APPENDIX B

GLOSSARY OF TERMS

Set forth below are definitions of some of the terms used in this Official Statement and the Senior 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. 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 the Series 2012A-C 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, 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 for such period as may be determined by Supplemental Ordinance, any discount on the sale or remarketing of Bonds, any reserves for the payment of Bonds, or any other costs of issuing, carrying or repaying 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; (j) the costs of amending any resolution, ordinance or other instrument relating to 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 2012A-C 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 Series 2012A-C Supplemental Ordinances.

"*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*" 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 prior to the adoption of the Series 2012A-C Supplemental Ordinances.

"*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; and (h) 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, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under the Senior 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 Bonds; provided that Hedge Termination Payments to be made by the City are not to be secured under the Senior Bond Ordinance on a parity with the 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 2012A-C 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 (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.

"*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.

"*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.

"*Ordinance*" means the General Bond Ordinance of the City passed by the City Council on November 26, 1984, and approved by the Mayor on November 29, 1984, Ordinance No. 626, Series of 1984, as supplemented and amended by the 1984 Airport System Supplemental Bond Ordinance, Ordinance No. 627, Series of 1984; the Series 1985 Airport System Supplemental Bond Ordinance,

Ordinance No. 674, Series of 1985; the Series 1990A Airport System Supplemental Bond Ordinance, Ordinance No. 268, Series of 1990; the Series 1991A Airport System Supplemental Bond Ordinance, Ordinance No. 278, Series of 1991; the Series 1991D Airport System Supplemental Bond Ordinance, Ordinance No. 726, Series of 1991; the Series 1992A Airport System Supplemental Bond Ordinance, Ordinance No. 82, Series 1992; the Series 1992B Airport System Supplemental Bond Ordinance, Ordinance No. 288, Series of 1992; the Ninth Supplemental Ordinance; the Series 1992C Airport System Supplemental Bond Ordinance, Ordinance No. 640, Series of 1992; the Series 1992D Airport System Supplemental Bond Ordinance, Ordinance No. 641, Series of 1992; the Series 1992E Airport System Supplemental Bond Ordinance, Ordinance No. 642, Series of 1992; the Series 1992F Airport System Supplemental Bond Ordinance, Ordinance No. 643, Series of 1992; the Series 1992G Airport System Supplemental Bond Ordinance, Ordinance No. 644, Series of 1992; the Series 1994A Airport System Supplemental Bond Ordinance, Ordinance No. 680, Series of 1994; the Series 1995A Airport System Supplemental Bond Ordinance, Ordinance No. 428, Series of 1995; the Series 1995B Airport System Supplemental Bond Ordinance, Ordinance No. 429, Series of 1995; the Series 1995C Airport System Supplemental Bond Ordinance, Ordinance No. 950, Series of 1995; the Series 1996A Airport System Supplemental Bond Ordinance, Ordinance No. 226, Series of 1996; the Series 1996B Airport System Supplemental Bond Ordinance, Ordinance No. 227, Series of 1996; the Twenty-first Supplemental Ordinance; the Series 1996C Airport System Supplemental Bond Ordinance, Ordinance No. 888, Series of 1996; the Series 1996D Airport System Supplemental Bond Ordinance, Ordinance No. 889, Series of 1996; the Twenty-fourth Supplemental Ordinance, Ordinance No. 480, Series of 1997; the Series 1997D Airport System Supplemental Bond Ordinance, Ordinance No. 547, Series of 1997; the Series 1997E Airport System Supplemental Bond Ordinance, Ordinance No. 548, Series of 1997; the Twenty-seventh Supplemental Ordinance; the Series 1998A Airport System Supplemental Bond Ordinance, Ordinance No. 821, Series of 1998; the Series 1998B Airport System Supplemental Bond Ordinance, Ordinance No. 822, Series of 1998; the Thirtieth Supplemental Ordinance; the Series 2000A Airport System Supplemental Bond Ordinance, Ordinance No. 647, Series of 2000; the Series 2000B Airport System Supplemental Bond Ordinance, Ordinance No. 648, Series of 2000; the Series 2000C Airport System Supplemental Bond Ordinance, Ordinance No. 649, Series of 2000; the Series 2001A Airport System Supplemental Bond Ordinance, Ordinance No. 539, Series of 2001; the Series 2001B Airport System Supplemental Bond Ordinance, Ordinance No. 540, Series of 2001; the Series 2001D Airport System Supplemental Bond Ordinance, Ordinance No. 675, Series of 2001; the Series 2002A1-A3 Airport System Supplemental Bond Ordinance, Ordinance No. 715, Series of 2002; the Series 2002C Airport System Supplemental Bond Ordinance, Ordinance No. 800, Series of 2002; the Series 2002D Airport System Supplemental Bond Ordinance, Ordinance No. 801, Series of 2002; the Series 2002E Airport System Supplemental Bond Ordinance, Ordinance No. 802, Series of 2002; the Series 2003A Supplemental Bond Ordinance, Ordinance No. 298, Series of 2003; the Series 2003B Supplemental Bond Ordinance, Ordinance No. 299, Series of 2003; the Series 2004A Supplemental Bond Ordinance, Ordinance No. 748, Series of 2004; the Series 2004B Supplemental Bond Ordinance, Ordinance No. 749, Series of 2004; the Series 2005A Supplemental Bond Ordinance, Ordinance No. 559, Series of 2005; the Series 2005B1-B2 Supplemental Bond Ordinance, Ordinance No. 785, Series of 2005; the Series 2005C1-C2 Supplemental Bond Ordinance, Ordinance No. 786, Series of 2005; the Series 2006A Supplemental Bond Ordinance, Ordinance No. 495, Series of 2006; the Series 2006B Supplemental Ordinance, Ordinance No. 496, Series of 2006; the Series 2007A-B Supplemental Ordinance, Ordinance No. 375, Series of 2007; the Series 2007C Supplemental Ordinance, Ordinance No. 376, Series of 2007; the Series 2007D-E Supplemental Ordinance, Ordinance No. 415, Series of 2007; the Series 2007F1-F4 Supplemental Ordinance, Ordinance No. 625, Series of 2007, as amended by Ordinance No. 363, Series of 2008; the Series 2007G1-G2 Supplemental Ordinance, Ordinance No. 626, Series of 2007, as amended and restated by the Amended and Restated Series 2007G1-G2 Supplemental Bond Ordinance, Ordinance No. 722, Series of 2007; the Series 2008A Supplemental Ordinance, Ordinance No. 179, Series of 2008; the Series 2008B Supplemental Ordinance, Ordinance No. 322, Series of 2008; the Series 2008C1-C3 Supplemental Ordinance, Ordinance No. 483, Series of 2008; the Series 2009A-B Supplemental

Ordinance, Ordinance No. 578, Series of 2009; the Series 2009C Supplemental Ordinance, Ordinance No. 577, Series of 2009; the Series 2010A Supplemental Ordinance, Ordinance No. 107, Series of 2010; the Series 2010B Supplemental Ordinance, Ordinance No. 108, Series of 2010; the Series 2011A Supplemental Ordinance, Ordinance No. 181, Series of 2011; the Series 2011B Supplemental Ordinance, Ordinance No. 489, Series of 2011; the Series 2011C Supplemental Ordinance, Ordinance No. 490, Series of 2011; the Series 2012A-B Supplemental Ordinance, Ordinance No. ___, Series of 2012; the Series 2012C Supplemental Ordinance, Ordinance No. ___, Series of 2012 and the PFC Supplemental Ordinances.

"*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 in no event is such amount to exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year.

"*Outstanding*" when used with reference to any Bonds and as of any particular date means all such Bonds in any manner theretofore or thereupon issued, except: (a) any Bonds canceled or paid by or on behalf of the City on or before such date; (b) any Bonds which are deemed to be paid pursuant to the Senior Bond Ordinance or for which sufficient moneys are held in trust pursuant to the Senior Bond Ordinance; (c) any Bonds in lieu of or in substitution for which other 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 have given any request, demand, authorization, direction, notice, consent or waiver, 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 any entity providing paying agency services for the Series 2012A-C Bonds, initially being Zions First National Bank, Denver, Colorado, and any successor or assign thereof for the Series 2012A-C Bonds.

"*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 all or a portion of the Gross Revenues. 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."

"*Purchase Price*" means that amount due an owner of any Bond purchased or deemed purchased pursuant to and as provided in the Supplemental Ordinance authorizing such 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 prior to their respective fixed maturity dates.

"*Redemption Price*" means, when used with respect to a 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, 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, when used with respect to the Series 2012A-C Bonds, Zions First National Bank, Denver, Colorado, and any successors and assigns 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 2012A-C Bonds, and includes any nominee or successor thereof.

"*Senior Bond Ordinance*" means the Ordinance, as amended and supplemented by any Supplemental Ordinance that may be adopted by the City Council after the adoption of the Series 2012A-C Supplemental Ordinances.

"*Series 1991D Bonds*" means the Airport System Revenue Bonds, Series 1991D, issued on October 23, 1991, in the original aggregate principal amount of $600,001,390.65.

"*Series 1992C Bonds*" means the Airport System Revenue Bonds, Series 1992C, issued on September 24, 1992, in the original aggregate principal amount of $392,160,000.

"*Series 1992F Bonds*" means the Airport System Revenue Bonds, Series 1992F, issued on September 24, 1992, as variable rate bonds, and additionally secured by a liquidity facility, in the original aggregate principal amount of $30,000,000.

"*Series 1992G Bonds*" means the Airport System Revenue Bonds, Series 1992G, issued on September 24, 1992, as variable rate bonds, and additionally secured by a liquidity facility, in the original aggregate principal amount of $25,000,000.

"*Series 1995C Bonds*" means the Airport System Revenue Bonds, Series 1995C, issued on November 28, 1995, and additionally secured by municipal bond insurance (except for Series 1995C Bonds maturing in 2016), in the original aggregate principal amount of $107,585,000.

"*Series 1997E Bonds*" means the Airport System Revenue Bonds, Series 1997E, issued on August 28, 1997, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $415,705,000.

"*Series 1998A Bonds*" means the Airport System Revenue Bonds, Series 1998A, issued on December 1, 1998, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $206,665,000.

"*Series 1998B Bonds*" means the Airport System Revenue Bonds, Series 1998B, issued on December 1, 1998, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $103,395,000.

"*Series 2000A Bonds*" means the Airport System Revenue Refunding Bonds, Series 2000A, issued on August 24, 2000, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $330,625,000.

"*Series 2001A Bonds*" means the Airport System Revenue Refunding Bonds, Series 2001A, issued on June 28, 2001, a portion of which is additionally secured by municipal bond insurance, in the aggregate original principal amount of $395,635,000.

"*Series 2001B Bonds*" means the Airport System Revenue Refunding Bonds, Series 2001B, issued on June 28, 2001, and additionally secured by municipal bond insurance, in the aggregate original principal amount of $16,675,000.

"*Series 2001D Bonds*" means the Airport System Revenue Refunding Bonds, Series 2001 D, issued on August 6, 2001, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $70,540,000.

"*Series 2002C Bonds*" means the Airport System Revenue Refunding Bonds, Series 2002C, issued on October 9, 2002, as variable rate bonds, and additionally secured by a liquidity facility, in the original aggregate principal amount of $49,000,000.

"*Series 2002E Bonds*" means the Airport System Revenue Refunding Bonds, Series 2002E, issued on October 9, 2002, and additionally secured by financial guaranty insurance policies, in the original aggregate principal amount of $203,565,000.

"*Series 2003A Bonds*" means the Airport System Revenue Bonds, Series 2003A, issued on May 1, 2003, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $161,965,000.

"*Series 2003B Bonds*" means the Airport System Revenue Bonds, Series 2003B, issued on May 1, 2003, certain maturities of which are additionally secured by municipal bond insurance, in the original aggregate principal amount of $125,000,000.

"*Series 2005A Bonds*" means the Airport System Revenue Bonds, Series 2005A, issued on August 25, 2005, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $227,740,000.

"*Series 2006A Bonds*" means the Airport System Revenue Bonds, Series 2006A, issued on August 17, 2006, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $279,585,000.

"*Series 2006B Bonds*" means the Airport System Revenue Bonds, Series 2006B, issued on August 17, 2006, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $170,005,000.

"*Series 2007A Bonds*" means the Airport System Revenue Bonds, Series 2007A, issued on August 29, 2007, in the original aggregate principal amount of $188,350,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

"*Series 2007B Bonds*" means the Airport System Revenue Bonds, Series 2007B, issued on August 29, 2007, in the original aggregate principal amount of $24,250,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

"*Series 2007C Bonds*" means the Airport System Revenue Bonds, Series 2007C, issued on August 29, 2007, in the original aggregate principal amount of $34,635,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

"*Series 2007D Bonds*" means the Airport System Revenue Bonds, Series 2007D, issued on August 29, 2007, in the original aggregate principal amount of $147,815,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

"*Series 2007D2 Bonds*" means the Airport System Revenue Bonds, Series 2007D2, issued on October 4, 2007, in the original aggregate principal amount of $31,950,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

"*Series 2007E Bonds*" means the Airport System Revenue Bonds, Series 2007E, issued on October 4, 2007, in the original aggregate principal amount of $47,400,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

"*Series 2007F1-F4 Bonds*" means the Airport System Revenue Bonds, Series 2007F1-F4, issued on November 14, 2007, in four subseries as auction rate bonds in the original aggregate principal amount of $208,025,000 and additionally secured both by municipal bond insurance and a standby bond purchase agreement constituting Credit Facilities.

"*Series 2007G1-G2 Bonds*" means the Airport System Revenue Bonds, Series 2007G1-G2, issued on November 14, 2007, in two subseries as variable rate bonds in the original aggregate principal amount of $148,500,000 and additionally secured both by municipal bond insurance and a standby bond purchase agreement constituting Credit Facilities.

"*Series 2008A1-A4 Bonds*" means the Airport System Revenue Bonds, Series 2008A1-A4, issued on April 14, 2008, in four subseries as both fixed rate and variable rate (term) rate bonds in the original aggregate principal amount of $608,840,000.

"*Series 2008B Bonds*" means the Airport System Revenue Bonds, Series 2008B, issued on June 30, 2008, as variable rate bonds in the original aggregate principal amount of $81,800,000 and additionally secured by a direct-pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

"*Series 2008C1-C3 Bonds*" means the Airport System Revenue Bonds, Series 2008C1-C3, issued in three subseries on November 4, 2008 (Subseries 2008C2 and Subseries 2008C3), and November 7, 2008 (Subseries 2008C1), as variable rate bonds and additionally secured by individual Credit Facilities, in the original aggregate principal amount of $292,600,000.

"*Series 2009A Bonds*" means the Airport System Revenue Bonds, Series 2009A, issued on October 28, 2009, in the original aggregate principal amount of $170,190,000.

"*Series 2009A-B Bonds*" means the Series 2009A Bonds and the Series 2009B Bonds.

"*Series 2009B Bonds*" means the Taxable Airport System Revenue Bonds, Series 2009B (Build America Bonds — Direct Payment), issued on October 28, 2009, in the original aggregate principal amount of $65,290,000.

"*Series 2009C Bonds*" means the Airport System Revenue Bonds, Series 2009C, issued on November 6, 2009, in the original aggregate principal amount of $104,655,000 as variable rate bonds and additionally secured by a direct-pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

"*Series 2010A Bonds*" means the Airport System Revenue Bonds, Series 2010A, issued on March 9, 2010, in the original aggregate principal amount of $171,360,000.

"*Series 2011A Bonds*" means the Airport System Revenue Bonds, Series 2011A, issued on April 14, 2011, in the original aggregate principal amount of $349,730,000

"*Series 2011B Bonds*" means the Airport System Revenue Bonds, Series 2011B, issued on October 5, 2011 in the original aggregate principal amount of $198,370,000.

"*Series 2011C Bonds*" means the Airport System Revenue Bonds, Series 2011C, issued on October 5, 2011 in the original aggregate principal amount of $15,310,000.

"*Series 2012A Bonds*" means the Airport System Revenue Bonds, Series 2012A, in the original aggregate principal amount of $_____, offered pursuant to this Official Statement.

"*Series 2012B Bonds*" means the Airport System Revenue Bonds, Series 2012B, in the original aggregate principal amount of $_____, offered pursuant to this Official Statement.

"*Series 2012C Bonds*" means the Airport System Revenue Bonds, Series 2012C, in the original aggregate principal amount of $_____, offered pursuant to this Official Statement.

"*Series 2012A-C Bonds*" means, collectively the Series 2012A Bonds, the Series 2012B Bonds, and the Series 2012C Bonds.

"*Series 2012A-B Supplemental Ordinance*" means the "Series 2012A-B Airport System Supplemental Bond Ordinance," as amended and supplemented from time to time by any other Supplemental Ordinance, which authorizes the issuance of the Series 2012A Bonds and the Series 2012B Bonds.

"*Series 2012C Supplemental Ordinance*" means the "Series 2012C Airport System Supplemental Bond Ordinance," as amended and supplemented from time to time by any other Supplemental Ordinance, which authorizes the issuance of the Series 2012C Bonds.

"*Series 2012A-C Supplemental Ordinances*" means, together, the Series 2012A-B Supplemental Ordinance and the Series 2012C Supplemental Ordinance.

"*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 Bonds*" means bonds or other securities or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of Bonds.

"*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 under the Senior Bond Ordinance.

"*Subordinate Bond Ordinance*" means the 1997 Airport System Subordinate Bond Ordinance of the City approved on August 25, 1997, Series of 1997, as supplemented and amended from time to time.

"*Subordinate Contract Obligations*" means capital leases, installment purchase agreements, guaranty agreements, or other similar contracts incurred pursuant to the provisions of the 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 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 Credit Facility Obligations.

"*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 Credit Facility Obligations.

"*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.

"*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.

"*Twenty-first and Twenty-seventh 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. The procedures for the administration of PFCs set

forth in the Twenty-first and Twenty-seventh Supplemental Ordinances are replaced and superseded to the extent provided in the PFC Supplemental Ordinances.

"*Underwriters*" means, with respect to the Series 2012A-C 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

The following statements are summaries of certain provisions of the Senior Bond Ordinance, including, without limitation, the PFC Supplemental Ordinances, and are in addition and complementary to the summary found under "THE SERIES 2012A-C 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

The City and the Paying Agent may treat the person in whose name any Bond is registered upon the books or records of the Registrar as the absolute owner thereof, whether the Bond is overdue or not, for all purposes whatsoever; and payment of, or on account of, the Bond Requirements of any 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 Series 2012A-C Bonds each provide that so long as Senior Bonds are registered in the name of the Securities Depository, all payments of the Debt Service Requirements or Redemption Price and all notices with respect to the 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, 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 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 are to be paid; provided that if at the time of notice of any optional redemption of the Bonds there have not been deposited moneys in the Redemption Account or to an Escrow Account available for payment pursuant to the Senior Bond Ordinance and sufficient to redeem all of the 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, and if notice of redemption has been duly published and mailed, then from and after the Redemption Date such Bonds will cease to bear interest and no longer will be considered Outstanding.
Additional Parity 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.

Security

Subject only to the right of the City to pay Operation and Maintenance Expenses of the Airport System, the Gross Revenues and all moneys and securities paid or to be paid to, or held or to be held in, any fund or account under the Senior Bond Ordinance (except moneys and securities held in any Escrow Account and except as otherwise provided in the Senior Bond Ordinance) are irrevocably pledged to secure the payment of the Bond Requirements of the Bonds, Credit Facility Obligations and Hedge Facility Obligations. No preference, priority or distinction will exist between Bonds except as otherwise

expressly provided in the Senior Bond Ordinance. The Bond Requirements of the Bonds are not 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 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.

