NEW ISSUE /BOOK-ENTRY ONLY

In the respective opinions of Co-Bond Counsel to the Airports Authority to be delivered upon the issuance of the Series 2009C Bonds, under existing law and assuming compliance by the Airports Authority with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Series 2009C Bonds, with which the Airports Authority has certified, represented and covenanted its compliance, interest on the Series 2009C Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2009C Bonds are held by a person who is a "substantial user" of the facilities financed or a "related" person, as those terms are used in Section 147(a) of the Code, and is not a specific preference item or included in a corporation's adjusted current earnings for purposes of the federal alternative minimum tax. Also, in the respective opinions of Co-Bond Counsel to be delivered upon the issuance of the Series 2009C Bonds, under existing law, interest on the Series 2009C Bonds is exempt from income taxation by the Commonwealth of Virginia and is exempt from all taxation of the District of Columbia except estate, inheritance and gift taxes. See "TAX MATTERS" for a more detailed discussion.

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

$314,435,000
Airport System Revenue Bonds
Series 2009C
(Non-AMT)

Dated: Date of Delivery **Due:** October 1, in the years as shown herein

Interest on the Metropolitan Washington Airports Authority's (the "Airports Authority") Airport System Revenue Bonds, Series 2009C, in the original principal amount of $314,435,000 (the "Series 2009C Bonds") will be payable on October 1, 2009, and semiannually thereafter on each April 1 and October 1. The Series 2009C Bonds are issuable only in fully registered form in denominations of $5,000 or any integral multiple hereof. When issued, the Series 2009C Bonds will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), to which payments of principal and interest will be made. Purchasers will acquire beneficial interests in the Series 2009C Bonds, in principal amounts shown on the inside cover hereof, in book-entry form only. DTC will remit such payments to its participants who will be responsible for remittance to beneficial owners. See "THE SERIES 2009C BONDS – Book-Entry Only System."

Proceeds of the Series 2009C Bonds will be used to (i) together with a portion of the proceeds of the Airports Authority's Airport System Revenue Variable Rate Bonds, Series 2009D and other funds of the Airports Authority, refinance the Airports Authority's outstanding Flexible Term PFC Revenue Notes, Series A, B, C and D, (ii) fund a deposit to the Series 2009C Reserve Account in the Debt Service Reserve Fund to satisfy the debt service reserve requirement for the Series 2009C Bonds, and (iii) pay costs of issuing the Series 2009C Bonds.

The Series 2009C Bonds will be issued under and secured by the Amended and Restated Master Indenture of Trust dated as of September 1, 2001, as amended (the "Master Indenture") and the Thirty-third Supplemental Indenture of Trust, dated as of July 1, 2009 (the "Thirty-third Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the Airports Authority and Manufacturers and Traders Trust Company (formerly Allfirst Bank), as the trustee (the "Trustee"). Except to the extent payable from the proceeds of the Series 2009C Bonds and any other moneys available for such payment, the Series 2009C Bonds are payable from, and secured by a pledge of, Net Revenues of the Airports Authority, as described herein, which pledge is on a parity with the pledge of Net Revenues made to secure the Airports Authority's outstanding Bonds and other Bonds which may be issued in the future under the Indenture, as further supplemented. The Series 2009C Bonds will not be subject to acceleration upon an event of default or otherwise.

THE SERIES 2009C BONDS SHALL NOT CONSTITUTE A DEBT OF THE DISTRICT OF COLUMBIA OR OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF NOR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT OF COLUMBIA OR OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2009C BONDS UNDER THE PROVISIONS OF THE DISTRICT ACT AND THE VIRGINIA ACT SHALL NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE DISTRICT OF COLUMBIA OR THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF TO ANY FORM OF TAXATION WHATSOEVER. THE AIRPORTS AUTHORITY HAS NO TAXING POWER.

The Series 2009C Bonds will mature on October 1 in the years and in the principal amounts, and will bear interest at the rates, as shown herein. The Series 2009C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein.

The Series 2009C Bonds are offered when, as and if issued and received by the Underwriters. Legal matters with respect to the issuance of the Series 2009C Bonds are subject to the approval of Co-Bond Counsel to the Airports Authority, Hogan & Hartson LLP, Washington, D.C., and Lewis, Munday, Harrell & Chambliss, Washington, D.C. Certain legal matters will be passed upon for the Airports Authority by Philip G. Sunderland, Esquire, Vice President and General Counsel to the Airports Authority and for the Underwriters by their Co-Counsel Saul Ewing LLP, Washington, D.C. and McKenzie & Associates, Washington, D.C. It is expected that the Series 2009C Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about July 2, 2009.

Piper Jaffray

Barclays Capital **Morgan Keegan & Company, Inc.** **Wachovia Bank, National Association**

Citi **J.P. Morgan** **Loop Capital Markets, LLC**
Morgan Stanley **Siebert Brandford Shank & Co., LLC**

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed in Part I, "INTRODUCTION – Recent Changes to Information Contained in Part II of Official Statement" and in Part II, "CERTAIN INVESTMENT CONSIDERATIONS."

June 16, 2009

Metropolitan Washington Airports Authority

$314,435,000
Airport System Revenue Bonds
Series 2009C
(Non-AMT)

Year October 1	Principal Amount	Interest Rate	Price or Yield	CUSIP† No.
2010	$ 5,000,000	3.000%	1.130%	592646 J95
2011	5,150,000	3.000%	1.780%	592646 K28
2012	1,500,000	3.000%	2.240%	592646 K36
2012	3,820,000	5.000%	2.240%	592646 P72
2013	2,950,000	4.000%	2.760%	592646 K44
2013	2,605,000	5.000%	2.760%	592646 N33
2014	875,000	4.000%	3.220%	592646 K51
2014	4,930,000	5.000%	3.220%	592646 N41
2015	2,205,000	4.000%	3.510%	592646 K69
2015	3,880,000	5.000%	3.510%	592646 N58
2016	4,210,000	4.000%	3.760%	592646 K77
2016	2,155,000	5.000%	3.760%	592646 N66
2017	2,435,000	4.000%	4.020%	592646 K85
2017	4,210,000	5.000%	4.020%	592646 N74
2018	2,000,000	4.250%	4.200%	592646 K93
2018	4,960,000	5.000%	4.200%	592646 N82
2019	1,655,000	4.375%	4.340%	592646 L27
2019	5,650,000	5.000%	4.340%	592646 N90
2020	2,150,000	4.500%	4.480%*	592646 L35
2020	5,525,000	5.000%	4.480%*	592646 P23
2021	8,020,000	5.000%	4.600%*	592646 L43
2022	7,120,000	5.250%	4.700%*	592646 L50
2022	1,325,000	5.000%	4.700%*	592646 P31
2023	4,650,000	4.500%	4.850%	592646 L68
2023	4,235,000	5.000%	4.800%*	592646 P49
2024	4,425,000	4.625%	4.950%	592646 L76
2024	4,870,000	5.000%	4.900%*	592646 P56
2025	9,725,000	5.250%	5.000%*	592646 L84
2026	10,235,000	5.000%	5.090%	592646 L92
2027	10,745,000	5.250%	5.100%*	592646 M26
2028	11,310,000	5.000%	5.140%	592646 M34
2029	11,825,000	5.000%	5.160%	592646 M42
2030	12,465,000	5.000%	5.240%	592646 M59
2031	13,090,000	5.125%	5.270%	592646 M67

$43,405,000 5.125% Term Bond due October 1, 2034, to yield 5.310% CUSIP† No.: 592646 M75
$34,125,000 5.125% Term Bond due October 1, 2039, to yield 5.37% CUSIP† No.: 592646 M83
$55,000,000 5.625% Term Bond due October 1, 2039, to yield 5.36%* CUSIP† No.: 592646 P64

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* Priced to the par call date on October 1, 2018.

† Copyright 2007, American Bankers Association. The CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2009C Bonds and the Airports Authority and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2009C Bonds.

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

1 Aviation Circle
Washington, D.C. 20001-6000
(703) 417-8700

This Official Statement is provided in connection with the issuance of the Series 2009C Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Airports Authority and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Airports Authority, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2009C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Airports Authority since the date hereof.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Series 2009C Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: www.munios.com. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009C BONDS AT A LEVEL ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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<u>APPENDICES</u>

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Part I

of the

OFFICIAL STATEMENT

relating to

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

$314,435,000
Airport System Revenue Bonds
Series 2009C
(Non-AMT)

INTRODUCTION

This Official Statement is furnished in connection with the issuance of Metropolitan Washington Airports Authority's (the "Airports Authority") Airport System Revenue Bonds, Series 2009C, to be issued in the original principal amount of $314,435,000 (the "Series 2009C Bonds").

The Series 2009C Bonds will be issued under and secured by the Amended and Restated Master Indenture of Trust dated as of September 1, 2001, as previously supplemented and amended (the "Master Indenture"), and the Thirty-third Supplemental Indenture of Trust, dated as of July 1, 2009 (the "Thirty-third Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the Airports Authority and Manufacturers and Traders Trust Company, successor to Allfirst Bank, as the trustee (the "Trustee"). The Series 2009C Bonds, the Airports Authority's outstanding bonds previously issued under the Master Indenture, and any additional bonds to be issued under the Indenture, as may be further supplemented, are referred to collectively in this Official Statement as the "Bonds."

This Official Statement consists of the cover page, the inside cover page, the table of contents, Part I, Part II and the appendices. Part I and Part II and all appendices should be read in their entirety. Part I of the Official Statement contains, among other things, information relating to the specific terms of the Series 2009C Bonds. Part II of the Official Statement contains certain provisions applicable to all Bonds, information regarding the Airports Authority, the Airport Use Agreement and Premises Lease (the "Airline Agreement"), the Air Trade Area and the Airports' activity, certain factors affecting the air transportation industry, the financial condition of certain airlines serving the Airports, the Airports Authority's capital construction program (the "Capital Construction Program" or the "CCP"), the plan of funding for the CCP and certain investment considerations. **Part II has not been updated since March 25, 2009 and some of the information contained therein differs from the information contained in Part I and the appendices. Reference is made to the heading entitled "INTRODUCTION - Recent Changes to Information Contained in Part II of Official Statement" for a summary of such differences.**

Part I of the Official Statement should be read together with Part II of the Official Statement. Unless otherwise defined in Part I, all terms used herein shall have the same meanings set forth in APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture."

The Airports Authority

The Airports Authority is a public body politic and corporate, created with the consent of the Congress of the United States by the District of Columbia Regional Airports Authority Act of 1985, as amended, codified at D.C. Code §§9-901 et seq. (2001) (the "District Act"), and Chapter 598 of the Acts of Virginia General Assembly of 1985, as amended, codified at Va. Code §5.1-152 to 178 (2001) (the "Virginia Act" and, together with the District Act, the "Acts"). Pursuant to an Agreement and Deed of Lease effective June 7, 1987, as amended (the "Federal Lease"), the Airports Authority assumed operating responsibility for Ronald Reagan Washington National Airport ("Reagan National") and Washington Dulles International Airport ("Dulles International" and, together with Reagan National, the "Airports") upon the transfer of an initial 50-year leasehold interest in the Airports from the United States federal government to the Airports Authority in accordance with the Metropolitan Washington Airports Act of 1986 (Title VI, P.L. 99-500, as reenacted in P.L. 99-591, effective October 18, 1986, as amended by P.L. 102-240, effective December 18, 1991, and P.L. 104-264, effective October 9, 1996), codified at 49 U.S.C. §§49101-49112 (collectively, the "Federal Act"). The Federal Lease was amended in 2003 to extend its term to 2067. See Part II, "THE AIRPORTS AUTHORITY – Lease of the Airports."

The members of the Airports Authority's Board of Directors (the "Board") are:

Name	Appointing Authority	Term Expires
Honorable H.R. Crawford, Chairman	Mayor of the District of Columbia	January 5, 2013
Mame Reiley, Immediate Past Chairman	Governor of Virginia	November 23, 2008*
Charles D. Snelling, Vice Chairman	President of the United States	May 30, 2012
James L. Banks, Jr.	Governor of Virginia	November 23, 2012
Robert Clarke Brown	President of the United States	November 22, 2011
Honorable William W. Cobey Jr.	President of the United States	May 30, 2010
Anne Crossman	Governor of Virginia	November 23, 2008*
Mamadi Diané	Mayor of the District of Columbia	January 5, 2009*
Michael David Epstein	Governor of Maryland	November 30, 2010
Jack Andrew Garson	Governor of Maryland	November 30, 2014
Leonard Manning	Mayor of the District of Columbia	January 5, 2011
Michael L. O'Reilly	Governor of Virginia	November 23, 2012
Honorable David G. Speck	Governor of Virginia	November 23, 2010

* The Board members whose terms have expired will continue to serve in their current capacity until they are reappointed or their replacement is appointed by the appropriate governing body.

The Board operates through several committees including Finance, Audit, Executive, Legal, Business Administration, Strategic Development, Information Technology, Dulles Corridor, Public Safety, and Planning and Construction. Primary oversight over financing activities is provided by the Finance and Audit committees. The Chairman of the Board's Finance Committee is Robert Clarke Brown and Finance Committee members are James L. Banks, Jr., Mame Reiley, Jack Andrew Garson, Michael L. O'Reilly, Charles D. Snelling, and H.R. Crawford (ex officio). The Chairman of the Board's Audit Committee is Charles D. Snelling and the Audit Committee members are Anne Crossman, Leonard Manning, David G. Speck and H.R. Crawford (ex officio).

The Board adopted a resolution at its meeting on June 3, 2009, authorizing the issuance of up to $475,000,000 of additional Bonds.

Simultaneously with the issuance of the Series 2009C Bonds, the Airports Authority expects to issue approximately $136,825,000 of Airport System Revenue Variable Rate Bonds, Series 2009D (the "Series 2009D Bonds" and, together with the Series 2009C Bonds, the "Series 2009C-D Bonds") which are being offered pursuant to a separate official statement.

The Airports

Reagan National was opened for service in 1941. It is located on approximately 860 acres along the Potomac River in Arlington County, Virginia, approximately three miles from Washington, D.C. It has three interconnected terminal buildings, three runways and 44 aircraft gates. As of April 30, 2009, Reagan National was served by 25 airlines, including 11 major/national airlines, 11 regional/commuter airlines, one cargo and two foreign flag carriers. During the first four months of 2009, total enplanements (including military and general aviation) at Reagan National declined 3.9% compared to the first four months of 2008. US Airways and its regional affiliates accounted for 41.1% of enplanements at Reagan National as of April 30, 2009. See Part II, "THE AIRPORTS AUTHORITY'S FACILITIES AND MASTER PLANS – Facilities at Reagan National and Dulles International" and "THE AIR TRADE AREA AND AIRPORTS ACTIVITY."

Dulles International was opened for service in 1962. It is located on approximately 11,830 acres (exclusive of the Dulles Access Highway) in Fairfax and Loudoun Counties, Virginia, approximately 26 miles west of Washington, D.C. In addition to a main terminal, it has four midfield concourses (A, B, C and D), four runways and approximately 123 aircraft gates. As of April 30, 2009, Dulles International was served by 47 airlines, including ten major/national airlines, 14 regional/commuter airlines, 21 foreign flag carriers and two all-cargo carriers. During the first four months of 2009, total enplanements (including military and general aviation) at Dulles International declined 6.4% compared to the first four months of 2008. United Airlines ("United") maintains a domestic hub and an international gateway operation at Dulles International. United and its regional affiliates accounted for 63.3% of domestic and international enplanements at Dulles International as of April 30, 2009. See Part II, "THE AIRPORTS AUTHORITY'S FACILITIES AND MASTER PLANS – Facilities at Reagan National and Dulles International" and "THE AIR TRADE AREA AND AIRPORTS ACTIVITY."

Use of the Series 2009C Bond Proceeds

Proceeds of the Series 2009C Bonds will be used to (i) together with a portion of the proceeds of the Series 2009D Bonds and other funds of the Airports Authority, refinance the Airports Authority's Flexible Term PFC Revenue Notes, Series A, B, C & D (the "PFC Notes"), (ii) fund a deposit to the Series 2009C Reserve Account in the Debt Service Reserve Fund to satisfy the debt service reserve requirement for the Series 2009C Bonds, and (iii) pay costs of issuing the Series 2009C Bonds.

Security and Source of Payment

The Series 2009C Bonds are secured on a parity with other Bonds issued under the Indenture by a pledge of the Net Revenues derived by the Airports Authority from the operation of the Airports, all as described in the Indenture. Upon the issuance of the Series 2009C-D Bonds, approximately $5.0 billion aggregate principal amount of Bonds will be outstanding. In addition, the Airports Authority at any time can draw up to $220 million of the Airport System Revenue Commercial Paper Notes, Series One (the

"Series One CP Notes") and up to $200 million of the Airport System Revenue Commercial Paper Notes, Series Two (the "Series Two CP Notes" and, together with the Series One CP Notes, the "CP Notes") under the credit facilities it currently has in place. See "AIRPORTS AUTHORITY INDEBTEDNESS – Outstanding Bonds of the Airports Authority" and "– Commercial Paper Program." The principal sources of Net Revenues are the rates and charges generated under the Airline Agreement between the Airports Authority and certain airlines that have executed the Airline Agreement (the "Signatory Airlines"), fees received from non-signatory airlines using the Airports and payments under concession contracts at the Airports. For a description of the Airports Authority's irrevocable commitment of designated Passenger Facility Charges ("PFC") revenue to pay Debt Service on certain Bonds, see "THE SERIES 2009C BONDS – Irrevocable Commitment of Certain Passenger Facility Charges". See also Part II, "CERTAIN AGREEMENTS FOR USE OF THE AIRPORTS AUTHORITY'S FACILITIES."

The Bonds do not constitute a debt of the District of Columbia or of the Commonwealth of Virginia or any political subdivision thereof, or a pledge of the faith and credit of the District of Columbia or of the Commonwealth or any political subdivision thereof. The Airports Authority has no taxing power. See Part II, "THE BONDS – Security and Source of Payment for the Bonds – General," and APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture" hereto.

Recent Changes to Information Contained in Part II of Official Statement

Part II of this Official Statement has not been updated since March 25, 2009. The following sets forth updates to some of the information contained in Part II:

(1) The 2001-2016 CCP. The Airports Authority has expended approximately $3.6 billion of the $4.84 billion total estimated cost of the 2001-2016 CCP between 2001 and March 31, 2009. Approximately $2.8 billion of the 2001-2016 CCP was funded with previously issued Bonds. After the issuance of the Series 2009C-D Bonds, the Airports Authority expects to issue approximately $283.8 million of Additional Bonds, which will generate approximately $146.3 million of construction funds for the 2001-2016 CCP.

(2) Plan of Funding for the 2001-2016 CCP. The Airports Authority's outstanding PFC Notes are expected to be refunded and defeased with a portion of the proceeds of the Series 2009C-D Bonds, and the liquidity agreement with Bank of America, N.A. relating to the PFC Notes will be terminated. The Airports Authority has no intention to issue any additional PFC Notes in the future.

(3) Financial Condition of Certain Airlines Serving the Airports.

U.S. Airways. According to information obtained from its filings with the United States Securities and Exchange Commission ("SEC"), U.S. Airways reported a net loss of $103 million for the first quarter of 2009, compared to a net loss of $237 million for the first quarter of 2008. Reference is made to U.S. Airway's Report on Form 10-Q for the first quarter ending on March 31, 2009 filed with the SEC.

United. According to information obtained from its filing with the SEC, United reported a net loss of $579 million for the first quarter of 2009, compared to a net loss of $573 million in the first quarter of 2008. Reference is made to United's Report on Form 10-Q for the first quarter ending on March 31, 2009 filed with the SEC.

(4) Certain Investment Considerations – H1N1 Influenza. The United States Centers for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") is aggressively investigating the ongoing outbreak of H1N1 Influenza (Swine Flu) in the United States and numerous foreign countries. Neither the CDC nor WHO recommends that people avoid domestic or international travel. Nevertheless, in the event that the outbreak worsens and/or the CDC or WHO recommend travel restrictions, prospective investors should take into consideration the impact that such developments may have on activity levels at the Airports and the potential financial impact on the airlines that serve the Airports.

(5) Certain Investment Considerations - Financing/Market Access Risks. The credit markets have experienced substantial disruptions for more than a year. There can be no assurance as to the timing or the extent of the recovery that may be made by the credit markets. The Airports Authority's plans include raising additional funds through bond financings for a portion of the remaining costs of the 2001-2016 CCP. If the Airports Authority is unable to access the credit markets as a result of the disruptions that could arise, it could delay the completion of the 2001-2016 CCP. The effect of such delays could result in increased costs for the 2001-2016 CCP which would require the Airports Authority to issue additional Bonds.

(6) Certain Investment Considerations – Enforceability of Rights and Remedies and Bankruptcy. The rights and remedies available to the owners of the Series 2009C Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial enforcement actions which are often subject to discretion and delay. Currently, the Airports Authority is not authorized by either of the Acts to file for bankruptcy.

(7) Certain Investment Considerations – Insolvency Relating to Dulles Corridor Enterprise Fund. The Series 2009C Bonds are not secured by or payable from the revenues derived from the Dulles Toll Road or other assets of the Airports Authority accounted for under the Dulles Corridor Enterprise Fund. The Airports Authority could become insolvent in connection with the Dulles Toll Road and Metrorail Extension Project, even though the Airports are currently operating at a profit. If this were to occur, an Event of Default under the Indenture related to an act of insolvency may occur, even though Net Revenues may be adequate to meet the rate maintenance covenant under the Indenture. In addition, judgment creditors of the Airports Authority's Dulles Corridor Enterprise may not be restricted to claims against the revenues of, or other assets accounted for by, the Dulles Corridor Enterprise Fund, and any attempt to levy against Airports Authority facilities used in operation of the Airports or Revenues derived from such operations may also cause an Event of Default to occur.

(8) Financial Advisors. Jefferies & Company, Inc. has completed its acquisition of DEPFA First Albany Securities LLC, and consequently Jefferies & Company, Inc. serves as a financial advisor to the Airports Authority in connection with the issuance of the Series 2009C-D Bonds.

(9) Independent Auditors. The financial statements have been updated as of December 31, 2008 and December 31, 2007 and for each of the two years in the period ended December 31, 2008. Such financial statements have been audited by PricewaterhouseCoopers LLP, independent auditors.

(10) Prospective Financial Information. Other prospective financial information included in this Official Statement, including summaries of prospective financial information from the Report of the Airport Consultant and budget information, has been prepared by, and is the responsibility of, the Airports Authority's management.

Irrevocable Commitment of Certain Passenger Facility Charges

Simultaneously with the refunding and defeasance of the PFC Notes, the Airports Authority will enter into a Thirty-fifth Supplemental Indenture of Trust, dated as of July 1, 2009 (the "Thirty-fifth Supplemental Indenture"), pursuant to which the Airports Authority will irrevocably commit the greater of: (i) $35,000,000 or (ii) 50% of the total amount of Designated Passenger Facility Charges (as defined herein) to the payment of debt service on PFC Eligible Bonds (as defined herein) from 2009 to 2016. Under the terms of the Indenture, such amounts shall be excluded from the computation of "Annual Debt Service" on Bonds for purposes of calculating the additional bonds test and the rate covenant. See "THE SERIES 2009C BONDS - Irrevocable Commitment of Certain Passenger Facility Charges".

Redemption of the Series 2009C Bonds

The Series 2009C Bonds are subject to optional and mandatory sinking fund redemption, prior to maturity, as described under "THE SERIES 2009C BONDS."

Certain Investment Considerations

The Series 2009C Bonds may not be suitable for all investors. Prospective purchasers of the Series 2009C Bonds should read this entire Official Statement and give careful consideration to certain factors affecting the air transportation industry and the Airports, including cost of aviation fuel, air transportation security concerns, global economic conditions, geopolitical risks, financial condition of airlines serving the Airports, regulations and restrictions affecting the Airports, cost and schedule of the CCP, expiration and possible termination of the Airline Agreement, limitations on Bondholders' remedies, competition and others. Prospective investors should also take into consideration the potential effect that the H1N1 Influenza outbreak may have on activity levels at the Airports and the potential financial impact on airlines serving the Airports. See Part I, "INTRODUCTION – Recent Changes to Information Contained in Part II of Official Statement" and Part II, "CERTAIN INVESTMENT CONSIDERATIONS" and "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS."

The Airports Authority's Capital Construction Program

The Airports Authority initiated its CCP in 1988 to expand, modernize and maintain the Airports. Under the CCP, the Airports Authority has constructed and will continue to construct many of the principal elements of the Reagan National and Dulles International Master Plans, as defined herein, that are necessary for the development of the Airports, and will renovate certain existing facilities. See Part II, "THE AIRPORTS AUTHORITY'S FACILITIES AND MASTER PLANS."

