respectively, at the time of purchase. State and local government securities include securities issued by government sponsored enterprises (GSEs). These securities are debt securities that are not explicitly guaranteed by the federal government. The senior debt of these GSEs is rated AAA/Aaa, while the subordinated debt is currently rated at AA-/Aa-. The investment policy also requires the local government investment pools to have over \$1 billion in assets or have the highest current rating from one or more nationally recognized rating agencies.

As of December 31, 2012, the Airport's investments were in compliance with the City's investment policy.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name.

None of the Airport System's investments owned at December 31, 2012, were subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single type of investment, or in a single issuer. The City's Investment Policy (the Policy) states that a maximum of 5% of the portfolio, based on market value, may be invested in Commercial Paper, municipal securities, or certificates of deposit issued by any one provider. The Policy limits investments in money market funds to 25% per provider, and 25% of total investments. The Policy also limits total investments to 15% of certificates of deposits, 50% of municipal securities, 50% of Commercial Paper, and 80% of federal agency securities.

As of December 31, 2012, all the Airport System's investments were in compliance with this policy.

(4) Accounts Receivables

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2012 and 2011, an allowance of \$217,322 and \$237,689, respectively, had been established.

City and County of Denver
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NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2012 and 2011 were as follows (in thousands):

| | 2012 | | | | |
|---|----------------------------|---------------------|--|--|------------------------------|
| | January 1, 2012 | Additions | Transfers of completed projects | Retirements and impairments | December 31, 2012 |
| Depreciable: | | | | | |
| Buildings | \$ 2,000,132 | \$ 97 | \$ 8,791 | \$ (1,180) | \$ 2,007,840 |
| Improvements other than buildings | 2,258,895 | - | 16,464 | - | 2,275,359 |
| Machinery and equipment | 734,922 | 19,561 | 19,420 | (4,512) | 769,391 |
| | <u>4,993,949</u> | <u>19,658</u> | <u>44,675</u> | <u>(5,692)</u> | <u>5,052,590</u> |
| Less accumulated depreciation and amortization | <u>(2,262,245)</u> | <u>(178,567)</u> | <u>-</u> | <u>4,924</u> | <u>(2,435,888)</u> |
| | <u>2,731,704</u> | <u>(158,909)</u> | <u>44,675</u> | <u>(768)</u> | <u>2,616,702</u> |
| Nondepreciable: | | | | | |
| Construction-in-progress | 60,356 | 161,764 | (44,675) | (555) | 176,890 |
| Land, land rights, and air rights | 295,303 | - | - | - | 295,303 |
| Total capital assets | <u>\$ 3,087,363</u> | <u>\$ 2,855</u> | <u>\$ -</u> | <u>\$ (1,323)</u> | <u>\$ 3,088,895</u> |
| | | | | | |
| | 2011 | | | | |
| | January 1, 2011 | Additions | Transfers of completed projects | Retirements and impairments | December 31, 2011 |
| Depreciable: | | | | | |
| Buildings | \$ 1,999,547 | \$ - | \$ 585 | \$ - | \$ 2,000,132 |
| Improvements other than buildings | 2,247,619 | - | 11,276 | - | 2,258,895 |
| Machinery and equipment | 720,544 | 5,008 | 9,812 | (442) | 734,922 |
| | <u>4,967,710</u> | <u>5,008</u> | <u>21,673</u> | <u>(442)</u> | <u>4,993,949</u> |
| Less accumulated depreciation and amortization | <u>(2,083,584)</u> | <u>(179,070)</u> | <u>-</u> | <u>409</u> | <u>(2,262,245)</u> |
| | <u>2,884,126</u> | <u>(174,062)</u> | <u>21,673</u> | <u>(33)</u> | <u>2,731,704</u> |
| Nondepreciable: | | | | | |
| Construction-in-progress | 18,806 | 63,958 | (21,673) | (735) | 60,356 |
| Land, land rights, and air rights | 295,303 | - | - | - | 295,303 |
| Total capital assets | <u>\$ 3,198,235</u> | <u>\$ (110,104)</u> | <u>\$ -</u> | <u>\$ (768)</u> | <u>\$ 3,087,363</u> |

City and County of Denver
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NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(6) Assets Held for Disposition

The City ceased aviation operations at Stapleton upon the opening of Denver International on February 28, 1995, and is continuing to dispose of the Stapleton property. Certain portions of Stapleton were acquired with proceeds from federal grants, which provide for the return of certain federal funds. In addition, certain portions of the property are also subject to deed restrictions, under which the property would revert to the United States government. The City is able to seek releases from the grant assurances and deed restrictions from the Secretary of Transportation as dispositions occur, provided that: 1) the property is sold at fair market value, and 2) the proceeds are used to develop, improve, and construct Denver International. The City intends to continue to seek such releases and, in accordance with certain use and lease agreements, use any net proceeds from sales of Stapleton to retire or defease subordinate debt.

The carrying value of Stapleton was \$3,157,690 and \$9,326,437 at December 31, 2012 and 2011, respectively. The current and anticipated costs accrued in other liabilities for the environmental liability for Stapleton was \$15,871,684 and \$15,237,219 at December 31, 2012 and 2011, respectively. The Airport has accrued \$11,200,048 and \$9,886,711 of insurance recoveries in accounts receivable at December 31, 2012 and 2011, respectively. The Airport has received payments for insurance recovery totaling \$2,112,638 in 2012 and \$25,798,064 in 2011.

(7) Due to Other City Agencies

The City provides various services to the Airport System, including data processing, investing, financial services, budgeting, and engineering. Billings from the City, both direct and indirect, during 2012 and 2011 totaled \$17,291,229 and \$16,335,504, respectively, and have been included in operating expenses.

In addition to the above services, the Airport System also pays directly salaries and wages for police, fire and other City personnel which are reflected as personnel services expenses. The total services paid for City service and personnel are \$48,538,871 and \$46,271,093 at December 31, 2012 and 2011, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled \$5,174,973 and \$6,065,644 at December 31, 2012 and 2011, respectively.

The outstanding receivable from the City and its related agencies totaled \$1,642,309 and \$14,235 at December 31, 2012 and 2011, respectively.

City and County of Denver
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2012 and 2011 were as follows (in thousands):

| | 2012 | | | | | Amounts due within one year |
|-------------------------------|------------------------|-------------------|----------------------|---------------------|--------------------------|------------------------------------|
| | January 1, 2012 | Additions | Refunded debt | Retirements | December 31, 2012 | |
| Airport System revenue bonds | \$ 3,676,832 | \$ 912,205 | \$ (645,715) | \$ (131,412) | \$ 3,811,910 | \$ 132,714 |
| Economic defeasance | 54,880 | - | - | - | 54,880 | 14,800 |
| Baggage defeasance | 46,983 | - | - | (16,353) | 30,630 | 11,426 |
| Less deferred loss on bonds | (227,006) | (35,921) | - | 22,571 | (240,356) | - |
| Plus unamortized net premiums | 70,010 | 105,765 | 6,170 | (14,342) | 167,603 | - |
| Total bond debt | \$ 3,621,699 | \$ 982,049 | \$ (639,545) | \$ (139,536) | 3,824,667 | \$ 158,940 |
| Less current portion | | | | | (158,940) | |
| Noncurrent portion | | | | | \$ 3,665,727 | |

| | 2011 | | | | | Amounts due within one year |
|------------------------------|------------------------|-------------------|----------------------|---------------------|--------------------------|------------------------------------|
| | January 1, 2011 | Additions | Refunded debt | Retirements | December 31, 2011 | |
| Airport System revenue bonds | \$ 3,832,586 | \$ 563,410 | \$ (591,710) | \$ (127,454) | \$ 3,676,832 | \$ 132,912 |
| Economic defeasance | 54,880 | - | - | - | 54,880 | - |
| Baggage defeasance | 88,079 | 5,955 | - | (47,051) | 46,983 | 8,148 |
| Less deferred loss on bonds | (253,473) | 4,622 | - | 21,845 | (227,006) | - |
| Plus unamortized premiums | 60,975 | 18,597 | - | (9,562) | 70,010 | - |
| Total bond debt | \$ 3,783,047 | \$ 592,584 | \$ (591,710) | \$ (162,222) | 3,621,699 | \$ 141,060 |
| Less current portion | | | | | (141,060) | |
| Noncurrent portion | | | | | \$ 3,480,639 | |

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest on fixed rate bonds is payable semi-annually. The variable rate bonds are issued in weekly mode (except for the Series 2007G1-G2 bonds which are currently in a daily mode). Auction rate bonds carry interest rates that are periodically reset for seven day periods. As such, the actual interest rate on the bonds will vary based on market conditions in the short-term tax-exempt bond market.

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NOTES TO FINANCIAL STATEMENTS

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The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2012 and 2011 are as follows:

| Bond | Maturity | Interest Rate | Amount Outstanding | |
|----------------------------------|---|------------------|--------------------|---------------|
| | | | 2012 | 2011 |
| Airport system revenue bonds | | | | |
| Series 1991D Term bonds | November 15, 2013 | 7.75% | \$ 5,950,000 | \$ 25,198,577 |
| Series 1992F, G* | November 15, 2025 | 0.240% | 38,800,000 | 40,600,000 |
| Series 1995C Term bonds | November 15, 2012 | 6.50% | - | 3,770,000 |
| Series 1997E Serial bonds | November 15, 2013 | 6.00% | 7,414,483 | 16,902,745 |
| Series 1998A Term bonds | November 15, 2025 | 5.00% | - | 128,695,000 |
| Series 1998B Term bonds | November 15, 2025 | 5.00% | - | 103,395,000 |
| Series 2002C* | November 15, 2024 | 0.240% | 32,200,000 | 33,900,000 |
| Series 2002E Serial bonds | Annually November 15, 2012 to 2023 | 4.75-5.50% | - | 117,140,000 |
| Series 2003A Term bonds | November 15, 2026 and 2031 | 5.00% | - | 161,965,000 |
| Series 2003B Term bonds | November 15, 2033 | 5.00-5.75% | - | 75,460,000 |
| Series 2005A Serial bonds | Annually November 15, 2012 to 2025 | 4.00-5.00% | 216,375,000 | 218,485,000 |
| Series 2006A Serial bonds | Annually November 15, 2015 to 2025 | 4.00-5.00% | 268,360,000 | 279,585,000 |
| Series 2006B Serial bonds | Annually November 15, 2011 to 2015 | 5.00% | 42,195,000 | 65,690,000 |
| Series 2007A Serial & Term bonds | Annually November 15, 2023, 2024, 2026, 2027 and 2030 | 5.00% | 188,350,000 | 188,350,000 |
| Series 2007B Term bonds | November 15, 2032 | 5.00% | 24,250,000 | 24,250,000 |
| Series 2007C Term bonds | Annually November 15, 2016, 2017 and 2023 | 5.00% | 34,635,000 | 34,635,000 |
| Series 2007D Serial bonds | Annually November 15, 2016 to 2023 | 5.25-5.50% | 147,815,000 | 147,815,000 |
| Series 2007D2 Serial bonds | Annually November 15, 2014 to 2015 | 5.00% | 29,200,000 | 29,200,000 |
| Series 2007E Term bonds | November 15, 2032 | 5.00% | 47,400,000 | 47,400,000 |
| Series 2007F1-F4** | November 15, 2025 | .430-440% | 205,425,000 | 206,025,000 |
| Series 2007G1-G2* | November 15, 2025 | 0.200% | 146,600,000 | 147,000,000 |
| Series 2008A1 Serial bonds | Annually November 15, 2011 to 2017 | 5.00-5.50% | 115,140,000 | 138,765,000 |
| Series 2008B* | November 15, 2025 | 1.21% | 74,500,000 | 75,100,000 |
| Series 2008C1-C3* | November 15, 2025 | .897%-1.271% | 292,600,000 | 292,600,000 |
| Series 2009A | November 15, 2012 to 2036 | 5.00-5.25% | 167,565,000 | 170,190,000 |
| Series 2009B | November 15, 2039 | 6.414% | 65,290,000 | 65,290,000 |
| Series 2009C* | November 15, 2022 | 0.105% | 104,655,000 | 104,655,000 |
| Series 2010A | November 15, 2032 | 4.00-5.00% | 171,360,000 | 171,360,000 |
| Series 2011A | November 15, 2023 | 3.00-5.250% | 335,150,000 | 349,730,000 |

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| Bond | Maturity | Interest Rate | Amount Outstanding | |
|--------------------------------|------------------------------------|------------------|------------------------|------------------------|
| | | | 2012 | 2011 |
| Series 2011B | November 15, 2024 | 2.50-5.00% | 179,165,000 | 198,370,000 |
| Series 2011C | November 15, 2016 | 3.00-5.00% | 15,310,000 | 15,310,000 |
| Series 2012A | Annually November 15, 2013 to 2043 | 3.00-5.00% | 315,780,000 | - |
| Series 2012B | Annually November 15, 2013 to 2043 | 3.00-5.00% | 510,140,000 | - |
| Series 2012C | November 15, 2026 | 3.592% | 30,285,000 | - |
| Economic Defeasance | | | | |
| LOI 1998/1999 | November 15, 2013, 2024 and 2025 | 6.125-7.75% | 54,880,000 | 54,880,000 |
| ABS baggage defeasance | November 15, 2013 to 2021 | 5.00-7.75% | 30,630,517 | 46,983,678 |
| Total revenue bonds | | | 3,897,420,000 | 3,778,695,000 |
| Less current portion | | | (158,940,000) | (141,060,000) |
| Net unamortized premiums | | | 167,602,117 | 70,010,140 |
| Deferred loss on refundings | | | (240,355,371) | (227,005,888) |
| Total bonds payable noncurrent | | | <u>\$3,665,726,746</u> | <u>\$3,480,639,252</u> |

* Variable rates are as of December 31, 2012

** Auction rates are as of December 31, 2012

Most of the Airport term bonds are subject to certain mandatory redemption requirements and most of the Airport System bonds are subject to certain optional redemption provisions. Certain of the Airport System bonds are subject to certain mandatory sinking fund redemption requirements.