The payment of the Bond Requirements of any 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.

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, 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 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, including any reasonable reserves therefor, as provided by any Supplemental Ordinance or other instrument;

(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.

No payment need be made into the Bond Reserve Fund so long as the moneys therein are at least equal to the Minimum Bond Reserve, and any moneys therein exceeding the Minimum 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. In the event any Supplemental Ordinance so provides, the City may at any time or from time to time, subject to certain limitations, deposit a Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve; provided that any such Credit Facility is to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund as provided in the Senior 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:

2010	$119,664,000
2011	123,852,000
2012	128,188,000
2013	132,673,000
2014	
2015	
2016	
2017	
2018	

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 or 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, until the termination of each 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.

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.

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).

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

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."

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 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."

Events of Default

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 degree 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.

Remedies of Owners of Bonds

Upon the occurrence and continuance of any Event of Default (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, 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.

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 of all Outstanding 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 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.

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.

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 2012A or Series 2012B 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 Series 2012A or Series 2012B 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 Series 2012A or Series 2012B Bonds, if such use, action or omission would, under the Tax Code, cause the interest on any Series 2012A or Series 2012B Bonds to be included in gross income for federal income tax purposes. Notwithstanding, the City may issue the Series 2012C Bonds the interest on which is intended to be included in gross income for federal income tax purposes.

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 2012A-C Supplemental Ordinances

The undertakings, covenants, agreements, obligations, warranties and representations of the City in the Senior Bond Ordinance in respect of the Series 2012A-C Bonds are the undertakings, covenants, agreements, obligations, warranties and representations of the City, for and on behalf of the Department.

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 2012A-C 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 American National Bank 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 – Proposed Amendments to the Senior Bond Ordinance." ***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 2012A-C 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 2012A-C Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2012A-C Bonds or (5) any other related matter.

DTC will act as securities depository for the Series 2012A-C Bonds. The Series 2012A-C 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 2012A-C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with the DTC. The Series 2012A-C 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 2012A-C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A-C 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 2012A-C 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 2012A-C Bonds except in the event that use of the book-entry system for the Series 2012A-C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A-C 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 2012A-C 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 2012A-C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A-C 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 2012A-C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A-C Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Bond Ordinance. For example, Beneficial Owners of Series 2012A-C Bonds may wish to ascertain that the nominee holding the Series 2012A-C 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 2012A-C Bonds within a maturity of the Series 2012A-C 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 2012A-C 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 2012A-C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2012A-C 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 2012A-C 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 2012A-C 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 2012A-C 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 2012A-C Bonds. In that event, certificates representing the Series 2012A-C Bonds will be printed and delivered to DTC.

* * *

APPENDIX F

ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2011 AND 2010

DENVER INTERNATIONAL AIRPORT

City and County of Denver

Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2011 and 2010

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2011 and 2010

City and County of Denver
Municipal Airport System

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City and County of Denver
Municipal Airport System

INTRODUCTION
(UNAUDITED)

December 31, 2011 and 2010

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 (the Airport or Denver International) 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 Airport

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 2011 Denver International was the fifth-busiest airport in the United States and the eleventh-busiest in the world, serving 52.8 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 Pena 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 92 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 2011, 52.8 million passengers traveled through Denver International, of which approximately 50.1% originated or terminated their air journeys in Denver, and 49.9% 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 2012, 23 airlines provided scheduled passenger service at Denver International: 11 major/national airlines, 8 regional/commuter airlines, and 4 foreign-flag airlines.

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

Table 1

Scheduled Passenger Airlines Serving Denver

January 2012

Major/national	Regional/commuter	Foreign-flag
AirTran Airways (2)	American Eagle Airlines	Aero-Mexico
Alaska Airlines	Comair (Delta Connection)	Air Canada
American Airlines (1)	ExpressJet (Continental Express)	British Airways
Continental Airlines (3)	GoJet Airline (United Express)	Lufthansa German Airlines
Delta Air Lines	Great Lakes Aviation	
Frontier Airlines	Mesaba Airlines (Delta Connection) (4)	
Frontier/Republics	Shuttle America (United Express)	
JetBlue Airways	SkyWest Airlines (United Express, Delta Connection)	
Southwest Airlines (2)		
United Airlines (3)		
US Airways		

Source: Airport management records, January 2012

(1) American Airlines filed bankruptcy on November 29, 2011.

(2) Southwest entered into a definitive merger agreement with AirTran Holdings Inc. Southwest's merger was completed on March 1, 2012.

(3) Continental became a subsidiary of United Continental Holdings effective October 1, 2010. United and Continental are fully integrated under the United brand, and operate under a single FAA operating certificate as of November 30, 2011.

(4) Pinnacle, Mesaba Airlines filed for bankruptcy on April 1, 2012.

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, 2011 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 $55.1 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, 2002 through 2011 is reflected in Table 2 below. In 2011, the net revenue available for sharing increased due principally to the growth in public parking and State Aviation Fuel Tax revenues.

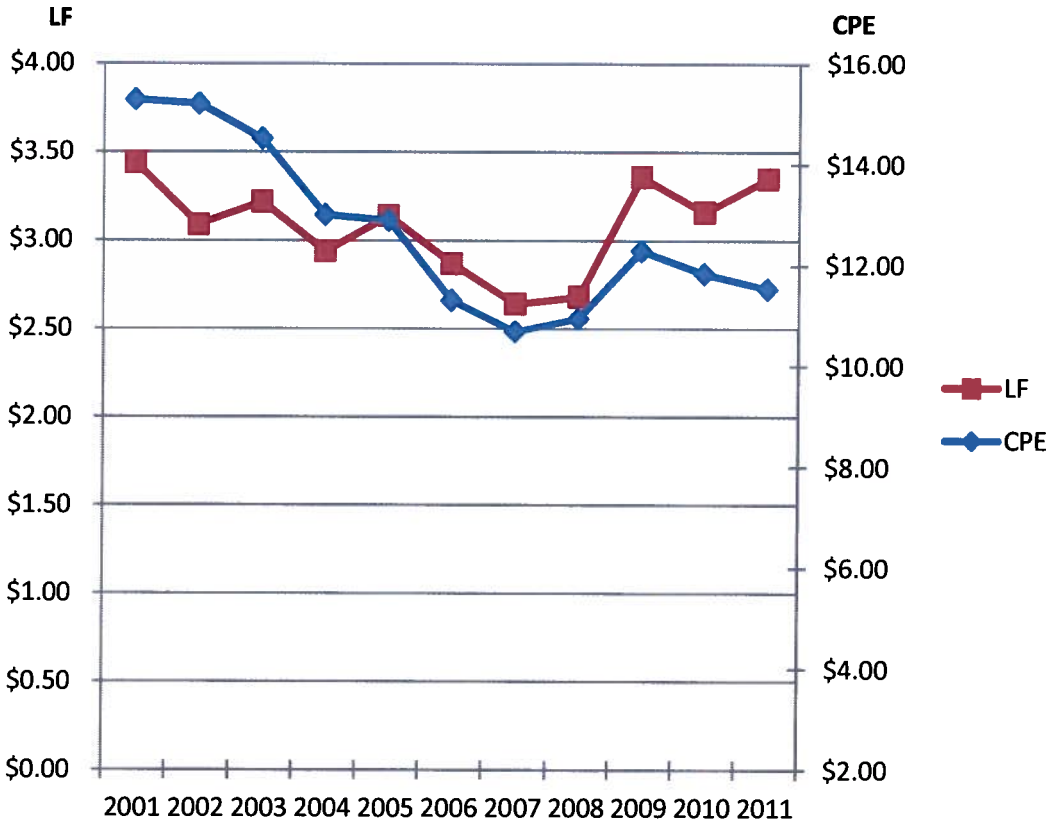
Table 2
Net Revenue Available for Sharing
(In thousands)

Year	Total	Airport share
2002	$ 38,771	$ 9,693
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	57,966	28,631
2010	88,314	48,314
2011	95,127	55,127

Source: Airport Management

From 2002 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.

The overall cost per enplanement (CPE) decreased in 2011 largely due to the increase in landing fees, revenue credit, and an increase in enplaned passengers.



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

CPE = Cost per enplaned passenger

Source: Airport Management Records

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, 2011 and 2010, cash and investments totaled approximately $1,403.9 million and $1,420.7 million, respectively. Current investment vehicles include U.S. Government securities, high-grade commercial paper, and local government investment pools. In 2011 and 2010, the City charged a fee of $434,036 and $457,958, respectively, to the Airport System for performing the cash management function.

INTRODUCTION
(UNAUDITED)

December 31, 2011 and 2010

Events and Other Factors Affecting the Airport System

Passenger traffic was up 1.7% in 2011 compared with a national average increase of 0.5% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). Passenger traffic was up 0.2% through March 2012 compared to year-to-date March 2011.

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 5.1% in 2011 compared to 2010, largely as the result of an increase in passenger traffic.

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 Airport under a use-and-lease agreement with the City that expires in 2025. United currently leases 35 of the Airport's 92 full-service jet gates and all 16 gates at Concourse B's regional jet facility.

At Denver International Airport, the United Group (United and Continental), accounted for approximately 42.7% and 41.8% of passenger enplanements in 2011 and the first three months of 2012, 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 Federal Aviation Administration (FAA) operating certificate, as of November 30, 2011.

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 payment 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, Continental and US Airways, each of which belong to the Star Alliance airline network (to which United belongs), relocated their operations from Concourse A and Concourse C, respectively, to the other five full service jet gates on Concourse B.

Frontier Group (Frontier and Republic Holdings)

Frontier has the second largest market share at Denver International for 2011 and third largest market share for the first three months of 2012 which is one of Frontier's three hubs and, in 2011, DIA was the busiest airport in the Frontier system. Frontier currently leases 18 of the 30 full-service gates on Concourse A, constituting approximately 19.6% of the current 92 full-service gates at the Airport. The Frontier Group accounted for 22.1% and 21.4% of passenger enplanements at the Airport in 2011 and the first three months of 2012, 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 Airport 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 spaces 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.

Southwest Airlines (Southwest)

Southwest Airlines (Southwest) has the third-largest market share at the Airport for 2011 and the second largest market share for the first three months of 2012. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport, which is the airline's fifth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 21.8% and 23.3% of passenger enplanements at the Airport in 2011 and the first three months of 2012, 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.

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, 2011 and 2010

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

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Independent Accountants' Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the City and County of Denver's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010, 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.

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, 2011 and 2010, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

experience BKD

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other postemployment benefits' schedules of funding progress and employee contributions, as 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport System's basic financial statements. The accompanying introductory section and supplementary information, listed in the table of contents, 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

May 30, 2012

City and County of Denver
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

December 31, 2011 and 2010

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, 2011 and 2010. The Airport System includes the Denver International Airport (the Airport or Denver International) 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 $602.8 million for the year ended December 31, 2011, an increase of $1.4 million (.2%), as compared to the year ended December 31, 2010. The increase in revenue was primarily related to an increase in passenger traffic of 1.7% which contributed to the increase in concession, parking, and car rental revenues. Revenues from other sales and charges and aviation fuel tax also increased, offset by decreases in facility rentals and landing fees.

Operating expenses, exclusive of depreciation and amortization, were $392.9 million for the year ended December 31, 2011, a decrease of $17.0 million (4.1%) as compared to the year ended December 31, 2010. The decrease was attributable to decreases in snow removal and architectural and engineering costs associated with the South terminal project, which are now being capitalized, offset by an increase in personnel costs, construction services, and professional services contracts.

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 assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and notes to financial statements. The statements of net assets present information on the Airport System's assets, deferred outflows, liabilities, deferred inflows and net assets. Over time, increases or decreases in net assets 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 assets present information showing how the Airport System's net assets changed during the fiscal year. All changes in net assets 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 supplementary 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. 2011, 2010, and 2009).

Summary of Revenues, Expenses, and Changes in Net Assets

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2011, 2010, and 2009 (in thousands):

	2011	2010	2009
Operating revenues	$ 602,769	$ 601,402	$ 564,490
Operating expenses before depreciation and amortization	(392,862)	(409,865)	(379,517)
Operating income before depreciation and amortization	209,907	191,537	184,973
Depreciation and amortization	(179,070)	(181,496)	(177,583)
Operating income	30,837	10,041	7,390
Nonoperating revenues	136,100	150,747	171,156
Nonoperating expenses	(211,588)	(238,542)	(230,905)
Capital grants/contributions	34,702	30,200	38,621
Decrease in net assets	(9,949)	(47,554)	(13,738)
Net assets, beginning of year	555,023	602,577	616,315
Net assets, end of year	$ 545,074	$ 555,023	$ 602,577

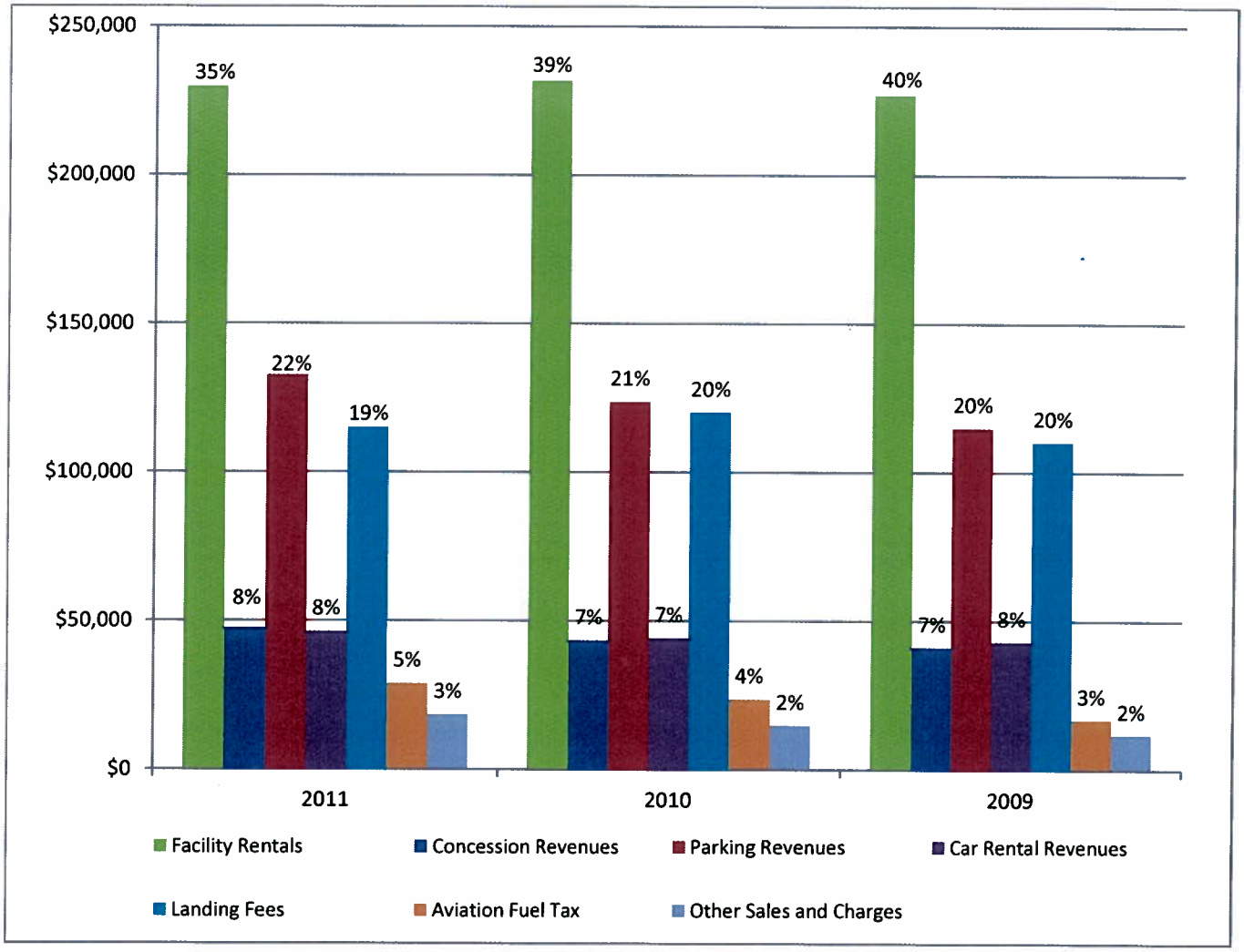
The following is a summary of operating revenues for the years ended December 31, 2011, 2010 and 2009:

Operating Revenues
(In thousands)

	2011	2010	2009
Operating revenues:			
Facility rentals	$ 212,408	$ 231,603	$ 226,839
Concession revenues	47,499	43,398	41,085
Parking revenues	132,728	123,673	114,862
Car rental revenues	46,353	44,181	42,989
Landing fees	116,506	120,054	110,084
Aviation fuel tax	28,892	23,680	16,849
Other sales and charges	18,383	14,813	11,782
Total operating revenues	$ 602,769	$ 601,402	$ 564,490

Percentage of Total Operating Revenues

($ in thousands)



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, 2011 as compared to 2010 (in thousands):

	2011	2010	Percentage change
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.

The Airport System's activities increased in all areas as described below for the year ended December 31, 2010 as compared to 2009 (in thousands):

	2010	2009	Percentage change
Enplanements	26,025	25,128	3.6 %
Passengers	51,985	50,167	3.6 %
Aircraft operations (1)	635	612	3.8 %
Cargo (in pounds)	555,186	494,763	12.2 %
Landed weight (in tons)	33,275	32,695	1.8 %

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

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 that is credited back to the airlines and a decrease in airline preferential and non-preferential use fee, 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 revenues increased by $9.1 million, or 7.3%, which is attributable to the increase in origin and destination (O&D) traffic.

Car rental revenues increased $2.2 million, or 4.9%, to $46.4 million due to an increase in origin and destination (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.

2010/2009

Operating revenues increased by $36.9 million, or 6.5%, from $564.5 million in 2009 to $601.4 million in 2010, primarily due to increase in facility rentals, landing, aviation fuel tax, other sales and charges, and non-airline revenue concession, parking and car rental.

Landing fees increased by $10.0 million, or 9.0%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from $3.40 for signatory and $4.08 for non-signatory airlines in 2009 to $3.62 for signatory and $4.34 for non-signatory airlines in 2010.

Facility rentals increased by $4.8 million, or 2.1%, which is attributable to an increase in non-preferential use fees, baggage fees and offset by the increase in year-end revenue credit.

Concession revenues between 2010 and 2009 increased by $2.3 million, or 5.6%, primarily due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from $9.62 in 2009 to $9.84 in 2010.

Parking revenues increased by $8.8 million, or 7.7%, which is attributable to the increase in origin and destination (O&D) traffic and an increase in parking rates in July of 2009 of $1.00 for the economy and shuttle parking lots.

Car rental revenues increased $1.2 million, or 2.8%, to $44.2 million due to an increase in O&D passenger traffic. Total passenger traffic increased 4.1% for the year ended December 31, 2010; O&D passenger traffic increased 2.9%.

Aviation fuel tax increased in 2010 by $6.8 million, or 40.5%, due to increased fuel prices and flight operations.

Other sales and charges increased by $3.0 million, or 25.7%, due to an increase in natural resources related to the purchase of oil and gas wells this year which was offset by a decrease in charges to tenants for utilities and trash, interest and miscellaneous revenue.