As part of its periodic CCP review process, the Airports Authority from time to time makes adjustments to the scope, timing and size of the CCP. The projects included in the active portion of the CCP, all of which are scheduled for completion by the end of 2016, are collectively referred to herein as the "2001-2016 CCP." Due to a number of factors, including economic conditions and the unprecedented increases in the cost of aviation fuel and the impact of those factors on the financial condition of airlines, in

September 2008, the Airports Authority deferred certain 2001-2016 CCP projects and revised the scope of other 2001-2016 CCP projects, resulting in a $2.22 billion reduction in the cost of the 2001-2016 CCP. See Part II, "THE 2001-2016 CCP."

Based on actual and projected expenditures through 2016, the 2001-2016 CCP currently is estimated to cost approximately $4.84 billion (in inflated dollars). The Airports Authority expended approximately $3.6 billion of the $4.84 billion total estimated cost of the 2001-2016 CCP between 2001 and March 31, 2009. Most of the projects in the 2001-2016 CCP are expected to be completed by the end of 2014. All of the 2001-2016 CCP projects that require majority-in-interest ("MII") approval from Signatory Airlines have received such approval. For a more detailed discussion of the CCP, the 2001-2016 CCP and sources of funding for the 2001-2016 CCP, see Part II, "THE 2001-2016 CCP" and "PLAN OF FUNDING FOR THE 2001-2016 CCP."

Funding of the Capital Construction Program

The Airline Agreement between the Airports Authority and each Signatory Airline defines capital expenditures and permits the Airports Authority to recover the costs of such capital expenditures within Airline Supported Areas (as defined in the Airline Agreement) from the rates and charges imposed under the Airline Agreement. Under the Airline Agreement, the Signatory Airlines are deemed to have consented to the funding of the capital projects under the CCP that require their consent unless an MII disapproves such capital projects. See APPENDIX D – "Summary of Certain Provisions of the Airport Use Agreement and Premises Lease." Costs of capital projects not located in Airline Supported Areas are paid from other available Airports Authority funds.

The Airports Authority plans to finance the 2001-2016 CCP, the cost of which is currently estimated at $4.84 billion (in inflated dollars), with a combination of Bonds, CP Notes, PFC revenues, federal and state grants and other available Airports Authority funds. Approximately $2.8 billion of the 2001-2016 CCP was funded with previously issued Bonds. After the issuance of the Series 2009C-D Bonds, the Airports Authority expects to issue approximately $283.8 million of Additional Bonds, which will generate approximately $146.3 million of construction funds for the 2001-2016 CCP. The Airports Authority expects to fund the remainder of the costs of the 2001-2016 CCP with approximately $639.8 million of grants and $1.2 billion of PFC revenues. See "The Airports Authority's Capital Construction Program" and Part II, "PLAN OF FUNDING FOR THE 2001-2016 CCP."

Operation of the Dulles Toll Road and Construction of the Metrorail Extension to Dulles International

On November 1, 2008, the Virginia Department of Transportation ("VDOT") transferred operational and financial control of the Dulles Toll Road (the "DTR") from VDOT to the Airports Authority for a term of 50 years, upon the terms and conditions set forth by the Master Transfer Agreement dated December 29, 2006, and the Permit and Operating Agreement dated December 29, 2006 (collectively, the "VDOT Agreements") each entered into by and between VDOT and the Airports Authority. In exchange for the rights to the revenues from operation of the DTR and certain other revenues described in the VDOT Agreements (collectively, the "DTR Revenues"), the Airports Authority agreed to (i) operate and maintain the DTR, (ii) cause the design and construction of the extension of the Metrorail from the West Falls Church station in Fairfax County, along the Dulles Corridor to Dulles International and beyond into Loudoun County (the "Metrorail Extension Project") and (iii) make other improvements in the Dulles corridor consistent with VDOT and regional plans. The Airports Authority is responsible for setting toll rates and collecting tolls following its process for issuing regulations and in consultation with the Dulles

Corridor Advisory Committee. The Airports Authority has adopted the existing toll structure established by the Commonwealth of Virginia (the "Commonwealth") and has contracted with VDOT for the interim operation of the DTR.

The Airports Authority has established a Dulles Corridor Enterprise Fund, which accounts for the activity of the DTR and the Metrorail Extension Project separately from the Airports. Except for $10 million of Revenues the Airports Authority may use to fund a portion of the cost of the Metrorail Extension Project at Dulles International pursuant to the Airline Agreement, the Airports Authority may not use any Net Revenues pledged for payment of the Bonds to support the operation of the DTR or to pay debt service on DTR revenue bonds. The Airports Authority also has no claim on the DTR Revenues to support the activities of the Airports. To this end, the Airports Authority amended the Indenture to treat DTR Revenues as "Released Revenues" under the Indenture, thereby excluding the DTR Revenues from the Revenues and the pledge and lien on the Net Revenues securing the Bonds. The Airports Authority also amended the Airline Agreement with each of the airlines serving the Airports to exclude the DTR Revenues from the definition of "Revenues" under the Airline Agreements. See "THE BONDS - Security and Source of Payment for the Bonds," the definition of "Released Revenues" in APPENDIX C and the definition of "Revenues" in APPENDIX D. The Airports Authority plans to use approximately $215 million of PFCs to fund the cost of constructing the Metrorail station at Dulles International, which is planned in Phase Two of the Metrorail Extension Project. As of the date of this Official Statement, the Airports Authority has not applied to the FAA for authority to impose and use PFCs for this purpose.

The Airports Authority expects to fund the cost of Phase One of the Metrorail Extension Project, which is currently estimated at $2.7 billion, with a combination of toll road revenue bonds secured by a pledge of DTR Revenues, federal grants and contributions from local jurisdictions. The preliminary cost of Phase Two of the Metrorail Extension Project is currently estimated at $2.5 billion. The Airports Authority has executed a design-build contract with Dulles Transit Partners LLC for construction of Phase One of the Metrorail Extension Project and issued a notice to proceed with construction on March 11, 2009.

Report of the Airport Consultant

The Airports Authority retained Jacobs Consultancy, Inc. to serve as the airport consultant (the "Airport Consultant") in connection with the issuance of the Airports Authority's Airport System Revenue Bonds, Series 2009A-B (the "Series 2009A-B Bonds"). The Airport Consultant, together with its subconsultants, MAC Consulting, LLC and Airport Strategies, LLC, prepared the Report of the Airport Consultant dated March 9, 2009 (the "Report of the Airport Consultant"). The Report of the Airport Consultant is included in APPENDIX A. The Report of the Airport Consultant has not been updated to reflect the final terms of the Series 2009A-B Bonds, or any other changes occurring after March 9, 2009. The Airport Consultant has provided its consent to including the Report of the Airport Consultant as Appendix "A" hereto. See Part II, "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "Report of the Airport Consultant."

Projected Debt Service Coverage

The following table sets forth the Airport Consultant's projections from the Report of the Airport Consultant dated March 9, 2009 of the Airports Authority Net Revenues and debt service coverage for the period from 2009 through 2016. The projections, in connection with the issuance of the Series 2009A-B Bonds assumed the issuance of $432 million of additional Bonds by August 1, 2009 to refinance the PFC Notes. The minimum debt service coverage required by the rate covenant set forth in the Indenture is 1.25x. The debt service coverage is calculated as the ratio of Net Revenues available annually to pay debt service to the Annual Debt Service requirement for the Bonds. See Part II, "THE BONDS – Security and Source of Payment for the Bonds – Rate Covenant." The Net Revenues of the Airports Authority are projected to meet or exceed the rate covenant each year of the projection period. For information regarding the Airports Authority's actual Annual Debt Service requirements on outstanding debt, see "DEBT SERVICE SCHEDULE."

The projections in the following table, which have not been updated since March 9, 2009, are based on: (i) assumed debt service on $165 million of the Series 2009A Bonds; (ii) assumed debt service on $235 million of the Series 2009B Bonds; (iii) assumed debt service on $206.5 million of the outstanding Series 2002C Bonds, $138.2 million of the outstanding Series 2003D Bonds and $38.5 million of the CP Notes bearing interest at a variable rate; (iv) the actual debt service on approximately $3.8 billion of other outstanding Bonds; (v) assumed debt service on $432 million of additional Bonds bearing interest at a variable rate, which the Airports Authority then expected to issue to refund the PFC Notes (see Part II, "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Source: PFCs") and which are now being replaced by the Series 2009C-D Bonds; and (vi) assumed debt service on approximately $387.7 million of other Bonds expected to be issued to finance the 2001-2016 CCP. The information in the table also assumed that the Airports Authority will irrevocably commit $35 million of PFC revenues per year to pay Annual Debt Service on the Bonds from 2009 through 2016, thereby reducing Annual Debt Service by such amount in each year for calculation purposes and increasing debt service coverage during the projection period. See Part I, "THE SERIES 2009C BONDS – Irrevocable Commitment of Certain Passenger Facility Charges" and Part II, "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Source: PFCs."

As noted in the following table, debt service coverage is projected to decrease from 1.50x in 2009, to 1.35x in 2012, due to a number of factors. For example, several major 2001-2016 CCP projects will be placed in service, capitalized interest with respect to those projects will be depleted, revenues are projected to grow at a slower pace and debt service and operation and maintenance expenses are projected to increase during that period of time. For a more detailed explanation of the projected decrease in debt service coverage and of the assumptions behind the calculations of debt service coverage, see APPENDIX A – "Report of the Airport Consultant."

Projected Debt Service Coverage[1]
(Net of Capitalized Interest)
($000's)

Year	Net Revenues	Outstanding Bonds Debt Service	CP Notes Debt Service	Series 2009A-B Bonds Debt Service	Additional Bonds Debt Service	Total Bonds Debt Service	Coverage All Debt
2008	$322,485	$195,897	$1,190	$0	$0	$197,087	1.64[2]
2009	$370,392	$233,923	$1,616	$3,448	$7,909	$246,896	1.50
2010	$440,474	$271,779	$2,579	$20,340	$24,725	$319,422	1.38
2011	$453,219	$275,900	$2,574	$23,342	$28,428	$330,244	1.37
2012	$478,362	$287,798	$2,590	$25,257	$39,261	$354,907	1.35
2013	$493,530	$290,477	$2,586	$25,846	$44,016	$362,924	1.36
2014	$502,861	$290,768	$2,593	$25,916	$45,903	$365,181	1.38
2015	$510,074	$290,719	$2,594	$25,916	$46,074	$365,303	1.40
2016	$516,671	$291,081	$2,587	$25,971	$46,084	$365,723	1.41

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[1] Totals may not add due to rounding.
[2] See Part I – "AIRPORTS AUTHORITY FINANCIAL INFORMATION – Net Remaining Revenue" for the actual debt service coverage ratio for Fiscal Year 2008.

Source: Report of the Airport Consultant, dated March 9, 2009

The Report of the Airport Consultant dated March 9, 2009 is based on a number of assumptions and projections as discussed further in Part II, "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "Report of the Airport Consultant." The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of Jacobs Consultancy Inc. as the Airport Consultant and its subconsultants. As stated in the Report of the Airport Consultant, any projection is subject to uncertainties; therefore, there are likely to be differences between the projections and actual results, and those differences may be material. See Part II, "CERTAIN INVESTMENT CONSIDERATIONS," "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "Report of the Airport Consultant" for a discussion of factors, data and information that may affect projections related to the air transportation industry and the Airports.

Prospective Financial Information

The Report of the Airport Consultant included in APPENDIX A of this Official Statement was prepared by the Airport Consultant and contains prospective financial information. This prospective financial information was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Other prospective financial information included in this Official Statement, including summaries of prospective financial information from the Report of the Airport Consultant and budget information (See "AIRPORTS AUTHORITY FINANCIAL INFORMATION - Fiscal Year 2009 Budget"), has been prepared by, and is the responsibility of, the Airports Authority's management. PricewaterhouseCoopers LLP, independent auditors, has neither examined nor compiled this prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or offer any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in

APPENDIX B of this Official Statement relates to the Airports Authority's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

Changes from the Preliminary Official Statement

This Official Statement includes certain information that was not available for inclusion in the Preliminary Official Statement dated June 4, 2009, including par amounts, maturities, interest rates, yields, prices and other terms of the Series 2009C Bonds, and the use of the proceeds of the Series 2009C Bonds. Purchasers of the Series 2009C Bonds should read this Official Statement in its entirety.

Miscellaneous

This Official Statement contains brief descriptions of, among other things, the Series 2009C Bonds, the Airports Authority, the Airports and the CCP. Such descriptions do not purport to be comprehensive or definitive. **All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2009C Bonds are qualified in their entirety by reference to the form of the Series 2009C Bonds included in the Thirty-third Supplemental Indenture.**

Neither Part II of this Official Statement dated March 25, 2009 nor the Report of the Airport Consultant dated March 9, 2009 has been updated in connection with the issuance of the Series 2009C-D Bonds. The information and conclusions therein are valid only as of the dates thereof. Reference is made to the subheading entitled "INTRODUCTION - Recent Changes to Information Contained in Part II of Official Statement" for certain updates with respect to the information contained in Part II.

The Report of the Airport Consultant is included in APPENDIX A. The audited financial statements of the Airports Authority as of December 31, 2008, and December 31, 2007, and for the years then ended are included in APPENDIX B. Definitions and a summary of certain provisions of the Indenture are included in APPENDIX C. A summary of certain provisions of the Airline Agreement between the Airports Authority and the Signatory Airlines is included in APPENDIX D. A description of the book-entry system maintained by DTC is included in APPENDIX E. The proposed form of the opinion to be delivered by Co-Bond Counsel to the Airports Authority, Hogan & Hartson LLP and Lewis, Munday, Harrell & Chambliss, in connection with the issuance of the Series 2009C Bonds is included in APPENDIX F. The Airports Authority has executed a Continuing Disclosure Agreement (the "Disclosure Agreement") with Digital Assurance Certification L.L.C. ("DAC"), the form of which is included in APPENDIX G, to assist the Underwriters in complying with the provisions of Rule 15c2-12 ("Rule 15c2-12"), promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended, and as in effect as of the date hereof, by providing annual financial and operating data, and material event notices required by Rule 15c2-12. See Part II, "CONTINUING DISCLOSURE" and APPENDIX G – "Form of Continuing Disclosure Agreement."

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Airports Authority or the Airports since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Airports Authority or the Underwriters and purchasers or owners of any of the Series 2009C Bonds.

Inquiries regarding information about the Airports Authority and its financial matters contained in this Official Statement may be directed to Lynn Hampton, Vice President for Finance and Chief Financial Officer, at (703) 417-8700, or email at bondholders.information@mwaa.com. Certain financial information with respect to the Airports Authority, including the Master Indenture, also may be obtained through the Airports Authority's website at www.mwaa.com/about_the_authority/financial and through the website of DAC at www.dacbond.com. DAC serves as Disclosure Dissemination Agent for the Airports Authority. See Part II, "CONTINUING DISCLOSURE."

THE SERIES 2009C BONDS

General

The Series 2009C Bonds are being issued under the Indenture. The Series 2009C Bonds will be dated their date of delivery, which will be on or about July 2, 2009, will bear interest from that date, payable beginning on October 1, 2009, and semiannually thereafter on each April 1 and October 1 at the interest rates, and will mature on October 1 in the years, set forth on the inside cover page of this Official Statement. The Series 2009C Bonds will be issued in denominations of $5,000 or integral multiples thereof and will be subject to optional and mandatory sinking fund redemption prior to maturity as described below under "Redemption of the Series 2009C Bonds."

Book-Entry Only System

The Series 2009C Bonds will be issued as fully registered bonds without coupons and are initially to be registered in the name of Cede & Co., as nominee for DTC as Securities Depository for the Series 2009C Bonds. For more information regarding the Book-Entry Only System, See Part II, "THE BONDS – Book-Entry Only System" and APPENDIX E – "Book-Entry Only System."

NEITHER THE AIRPORTS AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009C BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF ANY SERIES 2009C BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO ANY SERIES 2009C BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2009C BONDS; OR (vi) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

Redemption of the Series 2009C Bonds

Optional Redemption

The Series 2009C Bonds maturing on and after October 1, 2020 are subject to optional redemption prior to maturity by the Airports Authority, on and after October 1, 2018, in whole or in part, by lot, at any time, at 100% of the principal amount of the Series 2009C Bonds to be redeemed plus interest accrued to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The $43,405,000 Series 2009C Term Bond maturing on October 1, 2034, is subject to mandatory sinking fund redemption in part, by lot, prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of such term bond called for redemption plus interest accrued to the redemption date.

$43,405,000 Series 2009C Term Bond Maturing
October 1, 2034

Year	Amount	Year	Amount
2032	$13,750,000	2034*	$15,200,000
2033	14,455,000		

* Final Maturity

The $34,125,000 Series 2009C Term Bond maturing on October 1, 2039 and bearing interest at 5.125% is subject to mandatory sinking fund redemption in part, by lot, prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of such term bond called for redemption plus interest accrued to the redemption date.

$34,125,000 Series 2009C Term Bond Maturing
October 1, 2039 and Bearing Interest at 5.125%

Year	Amount	Year	Amount
2035	$4,985,000	2038	$7,745,000
2036	5,860,000	2039*	8,760,000
2037	6,775,000		

* Final Maturity

The $55,000,000 Series 2009C Term Bond maturing on October 1, 2039 and bearing interest at 5.625% is subject to mandatory sinking fund redemption in part, by lot, prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of such term bond called for redemption plus interest accrued to the redemption date.

$55,000,000 Series 2009C Term Bond Maturing
October 1, 2039 and Bearing Interest at 5.625%

Year	Amount	Year	Amount
2035	$11,000,000	2038	$11,000,000
2036	11,000,000	2039*	11,000,000
2037	11,000,000		

* Final Maturity

With respect to any mandatory sinking fund redemption of any Series 2009C Bonds, the Airports Authority may, at its option to be exercised on or before the forty-fifth (45th) day next preceding any such sinking fund redemption date, (a) pay moneys to the Trustee for deposit in the Redemption Account for the Series 2009C Bonds in the Bond Fund to be used to purchase the Series 2009C Bonds, or direct the Trustee to cause moneys in the sinking fund account to be used for such purchases, at a price not exceeding the principal amount thereof plus accrued interest to such sinking fund redemption date, or (b) receive a credit against its sinking fund redemption obligation for the Series 2009C Bonds, which prior to such date have been purchased by the Airports Authority and presented to the Trustee for cancellation or redeemed (other than through the operation of the sinking fund) and canceled by the Trustee and, in either case, not theretofore applied as a credit against any sinking fund redemption obligation. Each Series 2009C Bond so purchased, delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Airports Authority on such sinking fund redemption date. Any excess over such obligation will be credited, in chronological order, against such future sinking fund redemption obligations, or deposits with respect thereto, and the principal amount of the Series 2009C Bonds to be redeemed by operation of the sinking fund accordingly will be reduced.

For information regarding the method of selecting the Series 2009C Bonds for redemption and information regarding the notice of redemption, see Part II, "THE BONDS – Method of Selecting the Bonds for Redemption" and "THE BONDS – Notice of Redemption."

Security and Source of Payment

General

The Series 2009C Bonds are secured (i) on a parity with other Bonds issued by the Airports Authority under the Indenture by a pledge of Net Revenues derived by the Airports Authority from the operation of the Airports and (ii) by the Series 2009C Bond proceeds deposited in certain funds held by the Trustee. No property of the Airports Authority is subject to any mortgage for the benefit of the owners of the Series 2009C Bonds. **The Series 2009C Bonds shall not constitute a debt of the District of Columbia or of the Commonwealth of Virginia or any political subdivision thereof or a pledge of the faith and credit of the District of Columbia or of the Commonwealth of Virginia or any political subdivision thereof. The Airports Authority has no taxing power.** For information regarding the Rate Covenant and other provisions of the Indenture, see Part II, "THE BONDS – Security and Source of Payment for the Bonds" and APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture."

Debt Service Reserve Fund

Under the Indenture, the Airports Authority has covenanted to deposit, or cause to be deposited at closing, amounts sufficient to maintain the Series 2009C Reserve Account in the Debt Service Reserve Fund for the Series 2009C Bonds in an amount equal to the Debt Service Reserve Requirement for the Series 2009C Bonds. The Series 2009C Debt Service Reserve Requirement is an amount equal to the least of (i) 125% of the average Annual Debt Service on the Series 2009C Bonds as of the issuance date of the Series 2009C Bonds, (ii) 10% of the original par amount of the Series 2009C Bonds, or (iii) the Maximum Annual Debt Service on the Series 2009C Bonds. The Airports Authority will meet this requirement by depositing $20,862,656.26 to the Series 2009C Reserve Account.

Under conditions specified in the Indenture, the Airports Authority may fund the Debt Service Reserve Requirement for any Series of Bonds, including the Series 2009C Bonds, by delivering a letter of credit or other credit facility to the Trustee in substitution for, or in lieu of, moneys to be held in the Debt Service Reserve Fund for such Series. The Indenture requires that the provider of any such credit facility have a credit rating in one of the two highest rating categories by two Rating Agencies (as defined therein). In the event the Debt Service Reserve Requirement is funded with a letter of credit or other credit facility, there will be no interest earnings on the account in the Debt Service Reserve Fund for such Series of Bonds. See the description under the heading "Debt Service Reserve Fund Deposit" in APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture."

The Trustee is required to draw on the Series 2009C Reserve Account in the Debt Service Reserve Fund whenever the amount held in the Interest Account or the Principal Account for the Series 2009C Bonds is insufficient to pay interest on or principal of the Series 2009C Bonds on the date such payments are due. To the extent not needed to maintain the balance therein equal to the Debt Service Reserve Requirement for the Series 2009C Bonds, earnings on investments of the Series 2009C Reserve Account in the Debt Service Reserve Fund shall be transferred after each Bond Payment Date to the Revenue Fund.

If the amount on deposit in the Series 2009C Reserve Account in the Debt Service Reserve Fund at any time is less than the Debt Service Reserve Requirement for the Series 2009C Bonds, such deficiency is required to be made up as set forth in Part II, "THE BONDS – Security and Source of Payment for the Bonds – Flow of Funds."

Additional Bonds

Subject to certain terms and conditions, additional Bonds may be issued from time to time to finance the Airports Authority's CCP and to refund certain Bonds and other indebtedness of the Airports Authority. Additional Bonds will be equally and ratably secured on a parity with the Series 2009C Bonds and other Bonds outstanding at the time of issuance. See Part II, "THE BONDS – Security and Source of Payment for the Bonds – Additional Bonds," "PLAN OF FUNDING FOR THE 2001-2016 CCP" and APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture."

Irrevocable Commitment of Certain Passenger Facility Charges

The definition of Revenues does not include, among other things, PFCs, except to the extent PFCs are treated as Revenues by the Airports Authority, which has not occurred to date. However, the definition of Annual Debt Service provides that in any computation relating to the issuance of additional Bonds under Section 213 of the Master Indenture or in any computation required by the rate maintenance covenant under Section 604 of the Master Indenture, there shall be excluded from the computation of Annual Debt Service principal of and interest on Bonds for which funds are irrevocably committed to make such payments. Pursuant to the Thirty-fifth Supplemental Indenture, the Airports Authority has irrevocably committed from 2009 through 2016 the greater of: (i) $35,000,000 or (ii) 50% of the total amount of Designated Passenger Facility Charges to be deposited into the PFC Debt Service Account of the PFC Fund to pay principal and/or interest on Bonds ("PFC Eligible Bonds") issued to finance or refinance the Cost of certain Authority Facilities authorized to be financed with PFCs. Under the Thirty-fifth Supplemental Indenture, any Designated Passenger Facility Charges received by the Airports Authority in excess of such amounts in any Fiscal Year are to be deposited in the PFC Project Account of the PFC Fund.

"Designated Passenger Facility Charges" mean revenues received by the Airports Authority from the $4.50 passenger facility charge imposed by the Airports Authority at Dulles International pursuant to 49 U.S.C. § 40117, in accordance with Title 14, Code of Federal Regulations, Part 158 (the "FAA Regulations"), as approved by the Federal Aviation Administration by letters dated August 17, 2005, May 8, 2008, September 4, 2008 and March 6, 2009, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues at Dulles

International, as provided in the FAA Regulations. Such term does not include any other passenger facility charges collected by the Airports Authority at either Reagan National or Dulles International.

The Thirty-fifth Supplemental Indenture may be amended, without the consent of the Holders of the Outstanding Bonds, for purposes of making changes relating to the definition of Designated Passenger Facility Charges or the amounts or Fiscal Years in which payments of Debt Service on PFC Eligible Bonds are to be made as set forth in the Thirty-fifth Supplemental Indenture, including a reduction of the amount of Designated Passenger Facility Charges; provided that such amendment will not reasonably be expected to prevent the Airports Authority from complying with the rate maintenance covenant in Section 604 of the Master Indenture.