Economic Defeasances

On November 1, 1999, the Airport System entered into an economic defeasance of \$54,880,000 through the use of certain 1998 and 1999 federal grant proceeds from the United States Department of Transportation under a 1990 Letter of Intent. These funds were set aside in special escrow accounts (Escrow A and Escrow B) held by the City. Escrow A proceeds will be used to defease \$40,080,000 of the Series 1992C Bonds maturing on November 15, 2025. Escrow B proceeds will be used to defease \$14,800,000 of the Series 1991D Bonds maturing on November 15, 2013. These bonds are considered defeased for bond ordinance purposes; however, the defeasance was not considered a legal defeasance or an in-substance defeasance under accounting principles generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

On December 27, 2006, the Airport entered into an economic defeasance of \$90,000,000 funded by PFC and net revenues. These funds were set aside in a special escrow account (ABS Baggage System defeasance) held by the City. The proceeds are being used to defease a portion of the Airport System Revenue bonds related to the ABS baggage system. On December 12, 2007, and December 31, 2011, the Airport added an additional \$85,000,000 and \$5,955,000 respectively, to the ABS Baggage System defeasance escrow.

As of December 31, 2012, the remaining balance of \$30,630,517 of long-term fixed rate bonds are similarly defeased for bond ordinance purposes, but not considered a legal defeasance. The special escrows for these bonds have been funded between December 27, 2006 and December 31, 2011 from PFC and net revenues.

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Bond Issuances

On October 17, 2012, the Airport System issued \$315,780,000, \$510,140,000 and \$30,285,000 of Airport System Revenue Bonds, Series 2012A, B and C, respectively, in a fixed rate mode to finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the remaining 1998A Bonds in the amount of \$104,050,000, current refund all of the remaining 1998B Bonds of \$103,395,000, current refund a portion of the 2002E Bonds in an amount of \$63,570,000, current refund a portion of the 2003A Bonds in the amount of \$134,475,000, advance refund a portion of the 2003A Bonds in the amount of \$27,490,000, advance refund all of the 2003B Bonds in the amount of \$75,460,000, and refund all of the outstanding Subordinate Commercial Paper Notes Series A in the amount of \$56,000,000 drawn down earlier in 2012.

On October 1, 2012, the Airport System terminated the Existing Letter of Credit for the Series 2009C Bonds and entered into an agreement with U.S. Bank pursuant to which U.S. Bank will agree to hold the 2009C Bonds which, subject to certain conditions, will bear interest at the LIBOR index rate, through April 30, 2017.

On July 20, 2012, the Airport System defeased certain bonds as a part of the City's obligations, under the Lease Amendment with United Airlines approved on June 2012, and to complete the baggage system defeasance begun in 2006.

On May 30, 2012, the Airport System drew \$56,000,000 of Commercial Paper. The proceeds were used to reimburse approximately \$19,500,000 of prior capital expenditures and \$36,500,000 were used to fund capital projects. See disclosure above regarding refunding of this Commercial Paper in October 2012.

| | 2012 | | | | December 31, 2012 |
|------------------|--------------------|--------------|------------------|-------------|----------------------|
| | January 1, 2012 | Additions | Refunded debt | Retirements | |
| Commercial Paper | \$ - | \$56,000,000 | \$(56,000,000) | \$ - | \$ - |
| Total | \$ - | \$56,000,000 | \$(56,000,000) | \$ - | \$ - |

On October 5, 2011, the Airport issued \$198,370,000 and \$15,310,000 of Airport System Revenue Bonds, Series 2011B and 2011C, respectively, in a fixed rate mode to current refund all of the remaining 2001A bonds in an amount of \$171,125,000, all of the 2001B Bonds in the amount of \$16,675,000, and all of the remaining 2001D Bonds in the amount of \$43,410,000.

On August 31, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C2-C3 Bonds and entered into an agreement with Royal Bank of Canada and RBCCM pursuant to which Royal Bank of Canada and RBCCM will agree to hold the 2008C2-C3 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 29, 2014.

On August 8, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C1 Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008C1 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 8, 2016.

On July 29, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008B Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008B Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through July 29, 2016.

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On April 14, 2011, the Airport System issued \$349,730,000 of the Airport System Revenue Bonds Series 2011A, in a fixed rate mode to current refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds in the amounts of \$122,060,000 and \$72,350,000, respectively, and all of the remaining portion of the Series 2000A Bonds in the amount of \$160,135,000.

Deferred Refunding

The proceeds of the 2012A-C Bonds were used together with other Airport monies to pay for and finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the 1998A Bonds, 1998B Bonds, a portion of the 2002E Bonds and 2003A Bonds. Advance refund a portion of the 2003A and B Bonds and refund all of the Subordinate Commercial Paper Note Series A. The current refunding and advance refunding resulted in a defeasance of debt. The difference between the reacquisition price of \$524,083,393 and the net carrying amount of the old debt of \$488,142,029 resulted in the recognition of a deferred loss on refunding in the amount of \$35,941,364. The deferred loss on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be \$66,416,535.

The proceeds of the 2011A Bonds were used together with other Airport monies to current refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds, and all of the remaining Series 2000A Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt. The difference between the reacquisition price of \$355,863,243 and the net carrying amount of the old debt of \$357,294,392 resulted in the recognition of a deferred gain on refunding in the amount of \$1,431,149. The deferred gain on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the portion of the transaction which refunded a portion of the Series 2000A Bonds is estimated to be \$4,932,812.

The proceeds of the 2011B and C Bonds were used together with other Airport monies to current refund all of the remaining Series 2001A Bonds, refund all of the Series 2001B Bonds and a refund all of the remaining Series 2001D Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt. The difference between the reacquisition price of \$230,575,950 and the net carrying amount of the old debt of \$233,767,113 resulted in the recognition of a deferred gain on refunding in the amount of \$3,191,163. The deferred gain on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be \$24,799,291.

Defeased Bonds

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2012 and 2011, respectively, \$187,890,000 and \$65,720,000 of bonds outstanding are considered defeased.

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(9) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2012 are as follows:

| Year: | Principal | Interest |
|--------------|-------------------------|-------------------------|
| 2013 | \$ 132,714,483 | \$ 150,746,775 |
| 2014 | 133,485,000 | 144,915,931 |
| 2015 | 141,060,000 | 139,324,266 |
| 2016 | 156,780,000 | 132,875,521 |
| 2017 | 156,420,000 | 125,421,816 |
| 2018-2022 | 921,375,000 | 524,072,238 |
| 2023-2027 | 1,318,725,000 | 312,803,421 |
| 2028-2032 | 480,015,000 | 176,210,753 |
| 2033-2037 | 205,925,000 | 69,304,123 |
| 2038-2042 | 143,830,000 | 21,879,420 |
| 2043 | 21,580,000 | 864,700 |
| Total | \$ 3,811,909,483 | \$ 1,798,418,964 |

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2012, are as follows:

| Year: | Principal | Interest |
|--------------|----------------------|----------------------|
| 2013 | \$ 14,800,000 | \$ 3,601,900 |
| 2014 | - | 2,454,900 |
| 2015 | - | 2,454,900 |
| 2016 | - | 2,454,900 |
| 2017 | - | 2,454,900 |
| 2018-2022 | - | 12,274,500 |
| 2023-2025 | 40,080,000 | 5,891,025 |
| Total | \$ 54,880,000 | \$ 31,587,025 |

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Debt service requirements for the economic defeasance ABS Baggage System of the Airport System to maturity as of December 31, 2012, are as follows:

| Year: | Principal | Interest |
|--------------|----------------------|---------------------|
| 2013 | \$ 11,425,517 | \$ 1,765,281 |
| 2014 | 10,000 | 1,079,950 |
| 2015 | 10,000 | 1,079,550 |
| 2016 | 10,000 | 1,079,150 |
| 2017 | - | 1,078,750 |
| 2018-2021 | 19,175,000 | 2,431,674 |
| | <u>\$ 30,630,517</u> | <u>\$ 8,514,355</u> |

(b) Notes Payable

The Airport System entered into a Master Installment Purchase Agreement on March 15, 2004, with GE Capital Public Finance Inc. for \$13 million, to finance various capital equipment purchases at rates and terms of 3.6448% based on a 30/360 calculation for 2004. Payments are due quarterly to GE Capital Public Finance Inc. The Airport System entered into Master Installment Purchase Agreements on October 26, 2006. These include an agreement with Koch Financial Corporation for \$23.0 million and an agreement with GE Capital Public Finance for \$9.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, and 4.16% based on a 30/360 calculation for 2007. The Airport System entered into a \$15.3 million Master Installment Purchase Agreement with Chase Equipment Leasing Inc. on August 5, 2008, to finance capital equipment purchases, at a rate of 3.329% based on 30/360 calculation for 2008. The Airport System entered into a \$20.5 million Master Installment Purchase Agreement with Sovereign Leasing, LLC on January 10, 2012, to finance capital equipment purchases, at a rate of 1.9595% based on a 30/360 calculation for 2012.

The payment schedule relating to note requirements as of December 31, 2012 is as follows:

| Year: | Principal | Interest |
|--------------|----------------------|---------------------|
| 2013 | \$ 7,243,415 | \$ 805,413 |
| 2014 | 5,497,465 | 611,791 |
| 2015 | 5,675,798 | 433,457 |
| 2016 | 3,398,612 | 268,098 |
| 2017 | 2,066,875 | 195,530 |
| 2018-2021 | 8,683,622 | 365,998 |
| | <u>\$ 32,565,787</u> | <u>\$ 2,680,287</u> |

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Changes in notes payable for the years ended December 31, 2012 and 2011 were as follows:

| | Balance January 1, 2012 | Additions | Retirements | Balance December 31, 2012 | Amounts due within one year |
|----------------------|--|----------------------|------------------------|--|--|
| Notes payable | <u>\$ 20,640,245</u> | <u>\$ 20,500,000</u> | <u>\$ (8,574,458)</u> | \$ 32,565,787 | <u>\$ 7,243,415</u> |
| Less current portion | | | | (7,243,415) | |
| Noncurrent portion | | | | <u>\$ 25,322,372</u> | |
| | | | | | |
| | Balance January 1, 2011 | Additions | Retirements | Balance December 31, 2011 | Amounts due within one year |
| Notes payable | <u>\$ 31,429,297</u> | <u>\$ -</u> | <u>\$ (10,789,052)</u> | \$ 20,640,245 | <u>\$ 6,700,032</u> |
| Less current portion | | | | (6,700,032) | |
| Noncurrent portion | | | | <u>\$ 13,940,213</u> | |

(10) Demand Bonds

Included in long-term debt are \$38,800,000 for Series 1992F, G; \$32,200,000 of Series 2002C, \$74,500,000 of Series 2008B, \$92,600,000 of Series 2008C1, \$200,000,000 of Series 2008C2-C3, \$104,655,000 of Series 2009C and \$146,600,000 for Series 2007G1-G2 of Airport System Revenue Bonds Series, respectively, which bear interest at flexible, daily, or weekly rates and are subject to mandatory redemption upon conversion of the interest rate to a different rate type or rate period. If the bonds are in a daily, weekly or monthly mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. On October 1, 2012, the Airport entered into a credit facility and reimbursement agreement with U.S. Bank National Association, who purchased the Series 2009C bonds at a floating rate indexed to one-month LIBOR. On July 29, 2011 and August 8, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Wells Fargo, who purchased the Series 2008B and 2008C1 Bonds, respectively, at a floating rate indexed to one-month LIBOR. On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate index to one-month LIBOR. Series 1992F, 1992G, 2002C, and 2007G1-G2 each have irrevocable letters of credit or standby bond purchase agreements which the remarketing agent for the bonds can draw upon to purchase the bonds. If the bonds purchased by the remarketing agent could not be resold within a designated period of time, each irrevocable letter of credit and standby bond purchase agreement contains provisions for a take-out agreement which would convert the obligation to an installment loan with the provider of that agreement. If the take out agreement were to be exercised, the Airport System would be required to pay interest amounts on the loan that are expected to be higher than the interest amount on the bonds.