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2011, 2010 and 2009:

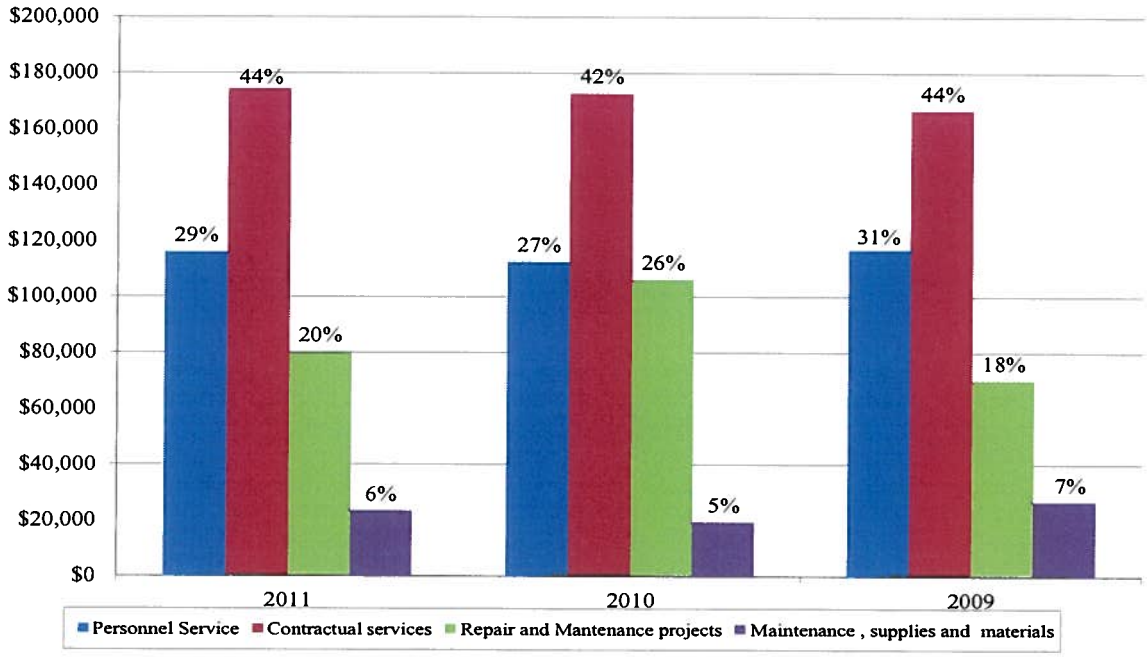
Operating Expenses Before Depreciation and Amortization

(In thousands)

	2011	2010	2009
Operating expenses before depreciation and amortization			
Personnel services	$ 115,648	$ 112,230	$ 116,540
Contractual services	174,203	172,492	166,469
Repair and maintenance projects	79,952	105,943	69,975
Maintenance, supplies, and materials	23,059	19,200	26,533
Total operating expenses before depreciation and amortization	$ 392,862	$ 409,865	$ 379,517

Percentage of Total Operating Expenses before Depreciation and Amortization

($ in thousands)



2011/2010

Operating expenses before depreciation and amortization decreased 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 projects decreased $26 million, or 24.5%, primarily due to construction costs associated with the South Terminal Project, currently in the design stage, being recorded in construction-in-progress and no longer being expensed. Additionally, $25.1 million for the fourth quarter were expensed for such items as runway ramp repairs, roadway

surface repair, 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 prices and usage, which is offset by a decrease in computer equipment and hardware.

2010/2009

Operating expenses before depreciation and amortization increased by $30.4 million, or 8.0%, from $379.5 million in 2009 to $409.9 million in 2010.

Personnel services decreased by $4.3 million, or 3.7%, in 2010 which was due to a decrease in snow overtime and direct labor and benefits associated with furlough days taken by personnel during 2010 which was offset by an increase in other City personnel.

Contractual services increased in 2010 compared to 2009 by $6.0 million, or 3.6%, due primarily to an increase in banking service, electricity, trash removal, management services, repair and maintenance of the baggage system, the AGTS train system, nonstructural improvements and roads, offset by a decrease in snow removal, janitorial services, and repair and maintenance of building equipment.

Repair and maintenance projects increased by $36.0 million, or 51.4%, which is primarily due to the expenses for the Flight Information Display System (FIDS), baggage system removal, roadways and surface repairs (apron and ramp), central plant repairs, Concourse A expansion, the South Terminal Redevelopment Program, and parking structure stairway replacements..

Maintenance, supplies and materials decreased $7.3 million, or 27.6%, to $19.2 million from $26.5 million in 2009 due to decreases in runway lightings, emergency lighting, and commercial chemicals and solvents because of decreases in prices and usage, which is offset by an increase in natural gas and periodicals and bulletins.

Nonoperating Revenues and Expenses, Capital Grants, and Capital Contributions

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 decreases in interest expense and other expenses, and an increase in Passenger Facility Charges, 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 the FAA grants.

2010/2009

Total nonoperating expenses, net of nonoperating revenues, increased by $28.0 million to $87.8 million in 2010. The increase was due principally to a decrease in investment income of $26.5 million, net of a receipt of $11.1 million for the termination of the 2007A swaps. There was an increase of $5.7 million, or 5.9%, in PFCs and an increase in other expense due to the cleanup of Stapleton.

In 2010 and 2009, capital grants totaled $25.7 million and $37.0 million, respectively. The decrease was due to the decrease in reimbursements in 2010 for the FAA grants and the Airport receiving grant allocations through the recently enacted American Recovery and Reinvestment Act of 2009.

Summary of Net Assets

The following is a summary of assets, deferred outflows, liabilities, deferred inflows and net assets as of December 31, 2011, 2010, and 2009 (in thousands):

	2011	2010	2009
Assets:			
Current assets, unrestricted	$ 285,811	$ 301,899	$ 206,665
Restricted assets, current	194,059	260,573	167,143
Noncurrent investments	362,037	263,705	299,258
Long-term receivables	11,049	4,885	2,000
Capital assets, net	3,087,363	3,198,235	3,314,609
Bond issue costs, net	42,923	45,594	51,457
Interest rate swaps	58,481	31,715	33,961
Investments - restricted	634,640	686,209	900,246
Assets held for disposition	9,327	9,620	12,799
Total assets	4,685,690	4,802,435	4,988,138
Deferred outflows			
Accumulated decrease in fair value of hedging derivatives	33,852	1,814	-
Liabilities:			
Current liabilities, unrestricted	142,347	110,395	114,180
Current liabilities payable from restricted assets	227,211	242,392	222,924
Bonds payable, noncurrent	3,480,639	3,649,442	3,808,388
Interest rate swaps, noncurrent	304,316	207,548	166,418
Notes payable, noncurrent	13,940	20,640	33,207
Compensated absences payable, noncurrent	6,015	6,020	5,925
Total liabilities	4,174,468	4,236,437	4,351,042
Deferred inflows			
Accumulated increase in fair value of hedging derivatives	-	12,789	34,519
Net assets (deficit):			
Invested in capital assets, net of related debt	(437,712)	(388,461)	(291,115)
Restricted	623,745	666,022	658,095
Unrestricted	359,041	277,462	235,597
Total net assets	$ 545,074	$ 555,023	$ 602,577

2011/2010

Total assets decreased by $116.8 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, cash equivalents and investments of $116.6 million, which was spent principally on construction projects such as the South Terminal Redevelopment Program and on repairs of runways ramps. These decreases were offset by increases in unrestricted investments of $138.0 million, long-term receivables, and interest rate swaps.

Deferred outflows increased by $32 million due to changes in fair values 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. These decreases were offset by increases in other liabilities and interest rate swaps.

Deferred inflows decreased by $12.8 million due to changes in fair values of effective swaps.

Of the Airport System's 2011 total net assets, 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 assets include unrestricted net assets 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 asset amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($437.7) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2010/2009

Total assets decreased by $185.7 million in 2010, compared to 2009. This was primarily due to a decrease in capital assets, net, of $116.4 million, a decrease in bond issues costs and a decrease in restricted cash, cash equivalents and investments of $129.2 million spent on construction projects such as the South Terminal Redevelopment Program and removal of the baggage system. These decreases were offset by an increase in grants receivable and unrestricted cash and cash equivalents and investments.

Deferred outflows increased by $1.8 million due to changes in fair values of effective swaps.

Total liabilities decreased by $114.6 million in 2010, compared to 2009. The decrease was primarily attributed to the payment of principal on the revenue bonds of $138.2 million, and decreases in notes payable and due to other agencies. These decreases are offset by increases in other liabilities and compensated absences.

Deferred inflows decreased by $21.7 million due to changes in fair values of effective swaps.

Of the Airport System's 2010 total net assets, 120% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $643.1 million for debt service and $23.0 million for capital projects, respectively.

At December 31, 2010, the remaining net assets include unrestricted net assets of $277.5 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 asset amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($388.5) million represents the

Airport's investment in capital assets, net of related debt. 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, 2011 and 2010, the Airport System had approximately $3.8 and $4.0 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 $306.7 million in 2011.

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 ordinances, 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, 2011 and 2010 was 197% and 180%, respectively, of total debt service.

On October 5, 2011, the Airport System 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.

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 Series 2000A Bonds in the amount of $160,135,000.

On March 9, 2010, the Airport System issued $171,360,000 of the Airport System Revenue Bonds Series 2010A in a fixed-rate mode to current refund all of the 2008A2 term-rate bonds (Subseries 2008A2 Bonds) and a portion of the 2008A3 and 2008A4 (Subseries 2008A3 and 2008A4) term rate bonds.

On February 5, 2010 and February 10, 2010, the Airport System terminated the 2007A Swap Agreements to monetize the economic value of those agreements. The Airport System received $11,092,000 from the counterparties for the settlement of the agreements.

On January 12, 2010, the Airport System terminated the 1999 and 2002 Swap Agreements with RFPC Ltd., due to deterioration in the credit ratings of AMBAC, the credit support provider for those swaps. The Airport System simultaneously entered into an interest rate swap agreement with Loop Financial Products I LLC to replace the 1999 swap agreement. The Airport System received $10,570,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $11,460,000 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 Financials Products I LLC will take into account such payments and will be above the market rate. The 2002 swap agreement was not replaced.

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, 2011 and 2010, the Airport System had capital assets of approximately $3.1 billion and $3.2 billion, respectively. These amounts are net of accumulated depreciation of approximately $2.3 billion and $2.1 billion, respectively.

On September 15, 2010, the Airport System announced that the Airport will gain a third solar-energy installation with the development of a new 4.4 megawatt facility by Denver-based Oak Energy Partners. Project construction began in the fall of 2010, and the project was completed in early 2011.

On August 26, 2010, the Regional Transportation District (RTD) broke ground at the Airport for the FasTracks East Corridor-rail line that will link Downtown Denver to Denver International Airport. The East Corridor Line, which is estimated to be completed in 2016, is the project's only commuter-rail line, but FasTracks also will build light-rail lines for an expanded public transportation rail system in the region.

On July 29, 2010, the Airport unveiled the conceptual design of the South Terminal Redevelopment Program. In conjunction with the RTD FasTracks East Corridor Line, the South Terminal Redevelopment Program is expected to create 6,600 jobs and is scheduled to be finished in 2016. The South Terminal Redevelopment Program includes the construction of a station for the commuter-rail line that will connect the Airport to Downtown Denver and an open-air plaza. A new 500-room hotel and conference center connected to Jeppesen Terminal, is also part of the program.

On March 5, 2010, the Airport System bought 27 oil and natural gas wells on its property for $5.5 million. The Airport owns the mineral rights on all of its 34,000 acres, but had leased approximately 27,000 acres to Petro-Canada Resources (USA) Inc. (PCR) for oil and natural gas exploration. The Airport exercised its preferential right to buy the assets on Airport property and it is anticipated, at current prices, that the wells could produce additional annual revenue of approximately $3.5 million for the Airport.

On March 4, 2010, the Airport System entered into a loan agreement, with Airport Solar I LLC, for $4 million to be repaid together with interest at the rate of 5.5% over twenty years. The principal and interest shall be due and payable in annual installments of $334,717 beginning on January 1, 2011. The loan proceeds will be used to buy the completed commissioned 1.6 megawatt–direct current photo voltaic (solar) electrical generation plant.

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 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, 2011, a total of $1.3 billion has been remitted to the Airport (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $1.2 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $6.8 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.

Construction Commitments: As of December 31, 2011, the Airport System had outstanding contractual construction and professional services commitments of approximately $51.1 million and had made over $414.0 million in contractual payments for the year then ended.

The Airport's current 2011-2016 Capital Program includes approximately $909.4 million of planned projects. The Airport has also identified a number of Demand Responsive Projects that will be undertaken only if such projects are needed and are financially viable. The 2011-2016 Capital Programs are expected to be financed with a combination of airport revenue bonds, commercial paper, installment purchase agreements, federal grants, and Airport System monies.

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

Economic Factors

Passenger traffic was up 1.7% in 2011 compared with a national average change of 0.5% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International Airport is United Airlines, which together with its affiliates accounted for approximately 42.7% and 41.8% of passenger enplanements at the Airport in 2011 and for three months of 2012, 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, as of November 30, 2011.

Frontier has the second largest market share at the Airport for 2011. The Airport serves as Frontier's largest hub. Frontier accounted for approximately 22.1% of passenger enplanements in 2011 and 21.4% for the first three months of 2012, respectively.

Frontier filed for bankruptcy protection in April 2008 and received approval of a reorganization plan in September 2009. The airline emerged from bankruptcy on October 1, 2009, as a subsidiary of Republic Holdings, which purchased Midwest Airlines in July 2009. On April 13, 2010, Republic Holdings announced that it had selected Frontier Airlines name for its consolidated branded airline.

As part of its bankruptcy reorganization proceedings and pursuant to the Frontier Stipulated Order, Frontier assumed its use and lease agreement with the Airport, as well as certain ground service and cargo leases. To cure its debt owed to the Airport before filing for bankruptcy, Frontier issued and delivered to the Airport a $3.0 million promissory note, payable in three equal installments plus interest thereon at 3% per annum commencing October 1, 2010. The use and lease agreement was amended to reduce the number of gates that Frontier uses, and to eliminate leased administrative spaces, such as ticket counters and office space. Prior to bankruptcy, Frontier leased 15 gates on Concourse A and used six additional full- service

jet gates on Concourse A on a preferential basis. It also leased one common use international gate on Concourse A on a subordinated basis. Pursuant to the amended use and lease agreement, Frontier agreed to lease 18 gates on Concourse A and relinquished its preferential rights to other gates.

Southwest Airlines (Southwest) has the third-largest market share at the Airport for 2011 and the second largest market share for the first three months of 2012. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport, which is the airline's fifth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 21.8% and 23.3% of passenger enplanements at the Airport in 2011 and the first three months of 2012, 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.

As previously discussed, operating revenues were up .2% in 2011 compared to 2010. Operating income before depreciation and amortization of $209.9 million represented an increase of $18.4 million compared to 2010. Revenues available for sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, subject to a $40 million cap for the airlines position, was $95 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, Accounting Controller, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena 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 ASSETS

December 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Unrestricted:		
Cash and cash equivalents	$ 99,598,889	$ 137,851,867
Investments	133,155,686	93,476,444
Accounts receivable (net of allowance for doubtful accounts $237,689 and $1,009,113)	32,214,108	51,048,712
Due from other City agencies	14,235	-
Accrued interest receivable	6,625,556	5,642,097
Other receivables	1,763,561	1,313,051
Inventories	10,705,333	10,732,708
Prepaid expenses and other	1,734,177	1,834,519
Total current unrestricted assets	285,811,545	301,899,398
Restricted:		
Cash and cash equivalents	29,900,522	76,016,953
Investments	144,538,127	163,432,947
Accrued interest receivable	1,461,167	1,714,883
Prepaid expenses and other	2,061,962	2,211,970
Grants receivable	5,857,461	6,925,284
Passenger facility charges receivable	10,239,667	10,271,357
Total current restricted assets	194,058,906	260,573,394
Total current assets	479,870,451	562,472,792
Noncurrent assets:		
Investments	362,037,142	263,704,602
Long-term receivables, net of current portion	11,049,162	4,885,283
Capital assets:		
Buildings	2,000,131,930	1,999,547,458
Improvements other than buildings	2,258,895,410	2,247,619,169
Machinery and equipment	734,921,597	720,543,765
	4,993,948,937	4,967,710,392
Less accumulated depreciation and amortization	(2,262,245,368)	(2,083,584,224)
	2,731,703,569	2,884,126,168
Construction-in-progress	60,355,766	18,805,831
Land, land rights and air rights	295,303,475	295,303,475
Total capital assets	3,087,362,810	3,198,235,474
Bond issue costs, net of accumulated amortization	42,922,700	45,594,223
Interest rate swaps	58,481,233	31,714,500
Investments - restricted	634,640,342	686,208,559
Assets held for disposition	9,326,437	9,620,168
Total noncurrent assets	4,205,819,826	4,239,962,809
Total assets	4,685,690,277	4,802,435,601
Deferred Outflows		
Accumulated decrease in fair value of hedging derivatives	33,851,633	1,813,815

City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

	2011	2010
Liabilities		
Current liabilities:		
Unrestricted:		
Vouchers payable	$ 31,192,632	$ 29,529,578
Due to other City agencies	6,065,644	7,206,481
Compensated absences payable	2,610,352	2,359,480
Other liabilities	40,781,756	8,204,483
Revenue credit payable	40,000,000	40,000,000
Deferred rent	21,696,494	23,095,107
Total current unrestricted liabilities	142,346,878	110,395,129
Restricted:		
Vouchers payable	18,420,636	24,165,133
Retainages payable	16,875,018	17,019,196
Accrued interest and matured coupons	22,832,632	25,342,787
Notes payable	6,700,032	10,789,052
Other liabilities	21,322,630	31,471,049
Revenue bonds	141,060,000	133,605,000
Total current restricted liabilities	227,210,948	242,392,217
Total current liabilities	369,557,826	352,787,346
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,637,635,000	3,841,940,000
(Less) plus:		
Deferred losses on bond refundings	(227,005,888)	(253,473,480)
Net unamortized premiums	70,010,140	60,975,306
Total bonds payable, noncurrent	3,480,639,252	3,649,441,826
Interest rate swaps	304,315,851	207,548,413
Notes payable	13,940,213	20,640,245
Compensated absences payable	6,014,921	6,019,665
Total noncurrent liabilities	3,804,910,237	3,883,650,149
Total liabilities	4,174,468,063	4,236,437,495
Deferred Inflows		
Accumulated increase in fair value of hedging derivatives	-	12,788,811
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(437,712,331)	(388,461,289)
Restricted for:		
Capital projects	18,562,436	22,959,179
Debt service	605,182,758	643,063,432
Unrestricted	359,040,984	277,461,788
Total net assets	$ 545,073,847	$ 555,023,110

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Facility rentals	$ 212,407,814	$ 231,603,031
Concession	47,499,304	43,397,645
Parking	132,728,104	123,672,753
Car rental	46,352,620	44,180,988
Landing fees	116,505,913	120,054,119
Aviation fuel tax	28,892,133	23,680,542
Other sales and charges	18,383,413	14,812,923
Total operating revenues	602,769,301	601,402,001
Operating expenses:		
Personnel services	115,647,989	112,229,670
Contractual services	174,203,413	172,492,471
Repair and maintenance projects	79,951,470	105,943,200
Maintenance, supplies and materials	23,058,681	19,199,594
Total operating expenses, before depreciation and amortization	392,861,553	409,864,935
Operating income before depreciation and amortization	209,907,748	191,537,066
Depreciation and amortization	179,069,943	181,496,012
Operating income	30,837,805	10,041,054
Nonoperating revenues (expenses)		
Passenger facility charges	103,209,991	102,594,509
Investment income	32,489,698	47,751,657
Interest expense	(209,599,454)	(225,053,652)
Grants	400,500	400,500
Other expense	(1,989,394)	(13,487,848)
Total nonoperating expenses, net	(75,488,659)	(87,794,834)
Loss before capital grants and contributions	(44,650,854)	(77,753,780)
Capital grants	34,701,591	25,689,789
Capital contributions	-	4,510,000
Change in net assets	(9,949,263)	(47,553,991)
Net assets, beginning of year	555,023,110	602,577,101
Net assets, end of year	$ 545,073,847	$ 555,023,110