If the Airports Authority does not use the full amount of the irrevocably committed Designated Passenger Facility Charges to pay debt service on PFC Eligible Bonds in a Fiscal Year (i.e., there are more Designated Passenger Facility Charges than there is debt service due on PFC Eligible Bonds in such Fiscal Year), any unused portion of the irrevocable commitment may be transferred to the PFC Project Account of the PFC Fund. Amounts on deposit in the PFC Project Account may be applied by the Airports Authority to any lawful purpose relating to the Airports including (i) providing for the payment of the Cost of Authority Facilities authorized to be financed with PFCs, and/or (ii) transferring funds to the PFC Debt Service Account to pay principal and/or interest on PFC Eligible Bonds not otherwise paid. The Airports Authority currently expects to utilize the total amount of Designated Passenger Facility Charges to pay the debt service on the PFC Eligible Bonds. See “APPENDIX C” for detailed information regarding certain covenants and agreements the Airports Authority has made with respect to the use of PFCs.

Other Indebtedness

In addition to financing its CCP with the proceeds of Bonds, the Airports Authority is authorized under the Indenture to issue other debt to finance its capital needs. The Indenture permits the Airports Authority at any time to issue (a) bonds, notes or other obligations payable from and secured by revenues other than Revenues and Net Revenues, including, but not limited to, Special Facility Bonds, and (b) bonds, notes or other obligations payable from Net Revenues, including revenue anticipation notes, on a basis subordinate to the Bonds, including Subordinated Bonds. For a more detailed discussion on the Airports Authority’s Subordinated Bonds, the commercial paper program, interest rate swaps, Special Facility Bonds and PFC secured indebtedness, see “AIRPORTS AUTHORITY INDEBTEDNESS.”

Events of Default and Remedies; No Acceleration or Cross Defaults

“Events of Default” and related remedies under the Indenture are described in the summary of certain provisions of the Indenture attached as APPENDIX C, in particular in the section “Defaults and Remedies.” The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2009C Bonds to either the Trustee or the Holders of any Bonds. An Event of Default with respect to one Series of Bonds will not be an Event of Default with respect to any other Series unless such event or condition on its own constitutes an Event of Default with respect to such other Series. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including initiating proceedings to enforce the obligations of the Airports Authority under the Indenture. Since (a) Net Revenues are Revenues net of all amounts needed to pay Operation and Maintenance Expenses, and (b) the Airports Authority is not subject to involuntary bankruptcy proceedings, the Airports Authority may continue collecting Revenues indefinitely and applying them to the operation of the Airports, even if an Event of Default has occurred and no payments are being made on the Series 2009C Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of the proceeds of the Series 2009C Bonds and other available funds of the Airports Authority.

	Series 2009C Bonds
SOURCES:	
Par Amount of Bonds	$ 314,435,000
Net Premium	1,333,159
Airports Authority Funds	2,464,767
Total Sources[1]	$ 318,232,926
USES:	
Deposit to Refund PFC Notes	$294,820,250
Deposit to the Series 2009C Reserve Account in the Debt Service Reserve Fund	20,862,656
Underwriters' Discount and Costs of Issuance	2,550,020
Total Uses[1]	$ 318,232,926

[1] Totals may not add due to rounding.

Refinancing Plan

A portion of the proceeds of the Series 2009C Bonds will be applied by the Trustee to refinance a portion of the outstanding PFC Notes. Pursuant to an Escrow Deposit Agreement dated as of July 1, 2009, relating to the PFC Notes, The Bank of New York Mellon, as escrow agent, will use such amount, together with a portion of the proceeds of the Series 2009D Bonds and other funds of the Airports Authority, to provide for the payment of principal of and accrued interest, and the defeasance of, the outstanding PFC Notes.

DEBT SERVICE SCHEDULE

The following table sets forth (i) the projected debt service on the Series 2009D Bonds and the actual debt service on the Series 2009C Bonds, (ii) actual debt service on approximately $4.0 billion of outstanding fixed rate Bonds and (iii) projected debt service on $206.5 million of the outstanding Series 2002C Bonds, $138.2 million of the outstanding Series 2003D Bonds, $163.175 million of the outstanding Series 2009A Bonds, $420 million of the CP Notes, which is the maximum amount of the CP Notes available to be drawn by the Airports Authority under the credit facilities it currently has in place. As of April 30, 2009, the Airports Authority had outstanding $128.5 million of the available $420 million of authorized CP Notes.

Bond	Series 2009C			Series 2009D[1]			Outstanding Bond	Debt Service on Maximum Available Series One and Series	Total
Year	Principal	Interest	Total	Principal	Interest	Total	Debt Service[2]	Two CP Notes[3]	Debt Service[4]
2009	$ -	$ 3,909,093	$ 3,909,093	$ -	$ 1,386,873	$ 1,386,873	$ 304,122,209	$ 28,515,800	$ 337,933,975
2010	5,000,000	15,812,063	20,812,063	2,110,000	5,609,825	7,719,825	318,457,931	28,513,984	375,503,803
2011	5,150,000	15,662,063	20,812,063	2,210,000	5,523,315	7,733,315	318,782,624	28,515,272	375,843,274
2012	5,320,000	15,507,563	20,827,563	2,320,000	5,432,705	7,752,705	328,335,202	28,517,840	385,433,309
2013	5,555,000	15,271,563	20,826,563	2,430,000	5,337,585	7,767,585	328,676,795	28,510,536	385,781,478
2014	5,805,000	15,023,313	20,828,313	2,550,000	5,237,955	7,787,955	329,672,482	28,517,784	386,806,533
2015	6,085,000	14,741,813	20,826,813	2,675,000	5,133,405	7,808,405	331,016,338	28,512,568	388,164,123
2016	6,365,000	14,459,613	20,824,613	2,805,000	5,023,730	7,828,730	330,751,234	28,514,312	387,918,888
2017	6,645,000	14,183,463	20,828,463	2,940,000	4,908,725	7,848,725	333,078,736	28,511,288	390,267,212
2018	6,960,000	13,875,563	20,835,563	3,085,000	4,788,185	7,873,185	335,582,434	28,512,344	392,803,526
2019	7,305,000	13,542,563	20,847,563	3,235,000	4,661,700	7,896,700	328,161,029	28,515,752	385,421,044
2020	7,675,000	13,187,656	20,862,656	3,390,000	4,529,065	7,919,065	328,446,875	28,514,784	385,743,380
2021	8,020,000	12,814,656	20,834,656	3,555,000	4,390,075	7,945,075	333,414,963	28,513,000	390,707,695
2022	8,445,000	12,413,656	20,858,656	3,730,000	4,244,320	7,974,320	313,335,052	28,513,672	370,681,700
2023	8,885,000	11,973,606	20,858,606	3,910,000	4,091,390	8,001,390	303,225,694	28,509,784	360,595,474
2024	9,295,000	11,552,606	20,847,606	4,100,000	3,931,080	8,031,080	302,214,324	28,514,608	359,607,618
2025	9,725,000	11,104,450	20,829,450	4,300,000	3,762,980	8,062,980	252,712,301	28,515,552	310,120,283
2026	10,235,000	10,593,888	20,828,888	4,510,000	3,586,680	8,096,680	252,836,159	28,510,600	310,272,326
2027	10,745,000	10,082,138	20,827,138	4,725,000	3,401,770	8,126,770	253,164,762	28,512,736	310,631,405
2028	11,310,000	9,518,025	20,828,025	4,955,000	3,208,045	8,163,045	242,523,954	28,514,080	300,029,104
2029	11,825,000	8,952,525	20,777,525	5,195,000	3,004,890	8,199,890	230,470,809	28,512,040	287,960,264
2030	12,465,000	8,361,275	20,826,275	5,450,000	2,791,895	8,241,895	243,560,083	28,514,024	301,142,277
2031	13,090,000	7,738,025	20,828,025	5,715,000	2,568,445	8,283,445	296,240,933	28,511,864	353,864,267
2032	13,750,000	7,067,163	20,817,163	5,990,000	2,334,130	8,324,130	276,408,076	28,512,680	334,062,048
2033	14,455,000	6,362,475	20,817,475	6,280,000	2,088,540	8,368,540	252,892,955	28,518,016	310,596,986
2034	15,200,000	5,621,656	20,821,656	6,590,000	1,831,060	8,421,060	230,795,347	28,514,128	288,552,192
2035	15,985,000	4,842,656	20,827,656	6,910,000	1,560,870	8,470,870	195,007,275	28,517,848	252,823,649
2036	16,860,000	3,968,425	20,828,425	7,245,000	1,277,560	8,522,560	88,918,810	28,514,856	146,784,651
2037	17,775,000	3,049,350	20,824,350	7,595,000	980,515	8,575,515	10,229,320	28,516,408	68,145,593
2038	18,745,000	2,083,381	20,828,381	7,965,000	669,120	8,634,120	10,297,860	28,512,896	68,273,257
2039	19,760,000	1,067,700	20,827,700	8,355,000	342,555	8,697,555	10,368,360	0	39,893,615
Total	$ 314,435,000	$ 314,343,981	$ 628,778,981	$ 136,825,000	$ 107,638,988	$ 244,463,988	$ 8,013,700,924	$ 855,421,056	$ 9,742,364,949

[1] The interest on the Series 2009D Bonds has been calculated using the rate of 4.10% representing the fixed rate payable by the Airports Authority pursuant to a Swap Agreement entered into on June 15, 2006, with the effective date of October 1, 2009 (the "2006 Swap Agreement"). The Airports Authority currently expects to hedge the interest rate on the Series 2009D Bonds with a portion of the 2006 Swap Agreement. See "AIRPORTS AUTHORITY INDEBTEDNESS – Interest Rate Swaps."

[2] Interest on the $62.8 million of the Series 2002C Bonds, which are the subject of a Swap Agreement entered into on July 31, 2001 (the "2001 Swap Agreement"), has been calculated using a rate of 4.45%, representing the fixed rate payable by the Airports Authority under the 2001 Swap Agreement. Interest on the remainder of the Series 2002C Bonds which are not subject to the 2001 Swap Agreement has been calculated using an assumed interest rate of 4%. Interest on the Series 2003D Bonds has been calculated using an assumed interest rate of 4%. Interest on the Series 2009A Bonds has been calculated using the rate of 4.10% representing the fixed rate payable by the Airports Authority pursuant to the 2006 Swap Agreement. The Airports Authority currently expects to hedge the interest rate on the Series 2009A Bonds with a portion of the 2006 Swap Agreement. For more information regarding the 2001 Swap Agreement and the 2006 Swap Agreement, see "AIRPORTS AUTHORITY INDEBTEDNESS – Interest Rate Swaps."

[3] Notwithstanding the actual amount of the CP Notes outstanding as of the date of this Official Statement, for the purpose of debt service calculations it is assumed that $420 million of the CP Notes are outstanding, which is the maximum amount the Airports Authority can draw from the credit facilities it currently has in place. Annual Debt Service on the CP Notes is determined by assuming (a) the CP Notes are to be amortized over a 30-year period beginning on the date of calculation, (b) level debt service, and (c) the interest rate is equal to the rate published by The Bond Buyer as the Bond Buyer 25 Revenue Bond Index which was 5.76% as of June 16, 2009.

[4] Totals may not add due to rounding.

Source: Airports Authority Records and P.G. Corbin & Company, Inc.

AIRPORTS AUTHORITY INDEBTEDNESS

Outstanding Bonds of the Airports Authority

The following table lists the Airports Authority's Bonds that will be outstanding upon the issuance of the Series 2009C-D Bonds. The table does not include the Series One CP Notes or the Series Two CP Notes in the total authorized aggregate amount of $420 million.

Series of Bonds	Originally Issued Par Amount	Outstanding as of July 2, 2009
1998B	$ 279,585,000	$ 207,680,000
1999A	100,000,000	88,395,000
2001 A	286,165,000	252,010,000
2001B	13,835,000	11,990,000
2002A	222,085,000	200,260,000
2002B	27,915,000	2,450,000
2002C	265,735,000	206,460,000
2002 D	107,235,000	96,050,000
2003A	185,000,000	168,735,000
2003B	44,135,000	34,230,000
2003C	52,565,000	42,920,000
2003D	150,000,000	138,175,000
2004A	13,600,000	13,570,000
2004B	250,000,000	250,000,000
2004C-1	97,730,000	56,900,000
2004C-2	111,545,000	99,390,000
2004D	218,855,000	217,120,000
2005A	320,000,000	298,365,000
2005B	19,775,000	19,775,000
2005C	30,000,000	30,000,000
2005D	11,450,000	10,245,000
2006A	300,000,000	300,000,000
2006B	400,000,000	400,000,000
2006C	37,865,000	37,865,000
2007A	164,460,000	157,505,000
2007B	530,000,000	519,665,000
2008A	250,000,000	250,000,000
2009A	163,175,000	163,175,000
2009B	236,825,000	236,825,000
2009C	314,435,000	314,435,000
2009D	136,825,000	136,825,000
Total	$ 5,340,795,000	$ 4,961,015,000

Subordinated Bonds

Currently, there are no outstanding Subordinated Bonds. The Airports Authority, however, has the ability to issue additional debt on a subordinated basis to the Bonds, but currently has no plans to do so. Under the Indenture, Subordinated Bonds are to be secured by a pledge of the Airports Authority's Net Revenues, which pledge is to be subordinated to the pledge of Net Revenues securing the Bonds.

Commercial Paper Program

The Airports Authority has authorized a commercial paper program in an aggregate principal amount not to exceed $500 million outstanding at any time. The Airports Authority currently has in place two credit facilities allowing the Airports Authority to draw up to $420 million in CP Notes at any given time.

The issuance of up to $220 million of the Series One CP Notes is authorized pursuant to the Amended and Restated Eleventh Supplemental Indenture dated as of November 1, 2004, as further amended on March 1, 2005, and on March 1, 2007, by and between the Airports Authority and the Trustee. The Series One CP Notes are structured as Short Term/Demand Obligations under the Indenture and secured by certain pledged funds including Net Revenues on a parity with other Bonds. They are further secured by an irrevocable direct pay letter of credit issued by JPMorgan Chase Bank, which expires in March 2011. The Airports Authority's obligation to repay amounts drawn under such letter of credit is secured by a promissory note issued by the Airports Authority to JPMorgan Chase Bank and is secured by and payable from Net Revenues and other pledged funds on a parity with the Series One CP Notes, the Series Two CP Notes and other Bonds. Currently, $90 million of the Series One CP Notes are outstanding. The Airports Authority has the ability to have outstanding up to $220 million of the Series One CP Notes at any time.

The issuance of up to $200 million of the Series Two CP Notes is authorized pursuant to the Twenty-second Supplemental Indenture dated as of January 1, 2005, as amended as of March 1, 2007, by and between the Airports Authority and the Trustee. The Series Two CP Notes are structured as Short Term/Demand Obligations under the Indenture and are secured by certain pledged funds including Net Revenues on a parity with other Bonds. They are further secured by an irrevocable direct pay letter of credit issued on a several but not joint basis by Landesbank Baden-Württemberg, acting through its New York Branch, individually and as an agent, and WestLB AG acting through its New York Branch (collectively, the "Banks"), which expires on December 29, 2015, but allows the Banks under certain circumstances to terminate the facility on the fifth and tenth anniversary of the agreement, beginning on January 12, 2010. The Airports Authority's obligation to repay amounts drawn under such letter of credit is secured by a promissory note issued by the Airports Authority to the Banks and is secured by and payable from Net Revenues and other pledged funds on a parity with the Series One CP Notes, the Series Two CP Notes and other Bonds. Currently, $38.5 million of the Series Two CP Notes are outstanding. The Airports Authority has the ability to have outstanding up to $200 million of the Series Two CP Notes at any time.

Interest Rate Swaps

The Airports Authority has entered into a number of interest rate swap agreements (collectively, the "Swap Agreements") to hedge against potential future increases in interest rates. All of the Airports Authority's Swap Agreements (i) were entered into in connection with the planned issuance of variable rate debt and represent floating-to-fixed rate agreements and (ii) were written on a forward-starting basis to either hedge future new money Bonds or to synthetically advance refund Bonds that could not be advance refunded on a conventional basis because of their tax status. With respect to those Swap Agreements that have not yet become effective, the Airports Authority has the ability to terminate the agreements, extend the effective date of the agreements or allow the agreements to become effective. Should the Airports Authority decide to terminate a Swap Agreement, depending on market conditions at the time of the decision, the Airports Authority may be required to make a termination payment to the counterparty or may receive a termination payment from a counterparty. The chart below provides summary information with respect to the Airports Authority's current Swap Agreements.

Airports Authority's Current Swap Agreements

Trade Date	Effective Date	Swap Provider	Original Notional	Outstanding Notional	Rate Paid by Counterparty	Nature of Swap	Rate paid by Airports Authority
07/31/2001	08/29/2002	Merrill Lynch	$ 80,590,000	$62,770,000 [1]	72% LIBOR	Refunding	4.45%
05/13/2005	10/01/2011	Wachovia Bank[3]	$125,000,000	Forward Starting Swap	72% LIBOR	Hedge Future Borrowing	3.86%[2]
06/15/2006	10/01/2009	JP Morgan Chase Bank, N.A.[4] Bank of America	$190,000,000 $110,000,000	Forward Starting Swap	72% LIBOR	Hedge Future Borrowing	4.10%
06/15/2006	10/01/2010	Wachovia Bank[3]	$170,000,000	Forward Starting Swap	72% LIBOR	Hedge Future Borrowing	4.11%

1 The outstanding notional amount as of April 1, 2009.
2 On September 12, 2007, the Airports Authority (a) realized the market value of the Wachovia Bank swap and received $1,255,000 from Wachovia Bank, and (b) extended the start date of the swap from October 1, 2007, to October 1, 2011, with a new fixed swap rate of 3.86%.
3 On January 1, 2009, Wells Fargo & Company acquired Wachovia Corporation. Notwithstanding this acquisition, Wachovia Bank remains in existence and continues to serve as a swap provider on this swap agreement.
4 On March 4, 2009, Bear Stearns Financial Products assigned its role as the swap provider under this swap agreement to JP Morgan Chase Bank, N.A.

The Airports Authority previously entered into a forward-starting interest rate swap agreement with Wachovia Bank with a notional amount of $65,000,000, and two forward-starting interest rate swap agreements with Bank of Montreal with notional amounts of $35,000,000 and $75,000,000, each of which had an effective date of July 15, 2009. All of these swap agreements were terminated on April 2, 2009 for which the Airports Authority made termination payments to Wachovia Bank and Bank of Montreal in the aggregate amount of $35,018,000.

In addition, the Airports Authority had entered into an interest rate swap agreement with Lehman Brothers Special Financing Inc. ("LBSF") with an original notional amount of $161,190,000 and an effective date of August 29, 2002, and a forward starting interest rate swap agreement with Lehman Brothers Commercial Bank ("LBCB") with an original notional amount of $80,590,000 and an effective date of October 1, 2010. Due to an event of default under the LBSF swap agreement and an additional termination event under the LBCB swap agreement caused by the bankruptcy protection filing, and the resulting ratings downgrade of Lehman Brothers Holdings, Inc. ("Holdings"), the credit support provider under the LBSF swap agreement, the Airports Authority terminated both swap agreements on October 3, 2008, and made termination payments to LBSF and LBCB in the aggregate amount of $16,627,337.51.

The Board has adopted a policy governing the use of derivative products by the Airports Authority. A copy of the Board policy is available at www.mwaa.com/about_the_authority/financial. To manage its exposure to counterparty risk, the Airports Authority has entered into Swap Agreements only with counterparties having a rating of at least "A". S&P has assigned the Airports Authority an overall Debt Derivative Profile of "1.5" on a scale of "1" to "4", with "1" representing the lowest risk and "4" representing the highest risk. Upon the issuance of the Series 2009C-D Bonds, approximately 15% of the Airports Authority's outstanding Bonds and CP Notes will be in variable rate mode. Assuming that the Series 2009A Bonds and the Series 2009D Bonds will be integrated on October 1, 2009, with the forward-starting Swap Agreement with an effective date of October 1, 2009, approximately 84.8% of the Airports Authority's debt will be conventional fixed rate, approximately 7.1% will be synthetic fixed rate and approximately 8.1% will be unhedged variable rate.

The Airports Authority's obligations under the Swap Agreements constitute Junior Lien Obligations of the Airports Authority secured by a pledge of the Airports Authority's Net Revenues that is subordinate to the pledge of Net Revenues securing the Bonds and any Subordinated Bonds issued in the future. Termination payments owed by the Airports Authority under the Swap Agreements, if any, would be payable from funds subordinated to Bonds, CP Notes, Subordinated Bonds and Junior Lien Obligations.

In 2008, the Airports Authority implemented GASB 53 *Accounting and Financial Reporting for Derivative Instruments*. The Airports Authority's swap agreement with Merrill Lynch described in the table on the prior page, has been reviewed for hedge effectiveness pursuant to the requirements of GASB 53 and found not to be an effective hedge under GASB 53. As required by GASB 53, the monthly change in the fair value of this swap agreement is recorded as investment income or loss in the Statements of Revenues, Expenses and Changes in Net Assets. The Airports Authority's forward-starting swap agreements described on the table on the prior page have also been reviewed for hedge effectiveness pursuant to the requirements of GASB 53 and found not to be effective hedges under GASB 53. Consistent with paragraph 29 of GASB 53, the hedge effectiveness of the forward-starting swaps were evaluated as if current payments under the swaps were being made and they were associated with variable rate bonds that had been issued. As required by GASB 53, the monthly change in the fair value of the swaps is recorded as investment income or loss in the Statements of Revenues, Expenses and Changes in Net Assets. See "AIRPORTS AUTHORITY FINANCIAL INFORMATION." See "APPENDIX B – Annual Financial Report for Years Ended December 31, 2008 and 2007 – Footnote C – Interest Rate Swap."

Special Facility Bonds

Special Facility Bonds are generally defined as any revenue bonds, notes or other obligations of the Airports Authority other than Bonds, Subordinated Bonds or Junior Lien Obligations, issued to finance any Special Facility, as defined in the Indenture, that are payable from and secured solely by the proceeds of such obligations and by rentals, payments and other charges payable by the obligor under the applicable Special Facility Agreement, as defined in the Indenture. In March 1991, the Airports Authority issued $14.2 million of Special Facility Bonds to finance an in-flight kitchen facility at Reagan National for Caterair International, Inc. ("Caterair"). As of the date of this Official Statement, $4.4 million of the Special Facility Bonds were outstanding, with a final maturity date of September 1, 2011. In 1996, Caterair subleased the in-flight kitchen facility to Sky Chefs, Inc. Caterair assigned its rights under the Special Facility Bond documents to Sky Chefs, Inc., and Sky Chefs, Inc. assumed and guaranteed Caterair's obligations thereunder.

PFC Secured Indebtedness

The Airports Authority has used PFCs to fund a portion of the CCP. To provide liquidity to fund capital projects to be financed with PFCs, the Airports Authority has issued its PFC Notes in a commercial paper mode in which the interest rate is reset for periods of one to 270 days. The PFC Notes are authorized in a maximum principal amount of $495.9 million of which $432 million currently is outstanding. The PFC Notes are secured by a pledge of the Airports Authority's PFC revenue and mature on June 1, 2017. Bank of America, N.A. ("Bank of America") provides a letter of credit to secure the payment of principal and interest on the PFC Notes. Banc of America Securities LLC, Wachovia Bank, National Association, SunTrust Capital Markets, Inc. and Morgan Keegan & Company, Inc. serve as the syndication and remarketing agents for the PFC Notes. The Airports Authority will refund and defease the outstanding PFC Notes with the proceeds of the Series 2009C-D Bonds and irrevocably commit the greater of: (i) $35 million, or (ii) 50% of the total amount of Designated Passenger Facility Charges per year to pay Debt Service on the PFC Eligible Bonds from Fiscal Years 2009 through 2016. See Part I, "THE SERIES 2009C BONDS – Irrevocable Commitment of Certain Passenger Facility Charges". See Part II, "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Source: PFCs." The Airports Authority does not presently intend to issue any additional PFC Notes. See "APPENDIX C – Definitions and Summary of Certain Provisions of the Indenture".

In February 2001, the Airports Authority received Federal Aviation Administration (the "FAA") approval to increase PFC collection authority from $3.00 to $4.50 on each qualified enplaning passenger. The Federal Act, as amended, provides that, after September 30, 2009, the Secretary of Transportation may not approve any new Airports Authority application to impose additional PFCs and may not make any new Airport Improvement Program ("AIP") grants to the Airports Authority. The Airports Authority is seeking legislation to remove this provision, or to extend the date on which it is applied. See Part II, "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Source: PFCs."

AIRPORTS AUTHORITY FINANCIAL INFORMATION

Management's Discussion of Financial Information

The Airports Authority's financial report as of and for the years ended December 31, 2008 and December 31, 2007, attached as APPENDIX B, includes three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by Governmental Accounting Standards Board ("GASB") principles. In 2008, the Airports Authority implemented GASB Statement No. 49*, Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49") and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"). No prior year restatements were required in the year of implementation for either Statement, however, the Aviation Enterprise expensed $1.9 million of expenditures previously capitalized as construction in progress in relation to GASB 49.