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Irrevocable letters of credit and standby bond purchase agreements (SBPA) were issued as collateral for the Series 1992F, 1992G, 2002C, and 2007G revenue bonds in the amounts as follows:

| Bonds | Par amount outstanding | Letter of credit or SBPA amount* | Annual commitment fee | Letter of credit or SBPA expiration date |
|------------------|-----------------------------------|---|--------------------------------------|---|
| Series 1992F | \$ 21,200,000 | \$ 22,441,491 | 0.163% | October 2, 2014 |
| Series 1992G | 17,600,000 | 18,684,318 | 0.163% | October 2, 2014 |
| Series 2002C | 32,200,000 | 32,697,557 | 0.163% | October 2, 2014 |
| Series 2007G1-G2 | 146,600,000 | 148,286,904 | 0.280% | November 13, 2014 |

* As of December 31, 2012 and 2011 no amounts have been drawn under any of the existing agreements

(11) Bond Ordinance Provisions

Additional Bonds

The Airport System may issue additional parity and subordinate bonds, subject to certain coverage and other provisions, for the purpose of acquiring, improving or equipping facilities related to the Airport System.

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, all bond series, (the Senior Bonds) are collateralized by a first lien on the Net Revenues of the Airport System. Under the terms of the Subordinate Bond Ordinance, outstanding Commercial Paper is collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

The Airport System is required by the Bond Ordinance to set and collect rates and charges sufficient, together with other available funds, to provide for the payment of all operating and maintenance expenses for the current fiscal year plus 125% of the aggregate principal and interest payments of the Senior Bonds for such fiscal year prior to the issuance of additional bonds. Management believes the Airport System is in compliance with the bond covenants listed in the bond ordinance.

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Summary of Interest Rate Swap Transactions

(12) Swap Agreements

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999 and 2009A swap agreements all pay fixed–receive variable rate cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport System’s swap agreements are considered investment derivatives in accordance with the provisions of GASB 53. Additionally, investment income on these derivatives has also been recognized in accordance with GASB 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments. The fair value balances and notional amounts of the swaps outstanding at December 31, 2012 and 2011 and the changes in the fair value of such swaps for the years then ended, are as follows:

| Counterparty | Effective Date | Notional Amount (in millions) | Bond/Swap Termination Date | Associated Debt Series | Payable Swap Rate | Variable Receivable Swap Rate | Changes in Fair Value | | Fair Value 12/31/2012 |
|--|----------------|-------------------------------|----------------------------|------------------------|-------------------|-------------------------------|-----------------------|--------------|-----------------------|
| | | | | | | | Classification | Amount | |
| 1998 Swap Agreements | | | | | | | | | |
| Goldman Sachs Capital Markets, L.P. | 10/4/2000 | \$ 100 | 11/15/2025 | 2008C2-C3 | 4.7600% | 70% LIBOR + 0.10% | Deferred Outflow | \$ 1,708,223 | \$ (31,343,181) |
| | | | | | | | Investment Income | (2,160,816) | |
| Societe Generale, New York Branch | 10/4/2000 | 100 | 11/15/2025 | 2008C2-C3 | 4.7190% | 70% LIBOR + 0.10% | Deferred Outflow | 1,704,598 | (30,969,737) |
| | | | | | | | Investment Income | (2,129,048) | |
| 1999 Swap Agreements | | | | | | | | | |
| Goldman Sachs Capital Markets, L.P. | 10/4/2001 | 100 | 11/1/2022 | (1) | 5.6179% | SIFMA | Deferred Outflow | 2,990,762 | (34,008,787) |
| | | | | | | | Investment Income | (2,420,645) | |
| Merrill Lynch Capital Services, Inc. | 10/4/2001 | 50 | 11/1/2022 | (1) | 5.5529% | SIFMA | Deferred Outflow | 1,493,057 | (16,751,420) |
| | | | | | | | Investment Income | (1,183,599) | |
| 2002 Swap Agreements | | | | | | | | | |
| Goldman Sachs Capital Markets, L.P. | 4/15/2002 | 100 | 11/1/2022 | (1) | | SIFMA | Investment Income | (1,418,471) | (1,034,441) |
| 2005 Swap Agreements | | | | | | | | | |
| Royal Bank of Canada | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | 3.6560% | 70% LIBOR | Investment Income | (37,929) | (11,912,269) |
| JP Morgan Chase Bank, N.A. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | 3.6874% | 70% LIBOR | Investment Income | (50,282) | (12,065,203) |
| Jackson Financial Products, LLC | 11/15/2006 | 111.834 | 11/15/2025 | 2006A | 3.6560% | 70% LIBOR | Investment Income | (75,859) | (23,824,538) |
| Piper Jaffray Financial Products, Inc. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | 3.6560% | 70% LIBOR | Investment Income | (37,929) | (11,912,269) |
| 2006A Swap Agreements | | | | | | | | | |
| JP Morgan Chase Bank, N.A. | 11/15/2007 | 178.150 | 11/15/2025 | 2007F-G(2) | 4.0085% | 70% LIBOR | Investment Income | (1,085,647) | (38,603,601) |
| GKB Financial Services Corp. | 11/15/2007 | 59.383 | 11/15/2025 | 2007F-G(2) | 4.0085% | 70% LIBOR | Investment Income | (361,882) | (12,867,867) |

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| Counterparty | Effective Date | Notional Amount (in millions) | Bond/Swap Termination Date | Associated Debt Series | Payable Swap Rate | Variable Receivable Swap Rate | Changes in Fair Value | | Fair Value 12/31/2012 |
|--|----------------|-------------------------------|----------------------------|------------------------|-------------------|-------------------------------|-----------------------|-------------|-------------------------|
| | | | | | | | Classification | Amount | |
| 2006B Swap Agreements | | | | | | | | | |
| Royal Bank of Canada | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (868,125) | 12,564,372 |
| JP Morgan Chase Bank, N.A. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (868,125) | 12,564,372 |
| Jackson Financial Products, LLC | 11/15/2006 | 111.834 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (1,736,253) | 25,128,746 |
| Piper Jaffray Financial Products, Inc. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (868,125) | 12,564,372 |
| 2008A Swap Agreement | | | | | | | | | |
| Royal Bank of Canada | 12/18/2008 | 118.767 | 11/15/2025 | 2007F-G(2) | 4.0085% | 70% LIBOR | Investment Income | (772,591) | (25,732,960) |
| 2008B Swap Agreement | | | | | | | | | |
| Loop Financial Products I LLC | 1/8/2009 | 100 | 11/15/2025 | 2008C1(2) | 4.7600% | 0.1% | Investment Income | (354,392) | (32,406,129) |
| 2009A Swap Agreement | | | | | | | | | |
| Loop Financial Products I LLC | 1/12/2010 | 50 | 11/15/2022 | (1) | 5.6229% | SIFMA | Deferred Outflow | 1,151,480 | (17,024,108) |
| | | | | | | | Investment Income | (868,372) | |
| Total | | | | | | | | | <u>\$ (237,634,648)</u> |

(1) Previously associated with the 2001C1- C4 Bonds. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds
(2) A portion of the Series 2002C bonds are additionally associated with these swaps

| Counterparty | Effective Date | Notional Amount (in millions) | Bond/Swap Termination Date | Associated Debt Series | Payable Swap Rate | Variable Receivable Swap Rate | Changes in Fair Value | | Fair Value 12/31/2011 |
|--|----------------|-------------------------------|----------------------------|------------------------|-------------------|-------------------------------|-----------------------|--------------|-----------------------|
| | | | | | | | Classification | Amount | |
| 1998 Swap Agreements | | | | | | | | | |
| Goldman Sachs Capital Markets, L.P. | 10/4/2000 | \$ 100 | 11/15/2025 | 2008C2-C3 | 4.7600% | 70% LIBOR + 0.10% | Deferred Outflow | \$ 5,975,384 | \$ (31,795,774) |
| | | | | | | | Deferred Inflow | 5,128,847 | |
| | | | | | | | Investment Income | (2,287,201) | |
| Societe Generale, New York Branch | 10/4/2000 | 100 | 11/15/2025 | 2008C2-C3 | 4.7190% | 70% LIBOR + 0.10% | Deferred Outflow | 5,956,267 | (31,394,187) |
| | | | | | | | Deferred Inflow | 5,896,639 | |
| | | | | | | | Investment Income | (2,253,172) | |
| 1999 Swap Agreements | | | | | | | | | |
| Goldman Sachs Capital Markets, L.P. | 10/4/2001 | 100 | 11/1/2022 | (1) | 5.6179% | SIFMA | Deferred Outflow | 9,420,944 | (33,438,670) |
| | | | | | | | Deferred Inflow | 1,178,163 | |
| | | | | | | | Investment Income | (2,565,755) | |
| Merrill Lynch Capital Services, Inc. | 10/4/2001 | 50 | 11/1/2022 | (1) | 5.5529% | SIFMA | Deferred Outflow | 4,697,696 | (16,441,962) |
| | | | | | | | Deferred Inflow | 585,162 | |
| | | | | | | | Investment Income | (1,254,536) | |
| 2002 Swap Agreements | | | | | | | | | |
| Goldman Sachs Capital Markets, L.P. | 4/15/2002 | 100 | 11/1/2022 | (1) | SIFMA | 76.33% LIBOR | Investment Income | 233,744 | (2,452,912) |
| 2005 Swap Agreements | | | | | | | | | |
| Royal Bank of Canada | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | 3.6560% | 70% LIBOR | Investment Income | 5,033,759 | (11,950,198) |
| JP Morgan Chase Bank, N.A. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | 3.6874% | 70% LIBOR | Investment Income | 5,031,056 | (12,115,485) |
| Jackson Financial Products, LLC | 11/15/2006 | 111.834 | 11/15/2025 | 2006A | 3.6560% | 70% LIBOR | Investment Income | 10,067,519 | (23,900,397) |
| Piper Jaffray Financial Products, Inc. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | 3.6560% | 70% LIBOR | Investment Income | 5,033,759 | (11,950,198) |
| 2006A Swap Agreements | | | | | | | | | |
| JP Morgan Chase Bank, N.A. | 11/15/2007 | 178.750 | 11/15/2025 | 2007F-G(2) | 4.0085% | 70% LIBOR | Investment Income | 12,806,899 | (39,689,248) |
| GKB Financial Services Corp. | 11/15/2007 | 59.583 | 11/15/2025 | 2007F-G(2) | 4.0085% | 70% LIBOR | Investment Income | 4,268,966 | (13,229,749) |

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| Counterparty | Effective Date | Notional Amount (in millions) | Bond/Swap Termination Date | Associated Debt Series | Payable Swap Rate | Variable Receivable Swap Rate | Changes in Fair Value | | Fair Value 12/31/2011 |
|--|----------------|----------------------------------|----------------------------|------------------------|-------------------|-------------------------------|---------------------------------------|--------------------------|-------------------------|
| | | | | | | | Classification | Amount | |
| 2006B Swap Agreements | | | | | | | | | |
| Royal Bank of Canada | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (5,353,347) | 11,696,247 |
| JP Morgan Chase Bank, N.A. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (5,353,347) | 11,696,247 |
| Jackson Financial Products, LLC | 11/15/2006 | 111.834 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (10,706,693) | 23,392,493 |
| Piper Jaffray Financial Products, Inc. | 11/15/2006 | 55.917 | 11/15/2025 | 2006A | SIFMA | 4.0855% | Investment Income | (5,353,347) | 11,696,247 |
| 2008A Swap Agreement | | | | | | | | | |
| Royal Bank of Canada | 12/18/2008 | 119.117 | 11/15/2025 | 2007F-G(2) | 4.0085% | 70% LIBOR | Investment Income | 8,540,790 | (26,455,551) |
| 2008B Swap Agreement | | | | | | | | | |
| Loop Financial Products I LLC | 1/8/2009 | 100 | 11/15/2025 | 2008C1(2) | 4.7600% | 70% LIBOR + 0.1% | Investment Income | 11,256,400 | (32,760,521) |
| 2009A Swap Agreement | | | | | | | | | |
| Loop Financial Products I LLC | 1/12/2010 | 50 | 11/15/2022 | (1) | 5.6229% | SIFMA | Deferred Outflow Investment income | 5,987,527 (1,971,418) | (16,741,000) |
| Total | | | | | | | | | <u>\$ (245,834,618)</u> |

(1) Previously associated with the 2001C1 - C4 Bonds. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds
(2) A portion of the Series 2002C bonds are additionally associated with these swaps

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and SIFMA swap curves as of December 31, 2012 and 2011. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2012. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

(a) Risks Associated with the Swap Agreements

The following risks are generally associated with swap agreements:

Credit Risk – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2012, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a negative outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below).