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 626,056,437	$ 620,610,627
Payments to suppliers	(259,535,060)	(299,439,071)
Interfund activity payments to other funds	(16,335,504)	(17,511,948)
Payments to employees	(115,369,822)	(111,763,153)
Net cash provided by operating activities	234,816,051	191,896,455
Cash flows from noncapital financing activities		
Operating grants received	400,500	400,500
Proceeds from imputed debt on swap termination	-	10,570,000
Net cash provided by noncapital financing activities	400,500	10,970,500
Cash flows from capital and related financing activities		
Proceeds from issuance of debt	2,485,087	1,638,822
Principal paid on notes payable	(10,789,052)	(16,361,259)
Principal paid on revenue bonds	(174,505,000)	(153,550,000)
Interest paid on revenue bonds	(149,836,846)	(164,093,290)
Bond issuance costs paid	(5,335,284)	(2,691,088)
Interest paid on notes payable	(1,004,993)	(1,651,876)
Capital grants receipts	35,769,414	23,632,392
Passenger Facility Charges	103,241,681	101,421,580
Purchases of capital assets	(30,318,980)	(36,210,196)
Payments of accrued expenses for capital assets	(34,650,433)	(36,251,283)
Payments to escrow for current refunding of debt	(15,316,126)	-
Payments to bond reserve fund	-	(899,631)
Proceeds from sale of capital assets	133,448	155,290
Net cash used in capital and related financing activities	(280,127,084)	(284,860,539)
Cash flows from investing activities:		
Purchases of investments	(3,640,956,453)	(4,736,385,532)
Proceeds from sales and maturities of investments	3,551,334,280	4,821,530,276
Proceeds from sales of assets held for disposition	293,731	3,178,985
Proceeds from swap termination	-	11,092,000
Swap termination payment	-	(10,570,000)
Interest rate swap settlements	(37,934,874)	(37,895,232)
Payments to maintain assets held for disposal	(17,001,083)	(8,416,297)
Insurance recoveries for Stapleton environmental remediation	25,798,064	10,855,091
Interest and dividends on investments and cash equivalents	79,007,459	73,650,159
Net cash provided by (used in) investing activities	(39,458,876)	127,039,450
Net increase (decrease) in cash and cash equivalents	(84,369,409)	45,045,866
Cash and cash equivalents, beginning of year	213,868,820	168,822,954
Cash and cash equivalents, end of year	$ 129,499,411	$ 213,868,820

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 30,837,805	$ 10,041,054
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	179,069,943	181,496,012
Miscellaneous income	566,050	1,546,939
Changes in assets and liabilities:		
Receivables, net of allowance	(8,968,719)	357,306
Inventories	27,375	6,870
Prepaid expenses and other	100,342	4,808,302
Vouchers and other payables	1,663,054	(4,730,289)
Deferred rent	(1,398,613)	40,751
Due to other City agencies	(1,155,072)	(16,462,469)
Compensated absences	246,128	198,515
Other operating liabilities	33,827,758	14,593,464
Net cash provided by operating activities	$ 234,816,051	$ 191,896,455

Noncash activities:

The Airport System issued bonds in the amount of $563,410,000 and $171,360,000 in 2011 and 2010, respectively, in order to refund debt and fund capital projects. Net bond proceeds of $586,439,192 ($563,410,000 plus original issue premium of $28,129,083; less underwriters discount of $2,614,804; less cash proceeds to the Airport of $2,485,087) and $110,995,192 ($171,360,000 plus original issue premium of $14,592,502; less underwriters discount of $974,087; less cash proceeds to the Airport System of $1,638,822; less payment to purchase and retire certain 2008A-3 and 2008A-4 Bonds of $72,344,401) for 2011 and 2010, 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 $28,129,083 and $14,592,502, were realized on the issuance of bonds in 2011 and 2010, respectively.

Unrealized gain on investments	$ 22,073,428	$ 15,818,566
Unrealized loss on derivatives	(25,174,076)	(8,740,982)
Capital assets added through incurrence of vouchers and retainages payable	30,383,877	34,650,433
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	16,626,877	17,617,855

See accompanying notes to financial statements.

(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 (the Airport or 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.

(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, and the changes in its financial position and the cash flows of its proprietary fund types 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).

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2011. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

(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, 2011 and 2010. 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 2011 and 2010 was $6,422,557 and $3,370,616, 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, deferred losses on bond refundings, and unamortized 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.

(h) Compensated Absences Payable

The Airport System has recorded an accrued liability for accumulated benefits in accordance with the City's vacation and sick leave policies. Employees may accumulate earned but unused benefits up to a specified maximum. The vesting method is used by the Airport System to estimate its accrued sick leave compensated absences liability.

(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. As of December 31, 2011, the Airport System, recorded a current liability of $122,721 for the 2012 payments with the program ending on June 30, 2012. As of December 31, 2010, the Airport System recorded a current liability of $245,442 for the 2011 payments and a long-term liability of $120,036 for 2012 payments. The liability for 2012 was calculated using the present value of the payments. The discount rate of .23% used for the present value calculation was based on the projected yield of investments that will be used to fund the future payments. The amounts related to SIP are included in the statement of net assets in compensated absences as of December 31, 2011 and 2010.

(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 Assets

2011

The Airport System's assets exceeded liabilities by $545,073,847 as of December 31, 2011, a $9,949,263 decrease in net assets from the prior year-end. Of the Airport System's 2011 net assets, 114.4% are 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 assets restricted for capital projects represent $18,562,436.

The remaining net assets include unrestricted net assets of $359,040,984 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 asset 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, ($437,712,331) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2010

The Airport System's assets exceeded liabilities by $555,023,110 as of December 31, 2010, a $47,553,991 decrease in net assets from the prior year-end. Of the Airport System's 2010 net assets, 120.0% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $643,063,432 and are externally restricted for debt service. The net assets restricted for capital projects represent $22,959,179.

The remaining net assets include unrestricted net assets of $277,461,788 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 assets 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, ($388,461,289) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(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 assets 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 Passenger Facility Charges (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 revenue, expenses, and changes in net assets 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, 2011 and 2010, the Airport System had accrued a liability to the airlines, included in current other liabilities, of $15,731,054 and $6,831,425, respectively.

50% of Net Revenues (as defined by the bond ordinance), with an annual cap of $40,000,000 remaining at the end of each year are to be credited in the following year to the passenger airlines signatory use and lease agreements. The Net Revenues credited to the airlines totaled $40,000,000 for both 2011 and 2010. Liabilities for these amounts were accrued as of December 31, 2011 and 2010 and are reported in the statement of net assets 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 2010 balances have been reclassified to conform to the 2011 financial statement presentation.

(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, 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. At December 31, 2010, the amount of the Airport System's deposits was $7,143,659. In addition, the Airport System had $5,084,492 in uncashed payroll and vendor warrants at December 31, 2010.

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. It is the policy of the City to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands. 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.

At December 31, 2011 and 2010, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	December 31, 2011	December 31, 2010
Cash equivalents (including cash-on-hand)	$ 12,624	$ 2,257
Certificates of Deposit	28,396	—
Local government investment pools	43,837	45,805
Municipal securities	531	499
Commercial paper	122,599	233,985
State and local government securities	5,773	5,842
U.S. Treasury securities	210,870	244,971
U.S. agency securities	979,241	887,333
	$ 1,403,871	$ 1,420,692

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2011 and 2010, is as follows (amount expressed in thousands).

	December 31, 2011	December 31, 2010
Cash and cash equivalents	$ 99,599	$ 137,852
Investments	495,193	357,181
Restricted cash equivalents	29,901	76,017
Restricted investments	779,178	849,642
	$ 1,403,871	$ 1,420,692

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 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, 2011, 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):

		Investments maturity in years			
Investment type	Fair value	Less than 1	1-5	6-10	Greater than 10**
Discount commercial paper	$ 122,599	$ 122,599	$ —	$ —	$ —
U.S. Treasury securities	210,870	5,392	179,198	26,280	—
U.S. agency securities	979,241	164,462	562,350	197,030	55,399
Total	$ 1,312,710	$ 292,453	$ 741,548	$ 223,310	$ 55,399

** 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, 2011, the Airport System's portfolio included callable U.S. agency securities with a fair value of $37,319,486. 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 of AAA. Of the City's investments at December 31, 2011, commercial paper, municipal variable rate demand obligations (VRDO's), state and local government securities, U.S. agency securities and local government investment pools were subject to credit quality risk. The VRDO's were issued by the City. 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. The investment policy requires that the VRDO's have a minimum underlying issuer rating from at least one of the three rating agencies of A from Standard & Poor's and Fitch and A2 from Moody's. State and local government securities and U.S. agency 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 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, 2011, all of the City's investments subject to credit quality risk 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, 2011, 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% of total investments and investments in municipal securities to 15% of total investments.

As of December 31, 2011, 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, 2011 and 2010, an allowance of $237,689 and $1,009,113, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2011 and 2010 were as follows (in thousands):

	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
	4,967,710	5,008	21,673	(442)	4,993,949
Less accumulated depreciation and amortization	(2,083,584)	(179,070)	-	409	(2,262,245)
	2,884,126	(174,062)	21,673	(33)	2,731,704
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	$ 3,198,235	$ (110,104)	$ -	$ (768)	$ 3,087,363

	2010				
	January 1, 2010	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2010
Depreciable:					
Buildings	$ 1,988,352	$ 4,509	$ 10,100	$ (3,414)	$ 1,999,547
Improvements other than buildings	2,161,395	-	86,337	(113)	2,247,619
Machinery and equipment	689,952	11,185	20,551	(1,144)	720,544
	4,839,699	15,694	116,988	(4,671)	4,967,710
Less accumulated depreciation and amortization	(1,904,392)	(181,496)	-	2,304	(2,083,584)
	2,935,307	(165,802)	116,988	(2,367)	2,884,126
Nondepreciable:					
Construction-in-progress	83,996	56,232	(116,988)	(4,434)	18,806
Land, land rights, and air rights	295,306	-	-	(3)	295,303
Total capital assets	$ 3,314,609	$ (109,570)	$ -	$ (6,804)	$ 3,198,235

(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.

In 1999, as the land that comprised the former Stapleton International Airport (SIA) was being prepared for sale, the City purchased from American International Specialty Lines Insurance (AISLIC) a Pollution Legal Liability Policy (PLL) to cover unknown environmental conditions at SIA. AISLIC is a subsidiary of AIG Commercial Group, Inc. and has now become Chartis Specialty Insurance Company. Beginning in 2003, certain areas of SIA were found to have friable asbestos in the soil, and the City filed Notices of Loss with AISLIC as asbestos continued to be found in new sites. Originally, AISLIC accepted the claims. As the claims climbed into the tens of millions of dollars, however, AISLIC reconsidered and began denying claims on the basis that the City's remediation choices exceeded what was required by law. AISLIC now Chartis, has made over $100 million in payments for remediation covered by the PLL and the now-closed cost cap policies through February 2011. Several additional remediation projects were on hold in 2009 due to denial of coverage, but the parties have worked collectively throughout 2009 and 2010 to reach agreement, on a site by site basis; and the City has been able to proceed and complete several of the projects which had been on hold. In 2010, major remediation in Filing 19 and Filing 7 was completed and paid for by Chartis, and additional work was completed without dispute in 2011. As of close of 2011, Chartis has paid all formerly disputed remediation costs, and invoices were current within 90 days. Accordingly, litigation will not be necessary, and there no longer is any risk of loss in excess of the materiality limits.

The carrying value of Stapleton was $9,326,437 and $9,620,168 at December 31, 2011 and 2010, respectively. The current and anticipated costs accrued in other liabilities for the environmental liability for Stapleton was $15,237,219 and $26,636,123 at December 31, 2011 and 2010, respectively. The Airport has accrued $9,886,711 and $31,075,645 of insurance recoveries in accounts receivable at December 31, 2011 and 2010, respectively. The Airport has received payments for insurance recovery totaling $25,798,064 in 2011 and $10,855,091 in 2010.

(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 2011 and 2010 totaled $16,335,504 and $17,511,948, 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 $46,271,093 and $46,576,613 for the years ended December 31, 2011 and 2010, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $6,065,644 and $7,206,481 at December 31, 2011 and 2010, respectively.

The outstanding receivable from the City and its related agencies totaled $14,235 and $0 at December 31, 2011 and 2010, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2011 and 2010 were as follows (in thousands):

	2011					
	January 1, 2011	Additions	Refunded debt	Retirements	December 31, 2011	Amounts due within one year
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	

	2010					
	January 1, 2010	Additions	Refunded debt	Retirements	December 31, 2010	Amounts due within one year
Airport System revenue bonds	$ 3,977,855	$ 171,360	$ (178,405)	$ (138,224)	$ 3,832,586	$ 125,954
Economic defeasance	54,880	-	-	-	54,880	-
Baggage defeasance	103,405	-	-	(15,326)	88,079	7,651
Less deferred loss on bonds	(274,565)	(881)	-	21,973	(253,473)	-
Plus unamortized premiums	59,208	11,547	-	(9,780)	60,975	-
Total bond debt	$ 3,920,783	$ 182,026	$ (178,405)	$ (141,357)	3,783,047	$ 133,605
Less current portion					(133,605)	
Noncurrent portion					$ 3,649,442	

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.

The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2011 and 2010 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding 2011	Amount Outstanding 2010
Airport system revenue bonds				
Series 1991D Term bonds	November 15, 2013	7.75%	$ 25,198,577	$ 39,969,228
Series 1992F, G*	November 15, 2025	0.230%	40,600,000	42,300,000
Series 1995C Term bonds	November 15, 2012	6.50%	3,770,000	7,305,000
Series 1997E Serial bonds	Annually November 15, 2011 and 2013	6.00%	16,902,745	34,461,718
Series 1998A Term bonds	November 15, 2025	5.00%	128,695,000	128,695,000
Series 1998B Term bonds	November 15, 2025	5.00%	103,395,000	103,395,000
Series 2000A				
Serial bonds	Annually November 15, 2011 to 2019	5.125-6.00%	-	141,600,000
Term bonds	November 15, 2023	5.625%	-	31,495,000
Series 2001A Serial bonds	Annually November 15, 2011 to 2017	5.00-5.625%	-	182,344,765
Series 2001B Serial bonds	Annually November 15, 2013 to 2016	4.75-5.50%	-	16,675,000
Series 2001D Serial bonds	Annually November 15, 2011 to 2024	5.00-5.50%	-	46,940,000
Series 2002C*	November 15, 2024	0.230%	33,900,000	35,500,000
Series 2002E Serial bonds	Annually November 15, 2011 to 2023	4.75-5.50%	117,140,000	129,140,000
Series 2003A Term bonds	November 15, 2026 and 2031	5.00%	161,965,000	161,965,000
Series 2003B Term bonds	November 15, 2033	5.00-5.75%	75,460,000	75,460,000
Series 2005A Serial bonds	Annually November 15, 2011 to 2025	4.00-5.00%	218,485,000	224,510,000
Series 2006A Serial bonds	Annually November 15, 2015 to 2025	4.00-5.00%	279,585,000	279,585,000
Series 2006B Serial bonds	Annually November 15, 2011 to 2015	5.00%	65,690,000	90,365,000
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	.89-.90%	206,025,000	206,525,000
Series 2007G1-G2*	November 15, 2025	0.110%	147,000,000	147,400,000

Bond	Maturity	Interest Rate	Amount Outstanding 2011	2010
Series 2008A1 Serial bonds	Annually November 15, 2011 to 2017	5.00-5.50%	138,765,000	161,100,000
Series 2008A2-A4 Term rate bonds	November 15, 2032	5.00-5.25%	-	194,410,000
Series 2008B*	November 15, 2025	1.27%	75,100,000	75,700,000
Series 2008C1-C3*	November 15, 2025	.956%-1.271%	292,600,000	292,600,000
Series 2009A	November 15, 2012 to 2036	5.00-5.25%	170,190,000	170,190,000
Series 2009B	November 15, 2039	6.414%	65,290,000	65,290,000
Series 2009C*	November 15, 2022	0.100%	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%	349,730,000	-
Series 2011B	November 15, 2024	2.5-5.00%	198,370,000	-
Series 2011C	November 15, 2016	3.00-5.00%	15,310,000	-
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, 2011 to 2021	5.00-7.75%	46,983,678	88,079,289
Total revenue bonds			3,778,695,000	3,975,545,000
Less current portion			(141,060,000)	(133,605,000)
Net unamortized premiums			70,010,140	60,975,306
Deferred loss on refundings			(227,005,888)	(253,473,480)
Total bonds payable noncurrent			$ 3,480,639,252	$ 3,649,441,826

* Variable rates are as of December 31, 2011
** Auction rates are as of December 31, 2011

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.

(a) 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.

(b) Bond Issuances

On October 5, 2011, the Airport System 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.

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 Series 2000A Bonds in the amount of $160,135,000.

On March 9, 2010, the Airport System issued $171,360,000 of Airport System Revenue Bonds, Series 2010A, in a fixed-rate mode to current refund all of the Subseries 2008A2 Bonds and a portion of the Subseries 2008A3 and Subseries 2008A4 Bonds.

(c) Deferred Refunding

The proceeds of the 2011A Bonds were used together with other Airport monies to current refund all of the Subseries 2008A3 and Subseries 2008A4, 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 with a difference between the reacquisition price of $355,863,243 and the net carrying amount of the old debt of $357,294,392, and 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 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 with a difference between the reacquisition price of $230,575,950 and the net carrying amount of the old debt of $233,767,113, and 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.

The proceeds of the 2010A Bonds were used together with other Airport monies to current refund all of the Subseries 2008A2 Bonds, and a portion of the Subseries 2008A3 and Subseries 2008A4 Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt with a difference between the reacquisition price of $182,266,410 and the net carrying amount of the old debt of $181,384,701, and the recognition of a deferred loss on refunding in the amount of $881,709. The deferred loss on refunding is being amortized over the remaining life of the old debt. The transaction resulted in a difference in cash flows to service the old debt and the new debt of $(1,913,323) and an economic loss of $2,231,478.

(d) 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, 2011 and 2010, respectively, $65,720,000 and $65,720,000 of bonds outstanding are considered defeased.