The Airports Authority's financial statements for the year ended December 31, 2008 included for the first time two Enterprise Funds. The Aviation Enterprise Fund encompasses the two Airports, Reagan National and Dulles International. The Dulles Corridor Enterprise Fund ("DCE Fund"), which commenced November 1, 2008, encompasses the DTR and the Metrorail Extension Project. This Management Discussion concerns only the Aviation Enterprise. The financial report attached as APPENDIX B includes both Enterprise Funds.

Fiscal Year 2008 Financial Results

Audited Statements of Revenues, Expenses and Changes in Net Assets for the Aviation Enterprise Fund for the five Fiscal Years ended December 31, 2004 through 2008, are set forth on the following table.

HISTORICAL FINANCIAL RESULTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
AVIATION ENTERPRISE FUND

	Fiscal Year Ended				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
OPERATING REVENUES					
Concessions	$ 173,962,671	$ 198,691,232	$ 199,011,305	$ 217,486,823	$ 223,710,732
Rents	143,389,783	153,865,079	156,164,079	167,301,027	171,331,285
Design fees	-	-	-	-	20,363,189
Landing fees	76,274,293	76,359,090	73,375,458	78,682,496	82,289,545
Utility sales	12,035,206	10,934,616	11,248,988	11,778,736	13,348,545
Passenger fees	29,474,743	26,973,143	25,474,908	28,684,113	28,354,142
Other	7,149,375	10,398,536	5,893,899	6,542,935	11,547,405
	442,286,071	477,221,696	471,168,637	510,476,130	550,944,843
OPERATING EXPENSES					
Materials, equipment, supplies, contract services, other	130,127,540	142,107,372	151,009,792	182,096,091	162,254,215
Impairment loss/design costs	-	-	-	-	66,170,165
Salaries and related benefits	98,858,597	113,878,086	113,870,907	128,465,267	136,508,033
Utilities	18,754,511	21,493,887	20,359,248	21,134,317	25,402,257
Lease from U. S. Government	4,375,347	4,505,435	4,689,858	4,830,121	4,958,280
Depreciation and amortization	126,177,767	132,424,537	133,106,378	142,030,354	160,256,762
	378,293,762	414,409,317	423,036,183	478,556,150	555,549,712
OPERATING INCOME (LOSS)	63,992,309	62,812,379	48,132,454	31,919,980	(4,604,869)
NON-OPERATING REVENUES (EXPENSES)					
Passenger facility charges, financing costs	(1,525,026)	(1,497,097)	(2,026,385)	(3,968,842)	(2,330,507)
Investment income	10,385,775	20,194,481	45,035,158	55,557,746	37,965,692
Interest expense	(81,309,781)	(103,561,330)	(96,999,795)	(111,534,092)	(122,984,332)
Swap payments	(11,721,016)	(4,856,288)	(1,854,177)	(1,353,696)	(20,436,237)
Unrealized swap gain (loss)	1,601,347	6,062,129	(12,718,126)	(23,223,957)	(158,374,462)
	(82,568,701)	(83,658,105)	(68,563,325)	(84,522,841)	(266,159,846)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(18,576,392)	(20,845,726)	(20,430,871)	(52,602,861)	(270,764,715)
CAPITAL CONTRIBUTIONS					
Passenger facility charges	76,060,174	88,315,311	81,489,704	82,858,846	78,455,218
Federal and State grants	28,727,167	11,738,765	54,239,498	32,317,161	52,137,311
Other capital property contributed	-	-	1,231,551	3,498,173	
	104,787,341	100,054,076	136,960,753	118,674,180	130,592,529
NET ASSETS					
Increase (decrease) in net assets	86,210,949	79,208,350	116,529,882	66,071,319	(140,172,186)
Total net assets, beginning of year	654,948,324	741,159,273	820,367,623	936,897,505	1,002,968,824
Total net assets, end of year	$ 741,159,273	$ 820,367,623	$ 936,897,505	$ 1,002,968,824	$ 862,796,638

Source: Airports Authority Records

The Aviation Enterprise has activity-based revenues which include non-airline fees such as parking and rental car and airline based fees such as landing fees, international arrival fees and passenger conveyance fees. There have been many factors and events that have negatively affected the air transportation industry in the past year such as the general economic downturn in the latter part of 2008 and the resulting contraction in the economy. In response to this, the Aviation Enterprise has continued its effort to diversify its revenues, increase the carriers using its airports and adhere to the principles of fiscal restraint.

The Airports recorded $550.9 million in operating revenues for 2008. This was a total increase from 2007 of $40.5 million and from 2006 of $79.8 million. The Aviation Enterprise's revenues are primarily derived from rents and charges for the use of the Airport's facilities and concession contracts at the Airports. The Airline Agreement requires the Signatory Airlines to pay actual costs while the majority of concessionaires pay a percentage of revenue or a minimum annual guarantee ("MAG") payment.

In 2008, airline revenues, which consist of landing fees, terminal rents, and passenger fees, increased $4.6 million from 2007, principally related to the increase in some of the rates at the Airports, the addition of new space in Concourse B at Dulles International and some additional airlines. Landing fees increased $3.6 million to $82.3 million or 4.6%. Rent revenue increased $4.0 million, a 2.4% increase from 2007. Passenger fees, including fees paid by the Transportation Security Administration ("TSA") decreased $0.3 million or 1.2%, as a result of the decreased passenger traffic at Dulles International offset by an increase in airline rates. As part of its emergence from bankruptcy in 2006, United agreed to reimburse the Aviation Enterprise over a 10-year period for the expenses incurred by the Aviation Enterprise in designing the Tier 2 Concourse and related facilities. In June 2008, the Aviation Enterprise ceased all design work on the Tier 2 Concourse and related facilities. In conjunction with the cessation of the work on the Tier 2 Concourse and related facilities, the Aviation Enterprise recognized the $20.4 million as design fees revenue in the Aviation Enterprise's Statements of Revenues, Expenses and Changes in Net Assets.

In 2008, other revenues increased $5.0 million from 2007, principally related to $1.8 million received for a construction right-of-way and $3.2 million received from the Greenway Toll Road for the construction of an entrance ramp.

The following table provides details of concession revenues by major category for the five Fiscal Years ended December 31, 2004 through 2008.

TOTAL CONCESSION REVENUES BY MAJOR CATEGORY
AVIATION ENTERPRISE FUND

	Year Ended 12/31/2004	Year Ended 12/31/2005	Year Ended 12/31/2006	Year Ended 12/31/2007	Year Ended 12/31/2008
Parking	$ 99,681,836	$ 113,417,804	$ 109,067,495	$ 116,528,833	$ 115,105,856
Rental cars	28,024,443	30,550,848	30,202,008	34,418,480	35,949,215
Terminal concessions					
Food and beverage	7,862,790	10,626,038	12,755,501	14,985,742	15,860,110
Newsstand and retail	9,197,498	10,582,645	10,519,806	11,354,093	11,921,105
Duty free	2,719,808	3,166,433	2,928,684	3,422,389	3,810,294
Display advertising	6,300,000	6,300,000	6,300,000	7,356,054	7,737,054
In-flight catering	5,548,906	5,468,402	5,666,632	6,242,548	6,872,934
Ground Transportation[1]				4,784,097	6,368,761
Fixed base operator	4,802,663	7,602,839	10,583,623	11,985,065	12,712,051
All other[1]	9,824,727	10,976,225	10,987,556	6,409,522	7,373,352
Total	$ 173,962,671	$ 198,691,234	$ 199,011,305	$ 217,486,823	$ 223,710,732

[1] In Fiscal Years ended December 31, 2004, 2005 and 2006, Ground Transportation revenue was included in All other revenue.

Source: Airports Authority Records

In 2008, the Aviation Enterprise's concession revenues increased $6.2 million or 2.9% from 2007. Concession revenues account for 40.6% of total operating revenues, down from 2007 by 2.0%. Parking revenues still rank as the Aviation Enterprise's largest concession providing $115.1 million in total revenues for the year. This is a decrease of $1.4 million from 2007 and reflects the general decrease in passenger traffic. Rental car revenue of $35.9 million increased $1.5 million from 2007 supplemented by the new MAG amounts as negotiated in contracts for both Reagan National and Dulles International in recent years. Ground transportation revenues of $6.4 million increased by $1.6 million primarily at Dulles International and reflect the new taxi contract in place at the Airport. Revenues of $0.5 million were earned in 2008 for the new registered traveler program. Other areas of concession revenue such as food & beverage, retail, in-flight caterers, newsstand and retail, duty free and others increased $4.0 million with moderate changes in each area.

Concession revenue at Reagan National increased by $1.8 million. Parking revenues decreased $0.6 million from 2007 at Reagan National. The parking garages at Reagan National experienced a slight drop in average occupancy from 87.8% in 2006 to 83.8% in 2007 to 82.9% in 2008. Parking rates were increased in June 2008. Construction on an additional level to Parking Garages A, B and C began in 2008. This additional area will provide approximately 1,424 new public parking spaces. When complete there will be 9,829 parking (including handicap) spaces at Reagan National: 475 hourly, 6,243 daily, 2,996 economy, and 115 overflow spaces. In 2008, four new food outlets opened in several venues throughout the Airport. In January 2008, a new full-service restaurant opened in the connector called National Airport Grill, offering a full menu of food and drink items including a full service bar. In July 2008, another location of Einstein Bagel opened in Terminal A. In August 2008, a second location of Mayorga Coffee opened on the north end of National Hall in the Main Terminal and in December 2008, an additional location of Auntie Anne's opened on the South Pier. These four concessions produced $2.2 million in gross sales for 2008. There were no new retail openings in 2008.

Concession revenue at Dulles International increased $4.4 million from 2007. In 2008, parking revenues were $71.1 million, a decrease of $0.8 million from 2007. In 2008, there were 27,433 public parking spaces at Dulles International, an increase of 1,308 spaces from 2007. The increase in public parking spaces was the result of an increase in the cell phone lot due to additional milling, paving and restriping and an increase in the overflow lot when construction returned the lot to public use after occupying the lot in 2007. Public parking is comprised of 1,923 spaces in hourly, 8,325 daily, 830 valet, 12,378 economy, 3,733 in overflow and 224 in the cell phone lot. Overall activity for public parking decreased 7.6% in 2008 compared to 2007. Total exits for 2008 were 3.1 million compared to 3.4 million in 2007. However, total parking revenue decreased only 1.2% due to rate increases and changes to the rate structure that went into effect June 1, 2008. Food and beverage revenue increased 6.8% over 2007 to $8.7 million, resulting from the addition of several food and beverage facilities in the expansion of midfield Concourse B. New tenants included Five Guys, Auntie Anne's Pretzels, Greenleaf's Grille and Bananas, Capitol Grounds, and Max & Erma's.

The following table provides details of total operating expenses by major category for the five Fiscal Years ended December 31, 2004 through 2008.

TOTAL OPERATING EXPENSES BY MAJOR CATEGORY
AVIATION ENTERPRISE FUND

	Year Ended 12/31/2004	Year Ended 12/31/2005	Year Ended 12/31/2006	Year Ended 12/31/2007	Year Ended 12/31/2008
Materials, supplies, equipment, contract services and other	$ 130,127,540	$ 142,107,372	$ 151,009,792	$ 182,096,091	$ 162,254,215
Impairment loss/design costs	-	-	-	-	66,170,165
Salaries and related benefits	98,858,597	113,878,086	113,870,907	128,465,267	136,508,033
Utilities	18,754,511	21,493,887	20,359,248	21,134,317	25,402,257
Lease from United States Government	4,375,347	4,505,435	4,689,858	4,830,121	4,958,280
Depreciation and amortization	126,177,767	132,424,537	133,106,378	142,030,354	160,256,762
Total	$ 378,293,762	$ 414,409,317	$ 423,036,183	$ 478,556,150	$ 555,549,712

Source: Airports Authority Records

Operating expenses for the Aviation Enterprise Fund, for fiscal year ended December 31, 2008 were $555.5 million, an increase of $77.0 million or 16.1% over 2007.

Consistent with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* ("GASB 42"), in 2008, the Aviation Enterprise recognized a $66.2 million one-time transaction to record a write off of design costs incurred on the Tier 2 Concourse and related facilities. In 2008, the Aviation Enterprise ceased all design work on the Tier 2 Concourse and related facilities. If the Aviation Enterprise were to proceed with the project in the future, the Tier 2 Concourse and related facilities are likely to be substantially different from what is reflected in the designs and plans developed to date.

In the spring of 2008, the Aviation Enterprise put in place budget constraints reducing the authorization for the annual budget expenditures to 95.0% of non-personnel expenses for Reagan National, 97.0% of non-personnel expenses for Dulles International and 90.0% of non-personnel expenses for all other offices. In addition, the current alignment of office workforce and workload was reviewed and alternative approaches to fulfilling the requirements of vacant positions were enacted. Overtime was reduced by a minimum of 10.0%, additional capital equipment purchases were curtailed for the parking operations, the use of temporary services were limited and advertising expenses were reviewed to identify reductions for 2008. The Office of Engineering began the development of an energy conservation plan and it was ordered that all future fleet purchases should be hybrid technology.

As a result of these cost containment measures, materials, equipment, supplies, contract services and other is the largest expenditure area, closed the year $19.8 million less than 2007 and $11.2 million higher than 2006. The 2008 expenses reflect the one-time reduction of $7.2 million in previously recorded expenses to be repaid to the Aviation Enterprise Fund from the DCE Fund for costs incurred to-date associated with the pursuit and transfer of the DTR and Metrorail Extension Project.

The Aviation Enterprise continued its process of implementing a new Enterprise Resource Planning ("ERP") system and expended $2.0 million towards this system in 2008. According to accounting principles as promulgated in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), the Aviation Enterprise was in the developmental state of the implementation program in 2008 and expensed the costs through the Statements of Revenues, Expenses and Changes in Net Assets. In 2007, the Aviation Enterprise expended $4.4 million for this program and in 2006 expended $2.4 million.

The Aviation Enterprise saw relatively few snow events in the last quarter of 2008 resulting in a $1.0 million drop in the cost of snow supplies in 2008. Expenditures for the maintenance of parking lots, buildings and other general areas were reduced 17.3% in the budget constraints and dropped $2.4 million from 2007. In 2007, the Aviation Enterprise sponsored the American Association of Airport Executives ("AAAE") convention which cost approximately $675,000 and the Aviation Enterprise scaled back its advertising program, reducing costs from 2007 by $1.2 million.

In 2008, the Airports Authority implemented GASB 49 and GASB 53. No prior year restatements were required in the year of implementation for GASB 49, however, expenditures residing in the Aviation Enterprise's construction in progress accounts were expensed in 2008. The 2008 expenses of $2.6 million reflect the implementation expenses, as well as other current year pollution remediation work, which were expensed consistent with GASB 49.

The Aviation Enterprise's utility expenditures for 2008 were $25.4 million, an increase of $4.3 million from 2007 and an increase of $5.0 million from 2006. Escalating fuel prices throughout the world increased the cost of utilities purchased by the Aviation Enterprise. The Aviation Enterprise opened additional facilities in 2008 with the completion of the expansion of Concourse B which added to the general overhead utility requirements.

Salaries and related benefits expenses of $136.5 million resulted in an increase of $8.0 million from 2007 and $22.6 million from 2006. Health insurance expenses increased $3.0 million from last year and regular salaries increased $7.6 million from 2007. Overtime was reduced in 2008 by $2.5 million and special program employee expenses were reduced by $1.0 million. The Aviation Enterprise continues its funding of the Other Post-Employment Benefits ("OPEB") program and recorded $5.9 million in expenses for 2008, $5.9 million for 2007 and $3.0 million for 2006. The contributions percentages to the Aviation Enterprise's retirement plans were increased to 6.8% in 2008 from 6.6% of eligible earnings in 2007 for the general plan and to 12.4% in 2008 from 11.8% of eligible earnings in 2007 for the police and fire fighter plan.

Depreciation and amortization expenses in 2008 were $160.3 million. This is an increase of $18.2 million from last year and $27.2 million from 2006. In 2008 the Aviation Enterprise completed and put into service the 12-gate extension of Concourse B and the fourth runway at Dulles International.

In 2008, the Aviation Enterprise had an operating loss of $4.6 million, a decrease of $36.5 million from 2007 and $52.7 million from 2006. The results include the one-time transactions related to the write off of design cost for Tier 2, and reflect the decrease in activity at the Airports, the reduction in materials, supplies, and services and non-capital project expenses realized from the budget constraints applied during 2008. Although not in conformance with GAAP, the calculation of operating income without the one time transactions related to the design fees and impairment loss, operating income would have been $41.2 million an increase of $9.3 million from 2007 and a decrease of $6.9 million from 2006. GAAP does not recognize reporting operating income without the affects of one-time transactions.

Non-operating revenues of $38.0 million, primarily investment income, are down from the results of 2007 and 2006 by $17.6 million and $7.1 million, respectively. The continued reduction in interest rates, as seen in 2008, has had a direct effect on investment income.

Non-operating expenses, primarily interest expense, financing charges and realized and unrealized swap losses, were $304.1 million for the year. The unrealized swap losses for the year 2008 were $158.4 million and the realized swap losses for the year were $20.4 million. This is far greater than the swap losses recognized in either 2007 of $24.6 million or 2006 of $14.6 million. During fiscal year 2008 the traditional relationship of London International Bank Offered Rate ("LIBOR") and variable municipal bond interest rates moved in opposite directions where LIBOR interest rates were lower and municipal interest rates increased resulting in an increased unrealized loss on the swaps. Interest expenses and finance charges were $125.3 million for 2008 which is an increase from 2007 of $9.8 million and from 2006 of $26.3 million.

For the year ended December 31, 2008, the Airports Authority implemented GASB 53. Before GASB 53, the Airports Authority followed the Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FASB 133"), in reporting its derivative transactions. FASB 133 required the swap transactions to be recognized at fair value. According to GASB 53, all of the Aviation Enterprise's forward-starting swap transactions and those swap transactions associated with issued debt should be recognized at fair value on the Statements of Net Assets. As a result, the implementation of GASB 53 had no impact on the reporting of the Aviation Enterprise's swaps.

Capital contributions include PFC's, federal and state grants and other capital property acquired. PFC revenue for 2008 was $78.5 million, $4.4 million less than 2007 and $3.0 million less than 2006. This reduction in receipts reflects the general downturn in air travel predicated by the overall general economic conditions in 2008.

Federal and state grants were $52.1 million in 2008, $32.3 million in 2007 and $54.2 million in 2006. In 2008, the Aviation Enterprise received $46.8 million in Airport Improvement Program ("AIP") primarily for the construction of the fourth runway at Dulles International.

The change in net assets is an indicator of the overall fiscal condition of the Aviation Enterprise. Net assets declined in 2008 by $140.2 million. This decline includes the effects of certain unusual transactions such as: recognition of United's payment of design costs of $20.4 million, the GASB 42 impairment loss of $66.2 million and the realized and unrealized swap losses of $178.8 million.

Unaudited Fiscal Year 2009 Results through April 30, 2009

The unaudited Fiscal Year 2009 results through April 30, 2009 for the Aviation Enterprise Fund are set forth below.

HISTORICAL FINANCIAL RESULTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
AVIATION ENTERPRISE FUND
(unaudited)

	Four Month Period Ended April 30, 2008	Four Month Period Ended April 30, 2009
OPERATING REVENUES		
Concessions	$ 70,148,843	$ 69,263,044
Rents	57,764,668	63,827,704
Landing fees	26,172,798	28,832,026
Utility sales	4,427,686	4,882,087
Passenger fees	9,729,324	10,082,401
Other	3,070,082	2,050,673
	171,313,401	178,937,935
OPERATING EXPENSES		
Materials, equipment, supplies, contract services, and other	52,422,001	46,195,905
Salaries and related benefits	45,963,106	46,265,343
Utilities	8,456,658	10,245,388
Lease from U.S. Government	1,641,750	1,681,500
Depreciation and amortization	50,877,606	57,955,202
	159,361,121	162,343,338
OPERATING INCOME	11,952,280	16,594,597
NON-OPERATING REVENUES (EXPENSES)		
Passenger facility charges, financing costs	(712,358)	(398,547)
Investment income	14,591,450	5,783,399
Interest expense	(43,037,165)	(47,554,970)
Decrease upon Hedge termination		(35,018,000)
Unrealized swap gain (loss)	(15,728,778)	92,165,139
	(44,886,851)	14,977,021
LOSS BEFORE CAPITAL CONTRIBUTIONS	(32,934,571)	31,571,618
CAPITAL CONTRIBUTIONS		
Passenger facility charges	29,047,118	28,001,131
Federal and State grants	619,613	1,473,435
Other capital property acquired		874,196
	29,666,731	30,348,762
NET ASSETS		
Increase (decrease) in net assets	(3,267,840)	61,920,380
Total net assets, beginning of period	1,002,968,824	862,796,638
Total net assets, end of period	$ 999,700,984	$ 924,717,018

The Aviation Enterprise's financial results for the first four months of Fiscal Year 2009 reflect the stabilization of airport revenues and the results of cost and budget containment measures implemented because of the general economic slowdown experienced in 2008. Operating revenue for the four months ended April 30, 2009, were $178.9 million, an increase of $7.6 million or 4.5 % compared to the same period in 2008. On April 1, 2009, concurrent with the closing of the Series 2009A-B Bonds, the Aviation Enterprise terminated the two Bank of Montreal swaps with effective dates of July 15, 2009 and the Wachovia swap with an effective date of July 15, 2009 and made a combined termination payment of approximately $35 million. For the first four months ended April 30, 2009, the fair value of the outstanding swaps increased by $92.2 million.

Capital contributions include PFCs, federal and state grants and other capital property acquired by the Aviation Enterprise. For the four months ended April 30, 2009, PFC revenue of $28.0 million decreased $1.0 million or 3.6% as a result of decreased passenger activity for the first four months of 2009 compared to the same period in 2008.

Through April 2009, the Aviation Enterprise's net assets increased $61.9 million reflecting the operating income of $16.6 million and the non-operating income of $45.3 million. The Aviation Enterprise's net assets through April 30, 2009 increased by $65.2 million when compared to the same period in 2008.

The following table provides details of unaudited concession revenues by major category for the four months ended April 30, 2008 and April 30, 2009.

TOTAL CONCESSION REVENUES BY MAJOR CATEGORY
AVIATION ENTERPRISE FUND

	Four Months Ended April 30, 2008 (Unaudited)	Four Months Ended April 30, 2009 (Unaudited)	Net Change (Unaudited)
Parking	$ 36,527,169	$ 34,567,930	$ (1,959,239)
Rental cars	10,623,298	12,234,907	1,611,609
Terminal concessions			-
Food and beverage	4,896,614	4,933,937	37,323
Newsstand and retail	3,575,555	3,989,197	413,642
Duty free	1,119,790	852,580	(267,210)
Display advertising	3,002,938	2,668,078	(334,860)
Registered traveler program	108,347	187,586	79,239
In-flight catering	2,050,365	2,201,611	151,246
Fixed base operator	4,246,604	3,732,660	(513,944)
All other	3,998,164	3,894,558	(103,606)
Total	$ 70,148,844	$ 69,263,044	$ (885,800)

Source: Airports Authority Records

The Aviation Enterprise's concession revenues through April 30, 2009 decreased $885,800 or 1.3% compared to the same period in 2008. As a percent of operating revenues, concession revenue decreased to 38.7% compared to 40.9% in the same period in 2008. In the first four months of Fiscal Year 2009, parking revenues were the Aviation Enterprise's largest concession representing 49.9% of total concession revenues and 19.3% of operating revenues. For the four months ended April 30, 2009, parking revenue was $34.6

million, a decrease of 5.4% compared to the same period in 2008, reflecting the general decrease in passenger traffic in 2009. Rental car revenues of $12.2 million increased $1.6 million or 15.2% compared to the same period in 2008, reflecting the new minimum annual guarantee payment included in the new rental car contracts.

For the four months ended April 30, 2009, food and beverage revenue at the Airports of $4.9 million increased $37,323 and Newsstand and Retail concession revenue increased $413,642 when compared to the same period in 2008. For the four months ended April 30, 2009, Duty free revenue decreased $267,210 and Display advertising decreased $334,860 when compared to the same period in 2008. Although the decreases in Duty free revenue and advertising are small, they reflect the affects of the general economic downturn on aviation related activity.

The following table provides details of unaudited operating expense by major category for the four months ended April 30, 2008 and April 30, 2009.