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The ratings of the counterparties, or their credit support providers, as of December 31, 2012 are as follows:

| Counterparty (credit support provider) | Ratings of the counterparty or its credit support provider | | |
|---|---|----------------|--------------|
| | S&P | Moody's | Fitch |
| Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.) | A- | A3 | A |
| JP Morgan Chase Bank, N.A. | A+ | Aa3 | A+ |
| LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch) | A+ | A2 | A+ |
| Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.) | A- | Baa2 | A |
| Royal Bank of Canada | AA- | Aa3 | AA |
| Societe Generale, New York Branch | A | A2 | A+ |
| Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.) | A- | Baa2 | A |
| GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch) | A | A2 | A+ |
| Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.) | A- | Baa1 | A |

The ratings of the counterparties, or their credit support providers, as of December 31, 2011 are as follows:

| Counterparty (credit support provider) | Ratings of the counterparty or its credit support provider | | |
|---|---|----------------|--------------|
| | S&P | Moody's | Fitch |
| Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.) | A- | A1 | A |
| JP Morgan Chase Bank, N.A. | A+ | Aa1 | AA- |
| LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch) | A+ | Aa3 | A+ |
| Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.) | A- | Baa1 | A |
| Royal Bank of Canada | AA- | Aa1 | AA |
| Societe Generale, New York Branch | A+ | A1 | A+ |
| Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.) | A- | Baa1 | A |
| GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch) | A+ | A1 | A+ |
| Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.) | A- | A2 | A |

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As of December 31, 2012, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives' fair value.

Termination Risk – Any party to the Airport System's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the Airport System may terminate any of its swap agreements at any time at its sole discretion. Further, certain credit events can lead to a termination event under the swap agreements (see Credit Risk above). If, at the time of termination, the swap has a negative fair value, the Airport System could be liable to the counterparty for a payment equal to the swap's fair value. If any of the Airport System's swap agreements are terminated, the associated variable rate bonds would either no longer be hedged with a synthetic fixed interest rate or the nature of the basis risk associated with the swap agreement may change. The Airport System is not aware of any existing event that would lead to a termination event with respect to any of its swap agreements.

Interest Rate Risk – The Airport System is exposed to interest rate risk in that as the variable rates of the swap agreements decrease, the Airport System's net payments on the swap agreements increase.

Basis Risk – Each of the Airport System's swap agreements is associated with certain debt obligations or other swaps. The Airport System pays interest at variable interest rates on some of the associated debt obligations and associated swaps. The Airport System receives variable payments under some of its swap agreements. To the extent the variable rate on the associated debt or the associated swap paid by the Airport System is based on an index different than that used to determine the variable payments received by the Airport System under the swap agreement, there may be an increase or decrease in the synthetic interest rate intended under the swap agreement. The nature of this risk for each of the Airport System's series of swaps is discussed more specifically in the descriptions of these swap agreements below.

(b) Description of the Swap Agreements and Associated Debt

The 1998 Swap Agreements and Associated Debt – On January 1, 1998, the Airport System entered into interest rate swap agreements (“the 1998 Swap Agreements”) in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of certain senior bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2000. Each 1998 Swap Agreement has a notional amount of \$100 million and provides for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Swap Agreement and the prevailing variable rate on certain of the Airport System's variable rate bonds payable by the respective financial institutions. Upon the occurrence of certain events, counterparty to a 1998 Swap Agreement may elect to apply an alternative variable rate, 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) plus 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the Securities Industry and Financial Markets Association Index (SIFMA) and LIBOR such that the daily average SIFMA Index as a percentage of daily average LIBOR exceeds 80% for a period of 90 consecutive days or 75% for a period of 120 consecutive days.

In August 2000, the Airport System issued the Series 2000B and the Series 2000C Bonds in order to refund a portion of the Series 1990A Bonds, and treated such 1998 Swap Agreements as relating to the payments due on the Series 2000B Bonds and the Series 2000C Bonds (the associated debt), thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The Series 2000B and Series 2000C Bonds were refunded in 2008, by the Series 2008C1-C3 Bonds. The Series 2008C2-C3 Bonds are currently associated debt with the 1998 swaps. On August 31, 2011, the Airport System entered into a

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liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate indexed to one-month LIBOR. As a result of this transaction, the swap counterparties elected to apply the alternative variable rate provision under the swaps (70% of one-month LIBOR plus 0.10%).

The aggregate weighted average fixed rate payable by the Airport System under the 1998 Swap Agreements is 4.7395%. The 1998 Swap Agreements became effective on October 4, 2000, and payments under these 1998 Swap Agreements commenced on November 1, 2000.

The 1999 Swap Agreements and Associated Debt – On July 28, 1999, the Airport System entered into interest rate Swap Agreements (“the 1999 Swap Agreements”) in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1991A Bonds and Series 1991D Bonds through the Airport System’s issuance of variable rate bonds on or before October 4, 2001. The 1999 Swap Agreements have notional amounts of \$100 million, and \$50 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the SIFMA Index payable by the respective financial institutions. Historically, SIFMA Index averages have been lower than the variable interest rate the Airport System pays on the associated debt. The Airport System attributes this difference largely to the fact that the associated debt is subject to the alternative minimum tax. This means that, on average, the Airport System pays more in interest on the associated debt than it receives under the 1999 Swap Agreements. This basis risk is modified when the 1999 Swap Agreements and associated debt are considered together with the 2002 Swap Agreements and 2007A Swap Agreements.

On October 4, 2001, the Airport System issued the Series 2001C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The Series 2001C1-C4 Bonds were refunded by Commercial Paper and Series 2008A1-A4 Bonds in April 2008. Because the Series 2008A1-A4 were initially issued in a fixed rate mode, the 1999 Swap Agreements were subsequently associated with the Commercial Paper, Series 2008B Bonds and a portion of the Series 2002C Bonds. The Commercial Paper was refunded by the Series 2009C Bonds. The 1999 Swap Agreements are associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 1999 Swap Agreements, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the SIFMA, on \$150 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.5962%. The 1999 Swap Agreements became effective on October 4, 2001, and payments under these Swap Agreements commenced on November 1, 2001.

On January 12, 2010, the Airport System terminated a \$50 million (not included in the \$150 million discussed above) 1999 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for that swap. The Airport System simultaneously entered into the 2009A replacement swap with Loop Financial Products I LLC (credit support provided by Deutsche Bank). (See “the 2009A Swap Agreements” discussed below).

The 2002 Swap Agreements and Associated Debt – On April 11, 2002, the Airport System entered into interest rate Swap Agreements (“the 2002 Swap Agreements”) with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the SIFMA Index to a percentage of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR). On January 12, 2010, the Airport System terminated the 2002 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for the swap. The 2002 Swap agreement with RFPC, Ltd. was not replaced. The 2002 Swap Agreement has a notional amount of \$100 million, related to the 1999 Swap Agreements and provide for certain payments to or from the financial institution equal to the difference between SIFMA payable by the Airport System and a percentage of LIBOR payable by the financial institution. The net effect of the 2002 Swap Agreement, when considered together with the 1999 Swap Agreements, is that the Airport System will

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receive 76.33% of LIBOR, rather than SIFMA, to offset the actual rate paid on the associated bonds. (See “the 1999 Swap Agreements and Associated Debt”).

The Airport System is exposed to basis risk under the 1999 and 2002 Swap Agreements, due to the differences in indices between the variable interest rate it pays on the associated debt and 76.33% of LIBOR received under the 2002 Swap Agreements. The 2002 Swap Agreement became effective on April 15, 2002 and payments under this Swap Agreement commenced on May 1, 2002.

The 2005 Swap Agreements – In April 2005, the Airport System entered into interest rate Swap Agreements (“the 2005 Swap Agreements”) with four financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1996A Bonds and Series 1996D Bonds through the Airport System’s issuance of variable rate bonds on or before November 15, 2006. On August 9, 2006, the Airport System amended the 2005 Swap Agreements. The notional amounts of the 2005 Swap Agreements are approximately \$56 million, \$56 million, \$112 million and \$56 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and 70% of the LIBOR for one-month deposits of U.S. dollars (LIBOR) payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A Bonds in order to refund the Series 1996A and 1996D Bonds, and entered into the 2006B Swap Agreements (described below under “*The 2006B Swap Agreements*”). The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A Bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70% of one-month LIBOR on \$280 million of obligations.

The aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements is 3.66%. The Airport System is exposed to basis risk under the 2005A Swap Agreements, due to the difference in indices between SIFMA paid on the associated 2006B Swap Agreements and 70.0% LIBOR received under the 2005 Swap Agreements. The 2005 Swap Agreements became effective on November 15, 2006 and payments under the Agreements commenced on December 1, 2006.

The 2006A Swap Agreements – On June 1, 2006, the City entered into interest rate swap agreements (“the 2006A Swap Agreements”) with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E Bonds through the Airport System’s issuance of variable rate bonds on or before November 15, 2007. One of these agreements, with Lehman Brother Special Financing was terminated on December 18, 2008 and replaced with a 2008A Swap Agreement with Royal Bank of Canada described below. The remaining 2006A Swap Agreements have notional amounts of approximately \$178.2 million and \$59.4 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars payable for the respective financial institutions.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 Bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR on \$241.0 million of obligations.

The Airport System is exposed to basis risk under the 2006A Swap Agreements, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2006A Swap Agreements. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap

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Agreements is 4.0085%. The 2006A Swap Agreements became effective on November 15, 2007 and payments under these Swap Agreements commenced on December 1, 2007.

The 2006B Swap Agreements – On August 9, 2006, the Airport System entered into interest rate swap agreements (“the 2006B Swap Agreements”) with four financial institutions in order to synthetically create variable rate debt in association with the refunding of the Series 1996A and 1996D Bonds on August 17, 2006. The 2006B Swap Agreements have notional amounts of approximately \$56.0 million, \$56.0 million, \$112.0 million and \$56.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a variable rate based on the SIFMA Index payable by the Airport System under each Swap Agreement and a fixed rate payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A Bonds in order to refund the Series 1996A and 1996D Bonds. The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A Bonds, is that the Airport System will effectively pay a variable rate based on SIFMA plus or minus the difference between the fixed rate on the Series 2006A Bonds and the fixed rate received under the 2006B Swap Agreements on \$280.0 million of obligations. In November 2006, the 2005 Swap Agreements became effective. The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A Bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA Index and 70.0% of one-month LIBOR, minus the difference of the fixed receiver rate on the 2006B Swap Agreements and the weighted average fixed payor rate on the 2005 Swap Agreements on \$280.0 million of obligations.

The aggregate weighted average fixed rate payable by the financial institutions under the 2006B Swap Agreements is 4.09%. The 2006B Swap Agreements became effective on November 15, 2006 and payments under these Swap Agreements commenced on December 1, 2006.

The 2008A Swap Agreement – On December 18, 2008, the Airport System entered into an interest rate swap agreement (“the 2008A Swap Agreement”) with Royal Bank of Canada and simultaneously terminated a 2006A Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to \$120.233 million notional amount associated with 2007-G Bonds. The swap provides for certain payment to or from Royal Bank of Canada equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for one-month deposits of U.S. dollars plus 0.10% payable to Royal Bank of Canada. The Airport System received \$21,100,000 from Royal Bank of Canada to assist in paying the settlement amount of \$21,353,831 due to Lehman Brothers Special Financing. As a result of receiving the loan of \$21,100,000 from Royal Bank of Canada, this loan, including interest at an implied rate of 6.519%, will be paid through the fixed rate to be paid by the City to Royal Bank of Canada.

The net effect of the 2008A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 Bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR plus 0.10% on \$120.233 million of obligations.

The Airport System is exposed to basis risk under the 2008A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR plus 0.10% received under the 2008A Swap Agreement. The fixed rate payable by the Airport System under the 2008A Swap Agreement is 4.0085%. The 2008A Swap Agreement became effective on December 18, 2008 and payment under this Agreement commenced on January 1, 2009.

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The 2008B Swap Agreement – On January 8, 2009, the Airport System entered into an interest rate swap agreement (“the 2008B Swap Agreement”) with Loop Financial Products I LLC and simultaneously terminated a 1998 Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to \$100 million notional associated with the 2008C1 Bonds outstanding in the amount of \$92.6 million. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for three-month deposits of U.S. dollars payable by Loop Financial Products I LLC. The Airport System received \$22,100,000 from Loop Financial Products I LLC to assist in paying the settlement amount of \$22,213,550 due to Lehman Brothers Special Financing. As a result of receiving \$22,100,000 from Loop Financial Product I LLC, the fixed rate to be paid by the Airport System to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The net effect of the 2008B Swap Agreement, when considered together with the variable rate Series 2008C1 Bonds, is that the Airport System will effectively pay a fixed rate on \$100 million, plus or minus the difference between the actual rate on \$92.6 million of the Series 2008C1 Bonds and 70% of three-month LIBOR on \$100 million notional amount of swaps.