(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, 2011 are as follows:

	Principal	Interest
Year:		
2012	$ 132,911,839	$ 144,216,615
2013	136,949,483	131,913,213
2014	138,240,000	131,733,260
2015	144,205,000	125,762,636
2016	160,965,000	118,948,308
2017-2021	804,745,000	488,577,291
2022-2026	1,519,440,000	293,254,327
2027-2031	383,365,000	129,403,609
2032-2036	195,380,000	40,632,116
2037-2039	60,630,000	7,938,929
Total	$ 3,676,831,322	$ 1,612,380,304

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2011, are as follows:

Year:	Principal	Interest
2012	$ -	$ 3,601,900
2013	14,800,000	3,601,900
2014	-	2,454,900
2015	-	2,454,900
2016	-	2,454,900
2017-2021	-	12,274,500
2022-2025	40,080,000	8,345,925
Total	$ 54,880,000	$ 35,188,925

Debt service requirements for the economic defeasance ABS Baggage System of the Airport System to maturity as of December 31, 2011, are as follows:

Year:	Principal	Interest
2012	$ 8,148,161	$ 2,664,333
2013	11,425,517	2,175,531
2014	10,000	1,490,200
2015	10,000	1,489,800
2016	10,000	1,489,400
2017-2021	27,380,000	5,151,424
Total	$ 46,983,678	$ 14,460,688

(b) Notes Payable

The Airport System entered into two Master Installment Purchase Agreements on March 15, 2004, one with Siemens Financial Services for $20 million and one with GE Capital Public Finance Inc. for $13 million, to finance various capital equipment purchases at rates and terms of 3.46% and 3.64% based on a 30/360 calculation for 2004. Payments are due semiannually to Siemens Financial Services and quarterly to GE Capital Public Finance. The Airport System entered into three Master Installment Purchase Agreements on October 26, 2006, and one on August 1, 2006. These include two agreements with Koch Financial Corporation for $23.0 million and $2.0 million, for a total of $25.0 million, and two agreements with GE Capital Public Finance for $9.0 million and $20.0 million for a total of $29.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16%, and 4.67% 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 3.33% based on 30/360 calculation for 2008.

The payment schedule relating to note requirements as of December 31, 2011 is as follows:

	Principal	Interest
Year:		
2012	$ 6,700,032	$ 695,334
2013	5,602,998	460,506
2014	3,548,309	298,541
2015	3,688,168	158,683
2016	1,100,738	32,559
	$ 20,640,245	$ 1,645,623

Changes in notes payable for the years ended December 31, 2011 and 2010 were as follows:

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Amounts due within one year
Notes payable	$ 31,429,297	$ -	$ (10,789,052)	$ 20,640,245	$ 6,700,032
Less current portion				(6,700,032)	
Noncurrent portion				$ 13,940,213	

	Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010	Amounts due within one year
Notes payable	$ 47,790,558	$ -	$ (16,361,261)	$ 31,429,297	$ 10,789,052
Less current portion				(10,789,052)	
Noncurrent portion				$ 20,640,245	

(10) Demand Bonds

Included in long-term debt are $40,600,000 for Series 1992F, G; $33,900,000 of Series 2002C, $75,100,000 of Series 2008B, $92,600,000 of Series 2008C1, $200,000,000 of Series 2008C2-C3, $104,655,000 of Series 2009C and $147,000,000 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 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 2008 C2-C3 Bonds at a floating rate index to one month LIBOR. Series 1992F, 1992G, 2002C, 2007G1-G2, and 2009C each have irrevocable letter of credits 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.

Irrevocable letters of credit and standby bond purchase agreements (SBPA) were issued as collateral for the Series 1992F, 1992G, 2002C, 2007G, and 2009C 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	$ 22,200,000	$ 22,543,036	0.163%	October 2, 2014
Series 1992G	18,400,000	18,684,318	0.163%	October 2, 2014
Series 2002C	33,900,000	34,423,825	0.163%	October 2, 2014
Series 2007G1-G2	147,000,000	148,691,507	0.280%	November 13, 2014
Series 2009C	104,655,000	106,134,507	1.400%	November 5, 2012

* As of December 31, 2011 and 2010 no amounts have been drawn under any of the existing agreements.

Subsequent to year-end, the Airport System is evaluating various financing options for the Series 2009C Bonds with respect to the letter of credit expiration date.

(11) Bond Ordinance Provisions

(a) 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.

(b) 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.

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 are 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, 2011 and 2010, and the changes in fair value of 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	Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2011
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)

Counterparty	Effective Date	Notional Amount (In millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Receivable Swap Rate	Changes In Fair Value Classification	Changes In Fair Value Amount	Fair Value 12/31/2011
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						70% LIBOR +			
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	0.10%	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	5,987,527	(16,741,000)
							Investment income	(1,971,418)	
Total									$ (245,834,618)

Counterparty	Effective Date	Notional Amount (In millions)	Bond/Swap Termination Date		Associated Debt Series	Payable Swap Rate	Receivable Swap Rate	Changes In Fair Value Classification	Changes In Fair Value Amount	Fair Value 12/31/2010
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 Inflow	6,153,589	$ (22,978,744)
								Investment Income	(2,051,953)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025		2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Inflow	5,990,855	(21,794,453)
								Investment Income	(2,021,400)	
1999 Swap Agreements										
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022		(1)	5.6179%	SIFMA	Deferred Inflow	3,985,328	(25,405,318)
								Investment Income	(2,305,411)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022		(1)	5.5529%	SIFMA	Deferred Inflow	1,978,823	(12,413,640)
								Investment Income	(1,127,226)	
RFPC, LTD.	10/4/2001	50	11/1/2022	*	(1)	5.6229%	SIFMA	Deferred Inflow	3,621,213	-
								Investment Income	(15,507,041)	
2002 Swap Agreements										
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022		(1)	SIFMA	76.33% LIBOR	Investment Income	2,038,379	(2,219,168)
RFPC, LTD.	4/15/2002	100	11/1/2022	*	(1)	SIFMA	76.00% LIBOR	Investment Income	(302,124)	-
2005 Swap Agreements										
Royal Bank of Canada	11/15/2006	55.917	11/15/2025		2006A	3.6560%	70% LIBOR	Investment Income	2,263,619	(6,916,439)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025		2006A	3.6874%	70% LIBOR	Investment Income	2,258,775	(7,084,429)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025		2006A	3.6560%	70% LIBOR	Investment Income	4,527,239	(13,832,878)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025		2006A	3.6560%	70% LIBOR	Investment Income	2,263,619	(6,916,439)
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	6,334,036	(26,882,349)
GKB Financial Services Corp.	11/15/2007	59.583	11/15/2025		2007F-G(2)	4.0085%	70% LIBOR	Investment Income	2,111,345	(8,960,783)

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date		Associated Debt Series	Payable Swap Rate	Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2010
2006B Swap Agreements										
Royal Bank of Canada	11/15/2006	55.917	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(2,238,886)	12,685,800
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
2007A Swap Agreements										
JP Morgan Chase Bank, N.A.	5/1/2010	150	11/1/2022	*	n/a	LIBOR	LIBOR	Investment Income	5,881,139	-
Royal Bank of Canada	5/1/2010	50	11/1/2022	*	n/a	LIBOR	LIBOR	Investment Income	1,962,713	-
2008A Swap Agreement										
Royal Bank of Canada	12/18/2008	119.117	11/15/2025		2007F-G(2)	4.0085%	70% LIBOR	Investment Income	4,224,019	(17,914,761)
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	3,969,393	(21,504,121)
2009A Swap Agreement										
Loop Financial Products I LLC	1/12/2010	50	11/15/2022		(1)	5.6229%	SIFMA	Deferred Outflow	1,813,815	(12,724,891)
								Investment income	10,911,076	
Total										$ (175,833,913)

(1) previously associated with the 2001 C1-C4. 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

* swap agreements terminated or replaced during 2010

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, 2011 and December 31, 2010. 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, 2011. 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, 2011, 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).

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

	Ratings of the counterparty or its credit support provider		
Counterparty (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

The ratings of the counterparties, or their credit support providers, as of December 31, 2010 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.	AA-	Aa1	AA-
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	A+	Aa3	AA-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A	A2	A+
Royal Bank of Canada	AA-	Aa1	AA
Societe Generale, New York Branch	A+	Aa2	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A	A2	A+
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A+	Aa2	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A	A2	A

As of December 31, 2011, 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 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 4.7463%. 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 2001 C1-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 currently 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 SIFMA, on $150 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.596%. 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 Agreement 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 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 respective financial institutions. The net effect of the 2002 Swap Agreement, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.165% 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 76.165% of LIBOR received under the 2002 Swap Agreement. 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 London Interbank Offered Rate 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 1-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 $179.9 million and $60.0 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 Swap Agreement and 70% of London Interbank Offered Rate for one month deposits of U.S. dollars (LIBOR) 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 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 1-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 2007A Swap Agreements – On December 21, 2007, the City entered into interest rate swap agreements (the 2007A Swap Agreements) with two financial institutions to effectively change the amounts it receives under the

2002 Swap Agreements from a percentage of the London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars (one-month LIBOR) to a percentage of LIBOR for ten-year deposits of U.S. dollars (ten-year LIBOR). The 2007A Swap Agreements have notional amounts of $150.0 million and $50.0 million, $100 million relate to the 2008C commercial paper, $78.8 of Series 2008B Bonds and $12.2 of Series 2002C Bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the 2008 Commercial paper, Series 2008B Bonds and a portion of the Series 2002C Bonds (see "the 1999 Swap Agreements and Associated Debt" and "the 2002 Swap Agreements and Associated Debt").

The Airport System is exposed to basis risk under the 1999, 2002, and 2007A Swap Agreements, due to the differences in indices between the variable rate it pays on the associated debt and 65.55% of ten-year LIBOR received under the 2007A Swap Agreements. The 2007A Swap Agreements have an effective date of May 1, 2010, and payments under these agreements have not commenced.

On February 5, 2010 and February 10, 2010, the City terminated the 2007A Swap Agreements in order to monetize the economic value of those Swap Agreements and received $11,092,000 from the counterparties.

The 2008A Swap Agreement – On December 18, 2008, the City 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 London Interbank Offered Rate (LIBOR) for one month deposits of U.S. dollars payable to Royal Bank of Canada. The City 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 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 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 Swap Agreement commenced on January 1, 2009.

The 2008B Swap Agreement – On January 8, 2009, the City 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 London Interbank Offered Rate (LIBOR) for three month deposits of U.S. dollars payable by Loop Financial

Products I LLC. The City 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 City 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 Swap Agreement commenced on February 1, 2009.

The 2009A Swap Agreement – On January 12, 2010, the City 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 Swap Agreement and the SIFMA index payable by Loop Financial Products I LLC. The City 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 Product I LLC, the fixed rate to be paid by the City 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%.

(c) Swap Payments and Associated Debt

Interest Rate Swap Profile (all rates as of December 31, 2011):

Swaps	1999, 2002 2009A (1)	2005,2006B	2006A,2008A	1998	2008B
Associated Debt	2002C, 2008B, 2009C(2)	2006A	2007F-G, 2002C(3)	2008C2-C3	2008C1, 2002C(4)
Payment to Counterparty:	5.703%	3.762%	4.009%	4.740%	4.760%
Payment from Counterparty:	.325%	4.292%	.207%	.307%	.507%
Net Swap Payment:	5.378%	(0.530%)	3.802%	4.433%	4.253%
Associated Bond Interest Rate:	.552%	4.950%	0.564%	0.960%	1.193%
Net Swap & Bond Payment:	5.930%	4.420%	4.366%	5.393%	5.446%

(1) Associated 1999 Swaps with RFPC, Ltd. was terminated, and replaced with 2009A Swap Agreement, and associated 2002 Swap with RFPC, Ltd. was terminated on January 12, 2010. The 2007A swaps were terminated on February 5, 2010 and February 10, 2010. Because these swaps were not scheduled to be effective until May 1, 2010 the effect of these swaps are not included.

(2) Swaps currently associated by the Airport with $104.655 million 2009C, $75.10 million Series 2008B, and a portion of the Series 2002C Bonds.

(3) Swaps currently associated by the Airport with $206,025,000 Series 2007F1-F4, $147,000,000 Series 2007G1-G2, and a portion of the Series 2002C Bonds.

(4) Swaps currently associated by the Airport with $92,600,000 Series 2008C1, and a portion of the Series 2002C Bonds.

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2011, 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:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2012	$ 600,000	$ 3,023,609	$ 19,745,977	$ 23,369,586
2013	4,700,000	3,015,989	19,745,977	27,461,966
2014	4,800,000	2,956,299	19,745,977	27,502,276
2015	6,045,000	2,895,339	19,745,977	28,686,316
2016	7,500,000	2,829,435	19,745,977	30,075,412
2017-2021	223,635,000	11,982,807	82,438,945	318,056,752
2022-2025	152,120,000	3,644,553	14,501,724	170,266,277
Total	$ 399,400,000	$ 30,348,031	$ 195,670,554	$ 625,418,585

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2011.

(13) 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, 2011 and 2010, Special Facility Revenue Bonds outstanding totaled $282,785,000 and $298,255,000, respectively.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2011 and 2010 are as follows:

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

	Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010	Amounts due within one year
Compensated absences payable	$ 8,180,630	$ 5,889,120	$ (5,690,605)	$ 8,379,145	$ 2,359,480
Less current				(2,359,480)	
Noncurrent portion				$ 6,019,665	

(15) Pension Plan

Substantially all of Denver International's employees are covered under the City'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. The DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 2008, the date of the last actuarial valuation, the plan was under-funded; 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

(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, 2011, 2010, and 2009 were approximately $43,047,000, $38,427,000, and $41,006,000, respectively, which equaled the required contributions each year. Denver International's share of the City's contributions for the years ended December 31, 2011, 2010, and 2009 were approximately $6,268,376, $5,509,853, and $5,782,918, 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.

(16) 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 Denver Employees Retirement Plan (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 purposes 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 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 $864,100, $743,100 and $693,000 for the years ended December 31, 2011, 2010 and 2009, respectively, based on a pay-as-you-go financing.

(17) 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.

(18) Commitments and Contingencies

(a) Commitments

At December 31, 2011, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	32,815,486
Construction projects to be funded by bonded debt		18,241,289
Projects related to remediation – Stapleton		70,050
Total commitments	$	51,126,825

(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.

As of December 31, 2011, the Airport System had accrued $.5 million in the accompanying financial statements for noise violations and penalties. There is no noise penalty due for 2011.

(c) 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 one 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 2011 and 2010 was $75,202,183 and $70,216,520, respectively.

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

2012	$ 53,079,223
2013	50,502,043
2014	19,860,329
2015	12,902,037
2016	10,619,016
2017-2021	8,013,238
2022	112,101
Total minimum future rentals	$ 155,087,987

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 2011 or 2010. 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.

(19) 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 Denver International 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 Denver International. 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.

(20) 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). United Airlines group represented approximately 54.5% (including Continental Airlines in 2011) and 54.0% (excluding Continental Airlines in 2010) of the Airport System's airline operating revenue. Frontier Airlines group represented 14.4% and 14.1% in 2011 and 2010, respectively, of the Airport System's airline operating revenue. Southwest Airlines represented 14.1% and 12.1% in 2011 and 2010, 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.

(21) 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 42.7% and 41.8% of enplaned passengers at the Airport in 2011 and through March of 2012, respectively.

(22) Subsequent Events

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, based on a ten to 15 year life.

In May 2012, the Airport System added a nonstop flight from Denver to Tokyo, Japan, to begin in March 2013.

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.

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(UNAUDITED)

December 31, 2011 and 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
		Implicit Rate Subsidy				
12/31/09	$ 0	$ 110,018,000	$ 110,018,000	0.0%	$393,325,000	28.0%
12/31/10	0	113,048,000	113,048,000	0.0%	409,058,000	27.6%
12/31/11	0	115,813,000	115,813,000	0.0%	425,186,000	27.2%

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(UNAUDITED)

December 31, 2011 and 2010

Year Beginning January 1	Annual Actuarially Required Contribution	Percentage Contributed
	Implicit Rate Subsidy	
2009	$ 7,768,000	65.4%
2010	8,026,000	69.9%
2011	8,280,000	77.9%

City and County of Denver
Municipal Airport System

SCHEDULE OF COMPLIANCE WITH RATE MAINTENANCE COVENANT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE AIRPORT REVENUE ACCOUNT (UNAUDITED)

Year ended December 31, 2011

Gross revenue:	
Facility rentals	$ 254,035,459
Concession income	47,499,304
Parking income	132,728,104
Car rental income	46,352,620
Landing fees	116,505,913
Aviation fuel tax	28,891,848
Other sales and charges	18,383,413
Interest income	25,668,798
Designated Passenger Facility Charge revenues	31,403,690
Miscellaneous income	687,457
Operation and Gross revenues as defined in the ordinance	702,156,606
Personnel services	115,247,489
Contractual services	174,203,413
Maintenance, supplies and materials	22,827,096
Operation and maintenance expenses as defined in the ordinance	312,277,998
Net revenue	389,878,608
Other available funds	57,528,265
Net revenue plus other available funds as defined in the ordinance	$ 447,406,873
Debt service requirements as defined in the ordinance (1)	$ 235,356,196
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)	190%

(1) Net of irrevocably committed Passenger Facility Charges of $69,899,399 applied under Supplemental Bond Ordinance.

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, 2011

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

Bond series	Interest payment date	Balance interest due	Required Interest Acct. balance at 12/31/2011
Series 1991D	05/15/12	$ 976,445	$ 162,741
Series 1992F-G	01/01/12	8,141	8,141
Series 1995C	05/15/12	122,525	20,421
Series 1997E	05/15/12	507,082	84,514
Series 1998A	05/15/12	3,217,375	536,229
Series 1998B	05/15/12	2,584,875	430,813
Series 2002C	01/01/12	6,797	6,797
Series 2002E	05/15/12	3,122,813	520,469
Series 2003A	05/15/12	4,049,125	674,854
Series 2003B	05/15/12	1,886,500	314,417
Series 2005A	05/15/12	5,609,100	934,850
Series 2006A	05/15/12	6,710,402	1,118,400
Series 2006B	05/15/12	1,642,250	273,708
Series 2007A	05/15/12	4,708,750	784,792
Series 2007B	05/15/12	606,250	101,042
Series 2007C	05/15/12	865,875	144,313
Series 2007D	05/15/12	3,924,319	654,053
Series 2007D2	05/15/12	730,000	121,667
Series 2007E	05/15/12	1,185,000	197,500
Series 2007F1-F4	01/01/12	154,703	154,703
Series 2007G1-G2	01/01/12	12,644	12,644
Series 2008A	05/15/12	3,581,250	596,875
Series 2008B	01/01/12	86,811	86,811
Series 2008C1	01/01/12	107,040	107,040
Series 2008C2-C3	01/01/12	173,633	173,633
Series 2009A	05/15/12	4,424,100	737,350
Series 2009B	05/15/12	2,093,850	348,975
Series 2009C	01/01/12	10,005	10,005
Series 2010A	05/15/12	4,240,922	706,820
Series 2011A	05/15/12	8,751,475	1,458,579
Series 2011B	05/15/12	5,264,676	877,446
Series 2011C	05/15/12	368,042	61,340
			$ 12,421,942

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, 2011

(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.

Bond series	Principal payment date	Balance principal due	Required principal account balance at 12/31/2011
Series 1991D	11/15/12	$ 19,248,577	$ 1,604,048
Series 1992 F, G	11/15/12	1,800,000	150,000
Series 1995C	11/15/12	3,770,000	314,167
Series 1997E	11/15/12	9,488,262	790,689
Series 2002C	11/15/12	1,700,000	141,667
Series 2002E	11/15/12	12,705,000	1,058,750
Series 2005A	11/15/12	70,000	5,833
Series 2006B	11/15/12	23,495,000	1,957,917
Series 2007F1-F4	11/15/12	600,000	50,000
Series 2007G1-G2	11/15/12	400,000	33,333
Series 2008A	11/15/12	23,625,000	1,968,750
Series 2008B	11/15/12	600,000	50,000
Series 2009A	11/15/12	2,625,000	218,750
Series 2011A	11/15/12	14,580,000	1,215,000
Series 2011B	11/15/12	19,205,000	1,600,417
Total principal account requirement			$ 11,159,321

(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.