TOTAL OPERATING EXPENSES BY MAJOR CATEGORY
AVIATION ENTERPRISE FUND

	Four Months Ended April 30, 2008 (Unaudited)	Four Months Ended April 30, 2009 (Unaudited)	Net Change (Unaudited)
Materials, supplies, equipment, contract services and other	$ 52,422,001	$ 46,195,905	$ (6,226,096)
Impairment loss, design costs			-
Salaries and related benefits	45,963,106	46,265,343	$ 302,237
Utilities	8,456,658	10,245,388	$ 1,788,730
Lease from United States Government	1,641,750	1,681,500	$ 39,750
Depreciation and amortization	50,877,606	57,955,202	$ 7,077,596
Total	$ 159,361,121	$ 162,343,338	$ 2,982,217

Source: Airports Authority Records

Operating expenses through April 30, 2009 were $162.3 million, an increase of $2.9 million or 1.9% compared to the same period in 2008. Materials, equipment, supplies, contract services and others decreased $6.2 million reflecting the results of cost and budget containment measures begun in 2008 and continued in the 2009 Budget. For the four months ended April 30, 2009, services purchased decreased $3.0 million, equipment purchases decreased $921,901, meeting expenses decreased $262,381, and supply purchases decreased $604,031 when compared to the same period in 2008.

For the four months ended April 30, 2009, depreciation increased $7.1 million reflecting the addition of depreciable assets as projects were completed and placed in service since April 30, 2008. For the four months ended April 30, 2009, the Aviation Enterprise utility expenditures were $10.2 million, a $1.8 million increase compared to the same period in 2008. A significant electricity rate increase became effective in July 2008 and accounts for the increase in utility costs.

For the four months ended April 30, 2009, salaries and related benefits increased $302,237 compared to the same period in 2008 as a result of a $95,130 decrease in employee benefits costs, a decrease of $678,067 in employee overtime and a $1.0 million increase in employee salaries.

Through April 30, 2009, operating income was $16.6 million, an increase of $4.6 million from the same period in 2008. The operating results reflect the continued efforts to increase air service and concession revenue opportunities and the results of the realized reduction in operating expenses.

For the four months ended April 30, 2009, non-operating revenue of $92.2 million resulted from the increase in fair value of the swap transactions. This is an increase of $107.9 million compared to the same period in 2008. The fair value of the swap is derived by comparing the outstanding swap rate to the current market swap yield curve. With the distress in the credit markets and the economy in 2008, there was significant "flight to quality" buying of U.S. Treasury securities which drove down U.S. Treasury rates to historical lows. The associated decline in the LIBOR swap yield curve caused the fair value of the Aviation Enterprise's swaps to decrease significantly in 2008. Through April 30, 2009, this relationship has improved.

For the four months ended April 30, 2009, non-operating revenues of $5.8 million from investment income decreased by $8.8 million compared to the same period in 2008 as a direct result of the lower interest rates received on investments during the first four months of 2009 when compared to the same period in 2008.

For the four months ended April 30, 2009, non-operating expenses and interest expense, increased $4.7 million or 10.8% compared to the same period in 2008 as a result of projects funded by bonds that were placed in service since April 30, 2008.

Net Remaining Revenue

Set forth in the table below is the calculation of Net Remaining Revenues ("NRR") and debt service coverage for the four Fiscal Years ended December 31, 2005 through 2008.

NET REMAINING REVENUE SCHEDULE AND
CALCULATION OF DEBT SERVICE COVERAGE
AVIATION ENTERPRISE FUND
(unaudited)

	Year Ended 12/31/2005	Year Ended 12/31/2006	Year Ended 12/31/2007	Year Ended 12/31/2008
Airline Revenues[1]				
Landing and Apron Fees	$ 92,478,977	$ 90,987,782	$ 99,541,668	$ 105,211,467
Rentals	194,828,309	199,378,748	219,559,128	221,785,366
Security & Other Fees	1,249,182	1,302,873	1,289,520	1,278,646
Other Rents	22,478,332	23,114,904	25,630,792	28,209,761
Utility Reimbursements	10,934,616	11,248,988	11,550,860	13,137,977
Concessions[2]	165,747,846	165,532,762	180,156,991	185,709,063
Investment Earnings	14,337,950	27,735,256	32,510,096	23,574,302
Other	6,377,753	5,797,970	6,496,583	8,231,513
TOTAL REVENUES[1]	508,432,965	525,099,283	576,735,638	587,138,095
O&M Expenses	235,281,040	234,791,177	260,303,941	265,135,432
Washington Ground Transportation	(578,476)	58,076	-	-
NET REVENUES	273,730,401	290,250,030	316,431,697	322,002,663
Debt Service on Bonds Issued under Master Indenture[3]	164,667,568	163,354,638	184,246,617	204,496,363
TOTAL DEBT SERVICE	164,667,568	163,354,638	184,246,617	204,496,363
O&M Reserve Requirement Increment	4,045,333	2,411,533	2,676,349	2,298,301
Federal Lease Payment	4,505,435	4,689,858	4,830,120	4,958,280
NET REMAINING REVENUE[4]	$ 100,512,065	$ 119,794,001	$ 124,678,611	$ 110,249,719
DEBT SERVICE COVERAGE[4]	1.66x	1.78x	1.72x	1.57x

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1 Includes credit for Signatory Airlines' share of NRR from the prior year, which offsets the amount of rates and charges that are due from the Signatory Airlines in the respective fiscal year.

2 Concession Revenue for Washington Ground Transportation is not included.

3 Reflects actual amount of debt service paid on outstanding Bonds and CP Notes in the respective fiscal year.

4 Calculations of NRR and coverage are made in conformance with provisions of the Indenture and the Airline Agreement and are not determined in accordance with GAAP.

Source: Airports Authority Records

The Aviation Enterprise Budget

The Aviation Enterprise's annual budget is a financial planning tool outlining the estimated revenues and expenses for the Airports at certain passenger levels. The budget is not prepared according to GAAP. The President and Chief Executive Officer submits the Airports Authority's annual budget to the Board for approval. Budgetary controls and evaluations are affected by comparing actual interim and annual results with the budget, noting the actual level of passenger activities. The Airports Authority conducts quarterly reviews to ensure compliance with the provisions of the annual operating budget approved by the Board.

Operating revenues reached 96.3% of budget expectations in 2008, while in 2007, operating revenues, reached 95.2% of budget expectations. Operating expenses reached 91.5% of budget authorization in 2008, while in 2007; expenses reached 94.6% of budget authorization. The Aviation Enterprise's 2008 budget reflected a 3.4% increase in revenues and a 5.2% increase in expenses.

	Budget	Actual[1]	As a Percentage of Budget
2008 Revenues	$ 499,640,000	$ 481,394,629	96.30%
2008 Expenses	$ 281,389,100	$ 257,435,300	91.50%
2007 Revenues	$ 483,010,000	$ 459,777,849	95.20%
2007 Expenses	$ 267,599,300	$ 253,027,045	94.60%

[1] As defined in The Airport Use Agreement and Premises Lease, revenues do not include transfers and expenses include debt service but exclude depreciation.

Fiscal Year 2009 Budget

The 2009 Budget, which includes the 2009 Operations and Maintenance Budget ("2009 O&M Budget"), the 2009 Capital, Operating and Maintenance Investment Program Budget ("2009 COMIP Budget"), and the 2009 Capital Construction Program Budget ("2009 CCP Budget"), was approved by the Board in December 2008 (the "2009 Budget"). The Airports Authority is committed to ensuring that adequate resources are available to efficiently and safely operate and maintain the Airports and believes that the 2009 Budget provides those resources.

The 2009 O&M Budget includes a 0.8% increase in operating revenues and a 0.8% increase in operating expenses (excluding debt service) over the 2008 O&M Budget. Budgeted revenues of $590.3 million for 2009 reflect a $4.5 million increase from 2008 budgeted revenues. The minimum increase in revenues reflects the decrease in aviation activity offset by a modest increase in expenses. Operating revenues received from the airlines are on a cost recovery basis.

Budgeted operating expenses for 2009 are $283.5 million, a $2.1 million or 0.8% increase over 2008 budgeted expenses of $281.4 million (excluding debt service and O&M Reserve Requirement). The total budgeted expenses for 2009, including debt service but excluding O&M Reserve Requirement, are $506.4 million, which is a $20.9 million or 4.3% increase over 2008 budgeted expenses of $485.5 million.

In the 2009 Budget, NRR is estimated at $106.3 million, a 15.3% decrease over the 2008 budgeted amount. Under the Airline Agreement, NRR is allocated between the Aviation Enterprise and the Signatory Airlines according to an established formula. The Signatory Airlines' share of NRR in 2008 (transfers included in the budgeted 2009 operating revenues) is estimated at $67.9 million. See "CERTAIN AGREEMENTS FOR USE OF THE AIRPORTS AUTHORITY'S FACILITIES – Airport Use and Premises Lease."

TAX MATTERS

The following discussion is a summary of the opinions of Co-Bond Counsel to the Airports Authority that are to be rendered on the tax status of interest on the Series 2009C Bonds and of certain federal income tax considerations that may be relevant to prospective purchasers of the Series 2009C Bonds. This summary is based on existing law, including current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed regulations under the Code, and current administrative rulings and court decisions, all of which are subject to change.

Upon issuance of the Series 2009C Bonds, Co-Bond Counsel to the Airports Authority, Hogan & Hartson LLP, and Lewis, Munday, Harrell & Chambliss, will each provide opinions, expected to be in the proposed forms set forth in APPENDIX F hereto, to the effect that, under existing law, interest on the Series 2009C Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2009C Bonds are held by a person who is a "substantial user" of the facilities financed or a "related person," as those terms are used in Section 147(a) of the Code, and is not a specific preference item or included in a corporation's adjusted current earnings for purposes of the federal alternative minimum tax.

The foregoing opinions will assume compliance by the Airports Authority with certain requirements of the Code that must be met subsequent to the issuance of the Series 2009C Bonds. The Airports Authority will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2009C Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2009C Bonds.

Certain of the Series 2009C Bonds (the "Discount Bonds") are being offered and sold to the public in their original public offering at an original issue discount. Generally, original issue discount is the excess of the stated redemption price at maturity of any Discount Bond over the issue price of the Discount Bond. Co-Bond Counsel have advised the Airports Authority and the Underwriters that, under existing laws and to the extent interest on any Discount Bond is excluded from gross income for federal income tax purposes, the original issue discount on any such Discount Bond that accrues during the period such person holds the Discount Bond will be treated as interest that is excluded from gross income for federal income tax purposes with respect to such holder, and will increase such holder's tax basis in any such Discount Bond. Purchasers of any Discount Bond should consult their tax advisors regarding the proper computation and accrual of original issue discount.

If a holder purchases a Series 2009C Bond for an amount that is greater than its stated redemption price at maturity, such holder will be considered to have purchased the Series 2009C Bond with "amortizable bond premium" equal in amount to such excess. A holder must amortize such premium using a constant yield method over the remaining term of the Series 2009C Bond, based on the holder's yield to maturity. As bond premium is amortized, the holder's tax basis in such Series 2009C Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of the Series 2009C Bond prior to its maturity. No federal income tax deduction is allowed with respect to amortizable bond premium on a Series 2009C Bond. Purchasers of the Series 2009C Bonds with amortizable bond premium should consult with their own tax advisors regarding the proper computation of amortizable bond premium and the state and local tax consequences of owning such Series 2009C Bonds.

The opinions of Co-Bond Counsel also will provide to the effect that, under existing law, interest on the Series 2009C Bonds is exempt from income taxation by the Commonwealth and is exempt from all taxation of the District of Columbia except estate, inheritance and gift taxes.

Other than the matters specifically referred to above, Co-Bond Counsel will express no opinions regarding the federal, state, local or other tax consequences of the purchase, ownership and disposition of the Series 2009C Bonds. Prospective purchasers of the Series 2009C Bonds should be aware, however, that the Code contains numerous provisions under which receipt of interest on the Series 2009C Bonds may have adverse federal tax consequences for certain taxpayers. Such consequences include the following: (1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2009C Bonds or, in the case of financial institutions, a portion of a holder's interest expense allocated to interest on the Series 2009C Bonds; (2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2009C Bonds; (3) interest on the Series 2009C Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (4) passive interest income, including interest on the Series 2009C Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (5) Section 86 of the Code requires recipients of certain Social Security and certain railroad retirement benefits to take into account, in determining the inclusion of such benefits in gross income, receipts or accrual of interest on the Series 2009C Bonds.

The IRS has an ongoing program of auditing state and local government obligations, which may include randomly selected bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2009C Bonds will be audited. If an audit is commenced, under current IRS procedures the holders of the Series 2009C Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Series 2009C Bonds could adversely affect their value and liquidity.

Co-Bond Counsel will render their opinions as of the issuance date, and will assume no obligation to update their opinions after the issuance date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Co-Bond Counsel are not binding in the courts on the IRS; rather, such opinions represent Co-Bond Counsel's legal judgment based upon their review of existing law and upon the certifications, representations and covenants referenced above.

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Series 2009C Bonds, the exclusion of interest on the Series 2009C Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Series 2009C Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

Prospective purchasers of the Series 2009C Bonds should consult their own tax advisors as to the applicability and extent of federal, state, local or other tax consequences of the purchase, ownership and disposition of the Series 2009C Bonds in light of their particular tax situation.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Series 2009C Bonds are subject to the approving opinion of Co-Bond Counsel to the Airports Authority, Hogan & Hartson LLP, Washington, D.C., and Lewis, Munday, Harrell & Chambliss, Washington, D.C., which will be furnished upon the issuance of the Series 2009C Bonds. The form of such opinion is set forth in APPENDIX F of this Official Statement (the "Bond Opinion"). The Bond Opinion is limited to matters relating to the issuance of the Series 2009C Bonds and to the status of interest on the Series 2009C Bonds as described in "TAX MATTERS." Hogan & Hartson LLP and Lewis, Munday, Harrell & Chambliss also serve as Co-Special Counsel to the Airports Authority to advise the Airports Authority in connection with the preparation of this Official Statement. It is not within the scope of engagement of co-special counsel, however, to render advice as to the accuracy or completeness of this Official Statement that may be relied on by anyone in making a decision to purchase the Series 2009C Bonds.

Certain legal matters were passed upon for the Airports Authority by Philip G. Sunderland, Esquire, Vice President and General Counsel of the Airports Authority, for the Underwriters by their Co-Counsel Saul Ewing LLP, Washington, D.C. and McKenzie & Associates, Washington, D.C.

LITIGATION

The Airports Authority is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the Airports Authority does not believe to be material. The Airports Authority believes that any liability assessed against the Airports Authority as a result of claims or lawsuits that are not covered by insurance or reserves would not materially adversely affect the financial position of the Airports Authority. No litigation is pending or, to the knowledge of the Airports Authority, threatened against the Airports Authority (a) seeking to restrain or enjoin the issuance of the Series 2009C Bonds or the collection of Net Revenues pledged under the Indenture, or (b) in any way contesting or affecting any authority for the issuance of the Series 2009C Bonds, the validity or binding effect of the Series 2009C Bonds or the resolutions of the Airports Authority authorizing and implementing the Series 2009C Bonds or the Indenture, or (c) in any way contesting the creation, existence, powers or jurisdiction of the Airports Authority, the validity or effect of the Federal Act, the Federal Lease, the Virginia Act or the District Act or any provision thereof, or the application of the proceeds of the Series 2009C Bonds.

RATINGS

As of the date of this Official Statement, Fitch Ratings ("Fitch"), Moody's and S&P have assigned the Series 2009C Bonds the ratings of "AA", "Aa3" and "AA-", respectively. Fitch assigned the Airports Authority an "AA-" rating with "Stable Outlook" on January 4, 2006. Fitch upgraded the Airports Authority's rating on August 27, 2007, to an "AA" rating with "Stable Outlook" and affirmed this rating with "Stable Outlook" on June 2, 2009. Moody's assigned the Airports Authority an "Aa3" rating with "Stable Outlook" on January 4, 2006. Moody's changed the outlook to "Positive" on November 3, 2006. Moody's affirmed the Airports Authority's rating and changed the outlook back to "Stable" on May 29, 2009. S&P assigned the Airports Authority an "A+" rating with "Positive" outlook on January 3, 2006. S&P upgraded the Airports Authority's rating on November 3, 2006, to an "AA-" rating with "Stable Outlook." S&P affirmed this rating on May 29, 2009. The Airports Authority furnished to such rating agencies the information contained in this Official Statement and certain other materials and information about the Airports Authority. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions by the rating agencies.

A rating, including any related outlook with respect to potential changes in such ratings, reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2009C Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of such ratings may be obtained from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings is likely to have an adverse effect on the market price of the Series 2009C Bonds.

UNDERWRITING

The underwriters of the Series 2009C Bonds listed on the cover of the Official Statement, for whom Piper Jaffray acts as representative (collectively, the "Underwriters"), have agreed to purchase the Series 2009C Bonds at a price of $313,941,124.75 (consisting of $314,435,000 aggregate par amount of the Series 2009C Bonds, plus a net original issue premium of $1,333,158.75, less an underwriting discount of $1,827,034.00), pursuant to the Bond Purchase Agreement entered into by and between the Airports Authority and the Underwriters (the "Bond Purchase Agreement"). The Underwriters will be obligated to purchase all of the Series 2009C Bonds if any Series 2009C Bonds are purchased.

The Underwriters reserve the right to join with other underwriters in the offering of each of the Series 2009C Bonds. The obligations of the Underwriters to accept the delivery of the Series 2009C Bonds are subject to various conditions set forth in the Bond Purchase Agreement.

The following two sentences were provided by Piper Jaffray & Co., one of the Underwriters of the Series 2009C Bonds, for inclusion in this Official Statement. The Airports Authority does not take any responsibility for, or make any representation as to, their accuracy or completeness. Piper Jaffray & Co. ("Piper"), one of the Underwriters of the Series 2009C Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series 2009C Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission paid to Piper.

The following two sentences were provided by J.P. Morgan Securities Inc., one of the Underwriters of the Series 2009C Bonds, for inclusion in this Official Statement. The Airports Authority does not take any responsibility for, or make any representation as to, their accuracy or completeness. J.P. Morgan Securities Inc., one of the Underwriters of the Series 2009C Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009C Bonds with UBS Financial Services Inc.

The following four sentences were provided by Morgan Stanley and Citigroup Inc., each an Underwriter of the Series 2009C Bonds, for inclusion in this Official Statement. The Airports Authority does not take any responsibility for, or make any representation as to, their accuracy or completeness. Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and

Citigroup Global Markets Inc., each an underwriter of the Series 2009C Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of the Series 2009C Bonds.

RELATIONSHIP OF PARTIES

In addition to serving as Co-Bond Counsel to the Airports Authority, Hogan & Hartson LLP serves as counsel to the Airports Authority on certain other matters. Manufacturers and Traders Trust Company (successor to Allfirst Bank) serves as the Trustee for the Bonds, the Series One CP Notes, the Series Two CP Notes and the DTR revenue bonds, as trustee for the Airports Authority's pension plan and safe keeper of certain operating funds of the Airports Authority. Manufacturers and Traders Trust Company also has participated in the Bank of America liquidity facility which provides liquidity for the Airports Authority's PFC Notes. J.P. Morgan also serves as remarketing agent for the Airports Authority's CP1 Notes and as a counterparty on one of the Airports Authority's interest rate swaps. Morgan Stanley & Co. Incorporated serves as remarketing agent for the Airports Authority's Subseries 2003D-2 Bonds and Series 2009A Bonds. Morgan Keegan & Company, Inc. serves as remarketing agent for the Airport Authority's Subseries 2003D-2 Bonds.

David G. Speck, a member of the Board, is employed by Wachovia Securities LLC, a separate non-bank affiliate of Wachovia Corporation. Wachovia Bank, National Association, serves as a remarketing agent for the Airports Authority's PFC Notes and its Subseries 2003D Bonds and as a counterparty on several of the Airports Authority's interest rate swaps. It also provides commercial banking services for the Airports Authority's payroll function.

MISCELLANEOUS

The Trustee has not participated in the preparation of this Official Statement and takes no responsibility for its content. All of the appendices are integral parts of this Official Statement and must be read together with Part I and Part II of this Official Statement. The description of the Indenture does not purport to be comprehensive or definitive, and prospective purchasers of the Series 2009C Bonds are referred to the Indenture for the complete terms thereof. Copies of the Indenture may be obtained from the Airports Authority. The text of the Master Indenture may be obtained from the Airports Authority's website at www.mwaa.com/about_the_authority/financial. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representation of fact. Historical data is presented for information purposes only and is not intended to be a projection of future results.

**METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY**

By /s/ H.R. Crawford
H.R. Crawford
Chairman

Part II

of the

OFFICIAL STATEMENT

relating to the

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

dated March 25, 2009

Part II of the Official Statement contains certain provisions applicable to all Bonds, including information regarding the Airports Authority, the Airline Agreement, the Air Trade Area and the Airports activity, certain factors affecting the air transportation industry, the financial condition of certain airlines serving the Airports, the Airports Authority's CCP, the plan of funding for the CCP and certain investment considerations. Part II of the Official Statement should be read together with Part I of the Official Statement. Unless otherwise defined in Part II, all terms used herein shall have the same meanings set forth in APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture."

THE AIRPORTS AUTHORITY

General

The Airports Authority was created under the Virginia Act and the District Act, with the consent of the Congress of the United States, for the purpose of operating, maintaining and improving the Airports. In the Federal Act, Congress authorized the Secretary of Transportation (the "Secretary") to lease the Airports to the Airports Authority. The Airports Authority is a public body politic and corporate, and is independent of the District of Columbia, the Commonwealth of Virginia and the federal government. The Airports Authority has the powers and jurisdiction set forth in the Acts, including the authority: (a) to plan, establish, operate, develop, construct, enlarge, maintain, equip and protect the Airports; (b) to issue revenue bonds for any of the Airports Authority's purposes payable solely from the fees and revenues from the Airports pledged for their payment; (c) to fix, revise, charge and collect rates, fees, rentals and other charges for the use of the Airports; (d) to make covenants and to do such things as may be necessary, convenient or desirable in order to secure its bonds; and (e) to do all things necessary or convenient to carry out its express powers. The Airports Authority has no taxing power.

The Airports Authority also is empowered to adopt rules and regulations governing the use, maintenance and operation of its facilities. Regulations adopted by the Airports Authority governing aircraft operations and maintenance, motor vehicle traffic and access to Airports Authority facilities have the force and effect of law. The Airports Authority also is empowered to acquire real property or interests therein for construction and operation of the Airports. It has the power of condemnation, in accordance with Title 25 of the Code of Virginia, for the acquisition of property interests for airport and landing field purposes. On June 7, 1987 (the "Lease Effective Date"), operating responsibility for the Airports was transferred to the Airports Authority by the federal government pursuant to the Federal Lease. The Federal Lease is discussed in more detail below under "Lease of the Airports to the Airports Authority."

The Acts provide that the Airports Authority shall consist of a 13-member Board of Directors (the "Board"). Five members of the Board are appointed by the Governor of Virginia subject to confirmation by the Virginia General Assembly, three are appointed by the Mayor of the District of Columbia ("the Mayor") subject to confirmation by the Council of the District of Columbia (the "Council"), two are appointed by the Governor of Maryland, and three are appointed by the President of the United States with the advice and consent of the Senate. Directors serve staggered six-year terms and each continues to serve until a successor is appointed. For a listing of the current members of the Board, see Part I – "INTRODUCTION – The Airports Authority."

Senior Management

Airports Authority operations are conducted under the supervision of the Airports Authority staff. The current senior management of the Airports Authority includes:

JAMES E. BENNETT. Mr. Bennett is President and Chief Executive Officer of the Airports Authority. Prior to assuming this position in May 2003, Mr. Bennett served as Executive Vice President and Chief Operating Officer of the Airports Authority beginning in April 1996. Mr. Bennett was the Assistant Aviation Director for the City of Phoenix Aviation Department from 1988 until joining the Airports Authority staff. He holds the designation of Accredited Airport Executive from the American Association of Airport Executives ("AAAE"). He previously served on the Board of Airports Council International – North America, is currently Second Vice Chair of AAAE, and former Chairman and Board member of the International Association of Airport Executives. He is a former Chair of the Arlington Chamber of Commerce, a member of the Board of Loudoun County Economic Development Commission and a member of the Executive Committee of the Greater Washington Initiative. He is a graduate of Auburn University (B.A., Aviation Management, 1978) and University of Michigan (M.P.A., 1986).

MARGARET E. MCKEOUGH. Ms. McKeough is Executive Vice President and Chief Operating Officer of the Airports Authority. Prior to assuming this position on April 1, 2004, Ms. McKeough served as the Airports Authority's Vice President for Business Administration beginning in August 1998. Before joining the Airports Authority, Ms. McKeough was the Deputy Aviation Director for Business and Properties at Phoenix Sky Harbor International Airport and managed various business programs in the Phoenix Economic Development Department. Ms. McKeough is a graduate of Providence College (B.A., Political Science, 1983) and the University of Connecticut (M.P.A., 1985).