The Airport System is exposed to basis risk under the 2008B Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of three-month LIBOR received under the 2008B Swap Agreement. The fixed rate payable by the Airport System under the 2008B Swap Agreement is 4.76%. The 2008B Swap Agreement became effective on January 8, 2009 and payments under this Agreement commenced on February 1, 2009.

The 2009A Swap Agreement – On January 12, 2010, the Airport System entered into an interest rate swap agreement (“the 2009A Swap Agreement”) with Loop Financial Products I LLC and simultaneously terminated the 1999 Swap Agreement with RFPC, Ltd. The purpose of the transaction was to replace RFPC, Ltd, due to deterioration of the ratings of Ambac (the credit support provider on the swap), as counterparty to \$50 million notional. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Agreement and the SIFMA index payable by Loop Financial Products I LLC. The Airport System received \$10,570,000 from Loop Financial Products I LLC to assist in paying the settlement amount of \$10,570,000 due to RFPC, Ltd. As a result of receiving \$10,570,000 from Loop Financial Products I LLC, the fixed rate to be paid by the Airport System to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The 2009A Swap Agreement is currently associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 2009A Swap Agreement, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the SIFMA Index, on \$50 million of obligations. The 2009A Swap Agreement became effective on January 12, 2010, and payments under this Swap Agreement commenced on February 1, 2010. The Airport System is exposed to basis risk under the 2009A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and the SIFMA Index received under the 2009A Swap Agreement. The fixed rate payable by the Airport System under the 2009A Swap Agreement is 5.6229%.

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(c) **Swap Payments and Associated Debt**

Interest Rate Swap Profile (all rates as of December 31, 2012):

| Swaps | 1999, 2002, 2009A | 2005, 2006B | 2006A, 2008A | 1998 |
|--------------------------------|--------------------------------|------------------------|---------------------------|-----------------------|
| Associated Debt | 2002C, 2008B, 2009C | 2006A 2007D | 2007F-G, 2002C | 2008C2-C3 |
| Payment to Counterparty: | 5.7329% | 3.7923% | 4.0085% | 4.7395% |
| Payment from Counterparty: | <u>0.2903%</u> | <u>4.2325%</u> | <u>0.1470%</u> | <u>0.2470%</u> |
| Net Swap Payment: | 5.4426% | (0.4402%) | 3.8615% | 4.4925% |
| Associated Bond Interest Rate: | <u>1.0262%</u> | <u>4.9504%</u> | <u>0.3360%</u> | <u>0.9000%</u> |
| Net Swap & Bond Payment: | <u><u>6.4688%</u></u> | <u><u>4.5102%</u></u> | <u><u>4.1975%</u></u> | <u><u>5.3925%</u></u> |

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2012, debt service requirements of the related variable rate debt and net swap payments for the Airport System's cash flow hedges (1998, 1999, and 2009A Swap Agreements), assuming current interest rates remain the same, for their terms, were as follows:

| Year: | <u>Principal</u> | <u>Interest</u> | <u>Interest rate swaps net</u> | <u>Total</u> |
|-----------|-----------------------|----------------------|------------------------------------|-----------------------|
| 2013 | \$ 4,700,000 | \$ 3,852,440 | \$ 19,900,507 | \$ 28,452,947 |
| 2014 | 4,800,000 | 3,795,570 | 19,900,507 | 28,496,077 |
| 2015 | 6,925,000 | 3,737,490 | 19,900,507 | 30,562,997 |
| 2016 | 7,500,000 | 3,672,177 | 19,900,507 | 31,072,684 |
| 2017 | 7,800,000 | 3,603,507 | 19,900,507 | 31,304,014 |
| 2018-2022 | 274,285,000 | 13,103,167 | 69,656,958 | 357,045,125 |
| 2023-2025 | 93,990,000 | 2,128,450 | 8,220,526 | 104,338,976 |
| Total | <u>\$ 400,000,000</u> | <u>\$ 33,892,801</u> | <u>\$177,380,019</u> | <u>\$ 611,272,820</u> |

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2012.

Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2012 and 2011, Special Facility Revenue Bonds outstanding totaled \$276,615,000 and \$291,865,000, respectively.

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(13) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2012 and 2011 are as follows:

| | Balance January 1, 2012 | Additions | Retirements | Balance December 31, 2012 | Amounts due within one year |
|------------------------------|--|---------------------|-----------------------|--|--|
| Compensated absences payable | <u>\$ 8,625,273</u> | <u>\$ 6,894,620</u> | <u>\$ (6,520,399)</u> | \$ 8,999,494 | <u>\$ 2,704,267</u> |
| Less current | | | | (2,704,267) | |
| Noncurrent portion | | | | <u>\$ 6,295,227</u> | |

| | Balance January 1, 2011 | Additions | Retirements | Balance December 31, 2011 | Amounts due within one year |
|------------------------------|--|---------------------|-----------------------|--|--|
| Compensated absences payable | <u>\$ 8,379,145</u> | <u>\$ 5,690,605</u> | <u>\$ (5,444,477)</u> | \$ 8,625,273 | <u>\$ 2,610,352</u> |
| Less current | | | | (2,610,352) | |
| Noncurrent portion | | | | <u>\$ 6,014,921</u> | |

(14) Pension Plan

Substantially all of Denver International's employees are covered under the City and County of Denver's pension plan, the Denver Employees Retirement Plan.

(a) Plan Description

The following are brief descriptions of the retirement plan. Plan participants should refer to the appropriate source documents or publicly available financial reports for more complete information on the plans.

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. DERP is administered by the DERP Retirement Board in accordance with Sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on DERP, and vests the authority for the benefit and contribution provisions with the City Council. DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 2012, the date of the last actuarial valuation, the plan was underfunded; however, there is no Net Pension Obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

The plan issues a publicly available financial report that includes financial statements and required supplementary information of that plan. Those reports are available by contacting:

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

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(b) Pension Plans' Funding Policy and Annual Pension Cost

For DERP, the City contributes 9.50% of covered payroll and employees make a pre-tax contribution of 5.50% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2012, 2011 and 2010 were approximately \$47,176,000, \$43,047,000 and \$38,427,000, respectively, which equaled the required contributions each year. Denver International's share of the City's contributions for the years ended December 31, 2012, 2011 and 2010 were approximately \$6,859,004, \$6,268,376 and \$5,509,853, respectively.

(c) Postemployment Healthcare Benefits

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992 postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2009, the monthly health insurance premium supplement was \$12.50 per year of service for retired participants under the age of 65, and \$6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

(15) Other Postemployment Benefit Plan – Implicit Rate Subsidy

Employees of the Airport System (as City employees), along with a portion of the employees of Denver Health and Hospital Authority (DHHA) (those employed prior to 2001, who have elected to remain members of the Plan), employees of DERP, and a majority of the other employees of the City (certain fire and police personnel are excluded), are participants in the City's health care plan. For active employees participating in the City's health care plan, the employers pay a certain percentage of monthly premiums and the employees pay the remainder of the premium. Vested retired employees participating in the City's health care plan pay 100% of the premium and are eligible for an insurance premium reduction payment from DERP. In establishing premiums, the active and retired employees from the three employers (the City, DERP and DHHA) are grouped together without age-adjustment or differentiation between employers. The premiums are the same for both active and retired employees creating an implicit rate subsidy for the retirees.

The City is acting in a cost-sharing multiple-employer capacity for this other postemployment benefit plan. The City's Revised Municipal Code, Section 18-412, authorizes the City's retirees to participate in the health insurance programs offered to the active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with 5 years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare eligibility age. For purpose of calculating the implicit rate subsidy, it was estimated there were 1,687 retirees not yet covered by Medicare who were covered by the health insurance programs. There is no stand-alone report for this plan and it is not included in the City's financial statements. The City's required contribution toward the implicit rate subsidy is based on pay-as-you-go financing.

A Schedule of Funding Progress and Schedule of Employer Contributions are presented as Required Supplementary Information following the notes to the financial statements. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Both the Schedule of Funding Progress and the Schedule of Employer Contributions present information related to the cost-sharing plan as a whole, of which the City, including the Airport System, is one participant, and should provide information helpful for understanding the scale of the information presented relative to the Airport System.

Projections and benefits for financial reporting purposes are based on the substantive plan as understood by the plan and the members and included in the types of benefits provided at the time of each valuation and the historic

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pattern of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective calculations.

For the December 31, 2010 actuarial valuation of the Implicit Rate Subsidy, the entry age normal, level percent of pay, valuation method was used. The actuarial assumptions included a 4.0% investment rate of return, and health care cost trend grading from 9.0% decreasing by 0.5% per year to 5.0% thereafter. The amortization period was 30 years, open basis, using a level percentage of pay amortization method.

Contributions made by the Airport System toward the implicit rate subsidy were \$123,693, \$864,100 and \$743,100 for the years ended December 31, 2012, 2011 and 2010, respectively, based on a pay-as-you-go financing.

(16) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

(17) Commitments and Contingencies

(a) Commitments

At December 31, 2012, the Airport System has the following contractual commitments for construction and professional services:

| | |
|--|-----------------------|
| Construction projects | \$ 49,149,781 |
| Construction projects to be funded by bonded debt | 42,111,001 |
| Construction project to be funded by bonded debt - South Terminal | 30,355,569 |
| Projects related to remediation – Stapleton | <u>1,496,296</u> |
| Total commitments | <u>\$ 123,112,647</u> |

The South Terminal Redevelopment Program consists of a variety of projects which are in part under construction.

(b) Noise Litigation

The City and Adams County entered into an intergovernmental agreement for Denver International dated April 21, 1988 (the Intergovernmental Agreement). The Intergovernmental Agreement establishes maximum levels of noise that should not be exceeded on an average annual basis at various grid points surrounding the Airport. Penalties must be paid to Adams County when these maximums are exceeded.

City and County of Denver
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NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

As of December 31, 2012, the Airport System had accrued \$.5 million in the accompanying financial statements for noise violations and penalties. There is no noise penalty due for 2012.

(c) Regional Transportation District (RTD)

The City and Regional Transportation District (RTD) entered into an intergovernmental agreement for Denver International Airport (DIA) dated March 16, 2010 (the Intergovernmental Agreement). The Airport and RTD have different interpretations of the IGA's division of performance and payment responsibility in the area immediately south of the DIA Rail Station. Negotiations to settle the remaining issues were unsuccessful. The City's best estimate of the range of possible liability of the City not accounted for in the Airport System's original capital program for the South Terminal is between \$12 million and \$20 million.

(d) Claims and Litigation

The Airport System is involved in several other claims and lawsuits and is the subject of certain other investigations. The Airport System and its legal counsel estimate that the ultimate resolution of these matters will not materially affect the accompanying financial statements of the Airport System.

(d) Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under noncancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2012 and 2011 was \$77,144,567 and \$75,202,183, respectively.

Minimum future rentals due from concession tenants are as follows for the years ending December 31:

| | | |
|------------------------------|-----------|--------------------|
| 2013 | \$ | 59,239,647 |
| 2014 | | 25,140,833 |
| 2015 | | 19,910,576 |
| 2016 | | 18,319,474 |
| 2017 | | 14,508,042 |
| 2018-2022 | | 33,482,092 |
| 2023 | | 590,100 |
| Total minimum future rentals | <u>\$</u> | <u>171,190,764</u> |

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds \$20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2012 or 2011. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(e) Federal grants

Under the terms of the Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The Airport System management believes disallowances, if any, will be immaterial to its financial position and activities of the Airport.

City and County of Denver
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(18) Insurance

The Airport System is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Airport System has purchased commercial insurance for the various risks.

Employees of the City (including all Airport System employees) are covered by the City's insurance policies. Effective October 1, 1989, the City established a workers' compensation self-insurance trust in accordance with State statutes, to be held for the benefit of the City's employees.

The City's Workers' Compensation Internal Service Fund compensates City employees, or their eligible dependents, for injuries as authorized by the State Workers' Compensation law or City ordinances. The administrators of the fund provide safety training and enhancement programs, in addition to maintaining in-house records of claims. On August 1, 1991, a separate insurance program was established by the City to insure all contract labor working on-site at Denver International. The program provides medical and indemnity payments as required by law for on-the-job related injuries for all non-City employees and builders' risk, general liability, and professional liability for all applicable construction and consulting firms working on-site at the Denver International Airport. The insurance program covers only incidents incurred prior to September 1994.

Deductibles under this insurance program are: (1) workers' compensation liability of \$250,000 per occurrence; and (2) general liability, builders' risk, and professional liability insurance of \$25,000, \$100,000, and \$1,000,000 per occurrence, respectively.

Settled claims for these risks have not exceeded this commercial coverage in any of the past three fiscal years.