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, 2011

(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, 2011, the redemption account had a balance of $20.7 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 (d) above is as follows:

Aggregate required Bond Account balance	$	23,581,262
Bond Account balance at December 31, 2011		23,581,262
Overfunded/(underfunded)	$	-

(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, 2011 is $371,798,000. The minimum Bond Reserve Account requirement is $371,798,000.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account is an amount equal to four 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, 2011.

Computation of minimum operation and maintenance reserve:

2010 Operation and Maintenence expenses	$	302,880,599
Minimum operations and maintenance reserve requirement for 2010	$	50,480,100
Operation and maintenance reserve account balance at December 31, 2011		75,720,150
Overfunded	$	25,240,050

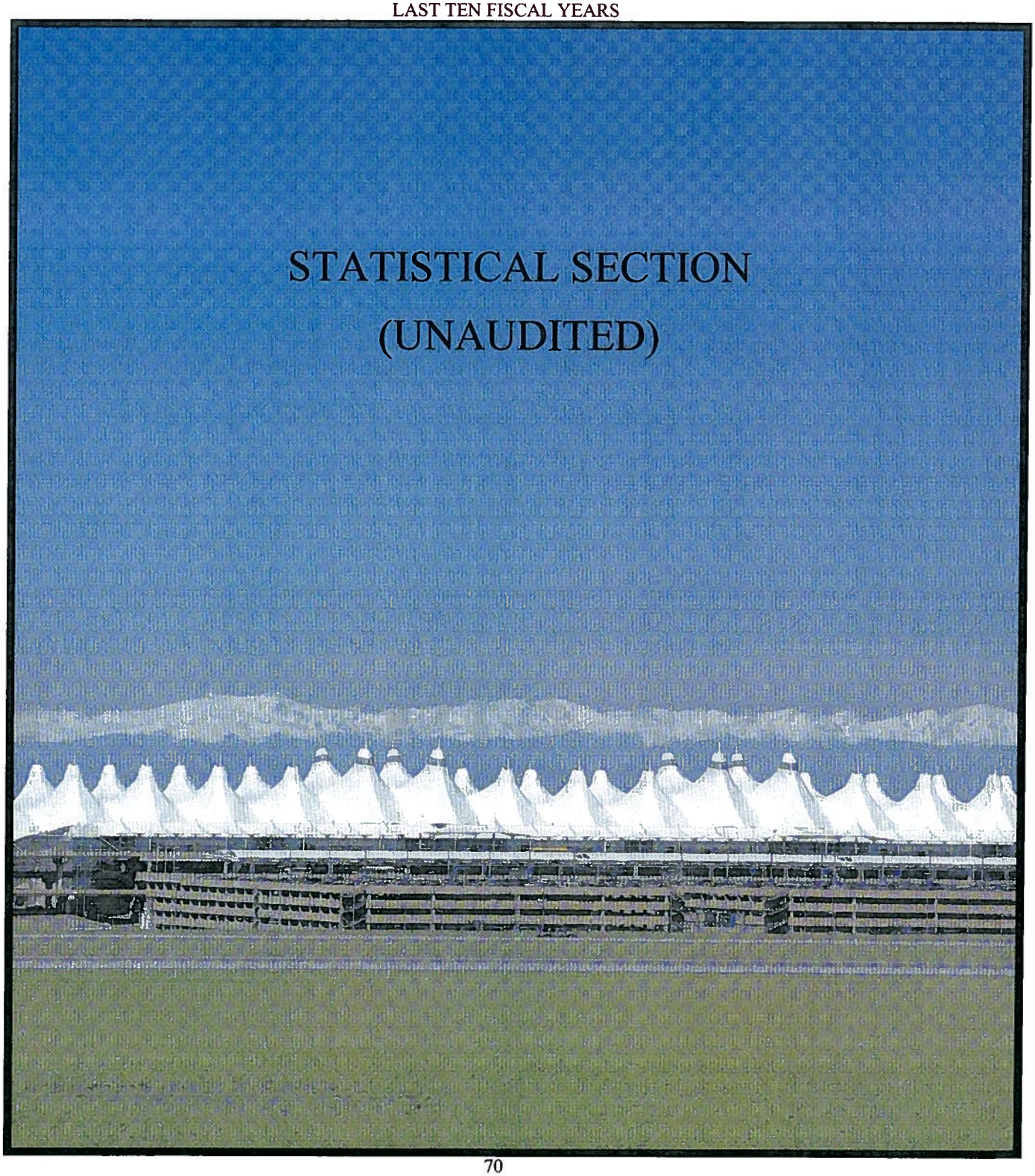
Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to four times the prior year's monthly average.

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)

Condensed Schedule of revenue s and Expenses (in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009 *	2010	2011
Operating revenues	$ 443,921	$ 457,386	$ 477,936	$ 497,177	$ 508,307	$ 530,151	$ 540,760	$ 564,490	$ 601,402	$ 602,769
Operating expenses, before depreciation and amortization	238,484	211,913	221,214	239,405	262,514	290,773	373,829	379,517	409,865	392,862
Operating income before depreciation and amortization	205,437	245,473	256,722	257,772	245,793	239,378	166,931	184,973	191,537	209,907
Depreciation and Amortization	125,692	148,763	135,338	150,823	151,507	159,309	168,026	177,583	181,496	179,070
Impairment loss	-	-	18,007	85,286	-	-	-	-	-	-
Operating income (loss)	79,745	96,710	103,377	21,663	94,286	80,069	(1,095)	7,390	10,041	30,837
Nonoperating revenues (expenses)	(119,845)	(135,272)	(138,580)	(107,265)	(67,771)	(49,127)	(44,987)	(59,749)	(87,795)	(75,488)
Capital Contributions, grants And transfers	91,152	40,542	62,205	31,547	29,188	2,426	14,393	38,621	30,200	34,702
Change in net assets	$ 51,052	$ 1,980	$ 27,002	$ (54,055)	$ 55,703	$ 33,368	$ (31,689)	$ (13,738)	$ (47,554)	$ (9,949)

* Restated for GASB 53

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

Year	Major National Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2002	16,805,378	(3.2)	669,432	104.0	354,754	(2.5)	17,829,564	(1.2)
2003	17,192,825	1.8	1,395,391	108.4	172,719	(35.8)	18,760,935	5.2
2004	18,296,498	6.4	2,623,675	88.0	223,908	29.6	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6
2006	19,674,467	7.6	3,791,642	17.7	199,203	(1.5)	23,665,312	9.0
2007	20,774,889	5.6	3,945,388	4.1	220,676	10.8	24,940,953	5.4
2008	21,514,216	3.6	3,945,641	.0	190,386	(13.7)	25,650,243	2.8
2009	20,646,529	(4.0)	4,239,139	7.4	242,365	27.3	25,128,033	(2.0)
2010	21,030,879	2.4	4,666,047	10.1	327,996	34.8	26,024,922	4.0
2011	21,731,994	3.3	4,439,841	(4.8)	283,930	(13.4)	26,455,765	1.7

(b) Enplaned Passengers by Airline

Airline	2010	% of Total	2011	% of Total
United	7,385,764	28.3%	7,263,486	27.4%
United Express	4,151,666	16.0%	4,042,388	15.3%
Total United	11,537,430	44.3%	11,305,874	42.7%
American	722,380	2.8%	732,195	2.8%
Continental	545,883	2.1%	—	0.0%
Delta	1,023,770	3.9%	1,231,122	4.7%
Frontier	5,595,197	21.5%	5,858,631	22.1%
Southwest	4,726,176	18.2%	5,756,081	21.8%
USAir	599,775	2.3%	640,248	2.4%
Other	1,274,311	4.9%	931,614	3.5%
Totals	26,024,922	100.0%	26,455,765	100.0%

(c) Originating and Connecting Enplaned Passengers for the year ended December 31, 2011

Airline	Originating	Connecting	Total
United	11,305,874	16,057,082	27,362,956
Other	15,149,891	10,336,255	25,486,146
Totals	26,455,765	26,393,337	52,849,102
Percent of total	50.1%	49.9%	100.0%

(3) Aircraft Operations

(a) Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/gen aviation	Military	Total	Percent change
2002	338,049	157,777	12,416	987	509,229	(3.6) %
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) %

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

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

Year	Amount	Year	Amount
2002	69,742	2007	97,191
2003	71,945	2008	96,786
2004	82,161	2009	96,865
2005	84,000	2010	102,595
2006	93,150	2011	103,210

(5) Enplaned Cargo Operations (in pounds)

Year	Air Mail	Freight and Express	Total	Percent change
2002	95,573,027	283,241,306	378,814,333	3.2 %
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 %

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross revenue	$ 499,435	$ 527,567	$ 543,044	$ 571,102	$ 592,110	$ 616,106	$ 635,607	$ 631,592	668,885	702,157
Operation and maintenance expenses	216,791	201,573	220,254	238,142	256,191	282,746	305,382	309,270	302,881	312,278
Net revenue	282,644	325,994	322,790	332,960	335,919	333,360	330,225	322,322	366,004	389,879
Other available funds	46,751	50,807	54,849	55,173	50,791	53,251	53,575	49,288	57,449	57,528
Total amount available for debt service requirements	$ 329,395	$ 376,801	$ 377,639	$ 388,133	$ 386,710	$ 386,611	$ 383,800	$ 371,610	423,453	447,407
Debt service requirements	$ 225,286	$ 230,547	$ 243,495	$ 241,622	$ 220,001	$ 229,923	$ 240,028	$ 237,905	235,244	235,356
Debt service coverage	146%	163%	155%	161%	176%	168%	160%	156%	180%	190%

City and County of Denver
Municipal Airport System

SUMMARY OF INSURANCE COVERAGE
(UNAUDITED)

December 31, 2011

Policy number	Company	Item covered	Expiration date	Annual premium	Coverage
PLL668823452	Chartis	Pollution	9/1/2013	$ 73,112	$ 10,000,000
AP086448700-01	Chartis	Airport Liability Primary	9/1/2012	429,334	300,000,000
12000780	Global Aerospace, Inc.	Airprt Liability -Excess	9/1/2012	85,000	200,000,000
WAI0002542	Aon- Scottsdale	Auto Liability- Excess	9/1/2012	34,000	1,000,000
20412933	Lexington	Property/Boiler & Machinery	9/1/2012	1,862,548	1,500,000,000

APPENDIX G

UNAUDITED FINANCIAL STATEMENT OF THE AIRPORT SYSTEM FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

City and County of Denver
Municipal Airport System
Management's Discussion and Analysis
For the Six Months Ended June 30, 2012
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance and activities of the Municipal Airport System (Airport System) of the City and County of Denver (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for three and six months ended June 30, 2012, and 2011, and for the year ended December 31, 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 $161.1 million, an increase of $6.6 million (4.3%) for the three month period ended June 30, 2012, as compared to three months ended June 30, 2011. The increase in revenue was primarily related to the 1.6% increase in Origination and Destination (O & D) passenger traffic for the period ended June 30, 2012 which contributed to the increase of $4.5 million or (8.2%) in concession, parking and car rental revenues. Revenues increased in landing fees due to an increase in landed weight and a slight increase in facility rentals, while other sales and charges decreased due to a decrease in oil and gas royalties.

Operating revenues at the Airport were $314.3 million, an increase of $12.4 million (4.1%) for the six month period ended June 30, 2012, as compared to the six months ended June 30, 2011. The increase in revenue was primarily related to the 1.6% increase in O & D passenger traffic and a 5.7% increase in passenger spend rate for the period contributed to an increase $7.8 million or (7.4%) in non-airline revenues (concession, parking, and car rental). Revenues increased from facility rentals, aviation fuel tax, and landing fees due an increase in landed weight, while revenues from other sales decreased due to a decrease in oil and gas royalties.

Operating expenses, exclusive of depreciation, and amortization were $89.3 and $166.4 million, respectively for the three and six months ending June 30, 2012, an increase of $3.5 million (4.0%) and decrease of $3.8 million (2.2%) respectively as compared to period ending June 30, 2011. The increase for the three months was related to the increase in professional services and janitorial services and the decrease for the six months was attributable to a decrease in architectural and engineering services costs associated with the South Terminal project, which are now being capitalized offset by personnel costs, janitorial services, snow removal and professional services.

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 statement of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and notes to financial statements. The statement of net assets present information on the Airport System's assets and liabilities, with the difference between the two reported as net assets. The statement of revenues, expenses and changes in net assets presents information showing how the Airport System's net assets changed during the period. All changes in net assets 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.

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 date – current year, the prior year and the year proceeding the prior year (i.e 2012, 2011 and 2010).

Summary of Revenues, Expenses, and Changes in Net Assets

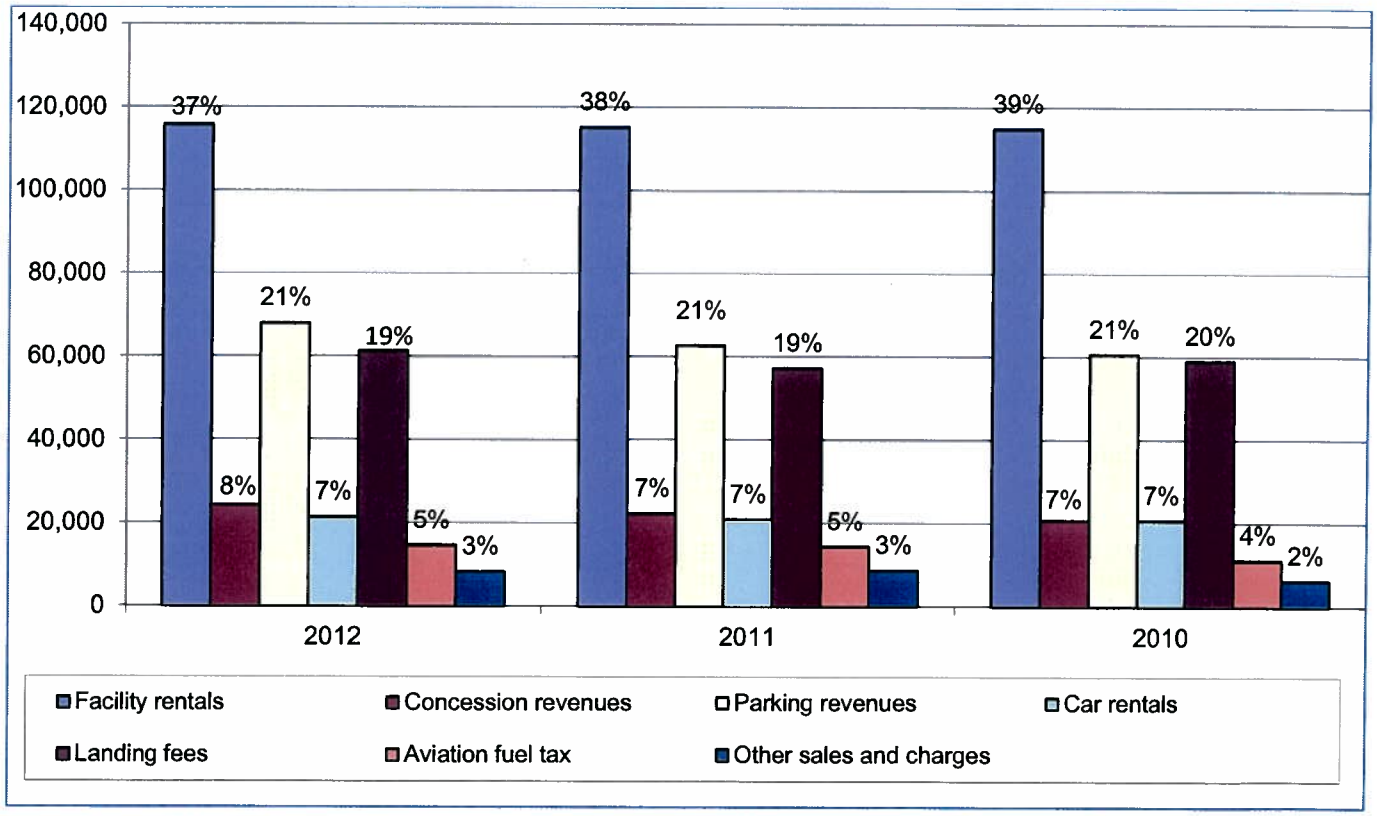
The following is a summary of the revenues, expenses and changes in net assets for the six-month period ended June 30, 2012, 2011 and 2010 (in thousands):

	2012	2011	2010
Operating revenues	314,250	301,837	294,051
Operating expenses before depreciation and amortization	(166,403)	(170,171)	(177,077)
Operating income before depreciation and amortization	147,847	131,666	116,974
Depreciation and amortization	(88,017)	(88,781)	(86,953)
Operating income	59,830	42,885	30,021
Nonoperating revenues	68,738	80,571	107,593
Nonoperating expenses	(102,682)	(111,984)	(101,781)
Capital contributions	635	15,758	1,455
Increase (decrease) in net assets	26,521	27,230	37,288
Net assets, beginning of period (1/1)	545,074	555,023	602,577
Net assets, end of period (6/30)	$ 571,595	$ 582,253	$ 639,865

OPERATING REVENUES
(in thousands)

	2012	2011	2010
Operating Revenues:			
Facility rentals	$ 115,933	$ 115,336	$ 115,023
Concession revenues	24,324	22,283	20,833
Parking revenues	68,079	62,842	60,721
Car rentals	21,488	20,931	20,774
Landing fees	61,410	57,319	59,157
Aviation fuel tax	14,699	14,423	11,207
Other sales and charges	8,317	8,703	6,336
Total Operating Revenues	$ 314,250	$ 301,837	$ 294,051

Total Operating Revenues



The Airport System's activities decreased in all five areas for the six months ended June 30, 2012, as compared to 2011 and increased in four areas, with a slight decrease in landed weight for the six months ended June 30, 2012, as compared to 2011 (in thousands):

	2012	2011	2010	Percentage Change 2012-2011	Percentage Change 2011-2010
Enplanements	12,827	12,836	12,522	(.1)%	2.5%
Passengers	25,614	25,621	24,980	(0)%	2.6%
Aircraft Operations (1)	304	317	310	(4.0)%	2.2%
Cargo (in pounds)	255,459	276,942	264,748	(7.8)%	4.6%
Landed Weight	15,643	16,187	16,325	(3.4)%	(.9)%

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

2012/2011

Operating revenues increased by $12.4 million or 4.1% to $314.3 million in 2012, primarily due to the increase in facility rentals, aviation fuel tax, landing fees and non-airline revenues: (concession, parking and car rental), which is offset by a decrease in other sales and charges.

Facility rentals increased by $.6 million or .5% which is attributable to an increase in airline ramp rent, AGTS fees, and baggage system fees.

Concession revenues between 2012 and 2011 increased $2.0 million, or 9.2%, primarily due to the increase in services concession related to advertising revenues and food and beverage sales due to an increase of 1.6% in originating and destination (O&D) traffic. Additionally, there was an increase in spend rate per enplaned passenger from $10.64 in 2012 to $10.07 in 2011.

The parking revenue increase of $5.2 million, or 8.3%, is attributable to the increase of 1.6% in O & D passenger traffic.

Car rental revenue increased by $0.5 million, or 2.7%, to $21.5 million, due to an increase of 1.6% in O&D passenger traffic.

Landing fees increased by $4.1 million or 7.1%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight to $3.91 for signatory and $4.70 for non-signatory airlines in 2012 from $3.35 for signatory and $4.24 for non-signatory airlines 2011.

Aviation fuel tax increased in 2012 by $.3 million, or 1.9%, due to an increase in fuel prices.