QUINCE T. BRINKLEY, JR. Quince T. Brinkley, Jr. is Vice President and Secretary of the Airports Authority. Prior to joining the Airports Authority in June 2008, Mr. Brinkley served as Vice President and Real Estate Portfolio Manager with Wachovia. Prior to that time, Mr. Brinkley was Northeast Regional Community Development Lending Manager with Freddie Mac. He also has served as a senior airport consultant with Unison Consulting Group, Inc., a bank examiner with the Federal Reserve Bank of Chicago and a commercial bank credit analyst with MBank Houston. Mr. Brinkley is a graduate of Morehouse College, Atlanta, GA (B.A., Finance, 1985) and University of North Carolina, Chapel Hill, NC (M.P.A., 1994).

PHILIP G. SUNDERLAND. Mr. Sunderland is Vice President and General Counsel to the Airports Authority. Prior to assuming this position in April 2008, Mr. Sunderland served as the Secretary and Counsel to the Airports Authority beginning in June 2007. Before joining the Airports Authority, Mr. Sunderland was the chief of staff for Congressman James Moran (VA, 8th). Prior to his work on Capitol Hill, he had been the City Manager for five years and the City Attorney for 14 years for the City of Alexandria, Virginia. Mr. Sunderland has served on the boards of numerous non-profit organizations in Northern Virginia, was a member of a Virginia General

Assembly task force that prepared a re-codification of the Local Government chapter of the Virginia Code, and has served as a teaching fellow at the Stanford Law School and the Chinese University of Hong Kong. He is a graduate of Dartmouth College (B.A., Economics, 1967) and the Stanford University Law School (J.D., 1972).

LYNN HAMPTON. Ms. Hampton is Vice President for Finance and Chief Financial Officer of the Airports Authority. Prior to joining the Airports Authority in January 1989, Ms. Hampton was Director of Finance for the City of Arlington, Texas. Ms. Hampton is a Certified Public Accountant. Ms. Hampton is the secretary/treasurer of the Board of Directors of Access Group, Inc., a past Chair of the Alexandria Chamber of Commerce and the Board of Trustees of Vantage Trust Company, an immediate past Chair of the ACI-World Economic Committee and a former member of the Municipal Securities Rulemaking Board. She is a graduate of the University of Louisville (B.S.C., Accounting, 1978, and M.B.A., 1983).

VALERIE HOLT. Ms. Holt is Vice President for Audit. She joined the Airports Authority in June 2001. She previously served as the Chief Financial Officer and the Controller for the District of Columbia and as a Director for the District of Columbia Financial Responsibility and Management Assistance Authority. She is a Certified Public Accountant with eight years of public accounting experience including employment with two "Big Four" firms. Ms. Holt is the President of the Association of Airport Internal Auditors and the former Chair of the Committee on Auditing and Financial Reporting of the Government Finance Officers Association of North America. She is a graduate of George Washington University (B.A., Accounting, 1984), Eastern Michigan University (B.S., Sociology, 1970) and the University of Michigan (M.S.W., Social Work, 1972).

FRANK D. HOLLY, JR. Mr. Holly is Vice President for Engineering and is responsible for managing the Airports Authority's Capital Construction Program for the Airports and the Capital Improvement Program for the Metrorail Extension Project. Before joining the Airports Authority in 1992, Mr. Holly served as Deputy Commissioner of Aviation, Department of Aviation, Chicago, Illinois, where he managed the engineering and maintenance functions at Chicago O'Hare International Airport. Prior to that time, Mr. Holly served as an active duty officer in the Army Corps of Engineers for 28 years. During his military career, he was involved in managing large scale development programs in the U.S. and overseas. He is a graduate of Hampton University (B.S., Architecture, 1960) and the University of Missouri-Rolla (M.S., Engineering Management, 1970).

GEORGE R. ELLIS. Mr. Ellis is Vice President for Information Systems and Telecommunications. He joined the Airports Authority in 1998, after 28 years with AT&T's Transmission Engineering, Planning and Marketing departments. Mr. Ellis also directed the IBM and UPS Global Network Management Centers at AT&T's White Plains, New York location. He is a graduate of City College of New York (B.S.E.E., 1977) and Golden Gate University (M.S., Telecommunications Management, 2000).

STEVEN C. BAKER. Mr. Baker is Vice President for Business Administration. Prior to joining the Airports Authority in October 2005, Mr. Baker served as Deputy Aviation Director of the Miami Dade County Aviation Department, Vice President of Portfolio Management for the Harold A. Dawson Company and Deputy Aviation General Manager of Business and Finance at Hartsfield-Jackson Atlanta International Airport. Mr. Baker also served as Vice President of Aviation Resource Partners, Inc., Counsel for American Airlines, Inc., and Regional Administrator for United Airlines, Inc. He is a graduate of Cornell University (B.A., Economics, 1982), the University of Pennsylvania Wharton School of Business (M.B.A., 1986) and the University of Pennsylvania School of Law (J.D. 1986).

MARK TREADAWAY. Mr. Treadaway is Vice President for Air Service Planning and Development and Acting Vice President for Communications. He joined the Airports Authority in 1992, holding several positions in marketing and air service development. Prior to joining the Airports Authority, he gained experience in strategic business planning and account management while employed at advertising agencies, Apple Computer, Inc. and as a founding partner of a marketing consultancy. He is a graduate of the University of Texas (B.B.A., 1978) and American Graduate School of International Management (Thunderbird Campus) in Phoenix, Arizona, (M.B.A., 1980).

ARL WILLIAMS. Mr. Williams is Vice President for Human Resources. Mr. Williams joined the Airports Authority in 1998, after serving as Director of Human Resources for the District of Columbia Courts. Prior to that time, he served as Director of Human Resources for the National Center for State Courts, Deputy Director of Administration and subsequently Associate Director of Civil Rights for the U.S. Environmental Protection Agency and Labor Relations Representative for Xerox Corporation. He is a graduate of the Benedictine College (B.A., Economics, 1966), Notre Dame Law School (J.D., 1969) and Duke University (M.B.A., 1979).

CHRISTOPHER U. BROWNE. Mr. Browne is Vice President and Airport Manager at Dulles International. He joined the Airports Authority staff in 1988 as an Operations Duty Officer and was promoted to the Manager of the Operations Division in 1995. He was subsequently promoted to the Vice President and Airport Manager at Reagan National in 1998, where he served until he assumed his current position in April 2005. Mr. Browne retired from the Navy in March 2000, after seven years of active duty and 13 years in the United States Naval Reserves, during which time he attained the rank of Commander. Mr. Browne is a graduate of Dartmouth College (B.A., History, 1980).

J. PAUL MALANDRINO, JR. Mr. Malandrino is Vice President and Airport Manager at Reagan National. Mr. Malandrino was the Federal Security Director at BWI Airport for almost four years before assuming his current position in July 2006. Prior to that time, he served as Manager of the Operations Department at Dulles International for more than six years. Mr. Malandrino retired from the U.S. Air Force in 1996, after spending 30 years on active duty. Mr. Malandrino is a graduate of The Citadel (B.A. History, 1965) and Golden Gate University (M.P.A., 1976).

ELMER H. TIPPETT, JR. Mr. Tippett is Vice President for Public Safety. Mr. Tippett joined the Airports Authority in 1993, after serving as Superintendent of the Maryland State Police and Deputy Chief of Police for Prince George's County, Maryland. He is a graduate of the American University (B.S., Criminal Justice, 1977), the F.B.I. National Academy and the National Executive Institute.

Employees and Labor Relations

As of March 2009, the Airports Authority employed approximately 1,377 full and part-time employees, of whom approximately 816 are represented by labor unions in five bargaining units. The Airports Authority is not subject to the National Labor Relations Act and also is outside the jurisdiction of the Federal Labor Relations Authority. As required by the Federal Lease, the Board adopted a Labor Code in November 1988 which became effective February 1, 1989. This Labor Code established an Employee Relations Council (the "ERC") consisting of nine members who are named to two-year terms by mutual agreement between the President of the Airports Authority and the labor organizations representing Airports Authority employees. The ERC is composed of three panels: the Impasse Panel, the Representation Matters Panel and the Unfair Labor Practices Panel. Through these panels, the ERC acts on petitions for exclusive representation, resolves negotiation disputes and investigates unfair labor practice allegations. Pursuant to the terms of the Virginia Act, Airports Authority employees are prohibited from striking.

Lease of the Airports to the Airports Authority

The Airports were transferred by the federal government to the Airports Authority on June 7, 1987, for an initial term of 50 years ending June 6, 2037. The term of the Federal Lease may be extended by mutual agreement and execution of a written extension by the Secretary of Transportation and the Airports Authority. The Federal Lease was amended April 30, 2003, to extend the term to June 6, 2067. The Federal Lease transferred a leasehold interest in all of the Airports' then existing real property, including access highways and related facilities, and transferred title to all equipment, materials, furnishings and other personal property appurtenant to or located on the Airports' property (other than particular property required for federal air traffic control responsibilities). Since the transfer, the Airports Authority has acquired title to approximately 1,540 acres of land, as well as aviation easements over approximately 158 acres of land adjacent to Dulles International for airport expansion. Included in the property acquired are 830 acres of land to accommodate the new runways at Dulles International and other future development. All land acquired after the transfer is not subject to the Federal Lease except that, pursuant to the most recent amendments to the Federal Lease, any after-acquired land in the Airports Authority's possession at the expiration of the Federal Lease will revert to the federal government. The Federal Lease was amended in 1991 and 1998 to reflect changes in federal law eliminating the Airports Authority's Board of Review and increasing the number of federal appointees to the Board.

Under the Federal Lease, the Airports Authority was granted full power and dominion over, and complete discretion in the operation and development of, the Airports and, subject to limited exceptions, has assumed all rights, liabilities and obligations of the FAA's Metropolitan Washington Airports organization. Pursuant to the Federal Lease, the Airports Authority adopted all existing labor agreements in effect on the Lease Effective Date, and provided for the transfer to the Airports Authority of employees who were employees of the FAA and the continuation of various employment benefits, including coverage of certain United States Civil Service retirement benefits. The Airports Authority has satisfied its legal requirement to fund the pension and other benefit obligations.

The Federal Lease provides for an annual base rental payable to the United States Treasury, which was initially \$3.0 million for the one-year period that commenced June 7, 1987. This amount is subject to annual adjustment for inflation and interest. The adjusted lease payment for the year ended June 6, 2008, was \$4.9 million.

The Airports Authority is required to place funds into a reserve for rental payments on a monthly basis and to make rental payments in semiannual installments. Any interest earned on the deposited funds also is required to be paid to the United States. Payments under the Federal Lease are to be made by the Airports Authority from funds legally available for such purpose, after the Airports Authority has satisfied its contractual obligations in respect of debt service on its bonds and other indebtedness, and paid or set aside the amounts required for payment of the operating and maintenance expenses of the Airports. The Airports Authority has made all rental deposits and payments on a timely basis.

Under the Federal Lease, the Airports Authority may not use certain Revenues from one Airport for operation and maintenance at the other Airport. This restriction does not extend to debt service, amortization or depreciation. The Federal Lease requires the Airports Authority to use the same basis in calculating general aviation landing fees at the Airports as is used in setting air carrier fees.

The Federal Lease imposes certain restrictions on the Airports Authority in the operation of the Airports. For example, the Airports Authority may not (a) increase or decrease the number of Instrument Flight Rule takeoffs and landings permitted at Reagan National by the FAA's High Density Rule as in effect on October 18, 1986, which rule limits, with certain exceptions, the number of air carrier flights that can be scheduled to 37 per hour, (b) impose any limitation on the number of passengers taking off or landing at Reagan National, or (c) change the hours of operation or the types of aircraft serving either of the Airports, except by regulation adopted after a public hearing. See "Regulations and Restrictions Affecting the Airports" below.

The Federal Lease requires the Airports Authority to maintain a risk financing plan for its casualty and property losses, covering such items as are customarily insured by enterprises of a similar nature. The Airports Authority's risk financing plan includes risk retention, risk transfer to commercial insurers or participation in group risk financing plans. The Airports Authority is required to consult with qualified actuaries and risk management consultants in developing its risk management plan. The Airports Authority has adopted a risk financing plan in accordance with the requirements of the Federal Lease. See "Insurance" below.

The following constitute "events of default" under the Federal Lease: (a) the failure of the Airports Authority to make rental payments for 30 days after their due date; (b) the continuation of the use of any of the leased property or any portion thereof for purposes other than airport purposes (for 30 days after notice of such use from the Secretary, unless good faith efforts to remedy the default have been commenced and are being diligently pursued); and (c) the continuation of a breach of any other provision of the Federal Lease (for 30 days after notice of the breach from the Secretary, unless good faith efforts to remedy such default have been commenced and are being diligently pursued). In the case of an event of default described in (a) or (c) above, the Secretary may request the United States Attorney General to bring an appropriate action to compel compliance with the lease by the Airports Authority. In the case of an event of default relating to a rental payment under the Federal Lease, the Secretary may assess penalties and interest at specified rates. In the case of an event of default described in (b) above, the Secretary is required to direct the Airports Authority to bring the use of Airport property into conformity with the Federal Lease and to retake that property if the Airports Authority does not comply within a reasonable period. The Federal Lease provides for its termination only following an event of default that is based on the Airports Authority using all of the leased property for purpose other than airport purposes.

Although the Airports Authority is not required to follow federal contracting statutes and regulations, under the terms of the Federal Lease, the Airports Authority is obligated to implement contracting procedures to achieve, to the maximum extent practicable, full and open competition. In 2003, the Airports Authority published revised contracting procedures that further enhance the open competition requirements.

Regulations and Restrictions Affecting the Airports

The operations of the Airports Authority and its ability to generate revenues are affected by a variety of legislative, legal, contractual and practical restrictions. These include, without limitation, restrictions in the Federal Act, limitations imposed by the Federal Lease and provisions of the Airline Agreement. Both Airports are subject to the extensive federal regulations applicable to all airports and, following the September 11, 2001 attacks, the FAA instituted additional special operating restrictions for Reagan National. The following summarizes some of the applicable regulations and restrictions.

Historical Operating Restrictions

Reagan National is subject to federal statutory and regulatory restrictions that do not apply to most other airports in the United States. The FAA regulation known as the High Density Rule limits the number of air carrier, regional air carrier and general aviation flights that can be scheduled at Reagan National. The High Density Rule has been in effect since 1969, and is intended to promote air traffic efficiency and relieve congestion. The maximum number of air carrier flights initially authorized was 37 per hour, with some exceptions. In addition to the air carrier flights, the regulation allows 11 regional air carrier flights and 12 general aviation operations per hour. Since September 11, 2001, general aviation activity has been severely curtailed at Reagan National. Initially banned, general aviation was authorized to resume at Reagan National on October 18, 2005, but subject to compliance with strict security requirements. See "Additional Security Restrictions at Reagan National" below.

Under the Federal Act, nonstop flights to and from Reagan National generally are limited to destinations no more than 1,250 statute miles away (the "Perimeter Rule"). Since 2000, Congress has authorized several increases in activity at Reagan National, including flights beyond the perimeter. Currently, there are 12 daily round trips authorized to points beyond the perimeter. While the Perimeter Rule restricts long distance flights at Reagan National, it also, in effect, promotes such flights to and from Dulles International and BWI. The Airports Authority cannot predict whether any legislation that would increase the number of flights per hour from Reagan National will be enacted by Congress and, if enacted, what the impact of such increased flights might be.

Additional Security Restrictions at Reagan National

The terrorists attacks of September 11, 2001, led to a number of security restrictions on airports throughout the U.S. and especially at Reagan National. Reagan National was closed immediately after the attacks on September 11, 2001, and did not reopen until October 4, 2001, at which time a phased resumption of flight activity was permitted. Reagan National was authorized to resume all operations on April 27, 2002, except for general aviation, which was prohibited until October 18, 2005. Although general aviation is now authorized at Reagan National, it is subject to compliance with strict security requirements, including arrival from one of 22 "gateway" airports,[1] advanced screening and background checks of crews and passengers, TSA inspection of crews, passengers and property and the presence of armed officers on each flight. Resumption of general aviation at Reagan National has had no material effect on traffic and revenues at Reagan National.

In addition to the enhanced security restrictions applicable to all airports, the federal government imposed special restrictions on Reagan National to address security issues resulting from the proximity of Reagan National's flight paths to national landmarks and federal buildings in the Washington, D.C. area, such as requiring pilots to follow special identification procedures in order to land at Reagan National, suspending the minimum use requirements under the High Density Rule for Reagan National through October 26, 2002, and again from March 19, 2003, until October 25, 2003, as a result of the conflict in Iraq and the heightened security alerts. Other than the restrictions related to general aviation, the special security restrictions are no longer in effect at Reagan National.

Possible Future Restrictions on Reagan National

For security reasons, the federal government could again restrict flights or close Reagan National for extended periods or permanently. If closure or similar restrictions were to occur, it would have a negative impact on enplanements at the Airports and, as a result, on Airports Authority Revenues. If this were to occur, the Airports Authority would expect to seek compensation from the federal government for the losses and damages incurred, as it did successfully when Reagan National was closed as a result of the events of September 11, 2001. No assurances can be given, however, that any compensation would be forthcoming from the federal government.

[1] The FAA uses the term "gateway" airport to refer to 22 airports at which all inbound flights must complete TSA screening prior to landing at Reagan National. The 22 gateway airports are: Seattle-Tacoma, WA; Boston Logan, MA; Houston Hobby, TX; White Plains, NY; La Guardia, NY; Chicago Midway, IL; Minneapolis/St. Paul, MN; West Palm Beach, FL; San Francisco, CA; Teterboro, NJ; Philadelphia, PA; Dallas/Love Field, TX; Memphis International, TN; General Mitchell International, WI; Lexington, KY; Lambert St. Louis, MO; St. Paul, MN; Long Island, NY; Newark, NJ; Port Columbus, OH; Bradley International, CT; and Hanscom Bedford, MA.

Federal Funding Regulations

The FAA has the power to terminate the authority to impose PFCs if the Airports Authority's PFC revenues are not used for approved projects, if project implementation does not commence within the time periods specified in the FAA's regulations or if the Airports Authority otherwise violates FAA regulations. The Airports Authority's plan of funding for the 2001-2016 CCP is premised on certain assumptions with respect to the timing and amounts of the Airports Authority's PFC applications, and the availability of PFCs to fund PFC-eligible portions of certain projects in the 2001-2016 CCP. In the event that PFCs are lower than those expected, the Airports Authority may elect to delay certain projects or seek alternative sources of funding, including the possible issuance of additional Bonds. See "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Source: PFCs."

The Federal Act currently provides that, after September 30, 2009, the Secretary of Transportation may not approve an application of the Airports Authority (i) for an airport development grant under the AIP programs, or (ii) to impose PFCs. The Airports Authority is seeking legislation to remove this provision, or to extend the date on which it is applied. There can be no assurance that the Airports Authority will be able to obtain such legislation prior to September 30, 2009.

Noise Abatement Programs

Since 1993, the Airports Authority has had an aircraft noise compatibility program at Reagan National that is approved by the FAA under 14 C.F.R. Part 150, the FAA program for addressing noise issues involving airports and neighboring communities ("Part 150"). The Airports Authority's program includes noise abatement flight corridors, nighttime noise limits, aircraft thrust management procedures and nighttime engine run-up limitations. In accordance with FAA requirements, in December 2004, the Airports Authority completed and delivered to the FAA a Part 150 review of its noise compatibility program for Reagan National which, in light of changes in the type and number of aircraft operating at Reagan National, proposed certain modifications to the program. The Airports Authority received FAA approval of the Part 150 review in January 2008.

The Airports Authority also has an aircraft noise compatibility program for Dulles International. The original Dulles International design included buffers between the ends of the runways and the airfield boundary. Plans for the fourth and fifth runways at Dulles International also include buffers. The Airports Authority worked in conjunction with the planning departments in Fairfax County and Loudoun County to provide for compatible land use in the vicinity of Dulles International, specifically in those areas projected to be adversely affected by significant aircraft noise in the future. The original Part 150 program for Dulles International was completed by the FAA in 1985. In 1993, the noise exposure analysis was updated to reflect the phase-out of older, noisier aircraft as mandated by Congress. Both counties have adopted land-use plans that provide for development compatible with the predicted noise exposure from the planned five runways at Dulles International.

Risk Based Auditing

The functions of the Airports Authority's Office of Audit include coordination of the annual financial statement audit performed by independent external auditors, as well as internal audits of internal controls. The Office of Audit conducts internal audits to provide the Airports Authority's management and the Board with reasonable assurance that: 1) risks are being managed; 2) management and delivery capacity are being maintained; 3) adequate control is being exercised; and 4) appropriate results are being achieved. The Office of Audit assesses organization-wide risk to evaluate the allocation of internal audit resources and to develop each annual audit plan in a manner that gives appropriate consideration to risks affecting the Airports Authority.

Insurance

The Airports Authority was required under the Federal Lease to have certain insurance in force on the Lease Effective Date and has obtained property and casualty policies, including airport liability insurance to protect its operations. Additionally, the Airports Authority created an Owner Controlled Wrap-Up Insurance Program ("OCWIP") for CCP-related work performed at the Airports to provide builders' risk, workers' compensation, environmental, and general and special liability insurance to protect all enrolled contractors and their subcontractors of all tiers. The OCWIP is designed to reduce conflict among contractors and insurance providers, increase the liability protection for all participants, and reduce the total cost of the insurance for the improvements. The Airports Authority has acquired commercial insurance coverage for war risks, including terrorism, on each of the liability insurance and the property insurance policies. Each policy has specified limits and exclusions.

THE BONDS

Security and Source of Payment for the Bonds

General

Each Series of Bonds will be secured on a parity with other Series of Bonds issued by the Airports Authority under the Indenture by a pledge of Net Revenues under the terms set forth in the Indenture. In addition, the Bonds will be secured respectively by the Bond proceeds deposited in certain funds held by the Trustee, all as described in the Indenture. No property of the Airports Authority is subject to any mortgage for the benefit of the owners of the Bonds. Under the Indenture, Net Revenues means Revenues, plus transfers, if any, from the General Purpose Fund to the Revenue Fund, after provision is made for the payment of Operation and Maintenance Expenses. See APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture."

Revenues are generally defined in the Indenture as all revenues of the Airports Authority received or accrued except (a) interest income on, and any profit realized from, the investment of moneys in any fund or account to the extent that such income or profit is not transferred to, or retained in, the Revenue Fund or the Bond Fund; (b) interest income on, and any profit realized from, the investment of moneys in any fund or account funded from the proceeds of Special Facility Bonds; (c) amounts received by the Airports Authority from, or in connection with, Special Facilities unless such funds are treated as Revenues by the Airports Authority; (d) the proceeds of any passenger facility charge or similar charge levied by, or on behalf of, the Airports Authority, including PFCs, unless such funds are treated as Revenues by the Airports Authority; (e) grants-in-aid, donations, and/or bequests; (f) insurance proceeds which are not deemed to be revenues in accordance with generally accepted accounting principles; (g) the proceeds of any condemnation awards; (h) the proceeds of any sale of land, buildings or equipment; and (i) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or which are restricted as to their use. Unless otherwise provided in a supplemental indenture, there also shall be excluded from the term "Revenues" (a) any Hedge Termination Payments received by the Airports Authority and (b) any Released Revenues in respect of which the Airports Authority has filed with the Trustee the request of an Airports Authority Representative, an Airport Consultant's or an Airports Authority Representative's certificate, an Opinion of Bond Counsel and the other documents contemplated in the definition of the term "Released Revenues" set forth in the Indenture. The Airports Authority has completed the procedures necessary to treat the DTR Revenues as "Released Revenues" under the Indenture, thereby excluding the DTR Revenues from Revenues and from the pledge and lien on the Net Revenues securing the Bonds. See Part I, INTRODUCTION – Operation of the Dulles Toll Road and Construction of the Metrorail Extension to Dulles International."

Under the Indenture, Operation and Maintenance Expenses generally means all expenses of the Airports Authority paid or accrued for the operation, maintenance, administration and ordinary current repairs of the Airports. Operation and Maintenance Expenses do not include (a) the principal of, premium, if any, or interest payable on any Bonds, Subordinated Bonds and Junior Lien Obligations; (b) any allowance for amortization or depreciation of the Airports; (c) any other expense for which (or to the extent to which) the Airports Authority is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) rentals payable under the Federal Lease; and (f) any expense paid with amounts from the Emergency Repair and Rehabilitation Fund.

The Airports Authority is obligated to deposit all moneys from the Revenue Fund into the various funds and accounts created under the Indenture on a monthly basis. See "Flow of Funds" below. Amounts held by the Airports Authority in the Revenue Fund are not pledged to secure the Bonds.

Each of the Bonds is secured by a pledge of and lien on certain proceeds of the sale of such Series, and the earnings thereon, held in certain funds and accounts created under the Indenture. These funds and accounts include the Bond Fund and, with respect to each Series, the applicable account in the Debt Service Reserve Fund, held by the Trustee, and the applicable account in the Construction Fund, if any, held by a custodian on behalf of the Trustee.