(19) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airlines' landing and facility rental fees (airline operating revenue). For each of the years ended December 31, 2012 and 2011, United Airlines group, including Continental Airlines, represented approximately 48.1% and 54.5% of the Airport System's airline operating revenue, respectively. Southwest Airlines represented 15.1% and 14.1% in 2012 and 2011, respectively. Frontier Airlines group represented 13.4% and 14.4% in 2012 and 2011 of the Airport System's airline operating revenue, respectively. No other airline represented more than 10% of the Airport System's airline operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

(20) United Airlines

The dominant air carrier at Denver International is United Airlines, one of the world's largest airlines. The Airport currently is the second largest connecting hub in United's route system, both in terms of passengers and flight operations. Pursuant to the United Use and Lease Agreement, United currently leases 35 of the 92 full-service gates at the Airport. In addition, United together with its United Express commuter affiliates, including Continental, accounted for 40.5% and 42.2% of enplaned passengers at the Airport in 2012 and through March of 2013, respectively.

(21) Subsequent Events

Denver International Airport earned several high rankings among U.S. airports in some of the industry's most prestigious awards. Denver International was voted the third best airport in North America, fifth on the list of the "World's Best Domestic Airports" and second for the "Best Regional Airports in North America" in the 2013 Skytrax World Airport News.

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(UNAUDITED)

December 31, 2012 and 2011

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentaged of Covered Payroll (b-a)/(c) |
|--------------------------------|-------------------------------------|--|------------------------------|--------------------------|------------------------|---|
| 12/31/2010 | \$ - | \$ 113,048,000 | \$ 113,048,000 | 0.0% | \$ 409,058,000 | 27.6% |
| 12/31/2011 | - | 115,813,000 | 115,813,000 | 0.0% | 425,186,000 | 27.2% |
| 12/31/2012 | - | 88,704,000 | 88,704,000 | 0.0% | 446,182,000 | 19.9% |

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(UNAUDITED)

December 31, 2012 and 2011

Implicit Rate Subsidy

| Year Beginning January 1 | Annual Actuarially Required Contribution | Percentage Contributed |
|-------------------------------------|---|-----------------------------------|
| 2010 | \$ 8,026,000 | 70% |
| 2011 | \$ 8,280,000 | 78% |
| 2012 | \$ 6,261,000 | 86% |

City and County of Denver
Municipal Airport System

**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE
RESERVE ACCOUNT AS DEFINED IN THE 1984
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2012

| | |
|--|----------------|
| Gross Revenue | |
| Facility rentals | \$ 245,847,539 |
| Concession income | 49,592,429 |
| Parking income | 137,912,053 |
| Car rental income | 47,221,960 |
| Landing fees | 127,346,400 |
| Aviation fuel tax | 32,782,884 |
| Other sales and charges | 18,406,121 |
| Interest income | 17,974,663 |
| Designated Passenger Facility Charge Revenues | 34,271,254 |
| Miscellaneous income | 1,924,205 |
| Operation and Gross revenues as defined in the ordinance | 713,279,508 |
| | |
| Personnel services | 119,658,952 |
| Contractual services | 175,420,405 |
| Maintenance, supplies, and materials | 23,315,015 |
| Operation and maintenance expenses as defined in the ordinance | 318,394,372 |
| | |
| Other available funds | 394,885,136 |
| Net revenue | 51,685,419 |
| | |
| Net revenue plus other available funds as defined in the ordinance | \$ 446,570,555 |
| | |
| Debt service requirement as defined in the ordinance (1) | \$ 247,562,500 |
| | |
| Coverage ratio (net revenue plus other available funds as a percentage of debt service) | 180% |
| | |
| Debt service requirements for the senior debt (1) | \$ 209,519,583 |
| | |
| Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements for senior debt) | 213% |

Net of irrevocably committed PFCs of \$68,542,509 applied under the Supplemental Bond Ordinance

(1) Bond Account

There shall be credited to the Bond Account, in the following order of priority:

(a) Interest Account

Required deposit monthly to the Bond Interest Account, commencing on the first day of the month immediately succeeding the issuance of any bonds, an amount which if made in substantially equal

City and County of Denver
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**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE
RESERVE ACCOUNT AS DEFINED IN THE 1984
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2012

installments thereafter would be sufficient to pay the next maturing installment of interest on such series of bonds.

| <u>Bond series</u> | <u>Interest payment date</u> | <u>Balance interest due</u> | <u>Required Interest Acct. balance at 12/31/2012</u> |
|--------------------|----------------------------------|---------------------------------|--|
| Series 1991D | 05/15/13 | \$ 230,563 | \$ 38,427 |
| Series 1992F-G | 01/01/13 | 8,036 | 8,036 |
| Series 1997E | 05/15/13 | 222,434 | 37,072 |
| Series 2002C | 01/01/13 | 6,669 | 6,669 |
| Series 2005A | 05/15/13 | 5,407,825 | 901,304 |
| Series 2006A | 05/15/13 | 6,639,725 | 1,106,621 |
| Series 2006B | 05/15/13 | 1,054,875 | 175,813 |
| Series 2007A | 05/15/13 | 4,708,750 | 784,792 |
| Series 2007B | 05/15/13 | 606,250 | 101,042 |
| Series 2007C | 05/15/13 | 865,875 | 144,313 |
| Series 2007D | 05/15/13 | 3,924,319 | 654,053 |
| Series 2007D2 | 05/15/13 | 730,000 | 121,667 |
| Series 2007E | 05/15/13 | 1,185,000 | 197,500 |
| Series 2007F1-F4 | 01/01/13 | 154,703 | 154,703 |
| Series 2007G1-G2 | 01/01/13 | 19,589 | 19,589 |
| Series 2008A | 05/15/13 | 2,990,625 | 498,438 |
| Series 2008B | 01/01/13 | 75,046 | 75,046 |
| Series 2008C1 | 01/01/13 | 93,282 | 93,282 |
| Series 2008C2-C3 | 01/01/13 | 149,694 | 149,694 |
| Series 2009A | 05/15/13 | 4,358,475 | 726,413 |
| Series 2009B | 05/15/13 | 2,093,850 | 348,975 |
| Series 2009C | 01/01/13 | 94,626 | 94,626 |
| Series 2010A | 05/15/13 | 4,240,922 | 706,820 |
| Series 2011A | 05/15/13 | 8,532,775 | 1,422,129 |
| Series 2011B | 05/15/13 | 4,067,400 | 677,900 |
| Series 2011C | 05/15/13 | 301,125 | 50,188 |
| Series 2012A | 05/15/13 | 7,286,981 | 1,214,497 |
| Series 2012B | 05/15/13 | 12,099,950 | 2,016,658 |
| Series 2012C | 05/15/13 | 543,919 | 90,653 |
| | | | <u>\$ 12,616,920</u> |

City and County of Denver
Municipal Airport System

**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE
RESERVE ACCOUNT AS DEFINED IN THE 1984
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2012

(b) *Principal Account*

Required deposit monthly to the Bond Principal Account, commencing on the first day of the month immediately succeeding the issuance of any Serial Bonds, or commencing one year prior to the first fixed maturity date of such Serial Bonds, whichever date is later, an amount which if made in substantially equal installments thereafter would be sufficient to pay the next maturing installment of principal of such Serial Bonds.

| <u>Bond series</u> | <u>Principal payment date</u> | <u>Balance principal due</u> | <u>Required principal account balance at 12/31/2012</u> |
|--------------------|-----------------------------------|----------------------------------|---|
| Series 1991D | 11/15/13 | \$ 5,950,000 | \$ 495,833 |
| Series 1992 F, G | 11/15/13 | 1,900,000 | 158,333 |
| Series 1997E | 11/15/13 | 7,414,483 | 617,874 |
| Series 2002C | 11/15/13 | 1,900,000 | 158,333 |
| Series 2005A | 11/15/13 | 70,000 | 5,833 |
| Series 2006B | 11/15/13 | 19,680,000 | 1,640,000 |
| Series 2007F1-F4 | 11/15/13 | 600,000 | 50,000 |
| Series 2007G1-G2 | 11/15/13 | 400,000 | 33,333 |
| Series 2008A | 11/15/13 | 28,140,000 | 2,345,000 |
| Series 2008B | 11/15/13 | 4,700,000 | 391,667 |
| Series 2011A | 11/15/13 | 17,810,000 | 1,484,167 |
| Series 2011B | 11/15/13 | 33,095,000 | 2,757,917 |
| Series 2012A | 11/15/13 | 290,000 | 24,167 |
| Series 2012B | 11/15/13 | 7,815,000 | 651,250 |
| Series 2012C | 11/15/13 | 1,350,000 | 112,500 |
| | | | <u>\$ 10,926,207</u> |

(c) *Sinking Account*

Required deposit monthly, to the Bond Sinking Account, commencing on the first day of the twelfth calendar month prior to the date on which the City is required to pay any Term Bonds, one twelfth of the amount necessary to pay the redemption price or principal of such Term Bonds scheduled to be retired in any year by mandatory redemption, at fixed maturity or otherwise, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore. The 1991D Series are subject to mandatory sinking fund redemption requirements.

City and County of Denver
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**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE
RESERVE ACCOUNT AS DEFINED IN THE 1984
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2012

(d) **Redemption Account**

Required deposit to the Bond Redemption Account, on or prior to any date on which the Airport System exercises its option to call for prior redemption of any Bonds, an amount necessary to pay the redemption price of such bonds on such Redemption Date, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore.

As of December 31, 2012, the redemption account had a balance of \$22.4 million for the sixth runway and baggage system.

(e) **Bond Account Summary**

The sum of the required bond account balances described in items (a) through (b) above is as follows:

| | |
|---|--------------------|
| Aggregate required bond account balance | \$ 23,543,127 |
| Bond account balance at December 31, 2012 | <u>23,543,127</u> |
| Underfunded | <u><u>\$ -</u></u> |

(2) **Bond Reserve Account**

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2012 is \$406,960,624. The minimum Bond Reserve Account requirement is \$406,960,624.

(3) **Operation and Maintenance Reserve Account**

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The Airport System is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2012.

Computation of minimum operation and maintenance reserve:

| | |
|---|-----------------------------|
| 2011 Operation and Maintenance expenses | <u>\$ 312,277,998</u> |
| Minimum operations and maintenance reserve requirement for 2011 | <u>\$ 52,046,333</u> |
| Operation and maintenance reserve account balance at December 31, 2012 | <u>75,720,150</u> |
| Overfunded | <u><u>\$ 23,673,817</u></u> |

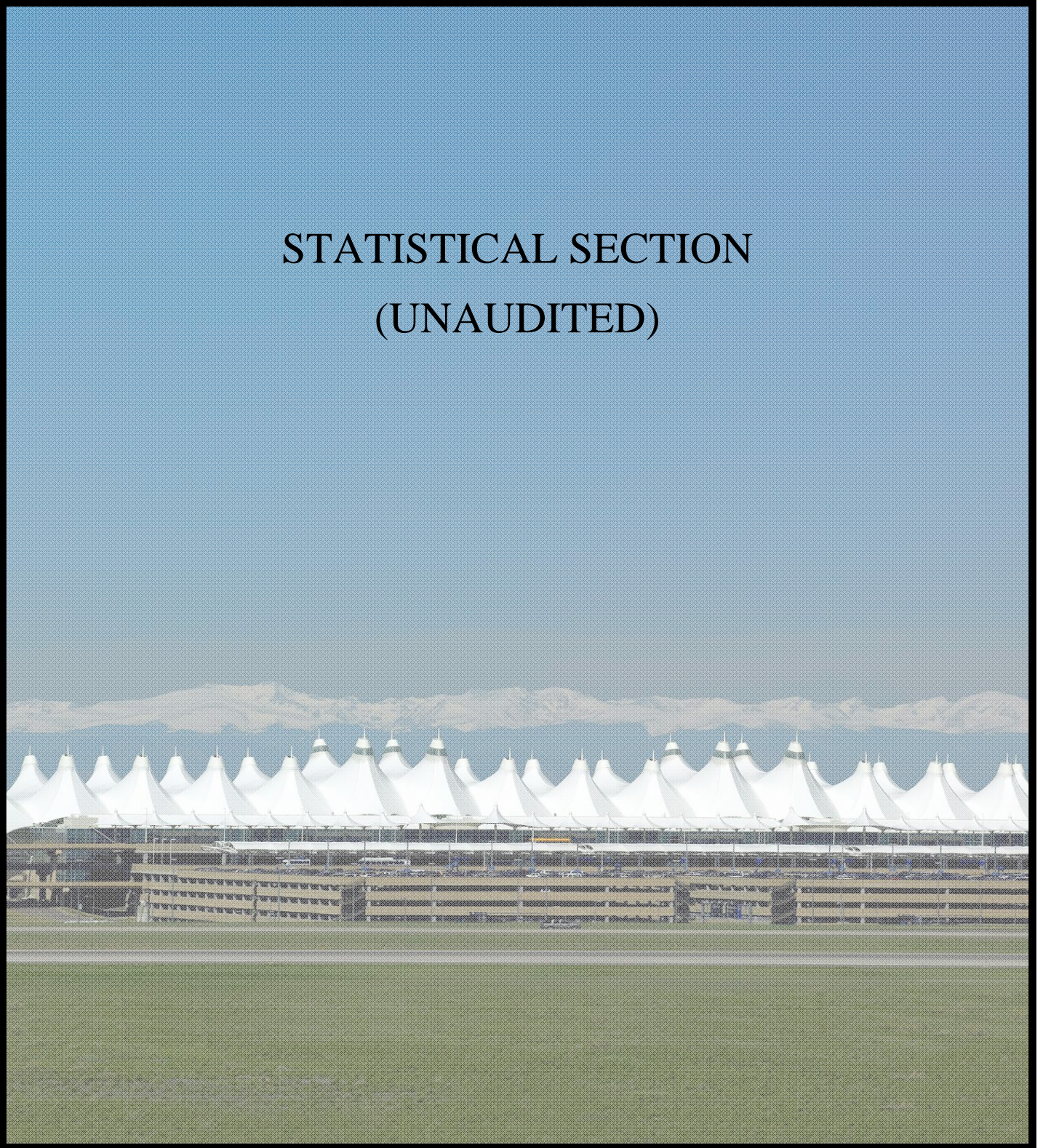
- (1) Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to four times the prior year's monthly average.