Other sales and charges decreased by $.4 million or 4.4% due to a decrease in revenue from oil and gas royalties.

2011/2010

Operating revenues increased by $7.8 million or 2.7% to $301.8 million in 2011, primarily due to the increase in facility rentals, aviation fuel tax and non-airline revenues: (concession, parking and car rental), which is offset by a decrease in landing fees.

Facility rentals increased by $.3 million or .3% which is attributable to an increase in airline non preferential use fees, baggage fees, and airline ramp and space rent.

Concession revenues between 2011 and 2010 increased $1.5 million, or 7.0%, primarily due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from $10.09 in 2011 to $9.98 in 2010.

The parking revenue increase of $2.1 million, or 3.5%, is attributable to the increase in originating and destination (O&D) traffic.

Car rental revenue increased by $0.2 million, or .8%, to $20.9 million, due to an increase in O&D passenger traffic. Total passenger traffic increased 2.6% for the six months period ended June 30, 2011; O & D passenger traffic increased 3.5%.

Landing fees decreased by $1.8 million or 3.1%, which is attributable to the decrease in landing fee rates to $3.35 for signatory and $4.24 for non-signatory airlines in 2011 from $3.62 for signatory and $4.34 for non-signatory airlines 2010.

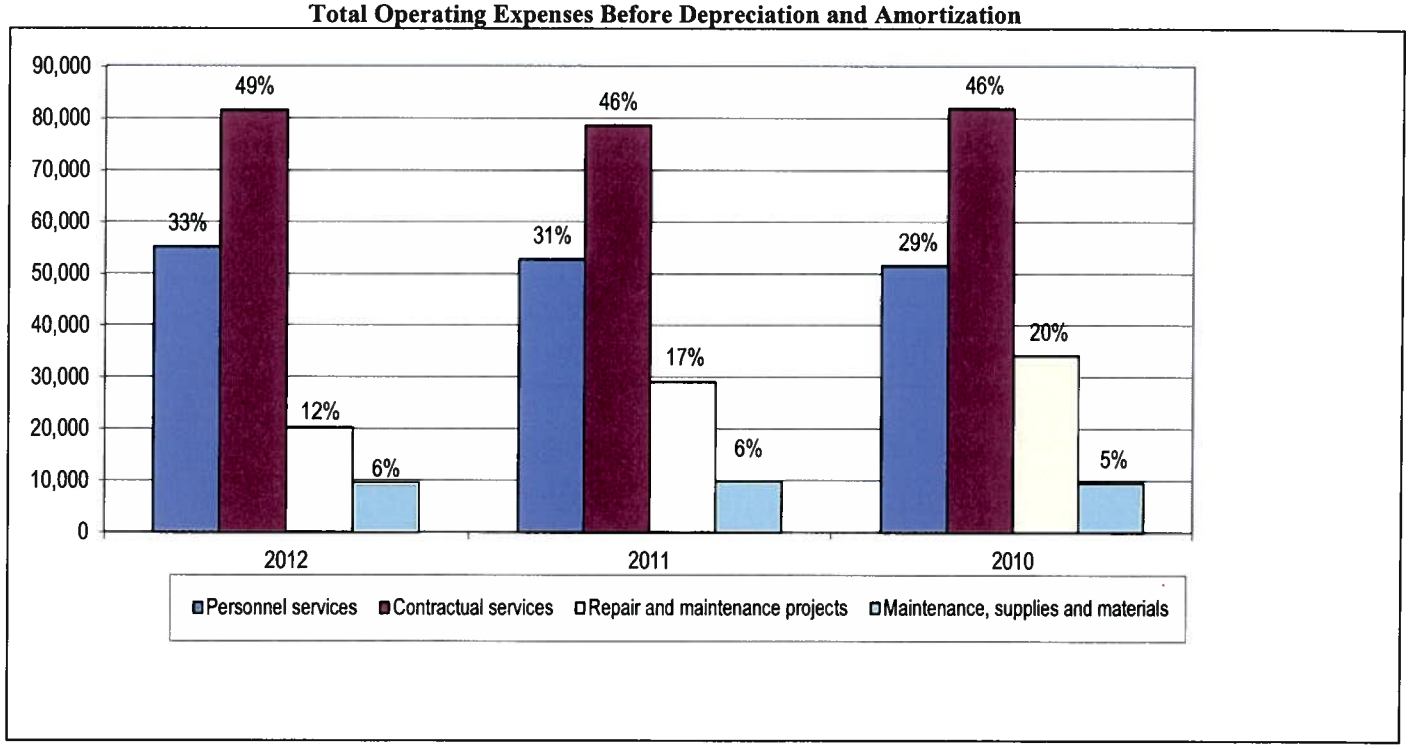
Aviation fuel tax increased in 2011 by $3.2 million, or 28.7%, due to an increase in fuel prices and flight operations.

Other sales and charges increased by $2.4 million or 37.4% due to an increase in revenue from natural resources as a result of the purchase of oil and gas wells in 2010.

Operating Expenses before Depreciation and Amortization
(in thousands)

	2012	2011	2010
Operating Expenses:			
Personnel services	$ 55,133	$ 52,718	$ 51,499
Contractual services	81,533	78,576	81,823
Repair and maintenance projects	20,205	28,976	34,145
Maintenance, supplies and materials	9,532	9,901	9,610
Total Operating Expenses, before depreciation and amortization	$ 166,403	$ 170,171	$ 177,077

Total Operating Expenses Before Depreciation and Amortization



2012/2011
Operating expenses before depreciation and amortization decreased by $3.8 million, or 2.2%, to $166.4 million in 2012.

Personnel services increased $2.4 million, or 4.6%, in 2012 which was due to an increase in permanent salaries and costs for services and overtime from other city agencies. This was offset by a decrease in snow overtime costs.

Contractual services increased by $3.0 million, or 3.8%, primarily due to an increase in professional service contracts, snow removal costs and janitorial services. Offset by decreases in gas expense and repair and maintenance of elevator equipment and roads.

Repair and maintenance projects decreased by $8.8 million, or 30.3%, which was primarily due to the construction costs associated with the South Terminal Project currently in the design stage, being recorded in the construction in progress and no longer being expensed. Additionally, $12 million for the second quarter were expensed for such items as runway ramp repairs, roadway, FIDS and GIDS replacement and remodeling that had been funded through the capital improvement program.

Maintenance, supplies and materials decreased by $.4 million, or 3.7%, to $9.5 million due to the decrease in commercial chemicals and solvents, fuel and software costs.

2011/2010

Operating expenses before depreciation and amortization decreased by $6.9 million, or 3.9%, to $170.2 million in 2011.

Personnel services increased $1.2 million, or 2.4%, in 2011 which was due to an increase in personnel costs for services from other city agencies and overtime. This was offset by a decrease in direct labor and benefits associated with the furloughs taken by personnel.

Contractual services decreased by $3.2 million, or 4.0%, related to a decrease in architectural and engineering services, electricity, and snow removal which is offset by an increase in management services and consulting and repair and maintenance of elevator equipment and the baggage system.

Repair and maintenance projects decreased by $5.2 million, or 17.8%, which was primarily due to the construction costs associated with the South Terminal Project currently in the design stage and the costs are being recorded in the construction in progress and no longer being expensed and the addition of $10 million for the second quarter are still being expensed such as airfield runway lighting, runway ramp repairs, HVAC, concession remodeling projects, and terminal parking stair replacement that had been funded through the capital improvement program.

Maintenance, supplies and materials increased by $.3 million, or 3.0%, to $9.9 million due to the increase emergency electrical lighting equipment and runway lighting. This was offset by a decrease in commercial chemicals and solvents.

Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions

2012/2011

Total nonoperating expenses, net of nonoperating revenues, increased by $2.5 million 8.1% to $33.9 million in the six months of 2012 as compared to 2011. The increase was due to a decrease of $12.6 million, or 47.7%, in investment income related to a decrease in investment yields and $5.1 million unrealized loss on investments. This was offset by a unrealized gain on investment due to the decrease in fair value of derivative instruments, and an increase in Passenger Facility Charges (PFC) of $.8 million and a decrease in interest expense and other expense.

2011/20101111

Total nonoperating expenses, net of nonoperating revenues, increased by $37.2 million 64.0% to $31.4 million in the six months of 2011 as compared to 2010. The increase was due to a decrease of $19.6 million, or 43.2%, in investment income related to a decrease in investment yields and $6.5 million unrealized loss on investments. This was offset by a unrealized gain on investments due to the decrease in fair value of derivative instruments, and an increase of $5.0 million in interest expense, $11.2 million in Stapleton clean-up expenses and an increase in other income due to the one-time revenue of the swap termination payment of $12.0 million received in 2010. The increase in expense was offset by an increase Passenger Facility Charges (PFC) of $1.4 million.

In 2012 and 2011, capital grants totaled $634,928 and $15,757,736 respectively.

Summary of Net Assets

The following is a summary of the Net Assets as of June 30, 2012 and December 31, 2011 and 2010 (in thousands):

	2012	2011	2010
Assets:			
Current assets, unrestricted	$ 247,311	$ 285,811	$ 301,899
Restricted assets, current	336,391	194,059	260,573
Noncurrent investments	425,862	362,037	263,705
Long-term receivables	11,049	11,049	4,885
Capital assets, net	3,079,886	3,087,363	3,198,235
Bond issue costs, net	40,966	42,923	45,594
Interest rate swaps	64,546	58,481	31,715
Investments – restricted	588,112	634,640	686,209
Assets held for disposition	4,163	9,327	9,620
Total assets	4,798,286	4,685,690	4,802,435
Deferred Outflows			
Accumulated decrease in fair value of hedging derivatives	43,175	33,852	1,814
Liabilities:			
Current liabilities, unrestricted	120,238	142,347	110,395
Current liabilities payable from restricted assets	257,926	227,211	242,392
Bonds payable, noncurrent	3,541,660	3,480,639	3,649,442
Interest rate swaps, noncurrent	315,442	304,316	207,548
Notes Payable, noncurrent	28,282	13,940	20,640
Compensated absences	6,318	6,015	6,020
Total liabilities	4,269,866	4,174,468	4,236,437
Deferred inflows			
Accumulated increase in fair value of hedging derivatives	-	-	12,789
Net Assets (Deficit):			
Invested in capital assets, net of related debt	(593,691)	(437,712)	(388,461)
Restricted	710,147	623,745	666,022
Unrestricted	455,139	359,041	277,462
Total net assets	$ 571,595	$ 545,074	$ 555,023

2012/2011

Total assets increased by $112.6 million in June of 2012 compared to December of 2011. This was primarily due to the increase of $158.6 million in cash and investments, and an increase in passenger facility charges receivable, which was offset by a decrease in capital asset, net of $7.4 million, decrease in bond issue costs, accounts receivable, grants receivable, assets held for disposition, and accrued interest receivable.

Total deferred outflow increased by $9.3 million due to the change in the fair value of the hedging derivatives.

Total liabilities increased by $95.4 million in June 30, 2012 compared to December 31, 2011. The increase was primarily due to the increase in revenue credit liability, notes payable, interest rate swaps, bonds payable, restricted voucher payables which was offset by an decrease advance revenues, vouchers payable and other liabilities.

Of the Airport System's 2012 total net assets, 124% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent $697.0 million; $13.1 million is restricted for capital projects.

As of June 30, 2012, the remaining net assets include unrestricted net assets of $455.1 million that 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 asset amounts as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($593.7) million represents the Airport's investment in capital assets, net of related debt. 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 $116.8 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 repairs of runways ramps. These decrease were offset by increases in investments of $138.0 million, long-term receivables, and interest rate swaps.

Total deferred outflows increased by $32 million due to 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 the revenue bonds of $127.5 million, and a decrease in notes payable. These decrease were offset by increases in other liabilities and interest rate swaps.

Deferred inflows decreased by $12.8 million due to the increase 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 assets, include unrestricted net assets 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 asset amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($437.7) million represents the Airport's investment in capital assets, net of related debt. 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 June 30, 2012 the Airport System had approximately $3.8 billion 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 $306.6 million in 2011.

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, 2011 and 2010 was 197% and 180%, respectively, of total debt service.

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, based on a ten to fifteen year life.

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.

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.

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Capital Assets

As of June 30, 2012 and December 31, 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 $2.3 billion and $2.2 billion, respectively.

On September 15, 2010, The Airport System announced that the Airport will gain a third solar-energy installation with the development of a new 4.4 megawatt facility by Denver-based Oak Leaf Energy Partners. Project construction began in the fall of 2010, and completed in June of 2011.

On August 26, 2010, The Regional Transportation District (RTD) broke ground at the Airport for the FasTracks East Corridor-rail line that will link Downtown Denver to Denver International Airport. The East Corridor Line, which is estimated to be completed in late 2015, is the project's only commuter-rail line, but FasTracks also will build light-rail lines for an expanded public transportation rail system in the region.

On July 29, 2010, the Airport unveiled the conceptual design of the South Terminal Redevelopment Program , which is expected to create more than 1,000 jobs and is scheduled to be finished in late 2015. The South Terminal Redevelopment Program includes the construction of a station for the FasTracks commuter-rail line that will connect the airport to downtown Denver and an open-air plaza. A new 500-room hotel and conference center connected to Jeppesen Terminal is part of the program

Passenger Facility Charges (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 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 June 30, 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, $1.4 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $9.3 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.

Construction Commitments

As of December 31, 2011, the Airport System had outstanding contractual construction and professional services commitments of approximately $51.8 million and had made over $414.0 million in contractual payments for the year then ended.

The Airport's current 2011-2016 Capital Program includes approximately $909.4 million of planned projects. The Airport has also identified a number that will be undertaken only if such projects are needed and are financially viable. The 2011-2016 Capital Programs are expected to be financed with a combination of airport revenue bonds, commercial paper, installment purchase agreements, federal grants, and Airport System monies.

Economic Factors

For the first six months of 2012, passenger traffic remained flat at $25.6 million passengers or 0.00 % over the first six months of 2011.

The dominant air carrier at Denver International Airport is United Airlines, which together with its affiliates, accounted for approximately 41.2% of passenger enplanements at the airport for the first six months of 2012, compared to 42.7% of for all of 2011.

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 has integrated the two airlines under the United brand, to, operate under a single Federal Aviation Administration "(FAA") operating certificate, effective November 30, 2011.

Frontier has the third largest market share at the Airport for the first six months of 2012, and the second largest market share for 2011. The Airport serves as Frontier's largest hub. Frontier accounted for approximately 21.9 %, of passenger enplanements for the first six months of 2012 compared to 22.1% for all of 2011.

Southwest Airlines (Southwest) has the second largest market share at the Airport for the first six months of 2012, and the third largest market share for 2011. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport which is the airlines fifth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest together with AirTran accounted for approximately 22.7%, of passenger enplanements at the Airport for the first six months of 2012 and 21.8% for all of 2011.

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.

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, Accounting Controller, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena Boulevard, Denver, CO 80249-6340. Copies are available on-line at www.flydenver.com.

City and County of Denver, Colorado
Municipal Airport System
Statements of Net Assets
As of June 30, 2012, and December 31, 2011
(Unaudited)

Assets		June 30, 2012		December 31, 2011
Current assets:				
Cash and cash equivalents	$	93,126,572	$	99,589,889
Investments		116,771,923		133,155,686
Accounts receivable (net of allowance for for doubtful accounts $242,328 and $237,689)		21,410,220		32,214,108
Accrued interest receivable		1,805,187		6,625,556
Due From other city agencies		-		14,235
Other long-term receivables		1,753,611		1,763,561
Inventories		10,445,580		10,705,333
Prepaid expenses and interest		1,997,652		1,734,177
Total current unrestricted assets		247,310,745		285,811,545
Restricted assets:				
Cash and cash equivalents		246,358,145		29,900,522
Investments		69,352,816		144,538,127
Accrued interest receivable		588,618		1,461,167
Prepaid expenses and interest		2,003,049		2,061,962
Grants receivable		410,839		5,857,461
Passenger facility charges receivable		17,677,636		10,239,667
Total current restricted assets		336,391,103		194,058,906
Total current assets		583,701,848		479,870,451
Non-current assets:				
Investments		425,862,054		362,037,142
Long term receivable		11,049,162		11,049,162
Capital assets:				
Buildings		2,001,892,718		2,000,131,930
Improvements other than buildings		2,260,220,096		2,258,895,410
Machinery and equipment		746,254,732		734,921,597
		5,008,367,546		4,993,948,937
Less accumulated depreciation and amortization		(2,349,901,883)		(2,262,245,368)
Construction in progress		126,117,170		60,355,766
Land, land rights and air rights		295,303,475		295,303,475
Total capital assets		3,079,886,308		3,087,362,810
Bonds issue costs, net of accumulated amortization		40,965,866		42,922,700
Interest rate swaps		64,545,356		58,481,233
Investments – restricted		588,111,887		634,640,342
Assets held for disposition		4,163,314		9,326,437
Total noncurrent assets		4,214,583,947		4,205,819,826
Total assets		4,798,285,795		4,685,690,277
Deferred outflow				
Accumulated decrease in fair value of hedging derivatives	$	43,174,566	$	33,851,633

City and County of Denver, Colorado
Municipal Airport System
Statements of Net Assets, continued
As of June 30, 2012, and December 31, 2011
(Unaudited)

	June 30, 2012	December 31, 2011
Liabilities		
Current liabilities:		
Vouchers payable	$ 17,043,374	$ 31,192,632
Due to other City agencies	13,580,000	6,065,644
Compensated absences payable	2,953,155	2,610,352
Other liabilities	57,304,757	40,781,756
Revenue credit payable	20,000,000	40,000,000
Advance revenues	9,356,251	21,696,494
Total current unrestricted liabilities	120,237,537	142,346,878
Current liabilities payable from restricted assets:		
Vouchers payable	50,820,591	18,420,636
Retainages payable	16,875,018	16,875,018
Accrued interest and matured coupons	22,517,436	22,832,632
Notes payable	8,498,010	6,700,322
Other liabilities	18,155,414	21,322,630
Revenue bonds	141,060,000	141,060,000
Total current liabilities payable from restricted assets	257,926,469	227,210,948
Total current liabilities	378,164,006	369,557,826
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,693,635,000	3,637,635,000
Less: deferred loss on bond refunding	(215,995,962)	(227,005,888)
Less: unamortized premiums	64,020,514	70,010,140
Total bonds payable, noncurrent	3,541,659,552	3,480,639,252
Interest rate swaps	315,441,536	304,315,851
Notes Payable	28,282,446	13,940,213
Compensated absences payable	6,317,996	6,014,921
Total noncurrent liabilities	3,891,701,530	3,804,910,237
Total liabilities	4,269,865,536	4,174,468,063
Deferred inflows		
Accumulated increase in fair value of hedging Derivatives	-	-
Net Assets (Deficit)		
Invested in capital assets, net of debt	(593,690,989)	(437,712,331)
Restricted for:		
Capital projects	13,115,814	18,562,436
Debt service	697,031,609	605,182,758
Unrestricted	455,138,391	359,040,984
Total net assets	$ 571,594,825	$ 545,073,847