The Bonds shall not constitute a debt of the District of Columbia or of the Commonwealth of Virginia or any political subdivision thereof nor a pledge of the faith and credit of the District of Columbia or of the Commonwealth of Virginia or any political subdivision thereof. Except to the extent payable from proceeds of the applicable Series of Bonds and investment earnings thereon, the Bonds shall be payable from Net Revenues of the Airports Authority pledged for such payment and certain funds established under the Indenture. The issuance of Bonds under the provisions of the Acts shall not directly, indirectly or contingently obligate the District of Columbia or the Commonwealth of Virginia or any political subdivision thereof to any form of taxation whatsoever. The Airports Authority has no taxing power.

Rate Covenant

Pursuant to the Indenture, the Airports Authority has covenanted that it will take all lawful measures to fix and adjust from time to time the fees and other charges for the use of the Airports, including services rendered by the Airports Authority, pursuant to the Airline Agreement or otherwise, calculated to be at least sufficient to produce Net Revenues to provide for the larger of either:

(a) The amounts needed for making the required deposits in each fiscal year to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund and the Emergency Repair and Rehabilitation Fund; or

(b) An amount not less than 125% of the Annual Debt Service with respect to Bonds for such fiscal year.

The Airports Authority has covenanted that if, upon the receipt of the audit report for a fiscal year, the Net Revenues in such fiscal year are less than the amount specified above, the Airports Authority will require the Airport Consultant to make recommendations as to the revision of the Airports Authority's schedule of rentals, rates, fees and charges, and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Airports Authority, on the basis of such recommendations and other available information, will take all lawful measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports as may be necessary to produce the specified amount of Net Revenues in the fiscal year following the fiscal year covered by such audit report.

In the event that Net Revenues for any fiscal year are less than the amount specified, but the Airports Authority has promptly complied with these remedial requirements, there will be no Event of Default under the Indenture; provided, however, that if, after the Airports Authority has complied with these remedial requirements, Net Revenues are not sufficient to provide for the specified amount in the fiscal year in which such adjustments are required to be made (as evidenced by the audit report for such fiscal year), such failure will be an Event of Default under the Indenture. See APPENDIX C – "Definitions and Summary of Certain Provisions of the Indenture – Rate Covenant and Defaults and Remedies."

The Airline Agreement provides a mechanism for setting rates and charges for use of the Airports and provides for the leasing of certain Airport facilities. The Airline Agreement will not be assigned or pledged to the Trustee as security for the Bonds. If for any reason the Airline Agreement is amended, expires or is terminated, the Airports Authority will set airline rates and charges in accordance with a successor agreement or its regulations and resolutions of the Board and consistent with FAA requirements that such rates and charges be reasonable and in an amount sufficient to meet the rate covenant under the Indenture. See APPENDIX D – "Summary of Certain Provisions of the Airport Use Agreement and Premises Lease" and "CERTAIN AGREEMENTS FOR USE OF THE AIRPORTS AUTHORITY'S FACILITIES."

Flow of Funds

The Airports Authority is required to deposit all Revenues upon receipt, and may deposit amounts from any available source, in the Revenue Fund. On the first Business Day of each month (1) amounts in the Revenue Fund, excluding any transfers from the General Purpose Fund during the current fiscal year, and (2) 1/12 of the amount of any transfers from the General Purpose Fund during the current fiscal year, are to be withdrawn from the Revenue Fund and deposited or transferred in the following amounts and order of priority:

Revenue Fund		
↓		
Operation and Maintenance Fund	(a)	To the Operation and Maintenance Fund, an amount necessary to increase the balance in the Operation and Maintenance Fund to 25% of Operation and Maintenance Expenses set forth in the Airports Authority's budget for the current Fiscal Year.
↓		
Bond Fund* Principal Account* Interest Account* Redemption Account*	(b)	To the applicable Principal Account, Interest Account and Redemption Account in the Bond Fund, amounts, if any, set forth in the applicable Supplemental Indenture with respect to each Series of Bonds, subject to a credit for certain amounts on deposit therein.
↓		
Debt Service Reserve Funds*	(c)	To the applicable account in the Debt Service Reserve Fund with respect to each Series of Bonds, amounts, if any, set forth in the applicable Supplemental Indenture to replenish any deficiency therein.
↓		
Subordinated Bond Funds*	(d)	To the Subordinated Indenture Trustee, an amount equal to the deposit to the Subordinated Bond Funds required by the Subordinated Indenture.
↓		
Subordinated Reserve Funds*	(e)	To the Subordinated Indenture Trustee, an amount required by the Subordinated Indenture to replenish any Subordinated Reserve Funds.
↓		
Junior Lien Obligations Fund	(f)	To the Junior Lien Obligations Fund, an amount equal to any required deposits pursuant to Junior Lien Indentures.
↓		
Federal Lease Fund	(g)	To the Federal Lease Fund, 1/12 of the amount required to be paid annually to the federal government under the Federal Lease plus the amount, if any, necessary to make up any prior deficiencies.
↓		
Emergency Repair & Rehabilitation Fund	(h)	To the Emergency Repair and Rehabilitation Fund, 1/12 of the aggregate amount, if any, withdrawn from such Fund in the preceding Fiscal Year.
↓		
General Purpose Fund	(i)	To the General Purpose Fund, all remaining moneys required to be withdrawn from the Revenue Fund on the first Business Day of each month.

* Funds or Accounts held by the Trustee.

Amounts in the Revenue Fund are not pledged to secure the Bonds. Amounts in the Operation and Maintenance Fund are required to be used by the Airports Authority to pay Operation and Maintenance Expenses and are not pledged to secure the Bonds. Amounts transferred to the Subordinated Indenture Trustee, if any, will be pledged to secure the Subordinated Bonds, if any, and will not be subject to the pledge securing the Bonds. Amounts in the Junior Lien Obligations Fund secure the Junior Lien Obligations and are not pledged to secure the Bonds. Amounts deposited in the Federal Lease Fund are not and will not be pledged to secure the Bonds. Amounts in the Emergency Repair and Rehabilitation Fund may be used by the Airports Authority to pay the costs of emergency repairs and replacements to the Airports and are not pledged to secure the Bonds. Amounts in the General Purpose Fund will be available for use by the Airports Authority for any lawful purpose and are not pledged to secure the Bonds.

Additional Bonds

The Airports Authority has issued, and expects to issue in the future, additional Bonds. Under the Indenture, the Airports Authority is permitted to issue one or more Series of additional Bonds on a parity with the outstanding Bonds, if:

> The Airports Authority has provided to the Trustee the following evidence indicating that, as of the date of issuance of such additional Bonds, the Airports Authority is in compliance with the rate covenant as evidenced by: (a) the Airports Authority's most recent audited financial statements, and the Airports Authority's unaudited statements for the period, if any, from the date of such audited statements through the most recently completed fiscal quarter, and (b) if applicable, evidence of compliance with the Indenture's requirement of remedial action (discussed under "Rate Covenant" above); and (c) either
>
> > (i) an Airport Consultant has provided to the Trustee a certificate stating that, based upon reasonable assumptions, projected Net Revenues will be sufficient to satisfy the rate covenant (disregarding any Bonds that have been or will be paid or discharged immediately after the issuance of the additional Bonds proposed to be issued) for each of the next three full fiscal years following issuance of the additional Bonds, or each full fiscal year from issuance of the additional Bonds through two full fiscal years following completion of the Projects financed by the additional Bonds proposed to be issued, whichever is later; provided that, if Maximum Annual Debt Service with respect to all Bonds to be outstanding following the issuance of the proposed Bonds in any fiscal year is greater than 110% of Annual Debt Service for such Bonds in any of the test years, then the last fiscal year of the test must use such Maximum Annual Debt Service; provided further, that if capitalized interest on any Bonds and proposed additional Bonds is to be applied in the last fiscal year of the period described in this sentence, the Airport Consultant must extend the test through the first full fiscal year for which there is no longer capitalized interest, or
> >
> > (ii) an Airports Authority Representative has provided to the Trustee a certificate stating that Net Revenues in the most recently completed fiscal year were not less than the larger of (1) the amounts needed for making the required deposits to the Principal Accounts, the Interest Accounts, and the Redemption Accounts in the Bond Fund, the Debt Service Reserve Fund, the Subordinated Bond Fund, the Subordinated Reserve Fund, the Junior Lien Obligations Fund, the Federal Lease Fund, and the Emergency Repair and Rehabilitation Fund or (2) 125% of (a) Annual Debt Service on Bonds Outstanding in such fiscal year (disregarding any Bonds that have been paid or discharged, or will be paid or discharged immediately after the issuance of such additional Bonds proposed to be issued), plus (b) Maximum Annual Debt Service with respect to such additional Bonds proposed to be issued.

With respect to additional Bonds proposed to be issued to refund outstanding Bonds, the Airports Authority may issue such refunding Bonds if either the test described in (c) above is met, or if the Airports Authority has provided to the Trustee evidence that (a) the aggregate Annual Debt Service in each fiscal year with respect to all Bonds to be outstanding after issuance of such refunding Bonds will be less than the aggregate Annual Debt Service in each such fiscal year through the last fiscal year in which Bonds are outstanding prior to the issuance of such refunding Bonds, and (b) the Maximum Annual Debt Service with respect to all Bonds to be outstanding after issuance of such refunding Bonds will not exceed the Maximum Annual Debt Service with respect to all Bonds outstanding immediately prior to such issuance.

Book-Entry Only System

The Bonds will be issued as fully registered bonds without coupons and are initially to be registered in the name of Cede & Co., as nominee for DTC as securities depository for the Bonds. Purchases by beneficial owners are to be made in book-entry form. If at any time the book-entry only system is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds of the same series in any authorized denominations, maturity and interest rate. See APPENDIX E – "Book-Entry Only System." Interest will be payable by check or draft mailed to the Holder as of the Record Date. The Trustee may impose a charge sufficient to reimburse the Airports Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the Airports Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer. At the request of any Holder of at least $1,000,000 principal amount of the Bonds, payment of interest will be made by wire transfer as directed by such Holder. Payment of principal of the Bonds will be made upon presentation and surrender of such Bonds at the principal corporate trust office of the Trustee.

NEITHER THE AIRPORTS AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF ANY BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO ANY BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (vi) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

Method of Selecting the Bonds for Redemption

In the event that less than all of the outstanding Bonds of a Series are to be redeemed, the maturities to be redeemed and the method of their selection will be determined by the Airports Authority. In the event that less than all of any Bonds of a maturity are to be redeemed, the Bonds of such maturity to be redeemed will be selected by lot in such manner as the Trustee determines.

Upon the selection and call for redemption of, and the surrender of, any Bonds for redemption in part only, the Airports Authority will cause to be executed, authenticated and delivered to or upon the written order of the Holder thereof, at the expense of the Airports Authority, a new bond or bonds in fully registered form, of authorized denominations and like tenor, in an aggregate face amount equal to the unredeemed portion of the Bonds.

Notice of Redemption

Any notice of redemption of any Bonds must specify (a) the date fixed for redemption, (b) the principal amount of the Bonds or portions thereof to be redeemed, (c) the applicable redemption price, (d) the place or places of payment, (e) that payment of the principal amount and premium, if any, will be made upon presentation and surrender to the Trustee or Paying Agent, as applicable, of the Bonds to be redeemed, (f) that interest accrued to the date fixed for redemption will be paid as specified in such notice, (g) that on and after the redemption date, interest on the Bonds which have been redeemed will cease to accrue, and (h) the designation, including Series, and the CUSIP and serial numbers of any Bonds to be redeemed and, if less than the face amount of any Bond is to be redeemed, the principal amount to be redeemed.

Any notice of redemption will be sent by the Trustee not less than 30 nor more than 60 days prior to the date set for redemption by first class mail (a) at the address shown on the Register, to the Holder of each Bond to be redeemed in whole or in part, (b) to all organizations registered with the SEC as securities depositories, (c) to the Municipal Securities Rulemaking Board, and (d) to at least two information services of national recognition which disseminate redemption information with respect to tax-exempt securities. Failure to give any notice specified in (a), or any defect therein, will not affect the validity of any proceedings for the redemption of any Bonds with respect to which no such failure has occurred, and failure to give any notice specified in (b), (c) or (d) or any defect therein, will not affect the validity of any proceedings for the redemption of any Bonds with respect to which the notice specified in (a) is correctly given. Notwithstanding the foregoing, during any period that the Securities Depository or its nominee is the registered owner of the Bonds, notices will be sent to such Securities Depository or its nominee. During such period, the Trustee shall not be responsible for mailing notices of redemption to anyone other than such Securities Depository or its nominee.

If at the time of notice of any optional redemption of the Bonds there has not been deposited with the Trustee moneys available for payment pursuant to the Indenture 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 the redemption date, and if the deposit is not timely made the notice shall be of no effect.

THE AIRPORTS AUTHORITY'S FACILITIES AND MASTER PLANS

Facilities at Reagan National and Dulles International

Reagan National

Reagan National opened for service in 1941. It is located on approximately 860 acres of land along the Potomac River in Arlington County, Virginia, approximately three miles from Washington, D.C. Reagan National's ability to grow is constrained to a significant extent by the High Density Rule and its physical location. Its proximity to Washington, D.C. also makes operations at Reagan National subject to particularly restrictive federal legislation and regulation. See "THE AIRPORTS AUTHORITY – Regulations and Restrictions Affecting the Airports" and "CERTAIN INVESTMENT CONSIDERATIONS."

Reagan National has three terminals. Terminal A is listed on the National Register of Historic Places and provides nine aircraft gates. The interconnected Terminals B and C have 35 aircraft gates and approximately one million square feet of floor space spread over three levels. Terminals B and C have direct connections to the Metrorail public transit system and public parking garages through two enclosed pedestrian bridges. There are three runways at Reagan National: 1/19 - 6,869 feet; 15/33 - 5,204 feet; and 4/22 - 4,911 feet. The runways and associated taxiways are capable of handling up to Group IV aircraft, which is equivalent to a Boeing 767-300 aircraft.

There are 7,902 public parking spaces at Reagan National, with 4,946 garage and 2,956 surface spaces, as well as 3,200 additional employee parking spaces. Construction began in March 2008 on a project to add a floor to parking garages A and B/C. The project will add 1,424 new parking spaces and is expected to be completed in 2010. To compensate for the loss of garage parking spaces during construction, a temporary surface lot has been made available for overflow parking.

Dulles International

Dulles International opened for service in 1962. It is located on approximately 11,830 acres of land (exclusive of the Dulles Access Highway) in Fairfax and Loudoun Counties, Virginia, approximately 26 miles west of Washington, D.C. Dulles International has a main terminal (the "Main Terminal") and four midfield concourses (Concourses A, B, C and D) that may be reached via mobile lounges that transport passengers from the Main Terminal. The Main Terminal at Dulles International is eligible for listing on the National Register of Historic Places but is not currently listed on such register. The Dulles Access Highway, a limited-access highway that is subject to the Airports Authority's jurisdiction under the Federal Lease, is the primary route into Dulles International. Ground transportation to Dulles International is provided via limousine and taxi services, which are provided by concessionaires, and bus transportation provided by the Airports Authority and the Washington Metropolitan Area Transit Authority. There currently are four runways: 1C/19C - 11,500 feet; 1R/19L - 11,500 feet; 12/30 - 10,500 feet; and 1L/19R - 9,400 feet. The runways and associated taxiways are capable of handling up to Group V aircraft, which is equivalent to a Boeing 747-400.

The Main Terminal has a total of 1.1 million square feet of floor space, 4 aircraft gates and an international arrivals building that provides customs, agriculture and immigration service facilities and can serve up to 2,400 passengers an hour. Concourse A has 71,000 square feet of floor space and 35 regional aircraft gates. Concourse B has 887,000 square feet and 37 aircraft gates for international and domestic airlines. Concourses A and B are joined by a pedestrian bridge.

Concourses C and D opened individually but as passenger demand increased, more gates were constructed at both Concourses and the two Concourses eventually were joined. They now have a combined total of 608,627 square feet of floor space and 47 aircraft gates for both international and domestic airlines.

The Airports Authority recognizes the possibility that a new, 550-seat aircraft, such as the A380, may operate at Dulles International as soon as 2010. Dulles International planned runway/taxiway system meets FAA design standards for these aircraft. These aircraft are likely to occupy two gates at terminal facilities during the boarding and unloading process. Two gates in Concourse B will be modified to accommodate these aircraft.

There are 27,433 public parking spaces at Dulles International, with 19,108 surface and 8,325 garage spaces, as well as 6,431 additional employee parking spaces. There also are a total of six cargo buildings at Dulles International, with a total of 483,957 square feet of cargo space.

In 2003, the Smithsonian opened the National Air and Space Museum Dulles Center at the Airport (the "Center"). The Airports Authority has title to, and is required to maintain, two roadways that were built by the Smithsonian and must allow Center patrons and invitees ingress to and egress from the Center.

The Airports Authority's Master Plans

The Master Plan for each Airport establishes the framework for the CCP and may be amended from time to time by the Airports Authority. All major improvements to the Airports must be in accordance with the approved Master Plan for each Airport. The Master Plans adopted by the Airports Authority's Board include the Airports' Land Use Plans and the Airport Layout Plans (the "ALPs"). The ALPs have been approved by the FAA, and any future amendments also must be approved by the FAA. The ALPs are required by the FAA to show all existing and proposed improvements.

Reagan National

The Master Plan for Reagan National became effective on April 15, 1988, and has been amended periodically. All major elements of the Master Plan at Reagan National have been completed with the exception of renovation of Terminal A.

Dulles International

The Master Plan for Dulles International was adopted and approved by the FAA prior to the Lease Effective Date and has been amended periodically. The Master Plan for Dulles International includes the construction of two additional runways, permanent midfield concourses and the AeroTrain system, expansion of the Main Terminal, future mass transit along a right-of-way in the Dulles Access Highway corridor, expansion of automobile parking facilities, construction of additional roads on airport land and expansion of the capacity of the existing roads. Except for one additional runway, all of these projects are included in the 2001-2016 CCP.

THE 2001-2016 CCP

Overview

The Capital Construction Program initiated by the Airports Authority in 1988 provides for planning, designing and constructing certain facilities at Reagan National and Dulles International as contemplated by the Master Plans. Between 1988 and 2000, major capital projects completed under the CCP at Reagan National include, among others, two new main terminals, three parking garages and an airport traffic control tower. Major capital projects completed under the CCP at Dulles International include expansion and rehabilitation of the Main Terminal and construction of Concourses A and B, an international arrivals building and runway and road improvements, among others.

In 2000, the Airports Authority approved an expansion of the CCP for Dulles International, referred to as the d^2 program. The d^2 program, and certain other CCP projects at Reagan National and Dulles International, were expected to be completed between 2001 and 2006. In the aftermath of the events of September 11, 2001, and due to the deteriorating financial condition of many airlines, the Airports Authority re-examined the CCP. As a result, in the spring of 2002, the Airports Authority revised the expected completion date of the CCP to 2011, delayed the start dates of several projects, deferred some projects until their reactivation is warranted and added several new projects to the CCP, in effect creating two categories of the CCP: (i) the active portion of the CCP, which includes projects that are in progress or have been completed since 2001, and (ii) the deferred portion of the CCP, which includes projects that have been authorized by the Airports Authority but deferred until the Airports Authority determines that demand and circumstances warrant their reactivation. The active portion of the CCP was at that time expected to be completed between 2001 and 2011 and was referred to as the "2001-2011 CCP."

Since the spring 2002, the Airports Authority has continued to make additional adjustments to the CCP as part of its periodic CCP review process. To accommodate then-recent and expected growth in operations and passenger enplanements as well as to maintain and improve certain of its existing facilities, in the fall of 2006, the Airports Authority revised the scheduled completion date for the CCP from 2011 to 2016 and added $2.1 billion ($2.4 billion in inflated dollars) of projects to the CCP. The active portion of the CCP that is scheduled for completion by the end of 2016 is referred to as the "2001-2016 CCP." At that time, the estimated total cost of the 2001-2016 CCP was $7.06 billion.

Due to a number of factors, including the current economic conditions and the unprecedented increases in the cost of aviation fuel and their impact on the financial condition of airlines, in September 2008, the Airports Authority revised the scope, timing and size of certain 2001-2016 CCP projects, including deferring the construction of the Tier 2 Concourse and related facilities, the construction of the consolidated rental car facility and the expansion of the south utility service complex, resulting in a $2.22 billion reduction in the cost of the 2001-2016 CCP. See "THE 2001-2016 CCP – Deferred Projects."

The Airports Authority currently estimates the cost of the 2001-2016 CCP to be approximately $4.84 billion (in inflated dollars). See "THE 2001-2016 CCP – Deferred Projects." The Airports Authority expended approximately $3.5 billion of the $4.84 billion total estimated cost of the 2001-2016 CCP between 2001 and November 30, 2008. Major projects completed at Reagan National since 2001 include the pedestrian tunnel from the parking garage to Terminal A, security enhancements and various improvements including historical Terminal A facade renovations, electrical and life safety improvements and commercial curb upgrades. Major projects completed at Dulles International since 2001 include the Daily Parking Garages 1 and 2, the Main Terminal rehabilitation, the Concourse B expansion, the south and east baggage basements, the airside and landside pedestrian tunnels, the air traffic control tower, construction of the Z-gates, the construction of the remote employee parking lot and the cargo building expansions. The Airports Authority expects most of the projects in the 2001-2016 CCP to be completed by the end of 2014.

The Airports Authority currently estimates the cost of the deferred CCP projects to be approximately $4.1 billion (in 2008 dollars). The Airports Authority expects to reassess its capital needs on a regular basis and modify its construction schedule as necessary to accommodate passenger and aircraft activity, security needs and other factors, which could result in changes to the CCP.

The 2001-2016 CCP includes the following project categories:

Summary of the 2001-2016 CCP[1]

Description	Reagan National Project Costs (2001-2016)	Dulles International Project Costs (2001-2016)	Total Project Costs[2] (2001-2016)
Airfield	$70,291,978	$719,592,327	$789,884,305
Airport Buildings	174,873,069	1,628,612,696	1,803,485,765
Systems & Services	7,351,454	244,768,050	252,119,504
Ground Transportation	67,982,576	502,878,419	570,860,995
Aviation	224,974	153,097,371	153,322,345
Nonaviation	0	12,010,825	12,010,825
Passenger Conveyance	0	786,633,166	786,633,166
Maintenance	1,181,864	110,621,334	111,803,198
Public Safety	36,558,397	33,237,204	69,795,601
Administration	46,205,777	238,815,447	285,021,224
Tenant Equipment	1,257,375	(30,405)	1,226,970
TOTAL[2]	$405,927,463	$4,430,236,436	$4,836,163,899

[1] The costs presented in this table represent expenditures to date and inflation of future expenditures at 3.0% per annum.
[2] The totals may not add due to rounding.

Source: Airports Authority; compiled by the Airport Consultant

Reagan National

The 2001-2016 CCP includes approximately $405.9 million of projects at Reagan National ranging from security enhancements in Terminals B and C, runway safety improvements and expansion of the Airports Authority office building, to the construction of a consolidated communications center, an airport rescue and fire fighting facility and an additional parking deck on top of the existing Garages A and B/C. The following is a brief summary of projects at Reagan National estimated to cost $50 million or more.

- **Rehabilitation of Terminal A.** This project includes selective restoration and rehabilitation of the existing historic Terminal A to improve air carrier and commuter aircraft accommodations. Work includes demolition of additions to the original terminal, installation of new loading bridges, reconfiguration and/or relocation of ticketing and baggage claim areas, rehabilitation of the heating/cooling systems, and other related improvements. Minor upgrades include curb front enhancements, lobby modifications, and restroom upgrades. To date, the Terminal A airside and landside facade restoration, the south finger demolition and miscellaneous architectural and mechanical upgrades have been completed.

- **Terminal Modifications for In-Line Baggage Screening.** In order to satisfy security requirements and to better accommodate in-line baggage screening equipment, certain modifications to the terminal buildings are required at Reagan National. The design portion of this project was completed in March 2008. The Airports Authority does not expect to install the in-line baggage screening unless it receives substantial federal financial assistance to help defray its costs. Approximately 75% of this project is eligible to be funded by the TSA and the Airports Authority expects to apply for additional federal funds to finance the remaining portion of this project in calendar year 2009.

- **Expansion of Parking Garages.** This project includes installation of a new parking deck on garages A and B/C, which will add approximately 1,424 new parking spaces.

Dulles International

The 2001-2016 CCP includes approximately $4.4 billion in projects at Dulles International ranging from rehabilitation and renovation of Concourses C and D, the mobile lounges, the access highway, the existing runways and the Dulles International police station, to the construction of gate additions to Concourse B, including two gates that can accommodate A380 aircraft, the expansion of the Main Terminal, the construction of the Cargo Building 6 and the installation of security enhancements at the airport. The following is a brief description of projects that cost or are estimated to cost $50 million or more.