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

STATISTICAL SECTION
(UNAUDITED)



City and County of Denver
Municipal Airport System
ANNUAL FINANCIAL INFORMATION
(UNAUDITED)
LAST TEN FISCAL YEARS

(1) Condensed Schedule of Revenues and Expenses (in thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 * | 2010 | 2011 | 2012 |
|---|-----------------|------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|-------------------|------------------|
| Operating revenues | \$ 457,386 | \$ 477,936 | \$ 497,177 | \$ 508,307 | \$ 530,151 | \$ 540,760 | \$ 564,490 | \$ 601,402 | \$ 602,769 | \$ 624,673 |
| Operating expenses, before depreciation and amortization | <u>211,913</u> | <u>221,214</u> | <u>239,405</u> | <u>262,514</u> | <u>290,773</u> | <u>373,829</u> | <u>379,517</u> | <u>409,865</u> | <u>392,862</u> | <u>388,171</u> |
| Operating income before depreciation and amortization | 245,473 | 256,722 | 257,772 | 245,793 | 239,378 | 166,931 | 184,973 | 191,537 | 209,907 | 236,502 |
| Depreciation and amortization | 148,763 | 135,338 | 150,823 | 151,507 | 159,309 | 168,026 | 177,583 | 181,496 | 179,070 | 178,567 |
| Impairment loss | <u>-</u> | <u>18,007</u> | <u>85,286</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating income (loss) | 96,710 | 103,377 | 21,663 | 94,286 | 80,069 | (1,095) | 7,390 | 10,041 | 30,837 | 57,935 |
| Nonoperating revenues (expenses) | (135,272) | (138,580) | (107,265) | (67,771) | (49,127) | (44,987) | (59,749) | (87,795) | (75,488) | (43,669) |
| Capital contributions, grants and transfers | <u>40,542</u> | <u>62,205</u> | <u>31,547</u> | <u>29,188</u> | <u>2,426</u> | <u>14,393</u> | <u>38,621</u> | <u>30,200</u> | <u>34,702</u> | <u>22,996</u> |
| Change in net position | <u>\$ 1,980</u> | <u>\$ 27,002</u> | <u>\$ (54,055)</u> | <u>\$ 55,703</u> | <u>\$ 33,368</u> | <u>\$ (31,689)</u> | <u>\$ (13,738)</u> | <u>\$ (47,554)</u> | <u>\$ (9,949)</u> | <u>\$ 37,262</u> |

City and County of Denver
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION
(UNAUDITED)**

LAST TEN FISCAL YEARS

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

| Year | Major International | | Regional Commuter | | Charter Miscellaneous | | Total | % Change |
|------|---------------------|----------|-------------------|----------|-----------------------|----------|------------|----------|
| | Airlines | % Change | Airlines | % Change | Airlines | % Change | | |
| 2003 | 17,192,825 | 1.80% | 1,395,391 | 108.40% | 172,719 | -35.80% | 18,760,935 | 5.20% |
| 2004 | 18,296,498 | 6.40% | 2,623,675 | 88.00% | 223,908 | 292.60% | 21,144,081 | 12.70% |
| 2005 | 18,278,079 | -0.10% | 3,221,623 | 22.80% | 202,273 | -9.70% | 21,701,975 | 2.60% |
| 2006 | 19,674,467 | 7.60% | 3,791,642 | 17.70% | 199,203 | -1.50% | 23,665,312 | 9.00% |
| 2007 | 20,774,889 | 5.60% | 3,945,388 | 4.10% | 220,676 | 10.80% | 24,940,953 | 5.40% |
| 2008 | 21,514,216 | 3.60% | 3,945,641 | 0.00% | 190,386 | -13.70% | 25,650,243 | 2.80% |
| 2009 | 20,646,529 | -4.00% | 4,239,139 | 7.40% | 242,365 | 27.30% | 25,128,033 | -2.00% |
| 2010 | 21,032,064 | 1.90% | 4,666,047 | 10.10% | 326,811 | 34.80% | 26,024,922 | 3.60% |
| 2011 | 21,709,430 | 3.20% | 4,439,841 | -4.80% | 306,494 | -6.20% | 26,455,765 | 1.70% |
| 2012 | 21,984,133 | 1.30% | 4,323,837 | -2.60% | 289,021 | -5.70% | 26,596,991 | 0.50% |

(b) Enplaned Passengers by Airline

| Airline | 2011 | % of Total | 2012 | % of Total |
|----------------|------------|------------|------------|------------|
| United | 7,263,486 | 27.40% | 6,720,604 | 25.27% |
| United Express | 4,042,388 | 15.28% | 4,039,472 | 15.19% |
| Total United | 11,305,874 | 42.74% | 10,760,076 | 40.46% |
| American | 732,195 | 2.77% | 754,863 | 2.84% |
| Delta | 1,231,122 | 4.65% | 1,215,718 | 4.57% |
| Frontier | 5,858,631 | 22.15% | 5,825,717 | 21.90% |
| Southwest | 5,756,081 | 21.76% | 6,301,166 | 23.69% |
| USAir | 640,248 | 2.42% | 718,488 | 2.70% |
| Other | 931,614 | 3.52% | 1,020,963 | 3.84% |
| Totals | 26,455,765 | 100.00% | 26,596,991 | 100.00% |

(c) Originating and Connecting Enplaned Passengers for the Year Ended December 31, 2012

| Airline | Originating | Connecting | Total |
|------------------|-------------|------------|------------|
| United | 10,760,076 | 12,718,779 | 23,478,855 |
| Other | 18,610,458 | 11,066,965 | 29,677,423 |
| Totals | 29,370,534 | 23,785,744 | 53,156,278 |
| Percent of total | 55% | 45% | 100% |

City and County of Denver
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION
(UNAUDITED)**

LAST TEN FISCAL YEARS

(3) Aircraft Operations

(a) Historical Aircraft Operations

| <u>Year</u> | <u>Air Carrier</u> | <u>Commuter</u> | <u>Taxi/gen aviation</u> | <u>Military</u> | <u>Total</u> | <u>Percent change</u> |
|-------------|------------------------|-----------------|------------------------------|-----------------|--------------|---------------------------|
| 2003 | 323,610 | 174,092 | 11,228 | 1,345 | 510,275 | 0.2% |
| 2004 | 330,674 | 224,960 | 9,936 | 951 | 566,521 | 11.0% |
| 2005 | 384,552 | 172,352 | 9,780 | 874 | 567,558 | 0.2% |
| 2006 | 428,794 | 167,975 | 11,415 | 1,333 | 609,517 | 7.4% |
| 2007 | 451,228 | 162,319 | 5,620 | 147 | 619,314 | 1.6% |
| 2008 | 460,311 | 160,746 | 4,610 | 177 | 625,844 | 1.1% |
| 2009 | 456,675 | 151,659 | 3,513 | 130 | 611,977 | -2.2% |
| 2010 | 468,962 | 162,646 | 3,721 | 116 | 635,445 | 3.8% |
| 2011 | 452,223 | 178,742 | 3,628 | 87 | 634,680 | -0.1% |
| 2012 | 443,389 | 170,809 | 3,900 | 159 | 618,257 | -2.6% |

Aircraft operations are takeoffs, landings, or other communications with the control tower

(4) Historical Passenger Facility Charge Revenues (in thousands)

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2003 | 71,945 | 2008 | 96,786 |
| 2004 | 82,161 | 2009 | 96,865 |
| 2005 | 84,000 | 2010 | 102,595 |
| 2006 | 93,150 | 2011 | 103,210 |
| 2007 | 97,191 | 2012 | 105,472 |

(5) Enplaned Cargo Operations (in pounds)

| <u>Year</u> | <u>Air Mail</u> | <u>Freight and Express</u> | <u>Total</u> | <u>Percent change</u> |
|-------------|-----------------|--------------------------------|--------------|---------------------------|
| 2003 | 55,088,719 | 271,753,872 | 326,842,591 | -13.7% |
| 2004 | 40,032,635 | 281,171,813 | 321,204,448 | -1.7% |
| 2005 | 34,463,315 | 278,199,783 | 312,663,098 | -2.7% |
| 2006 | 22,127,087 | 258,407,346 | 280,534,433 | -10.3% |
| 2007 | 5,359,863 | 257,363,998 | 262,723,861 | -6.3% |
| 2008 | 11,783,176 | 236,339,165 | 248,122,341 | -5.5% |
| 2009 | 12,918,962 | 208,524,571 | 221,443,533 | -10.8% |
| 2010 | 19,663,000 | 222,047,310 | 241,710,310 | 9.2% |
| 2011 | 18,612,677 | 223,878,051 | 242,490,728 | 0.3% |
| 2012 | 17,373,529 | 210,360,700 | 227,734,229 | -6.1% |

City and County of Denver
Municipal Airport System
ANNUAL FINANCIAL INFORMATION
(UNAUDITED)
LAST TEN FISCAL YEARS

(6) Historical Net Revenues and Debt Service Coverage under the Bond Ordinance (in thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Gross revenue | \$ 527,567 | \$ 543,044 | \$ 571,102 | \$ 592,110 | \$ 616,106 | \$ 635,607 | \$ 631,592 | \$ 668,885 | \$ 702,157 | \$ 713,279 |
| Operation and maintenance expenses | 201,573 | 220,254 | 238,142 | 256,191 | 282,746 | 305,382 | 309,270 | 302,881 | 312,278 | 318,394 |
| Net revenue | 325,994 | 322,790 | 332,960 | 335,919 | 333,360 | 330,225 | 322,322 | 366,004 | 389,879 | 394,885 |
| Other available funds | 50,807 | 54,849 | 55,173 | 50,791 | 53,251 | 53,575 | 49,288 | 57,449 | 57,528 | 51,685 |
| Total amount available for debt service requirements | <u>\$ 376,801</u> | <u>\$ 377,639</u> | <u>\$ 388,133</u> | <u>\$ 386,710</u> | <u>\$ 386,611</u> | <u>\$ 383,800</u> | <u>\$ 371,610</u> | <u>\$ 423,453</u> | <u>\$ 447,407</u> | <u>\$ 446,570</u> |
| Debt service requirements | <u>\$ 230,547</u> | <u>\$ 243,495</u> | <u>\$ 241,622</u> | <u>\$ 220,001</u> | <u>\$ 229,923</u> | <u>\$ 240,028</u> | <u>\$ 237,905</u> | <u>\$ 235,244</u> | <u>\$ 235,356</u> | <u>\$ 247,563</u> |
| Debt service coverage | 163% | 155% | 161% | 176% | 168% | 160% | 156% | 180% | 190% | 180% |

City and County of Denver
Municipal Airport System

**SUMMARY OF INSURANCE COVERAGE
(UNAUDITED)**

December 31, 2012

| <u>Policy number</u> | <u>Company</u> | <u>Item covered</u> | <u>Expiration date</u> | <u>Annual premium</u> | <u>Coverage</u> |
|----------------------|------------------------|-----------------------------|------------------------|-----------------------|------------------|
| PLL668823452 | Chartis | Pollution | 9/1/2013 | \$ 73,112 | \$ 10,000,000 |
| PL08644870003 | Chartis | Airport Liability Primary | 9/1/2013 | \$ 418,542 | \$ 300,000,000 |
| EX12000780 | Global Aerospace, Inc. | Airport Liability -Excess | 9/1/2013 | \$ 79,600 | \$ 200,000,000 |
| 20412933 | Lexington | Property/Boiler & Machinery | 9/1/2013 | \$ 1,805,355 | \$ 1,500,000,000 |

APPENDIX G

**UNAUDITED FINANCIAL STATEMENT OF THE AIRPORT SYSTEM FOR THE THREE
MONTHS ENDED MARCH 31, 2013 AND 2012**

APPENDIX H

FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this "**Disclosure Undertaking**") is executed and delivered by the CITY AND COUNTY OF DENVER, COLORADO (the "**City**"), in connection with the issuance of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2013A" in the aggregate principal amount of \$_____ (the "**Series 2013A Bonds**"), and the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2013B" in the aggregate principal amount of \$_____ (the "**Series 2013B Bonds**" and, together with the Series 2013A Bonds, the "**Bonds**"), by the City, for and on behalf of its Department of Aviation (the "**Department**"). The Bonds are being issued pursuant to Ordinance No. __, Series of 2013, as heretofore amended and supplemented, and as further supplemented by Ordinance No. __, Series 2013, each adopted by the City Council of the City on _____, 2013 (collectively, the "**Ordinance**").