See accompanying notes to financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Revenues, Expenses and Changes in Net Assets
For the Six Months Ended June 30, 2012 and 2011
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Operating revenues:				
Facility rentals	$ 58,623,222	$ 58,223,411	$ 115,933,476	$ 115,336,421
Concession revenues	12,375,750	11,439,605	24,324,284	22,283,117
Parking revenues	36,196,717	33,821,276	68,078,636	62,841,467
Car rental revenues	10,549,018	9,395,725	21,487,713	20,930,964
Landing fees	31,411,773	29,107,887	61,409,892	57,319,416
Aviation fuel tax	7,768,198	7,789,702	14,699,406	14,422,561
Other sales and charges	4,187,482	4,686,924	8,316,817	8,703,012
Total operating revenues	161,112,160	154,464,530	314,250,224	301,836,958
Operating expenses:				
Personnel services	27,825,578	28,339,926	55,132,687	52,717,965
Contractual services	43,949,604	43,635,865	81,533,469	78,575,780
Repair and Maintenance Projects	12,927,632	9,522,955	20,205,076	28,976,471
Maintenance, supplies and materials	4,586,558	4,302,401	9,531,926	9,900,499
Total operating expenses before depreciation and amortization	89,289,372	85,819,147	166,403,158	170,170,715
Operating income before depreciation and amortization	71,822,788	68,645,383	147,847,066	131,666,243
Depreciation and amortization	43,902,511	44,628,412	88,017,166	88,781,474
Operating income	27,920,277	24,016,971	59,829,900	42,884,769
Non-operating revenues (expenses):				
Passenger facility charges	27,120,653	27,074,765	55,463,555	54,678,953
Interest on Investment	(2,278,239)	11,447,057	13,274,699	25,891,943
Interest expense	(48,997,288)	(57,899,747)	(97,795,816)	(106,742,164)
Grant income	-	-	-	-
Other revenue expense	(4,383,523)	3,983,966	(4,886,288)	(5,240,915)
Total non-operating revenues (expenses), net	(28,538,397)	(15,393,959)	(33,943,850)	(31,412,183)
Income (loss) before capital contributions	(618,120)	8,632,012	25,866,050	11,472,586
Capital Contributions:				
Capital grants	603,495	14,872,606	634,928	15,757,736
Capital contributions	-	-	-	-
Change in net assets	(14,625)	23,495,618	26,520,978	27,230,322
Net assets, beginning of year	545,073,847	555,023,110	545,073,847	555,023,110
Net assets, end of period	$ 545,059,222	$ 578,518,728	$ 571,594,825	$ 582,253,432

See accompanying notes to the financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows
For the Six Months Ended June 30, 2012, and 2011
(Unaudited)

		June 30, 2012		June 30, 2011
Cash flows from operating activities				
Receipts from customers	$	318,380,363	$	318,224,500
Payments to suppliers		(110,332,746)		(119,943,270)
Interfund activity payments to other funds		(7,500,000)		(7,500,000)
Payments to employees		(57,715,777)		(52,704,251)
Net cash provided by operating activities		142,831,840		138,076,979
Cash flows from noncapital financing activities				
Proceeds from note payable				
Swap termination payment				
Operating grants received		-		-
Net cash used by noncapital financing activities		-		-
Cash flows from capital and related financing activities				
Proceeds from issuance of debt		56,000,000		1,303,259
Proceeds from notes payable		20,500,000		-
Principal paid on notes payable		(4,359,789)		(7,102,469)
Interest paid on notes payable		(572,004)		(565,007)
Principal paid on revenue bonds		-		-
Interest paid on revenue bonds		(96,322,305)		(94,205,474)
Bond issuance costs paid		(125,557)		(3,057,525)
Capital grant receipts		6,081,550		7,941,659
Passenger facility charges		48,025,586		50,680,317
Purchases of capital assets		(14,514,818)		(17,529,320)
Payments from accrued expenses for capital assets		(29,642,537)		(29,437,468)
Payments to escrow for current refunding of debt		-		(8,355,091)
Proceeds from sale of capital assets		67,943		-
Net cash used in capital and related financing activities		(14,861,931)		(100,543,874)
Cash flows from investing activities				
Purchases of investments		(4,795,046,123)		(4,835,579,857)
Proceeds from sales and maturities of investments		4,860,853,820		4,830,692,596
Proceeds from sale of assets held for disposition		5,163,123		293,731
Interest rate swap settlements		-		-
Payments to maintain assets held for disposal		(4,574,186)		(17,403,489)
Insurance recoveries for Stapleton environmental		2,112,638		6,847,697
Investment income		13,506,125		11,377,866
Net cash provided by investing activities		82,015,397		(3,744,456)
Net increase (decrease) in cash and cash equivalents		209,985,306		34,005,404
Cash and cash equivalents, beginning of the year		129,499,411		213,868,820
Cash and cash equivalents, end of the year	$	339,484,717	$	247,874,224

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows
For the Six Months Ended June 30, 2012, and 2011
(Unaudited)

	June 30, 2012	June 30, 2011
Reconciliation of Operating Income to Net Cash Provided		
By Operating Activities		
Operating income	$ 59,829,900	$ 42,884,769
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	88,017,166	88,781,474
Miscellaneous revenue	912,435	83,903
Change in assets and liabilities		
Receivables, net of allowance	19,034,946	(9,968,147)
Inventories	259,753	290,424
Prepaid expenses	(204,562)	1,325,147
Accounts and other payables	(14,149,258)	(11,772,663)
Deferred rent	(12,340,243)	(992,813)
Due to other city agencies	7,514,356	6,443,519
Compensated absences	645,878	13,714
Accrued expenses	(6,688,531)	20,987,652
Net cash provided by operating activities	$ 142,831,840	$ 138,076,979

Noncash activities

The Airport System issued bonds in the amount of $56,000,000 in commercial paper for June 2012 and $349,730,000 during the six months ending June 30, 2011, to refund debt. Net bond proceeds of $0 and $355,863,243for June 30, 2012 and 2011, respectively, were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bonds principal, payment of redemption premium and accrued interest amounts. Original issue premium on bonds of $0 and $9,131,128 were realized on the issuance of bonds in June 30, 2011 and 2010.

Unrealized gain/(loss) on investments	$ (5,079,563)	$ (6,548,169)
Unrealized gain/(loss) on derivatives	4,261,370	6,926,986
Amortization of bond premiums, deferred losses on bond refundings, and bond issue costs	7,102,691	8,496,329
Capital assets added through incurrence of vouchers and retainages payable	31,544,234	33,987,763

(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.

(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, and the changes in its financial position and the cash flows of its proprietary fund types 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).

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2010. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

(b) Cash and Cash Equivalents

Cash and cash equivalents, that 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 June 30, 2012 and December 31, 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, and 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 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 the three months ended June 30, 2012, and December 31, 2010 was $3,137,912 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 Premium (Discounts)***

Bond issue costs, deferred losses on bond refundings, and unamortized premium (discounts) are deferred and amortized over the life of the 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 of bond refunding 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.

(h) Compensated Absences Payable

The Airport System has recorded and accrued liability for accumulated benefits in accordance with the City's vacation and sick leave policies. Employees may accumulate earned but unused benefits up to a specified maximum. The vesting method is used by the Airport System to estimate its accrued sick leave compensated absences liability.

(i) Special Incentive Program (SIP)

In 2009, the Airport System approved a Special Incentive Program (SIP) for the purpose of reducing payroll expense by encouraging employees eligible to retire to separate from employment. Under the SIP, each employee who separated from employment receives $500 per month for thirty months from January 2010. The Airport System recorded a current liability of $0 as of June 30, 2012, payments with program ending on June 30, 2012 and long-term liability of $0 for 2012. The discount rate of .23% used for the present value calculation was based on the projected yield of investments that will be used to fund the future payments. The amounts related to the SIP are included in the statement of net assets compensated absences as of December 31, 2011.

(j) Advance revenues

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

(k) Net Assets

2012

The Airport System assets exceeded liabilities by $571,594,825 as of June 30, 2012, a $26,520,978 increase in net assets from the prior year end. Of the Airport System's 2012 net assets, 124% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $697,031,609 and are externally restricted for debt service. The net assets restricted for the Stapleton capital projects represent $13,115,814.

The remaining net assets include unrestricted net assets of $455,138,391 which may be used to meet any of the Airport System's ongoing operations. Airport System management has internally designated $67,267,320 of its unrestricted net assets, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($593,690,989) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2011

The Airport System assets exceeded liabilities by $582,253,432 as of June 30, 2011, a $27,230,322 increase in net assets from the prior year end. Of the Airport System's 2011 net assets, 125% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $709,693,304 and are externally restricted for debt service. The net assets restricted for the Stapleton capital projects represent $26,974,968.

The remaining net assets include unrestricted net assets of $354,486,860 which may be used to meet any of the Airport System's ongoing operations. Airport System management has internally designated $67,267,320 of its unrestricted net assets, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($508,901,700) represents the Airport System's investment in assets.

(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 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 assets 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 and other 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 Passenger Facility Charges (PFCs), interest expense, interest income, governmental grants 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 revenue, expenses and changes in net assets and revenues from operating grants are reported as nonoperating revenues.

(o) Rates and Charges

The Airport System establishes annually, and adjusts 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, 2011 and December 31, 2010, the Airport System had accrued a liability, included in current other liabilities, of $15,731,054 and $6,831,425, respectively.

50% of Net revenues (as designed by the bond ordinance), with an annual cap of $40,000,000 remaining at the end of each year are to be created in the following year to the passenger airlines signatory use and lease agreements. The Net Revenues credited to the airlines totaled $40,000,000 for both 2011 and 2010. Liabilities for these amounts were accrued s of December 31, 2011 and 2012 and are reported in the statement of net assets as revenue credit payable. The Airport System forecasts the 2012 credit to the airlines to be $40,000,000; therefore, for the six-month period ending June 30, 2012, an additional accrual of $20,000,000 was recognized.

(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 statements presentation.

(3) Interest Income

Investment income earned on the Airport System's pool cash and investment is allocated to the participating Airport System's funds based upon the average investment balances of each fund. Investment income for June 30, 2012 and 2011, is comprised of interest income, and an unrealized gain (loss) on investments of $(5,079,563) and $(6,548,169), respectively, also included in the investments income is the change in fair value of the derivatives and for June of 2012 and 2011 there was an unrealized gain of $4,261,370 and $6,926,986 respectively.

(4) Accounts Receivables

Airport System management periodically reviews accounts receivables and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of June 30, 2012 and December 31, 2011, an allowance of $242,328 and $237,689, respectively, had been established.

(5) 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 June 30, 2012 and December 31, 2010, Special Facility Revenue Bonds outstanding totaled $282,785,000 and $282,785,000, respectively.

(6) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airlines' landing fees and facility rents fees (airline operating revenue). For the six months ending June 30, 2012 and for the year ending December 31, 2011, United Airlines group not including Continental Airlines represented approximately 52% and 54%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 14% and 14% respectively, and Southwest Airlines represented 15% and 14% 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.

(7) United Group (United and Continental Airlines)

The dominant air carrier at Denver International Airport is United Group, one of the world's largest airlines. The Airport currently is the third largest connecting hub in United Group's route system, both in terms of passengers and flight operations. Pursuant to the United use and lease agreement, United currently leases all of the gates on Concourse B (36 of the 92 full service gates at the Airport). In addition, United Group accounted for approximately 41.2%, of the passenger enplanements at the Airport for the first six months of 2012 and 42.7% for all of 2011

(8) Subsequent Events

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 2005.

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 Revenue Bonds, Series 2012A" in the aggregate principal amount of $_____ (the "**Series 2012A Bonds**"), the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2012B" in the aggregate principal amount of $_____ (the "**Series 2012B Bonds**"), and the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2012C" in the aggregate principal amount of $_____ (the "**Series 2012C Bonds**" and, together with the Series 2012A Bonds and the Series 2012B 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. 626, Series of 1984, as heretofore amended and supplemented, and as further supplemented by Ordinance No. ___, Series of 2012 in connection with the issuance of the Series 2012A Bonds and 2012B Bonds and by Ordinance No. ___, Series of 2012 in connection with the issuance of the Series 2012C Bonds, each adopted by the City Council of the City on September __, 2012 (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 _____ __, 2012, 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, 2012, 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, <u>if material</u>:

(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

Barclays Capital Inc.
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 Revenue Bonds
Series 2012A - $
Series 2012B - $
Series 2012C - $

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 Revenue Bonds, Series 2012A" (the "**Tax-Exempt Series 2012A Bonds**"), $_____aggregate principal amount of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2012B" (the "**Tax-Exempt Series 2012B Bonds**" and, together with the Tax-Exempt Series 2012A Bonds, the "**Tax-Exempt Bonds**"),and $_____ aggregate principal amount of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Taxable Airport System Revenue Bonds, Series 2012C" (the "**Taxable Series 2012C Bonds**" and, together with the Tax-Exempt Bonds, the "**Series 2012A-C Bonds**") pursuant to Ordinance No. 626, Series of 1984, as supplemented and amended by certain supplemental ordinances, including Ordinance No.___ , Series of 2012, with respect to the Tax-Exempt Bonds, and Ordinance No. ____, Series of 2012, with respect to the Taxable Series 2012C Bonds (collectively, the "**Ordinance**").All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Series 2012A-C Bonds are being issued as fully registered bonds and are dated the date of issuance. The Series 2012A-C 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 2012A-C 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 2012A-C Bonds, the forms of the Series 2012A-C 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 2012A-C 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 2012A-C 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 2012A-C 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 2012A-C 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 and first lien (but not necessarily an exclusive lien) on the Net Revenues of the Airport System for the benefit of the Series 2012A-C Bonds, on a parity with the lien thereon of 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 Tax-Exempt Series 2012A Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Tax-Exempt Series 2012A 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 Tax-Exempt Series 2012A 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 Tax-Exempt Series 2012B 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 Tax-Exempt Series 2012B 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 Tax-Exempt 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 Tax-Exempt Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Tax-Exempt Bonds.

6. To the extent interest on the Tax-Exempt 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 Tax-Exempt Bonds, including whether interest on the Tax-Exempt Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

7. Interest on the Taxable Series 2012C Bonds is included in gross income for federal and State income tax purposes. This opinion is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the Code. The opinion set forth in this paragraph is provided to support the marketing of the Taxable Series 2012C Bonds. We express no opinion herein regarding other federal, State or local tax consequences arising with respect to the Taxable Series 2012C Bonds.

It is to be understood that the rights of the owners of the Series 2012A-C Bonds and the enforceability of the Series 2012A-C 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 2012A-C 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 2012A-C Bonds.

Respectfully submitted,

* * *

APPENDIX J

DESCRIPTION OF AIRPORT HOTEL AGREEMENTS

The following description of the HMA, the CMA and other Airport Hotel agreements contains capitalized terms that, unless otherwise defined herein, have the respective meanings therefore in the agreements to which they apply.

The HMA and the CMA provide that all gross operating revenues of the Airport Hotel ("Gross Operating Revenues") will initially be deposited to the Hotel Operating Account, an account within the Revenue Fund, and amounts on deposit in the Hotel Operating Account shall constitute Gross Revenues as defined in the General Bond Ordinance and, subject to the terms of the CMA and the HMA, such amounts shall be applied in accordance with the provisions of the General Bond Ordinance.

According to the CMA, Westin is to pay operating and maintenance expenses ("Hotel O&M Expenses") from the Hotel Operating Account and to retain amounts in the Hotel Operating Account needed for such expenses reasonably expected to be payable during the current month and following month. Remaining amounts in the Hotel Operating Account (referred to as "Available Revenues") are to be transferred by Westin on the first business day of each month to the Revenue Fund held under the General Bond Ordinance.

The Airport is required to make certain transfers and payments according to a specified order of priority set forth in the HMA and described below. Gross Operating Revenues remaining after all transfers and payments have been completed will be accounted for as "Cumulative Excess Revenues." The City must use amounts in the Revenue Fund for funding the designated transfers and payments to the extent of Gross Operating Revenues then available as well as to the extent of any accrued Cumulative Excess Revenues. For example, in the event that Gross Operating Revenues are not sufficient in a particular month to pay Hotel O&M Expenses then due, amounts in the Revenue Fund not related to the Airport Hotel will be applied to pay such Hotel O&M Expenses prior to the payment of debt service on any Bonds. Factors such as unbudgeted emergency expenses or a decline in occupancy resulting from disruption of operations at the Airport could result in a period when Gross Operating Revenues are not at levels sufficient to pay Hotel O&M Expenses then due at that particular time.

In certain cases, the City has the option or is required to fund Hotel O&M Expenses or make the following payments, based on the HMA priority, from amounts in the Revenue Fund in excess of Gross Operating Revenues or Cumulative Excess Revenues as defined and separately accounted for under the HMA. Such amounts when advanced are defined as "Reimbursable Owner Advances" under the HMA.

As described above, the initial use of any Gross Operating Revenues of the Airport Hotel will be to pay Hotel O&M Expenses. Hotel O&M Expenses also include taxes and insurance as well as specified base management fees payable monthly to Westin. In the event that Gross Operating Revenues are not sufficient to pay all of such Hotel O&M Expenses, either Westin may use amounts in the Hotel Operating Reserve Fund or the City is to use amounts in the Revenue Fund to the extent of Available Revenues or Cumulative Excess Revenues as defined in the CMA. If insufficient revenues are available from those sources, the City may elect, but is not obligated, to use other amounts in the Revenue Fund to pay such Hotel O&M Expenses (except that the City is required to pay amounts due for taxes and insurance even in the event of insufficient funds) and any such amounts so advanced by the City from the Revenue Fund will be considered Reimbursable Owner Advances.

As priority payments following payment of Airport Hotel O&M Expenses, amounts in the Revenue Fund (to the extent of Available Revenues transferred to the Revenue Fund or Cumulative

Excess Revenues available for allocation) are to be used to pay (i) administrative fees and expenses of the City (not exceeding an annual amount of $300,000 as adjusted by the Consumer Price Index) relating directly to the Airport Hotel, and (ii) debt service for the portion of the Bonds the proceeds of which have been used to fund the Airport Hotel project. In the event funds are insufficient for the payment of such debt service, the City is required to use other amounts in the Revenue Fund to make such payment, and any amounts so advanced by the City will be considered Reimbursable Owner Advances. The payment to be made as a third priority from such amounts is to repay the City for Reimbursable Owner Advances, plus interest. In the event funds exceed the amount needed to pay such current debt service, the excess will be deposited in a redemption account and used to defease outstanding principal of Bonds issued to fund capital costs of the Airport Hotel.

Following these priority payments, amounts available in the Revenue Fund and not previously allocated are to be deposited to the various subaccounts in the Junior Lien Obligations Fund and used to pay certain subordinate management fees to Westin. In the event funds are insufficient to fund such deposits or to pay such fees, the City may elect at its option (but is not required) to use other amounts in the Revenue Fund to make these payments as Reimbursable Owner Advances.

The Airport has the right to terminate the HMA based on, among other things, failure of Westin (or any other Hotel Manager) to pay amounts due or to timely deposit revenues, as well as actions of Westin (or any other Hotel Manager) causing any Bonds issued to finance the capital costs of the Airport Hotel to lose their tax-exempt status. In addition, the HMA separately sets forth performance termination rights for failure of Westin (or any other Hotel Manager) to achieve certain performance tests in any two consecutive years beginning with the fourth operating year. In the event of a termination, Westin (or any other Hotel Manager) would be obligated to cooperate with the Airport to minimize expenses, provide a final accounting and deliver all non-proprietary books and records, licenses, permits, contracts and facilitate the orderly transfer of electronic records and data.

In addition to the HMA and the CMA, the Airport has entered into the following two agreements with Westin; (i) a Development Consulting Services Agreement pursuant to which Westin is to consult on the design and programming of the Airport Hotel for a certain specified fee, and (ii) a Pre-Opening and Services Agreement pursuant to which Westin, for a fee, is to conduct the necessary activities and take the required action for the opening of the Airport Hotel.