In consideration of the purchase of the Bonds by the Participating Underwriters (as defined below), the City covenants and agrees as follows:

Section 1. Definitions. The definitions set forth in the Ordinance apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section. As used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the financial information or operating data with respect to the City, the Airport System and any Obligated Person, delivered at least annually pursuant to Section 2 hereof, substantially similar to the type set forth in the Official Statement as described in Schedule 1 hereto. Annual Financial Information may, but is not required to, include Audited Financial Statements and may be provided in any format deemed convenient by the City.

"*Audited Financial Statements*" means the annual financial statements for the Airport System, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants.

"*Bondowner*" or "*Owner of the Bonds*" means the registered owner of the Bonds, and so long as the Bonds are required to be registered through the Securities Depository in accordance with the Ordinance, any beneficial owner of Bonds on the records of said Securities Depository or its participants, or any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Bonds, which includes the power to dispose, or direct the disposition, of the Bonds identified to the satisfaction of the City.

"*Commission*" means the Securities and Exchange Commission.

"*Event*" or "*Events*" means any of the events listed in Sections 3(a) and 3(b) of this Disclosure Undertaking.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the United States Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) system of the MSRB available on the

Internet at <http://emma.msrb.org>. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

"*Obligated Person*" means the City, for and on behalf of the Department, and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Gross Revenues of the Airport System for the prior two Fiscal Years of the City.

"*Official Statement*" means the final Official Statement dated _____, 2013, together with any supplements thereto prior to the date the Bonds are issued, delivered in connection with the original issue and sale of the Bonds.

"*Participating Underwriters*" has the meaning given thereto under the Rule, or any successors to such Underwriters known to the Treasurer.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*Treasurer*" means the Manager of Finance of the City's Department of Finance, Chief Financial Officer, ex officio Treasurer of the City, or his or her designee, and successor in functions, if any.

Section 2. Provision of Annual Financial Information.

(a) Commencing with respect to the Fiscal Year ended December 31, 2013, and each Fiscal Year thereafter while the Bonds remain outstanding under the Ordinance, the Treasurer shall provide or cause to be provided to the MSRB, Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System. No such provision of any Annual Financial Information shall be deemed an official act of the City without the approval of the Treasurer.

(b) Such Annual Financial Information with respect to the Airport System shall be provided not later than 270 days after the end of each Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements with respect to the Airport System will be provided when available, but in no event later than 270 days after the end of each Fiscal Year.

(c) The Treasurer may provide or cause to be provided Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System by specific cross-reference to other documents which have been submitted to the MSRB or other repositories in accordance with the Rule or filed with the Commission. If the document so referenced is a final official statement within the meaning of the Rule such final official statement must be available from the MSRB. The Treasurer shall clearly identify each such other document provided by cross reference.

(d) The City acknowledges that United Airlines, which includes itself together with its United Express regional commuter affiliates, including Continental Airlines and its Continental Express affiliates (collectively, the "**United Group**") is the only Obligated Person other than the City, at present, that is required by federal law to file Annual Financial Information with the Commission. The City and the Treasurer take no responsibility for the accuracy or completeness of such filings by the United Group or by any future Obligated Person. Unless no longer required by the Rule to do so, the City and the Treasurer agree to use their reasonable best efforts to cause the United Group (to the extent the United Group is not otherwise required under federal law to do so), and any future Obligated Person, to make

Annual Financial Information available as contemplated by this Section 2. Any change in Obligated Persons shall be reported by the Treasurer in connection with the Annual Financial Information.

Section 3. Reporting of Events.

(a) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (6) defeasances;
- (7) rating changes;
- (8) tender offers; and
- (9) bankruptcy, insolvency, receivership, or similar event of the Obligated Person.

For the purposes of the event identified in paragraph (3)(a)(9) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds, if material:

- (1) non-payment related defaults;
- (2) modifications to the rights of the beneficial owners of the Bonds;
- (3) bond calls;
- (4) release, substitution or sale of property securing repayment of the Bonds;

- (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (6) appointment of a successor or additional trustee or a change in the name of a trustee.

Whenever the Treasurer obtains knowledge of the occurrence of an event specified in paragraph 3(b), the Treasurer shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Treasurer determines that such event would constitute material information for owners of Bonds, then the Treasurer shall provide or cause to be provided to the MSRB in accordance with the terms of this paragraph 3(b) notice of such event.

(c) At any time the Bonds are outstanding under the Ordinance, the Treasurer shall provide or cause to be provided, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2 hereof. No such notice shall be deemed an official notice from the City without the approval of the Treasurer.

Section 4. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earlier of (a) the date all principal and interest on the Bonds shall have been deemed paid pursuant to the terms of the Ordinance; (b) the date that the City or the Department shall no longer constitute an "obligated person" with respect to the Bonds within the meaning of the Rule; and (c) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, which determination shall be evidenced by an Attorney's Opinion selected by the City, a copy of which opinion shall be given to the representative of the Participating Underwriters. The Treasurer shall file or cause to be filed a notice of any such termination with the MSRB.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, (a) if such amendment occurs prior to the actual original issuance and delivery of the Bonds and the Participating Underwriters consent thereto, (b) if such amendment is consented to by the owners of no less than a majority in aggregate principal amount of the Bonds obtained in the manner prescribed by the Ordinance, or (c) if such amendment or waiver is otherwise required by the Rule or permitted by the Rule without Bondowner consent. Written notice of any such amendment or waiver shall be provided by the Treasurer to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

Section 6. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. No such information shall be deemed an official notice from the City without the approval of the Treasurer. If the City chooses to include any information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this

Disclosure Undertaking to update such information or notice or include its disclosure in any future annual filing or notice of occurrence of an Event.

Section 7. Default and Enforcement. If the City or the Treasurer fail to comply with any provision of this Disclosure Undertaking, any Bondowner may take action in the District Court for the Second Judicial District of the State of Colorado to seek specific performance by court order to compel the City or the Treasurer to comply with its obligations under this Disclosure Undertaking; provided that any Bondowner seeking to require compliance with this Disclosure Undertaking shall first provide to the Treasurer at least 30 days' prior written notice of the City's or the Treasurer's failure, giving reasonable details of such failure, following which notice the City and the Treasurer shall have 30 days to comply. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Ordinance or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Treasurer to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 8. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 9. Filing. The filing of Annual Financial Information, Audited Financial Statements, notices of Events or any other notice required by this Disclosure Undertaking shall be effected by sending the filing or notice to the MSRB, in such designated electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

* * *

[Dates and Signatures]

Schedule 1

"*Annual Financial Information*" means the financial information and operating data with respect to the City, the Airport System and any Obligated Person substantially similar to the type set forth in the Official Statement under the headings "CAPITAL PROGRAM" and "AVIATION ACTIVITY AND AIRLINES – Aviation Activity," and data concerning outstanding debt, fund balances and results of operations of the type included under the heading "FINANCIAL INFORMATION."

* * *

APPENDIX I

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City and County of Denver, Colorado
for and on behalf of its Department of Aviation
City and County Building
Denver, Colorado 80202

Citigroup
as Representative of the underwriters
New York, New York

**City and County of Denver, Colorado
for and on behalf of its Department of Aviation
Airport System Subordinate Revenue Bonds
Series 2013A - \$
Series 2013B - \$**

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Denver, Colorado (the "**City**"), in connection with the City's issuance, for and on behalf of its Department of Aviation (the "**Department**"), of \$_____ aggregate principal amount of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2013A" and \$_____ aggregate principal amount of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2013B" (collectively, the "**Series 2013A-B Subordinate Bonds**") pursuant to Ordinance No. 626, Series of 1984, as supplemented and amended by certain supplemental ordinances, Ordinance No. ____, Series of 2013, as supplemented and amended by certain supplemental ordinances, including Ordinance No. ____, Series of 2013, with respect to the Series 2013A-B Subordinate Bonds, (collectively, the "**Ordinance**"). All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Series 2013A-B Subordinate Bonds are being issued as fully registered bonds and are dated the date of issuance. The Series 2013A-B Subordinate Bonds mature, bear interest, are payable and are subject to redemption, prior to maturity, in the manner and upon the terms set forth therein and in the Ordinance.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including, without limitation, Article XX of the Colorado Constitution, the Supplemental Public Securities Act, title 11, article 57, part 2, Colorado Revised Statutes, as amended (the "**Supplemental Public**

Securities Act"), the Charter of the City, Ordinance No. 755, Series of 1993, designating the Department as an "enterprise" within the meaning of Section 20, Article X of the Colorado Constitution, the resolutions of the Manager of the Department authorizing, approving, and requesting the issuance of the Series 2013A-B Subordinate Bonds, a certified transcript of the record of proceedings of the City Council of the City taken preliminary to and in the authorization of the Series 2013A-B Subordinate Bonds, the forms of the Series 2013A-B Subordinate Bonds, and certificates of officers of the City (specifically including tax certificates and pricing certificates) and of others delivered in connection with the issuance of the Series 2013A-B Subordinate Bonds.

We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2013A-B Subordinate Bonds, and we express no opinion herein relating to such matters. As to questions of fact material to our opinion, we have relied upon the representations of the City and other parties contained in the Ordinance, certified proceedings, reports, certificates and other instruments (and have assumed the genuineness of signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of original documents and the conformity with original documents of copies submitted to us) without undertaking to verify the same by independent investigation.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The City validly exists as a body corporate and politic and political subdivision of the State of Colorado (the "**State**"), with the power to adopt the Ordinance and issue the Series 2013A-B Subordinate Bonds for and on behalf of the Department.

2. The Ordinance has been duly adopted by the City and constitutes a valid and binding obligation of the City, for and on behalf of the Department, enforceable against the City in accordance with its terms.

3. The Series 2013A-B Subordinate Bonds have been duly authorized, executed and delivered by the City, for and on behalf of the Department, and are valid and binding special obligations of the City, for and on behalf of the Department, payable solely from the sources provided therefor in the Ordinance.

4. The Ordinance creates, pursuant to the home rule powers of the City under Article XX of the Colorado Constitution and the Supplemental Public Securities Act, an irrevocable lien (but not necessarily an exclusive lien) on the Net Revenues of the Airport System for the benefit of the Series 2013A-B Subordinate Bonds subordinate to Senior Bonds (and any Obligations in respect thereof) and on a parity with the lien thereon of other Subordinate Bonds (and any Obligations in respect thereof) heretofore or hereafter issued by the City, or by the City, for and on behalf of the Department.

5. The interest on the Series 2013A Subordinate Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2013A Subordinate Bonds are held by a person who is a "substantial user" of the Airport System or a

"related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "**Code**"). It should be noted, however, that interest on the Series 2013A Subordinate Bonds will be treated as an item of tax preference in calculating the federal alternative minimum tax liability imposed on individuals, trusts, estates and corporations. The interest on the Series 2013B Subordinate Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as provided in the following sentence, corporations. For corporations only, interest on the Series 2013B Subordinate Bonds is taken into account in determining adjusted current earnings for the purposes of the adjustment to alternative minimum taxable income used in computing the alternative minimum tax on corporations (as defined for alternative minimum tax purposes). The foregoing opinions assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2013A-B Subordinate Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with such requirements of the Code. Failure to comply with such requirements could cause the interest on the Series 2013A-B Subordinate Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013A-B Subordinate Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2013A-B Subordinate Bonds.

6. To the extent interest on the Series 2013A-B Subordinate Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State. We express no opinion regarding other State or local tax consequences arising with respect to the Series 2013A-B Subordinate Bonds, including whether interest on the Series 2013A-B Subordinate Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

It is to be understood that the rights of the owners of the Series 2013A-B Subordinate Bonds and the enforceability of the Series 2013A-B Subordinate Bonds and the Ordinance may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted; and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Ordinance are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the City, for and on behalf of the Department, to pay the principal of, and premium, if any, and interest on, the Series 2013A-B Subordinate Bonds from the Net Revenues of the Airport System.

We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion. This opinion has been prepared solely for your use and should not be quoted in whole or in part or otherwise be referred to, nor be filed with or furnished to any governmental agency or other person or entity, without the prior written consent of this firm;

provided, however, that copies of this opinion may be included in the closing transcripts for the transactions relating to the Series 2013A-B Subordinate Bonds.

Respectfully submitted,

* * *