<u>Completed Projects</u>

- **Main Terminal Rehabilitation.** Main Terminal rehabilitation included the renovation of the ticketing and baggage claim levels of the original Main Terminal, new ticket counter kiosks and baggage claim devices, a new below-grade southeast baggage basement and a new two level east baggage basement. This project was completed in the summer of 2005.

- **Parking Garages and Surface Parking.** Two new parking garages north and west of the Main Terminal provide approximately 8,325 public parking spaces. The Daily 2 Parking Garage opened to the public in March 2002, and the Daily 1 Parking Garage opened in April 2003. An underground pedestrian walkway that connects the Daily 1 Parking Garage to the Main Terminal was completed in March 2004. The two-phased construction of a new employee remote surface parking lot located in the northern area of Dulles International that provides 5,008 employee parking spaces was completed in April 2006.

- **Pedestrian Tunnel.** A pedestrian tunnel with moving walkways that provides a transportation alternative to the AeroTrain system was constructed between the Main Terminal and Concourse B. The tunnel contains moving walkways in each direction, signage, lighting, a fresh air system and fire protection. This project was completed in November 2004.

- **North Utility System Upgrades.** Upgrades to the landside, terminal and airside utility services, including gas, electricity, water, heating/cooling and telecommunications, were completed in July 2006. Existing facility upgrades include new north area buildings and utility tie-ins and expanded potable water storage and voice and data telecommunication infrastructure.

- **Airport Traffic Control Tower.** A new tower with an improved line-of-sight to the runways over the terminal and concourse areas was completed in July 2006 to replace the existing tower. This new tower includes site and infrastructure improvements and a support building with vehicular parking and access utilities and FAA control and communications requirements. The FAA occupied the facility in July 2007.

- **Concourse B West Expansion.** This project includes an addition to the west side of Concourse B to provide holdroom, concession, restroom and baggage basement area and other associated facilities to accommodate 15 narrow-body aircraft. Fourteen narrow-body aircraft gates have been completed and were placed in service in 2008. One remaining gate will be available upon completion of the Concourse B AeroTrain station in July 2009.

- **Jet Fuel Pipeline Extension and Related Facilities.** Planning, design and construction of on-airport facilities required to accommodate the extension of a jet fuel pipeline to Dulles International to increase the supply and storage of jet fuel. This project was completed in January 2008.

- **Fourth Runway and Associated Taxiways.** The fourth runway became operational in November 2008. The fourth runway is parallel to the existing north-south runways and is 9,400 feet in length and 150 feet wide, with 35 foot shoulders. The runway includes four high-speed exit taxiways, a parallel taxiway and several connecting taxiways and is equipped with an instrument landing system and associated lighting systems.

<u>Scheduled Projects</u>

- **North Area Road Improvements.** The growing passenger demand at Dulles International has increased traffic on the landside access roads. This project provides a multi-year program of widening, grade separation, interchange improvements and extensions on various sections of the Dulles International roadway system.

- **Main Terminal Security Mezzanine/AeroTrain Station.** The security mezzanine will complete the Main Terminal expansion by creating two large subsurface screening mezzanines and the Main Terminal AeroTrain station. In the future, passengers will move from the security mezzanine and connect to either the AeroTrain station, pedestrian tunnel or Z-Gates at the Main Terminal. The Main Terminal Security Mezzanine/AeroTrain Station is scheduled to open in the summer of 2009.

- **Domestic AeroTrain System.** The first phase of the domestic AeroTrain system will move passengers between the Main Terminal and stations at Concourses A, B and C. The concourse stations will allow for boarding the AeroTrain in each direction. Escalators, elevators and stairs will provide the connection between the concourse level and the station. The AeroTrain system largely will replace the mobile lounge system as the principal means of transportation between the Main Terminal and midfield concourses. The domestic AeroTrain system is scheduled to become operational in the summer of 2009.

- **Airfield Taxilanes and Aprons.** Construction of several airfield taxilanes, aprons, and aircraft hydrant fueling will provide better access to the runways and improve ground flow to the gates and aircraft hardstands.

- **Terminal Modifications for In-Line Baggage Screening.** In order to satisfy security requirements and to better accommodate in-line baggage screening equipment, certain modifications to the terminal buildings are required at Dulles International. As of March 2009, the design phase of this project was 40% complete. The Airports Authority expects to complete the design and, subject to an agreement with the TSA, begin construction of a portion of the in-line baggage screening system in 2009. Approximately 75% of this project is eligible to be funded by the TSA. The Airports Authority expects to apply for additional federal funds to finance the remaining portion of this project in calendar year 2009.

- **Metrorail Station**. The Dulles Metrorail Station is planned as the ninth of eleven stops on the proposed Metrorail "Silver Line" extension that will originate at the existing East Falls Church Metrorail Station in Falls Church, Virginia, and end at the proposed Route 772 Metrorail Station in Loudoun County, Virginia. The station will be underground between the Main Terminal and Daily Garage 1 and will provide vertical circulation to the existing landside walkback tunnel system. The proposed Silver Line will connect to the entire Metrorail system from the East Falls Church Station.

- **International Arrivals Building Expansion.** This project provides for rehabilitation and expansion of the existing Main Terminal IAB to accommodate current passenger security requirements and to meet forecasted levels of passenger growth.

Deferred Projects

As a result of the Airports Authority's periodic reviews of the CCP, the Airports Authority has deferred certain projects authorized as part of the CCP, but expects to reassess the CCP on a regular basis and make further adjustments based on passenger and airline activity, security considerations and other factors. Design work may continue on some of the deferred projects to ensure compatibility with on-going CCP projects and to permit construction of the deferred projects to proceed as soon as the Airports Authority determines that activity levels warrant their activation.

In September 2008, the Airports Authority deferred the construction of the Tier 2 Concourse and related facilities, the construction of the consolidated rental facility and the expansion of the south utility service complex. The cost of all deferred CCP projects, including those deferred by the Airports Authority in September 2008, is currently estimated at $4.1 billion. The cost of the deferred projects is not included in the cost of the 2001-2016 CCP. The following is a brief description of deferred projects that are estimated to cost $50 million or more:

Reagan National

- **Regional Commuter Terminal.** This project will include the construction of a new 10-gate terminal and a one-story building of approximately 30,000 square feet.

Dulles International

- **Tier 2 Concourse and Related Facilities.** The Tier 2 Concourse is a 43-gate, two-level midfield concourse that would replace the existing Concourses C and D and include a concourse facility, federal inspection station, West AeroTrain system station, apron, sterile corridors, hydrant fueling and taxilane reconstruction. The project also includes the demolition of Concourses C and D. In May 2001, United and the Airports Authority agreed to commence the design and construction of the Tier 2 Concourse and related facilities. United was to be the principal tenant and pay rates and charges sufficient to finance the construction of the Tier 2 Concourse and related facilities. As part of the resolution of its bankruptcy proceedings in 2006, United and the Airports Authority agreed to cancel the agreement to construct the new concourse, and United agreed to reimburse the Airports Authority $20.3 million for the expenses the Airports Authority incurred in designing the Tier 2 Concourse and related facilities. After emerging from bankruptcy, United resumed discussions with the Airports Authority regarding the development of the Tier 2 Concourse but no agreement was reached. In June 2008, the Airports Authority ceased all planning and design work on the Tier 2 Concourse and related facilities. The Airports Authority may proceed with the construction of the Tier 2 Concourse but only if and when it deems the project necessary based on projected airline operations and passenger demand at Dulles International. If and when that occurs, the Airports Authority expects the design of the Tier 2 Concourse to significantly differ from plans developed to date.

- **International AeroTrain System.** In addition to the loop domestic AeroTrain system, plans call for the ultimate development of an international AeroTrain system to transport arriving international passengers to the Main Terminal IAB.

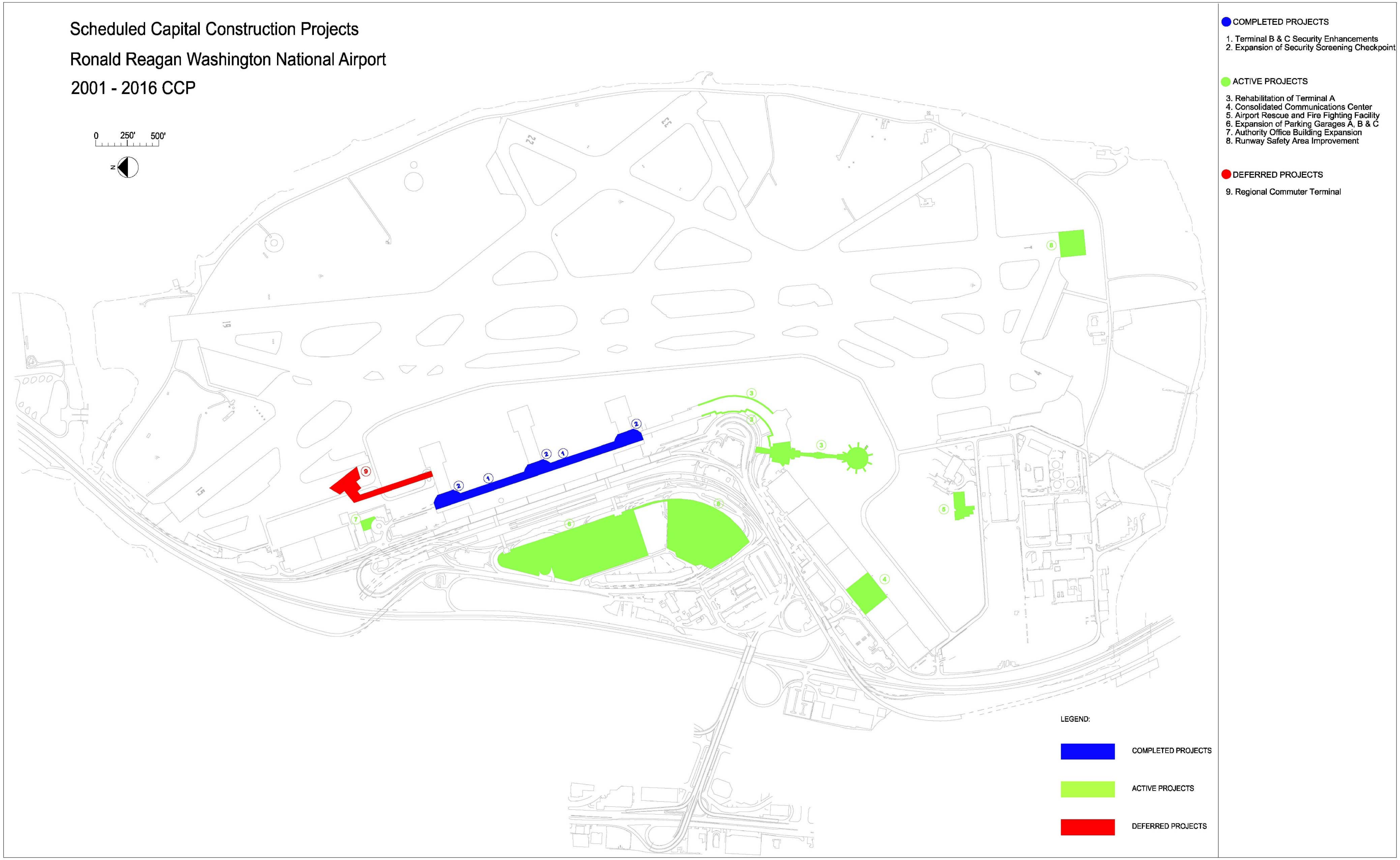
- **Pedestrian Tunnel Extension.** This project will extend the existing pedestrian tunnel with moving walkways from Concourse B to the Tier 2 Concourse.

- **South Utility System Expansion.** This project will develop a southern utility service complex which includes gas, electricity, water, heating/cooling and telecommunications to serve Tier 2 Concourse through a utility tunnel. Planned work includes the construction of a new south utility building, utility tunnel, trunk lines and a south area electrical substation and distribution center.

- **Consolidated Rental Car Facility.** This project involves the design and construction of a consolidated rental car facility which includes parking decks, customer services areas and ready lot facilities.

- **Tier 3 Concourse.** The Tier 3 Concourse, when constructed, would have three piers with capacity to support 37 narrow body aircraft while maintaining flexibility to support A380 aircraft as well as necessary ancillary facilities. Construction of the Tier 3 Concourse will not commence until the Airports Authority deems the construction necessary based on projected passenger demand levels at Dulles International and it has received either MII approval from the Signatory Airlines or commitments to lease 80% or more of the leasable premises in the Tier 3 Concourse, as provided in the Airline Agreement.

- **Taxiway G.** This project provides for the design and construction of a new taxiway south of Tier 3 connecting the east and west runways.


Scheduled Capital Construction Projects
Ronald Reagan Washington National Airport
2001 - 2016 CCP
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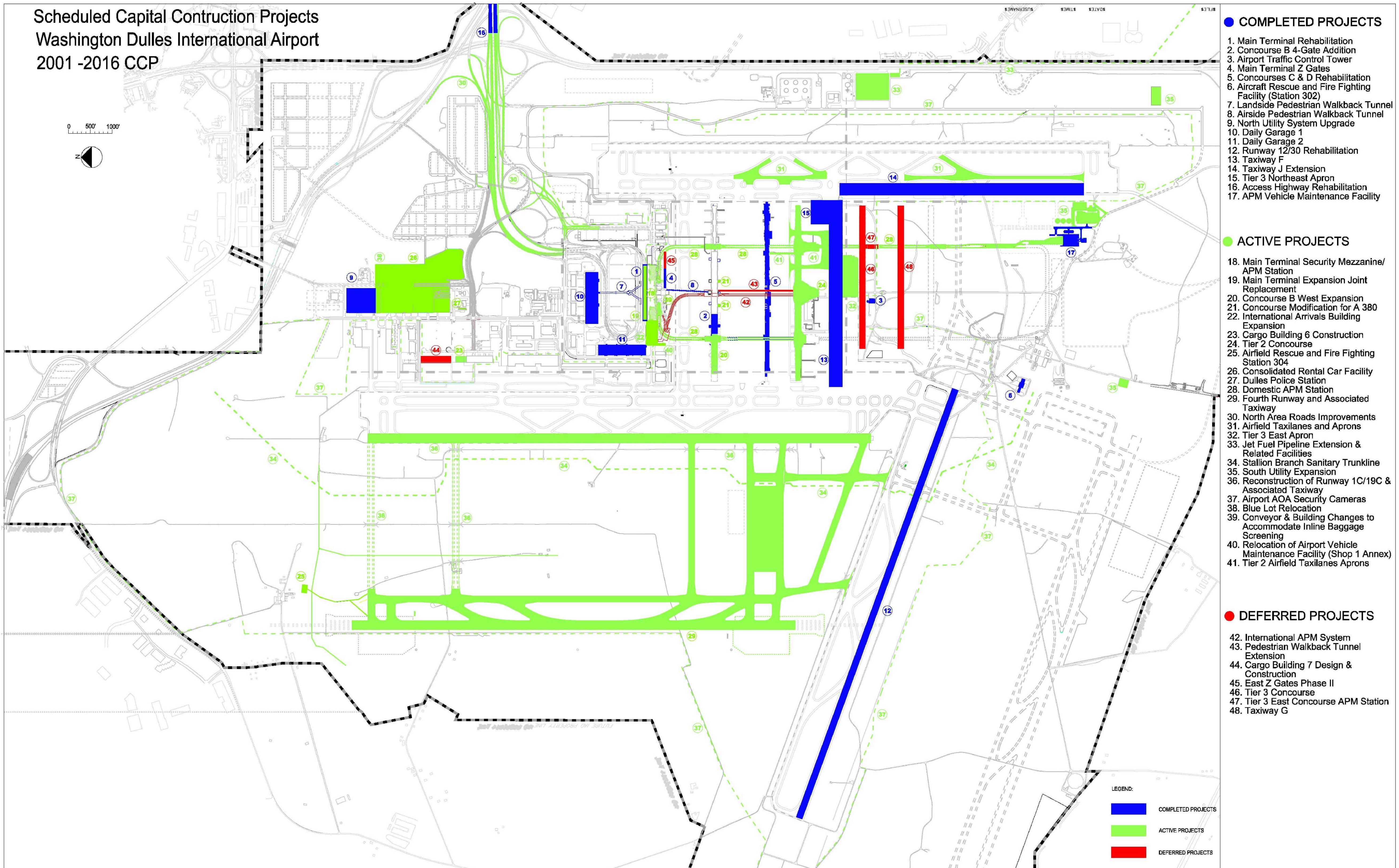
N
COMPLETED PROJECTS
1. Terminal B & C Security Enhancements
2. Expansion of Security Screening Checkpoint
ACTIVE PROJECTS
3. Rehabilitation of Terminal A
4. Consolidated Communications Center
5. Airport Rescue and Fire Fighting Facility
6. Expansion of Parking Garages A, B & C
7. Authority Office Building Expansion
8. Runway Safety Area Improvement
DEFERRED PROJECTS
9. Regional Commuter Terminal
LEGEND:
COMPLETED PROJECTS
ACTIVE PROJECTS
DEFERRED PROJECTS


Scheduled Capital Contruction Projects
Washington Dulles International Airport
2001 -2016 CCP
COMPLETED PROJECTS
1. Main Terminal Rehabilitation
2. Concourse B 4-Gate Addition
3. Airport Traffic Control Tower
4. Main Terminal Z Gates
5. Concourses C & D Rehabilitation
6. Aircraft Rescue and Fire Fighting Facility (Station 302)
7. Landside Pedestrian Walkback Tunnel
8. Airside Pedestrian Walkback Tunnel
9. North Utility System Upgrade
10. Daily Garage 1
11. Daily Garage 2
12. Runway 12/30 Rehabilitation
13. Taxiway F
14. Taxiway J Extension
15. Tier 3 Northeast Apron
16. Access Highway Rehabilitation
17. APM Vehicle Maintenance Facility
ACTIVE PROJECTS
18. Main Terminal Security Mezzanine/ APM Station
19. Main Terminal Expansion Joint Replacement
20. Concourse B West Expansion
21. Concourse Modification for A 380
22. International Arrivals Building Expansion
23. Cargo Building 6 Construction
24. Tier 2 Concourse
25. Airfield Rescue and Fire Fighting Station 304
26. Consolidated Rental Car Facility
27. Dulles Police Station
28. Domestic APM Station
29. Fourth Runway and Associated Taxiway
30. North Area Roads Improvements
31. Airfield Taxilanes and Aprons
32. Tier 3 East Apron
33. Jet Fuel Pipeline Extension & Related Facilities
34. Stallion Branch Sanitary Trunkline
35. South Utility Expansion
36. Reconstruction of Runway 1C/19C & Associated Taxiway
37. Airport AOA Security Cameras
38. Blue Lot Relocation
39. Conveyor & Building Changes to Accommodate Inline Baggage Screening
40. Relocation of Airport Vehicle Maintenance Facility (Shop 1 Annex)
41. Tier 2 Airfield Taxilanes Aprons
DEFERRED PROJECTS
42. International APM System
43. Pedestrian Walkback Tunnel Extension
44. Cargo Building 7 Design & Construction
45. East Z Gates Phase II
46. Tier 3 Concourse
47. Tier 3 East Concourse APM Station
48. Taxiway G
LEGEND:
COMPLETED PROJECTS
ACTIVE PROJECTS
DEFERRED PROJECTS
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1000'
N

Environmental Approvals

Portions of the 2001-2016 CCP require approval by the FAA to use federal grant funds and are subject to environmental review and approval as required by the National Environmental Policy Act ("NEPA"). The nature of the review depends on the potential for a project or a group of interrelated projects to produce a significant impact on the natural or human environment. The three levels of NEPA review are categorical exclusions, environmental assessments and environmental impact statements ("EIS").

A categorical exclusion is a determination by the FAA that the action or project falls into a category of actions that the FAA has identified, based on its experience, as having minimal likelihood of causing a significant environmental impact. Examples include replacement of airfield paving and extension of a taxiway. No additional environmental consideration is required for a project that falls within this category unless there are extraordinary circumstances that would cause the project to be further reviewed. An example of an extraordinary circumstance might be when an action is highly controversial on environmental grounds, and there is no agreement on the effect of the proposed action on the environment.

An environmental assessment is a formal, detailed evaluation of environmental conditions to determine whether a proposed action is likely to have a significant environmental impact. It involves a consideration of alternative actions and the process includes an opportunity for public review and comment. The two outcomes of an environmental assessment are a "finding of no significant impact" or a decision that an EIS is required.

An EIS is prepared by the FAA when there is a federal action with a potentially significant impact on the environment. Public involvement is required to determine the scope of the environmental review and the issues and alternatives to be addressed. A draft EIS is published for public review and comment, including a public hearing. The FAA then prepares a final EIS and eventually makes a decision on the project.

Portions of the 2001-2016 CCP are categorically excluded from further environmental review. An environmental assessment and a finding of no significant impact has been completed and issued by the FAA for the Tier 2 Concourse and related projects, including the AeroTrain system, as well as the new air traffic control tower at Dulles International.

The fourth and fifth runways at Dulles International required a full EIS by the FAA. The EIS process commenced in 2002, and was completed in October 2005, when the FAA issued a Record of Decision that allows the Airports Authority to receive federal grant funds for the project. The construction of the runways and many of the south area projects are expected to have an adverse impact on existing wetlands and streams at Dulles International and, as a result, the Airports Authority has provided appropriate mitigation by purchasing wetland credits and stream impact mitigation credits for near-term construction and developing a long-range wetland mitigation program for future work. The Airports Authority placed the fourth runway in service in November 2008. The Airports Authority has obtained all environmental approvals required to construct the fifth runway. The EIS for the fifth runway expires in 2015.

PLAN OF FUNDING FOR THE 2001-2016 CCP

The cost of constructing the projects in the 2001-2016 CCP is expected to be approximately $4.84 billion when adjusted for inflation. The 2001-2016 CCP does not include approximately $4.1 billion of deferred CCP projects. See "2011-2016 CCP – Deferred Projects." The Airports Authority plans to finance the 2001-2016 CCP projects with the proceeds of Bonds, CP Notes, federal and state grants, PFCs and other available Airports Authority funds. The following table sets forth estimated funding sources for the 2001-2016 CCP. This table was prepared in connection with the Report of the Airport Consultant dated March 9, 2009, and has not been updated to reflect the final terms of the Series 2009A-B Bonds.

2001-2016 CCP
Estimated Sources of Funding

Proceeds from Prior Bonds[1,2]	$ 2,732,854,983
Series 2009B Bonds[2,3]	8,684,806
Future Bonds[2,3]	246,487,345
Subtotal from Bonds	$ 2,988,027,134
PFCs	$ 1,208,335,021
Federal and State Grants	639,801,856
Total	$ 4,836,164,011

[1] Includes only that portion of previously issued Bonds, CP Notes and BANs that funded construction costs in 2001 and thereafter.
[2] Includes assumed interest earnings on construction fund deposits.
[3] Includes only that portion of the Series 2009B Bonds and future Bonds that will fund construction costs.

Sources:Airports Authority and P. G. Corbin & Company, Inc.

Funding Source: Bond Proceeds

To fund a portion of the costs of the 2001-2016 CCP, the Airports Authority previously issued Bonds totaling approximately $3.4 billion of which $2.7 billion was used to fund the 2001-2016 CCP, with the balance used to fund capitalized interest, reserve requirements and financing costs. After the issuance of the Series 2009B Bonds, additional Bonds of approximately $387.7 million are expected to be issued to fund approximately $246.5 million of 2001-2016 CCP project costs (adjusted for inflation), excluding reserve requirements, capitalized interest and financing costs.

Funding Source: Federal and State Grants

The FAA's AIP consists of entitlement funds and discretionary funds. Entitlement funds are distributed through grants by a formula currently based on the number of enplanements and the amount of landed weight of arriving cargo at individual airports. Discretionary funds are distributed through FAA Letters of Intent ("LOI") which are based on the FAA's assessment of national priorities. A LOI represents the FAA's intention to obligate funds from future federal budget appropriations for the program. The Airports Authority to date has received LOI commitments totaling $211.8 million for 2001-2016 CCP projects at Dulles International, including $200.2 million to finance a portion of the design and construction of the fourth runway and associated taxiways and the cost of the environmental study of Dulles International. As of February 2009, $121.7 million in LOI funds had been received by the Airports Authority.

The AIP has been reauthorized through September 30, 2009. Between January 2001 and December 2008, the Airports Authority received $74.4 million in entitlement and discretionary grant funds.

In February 2004, the Airports Authority submitted to the TSA an LOI request for $231.1 million to finance the building modifications to better accommodate the in-line baggage screening system at each Airport. In 2008, the Airports Authority revised the LOI request to $288.8 million to reflect increased project cost estimates. Although the Department of Homeland Security has Congressional authorization to provide grants to airports for up to 75% of the cost of such modifications, thus far, the Department of Homeland Security has made grants to few airports.

The Commonwealth through the aviation portion of its Transportation Trust Fund provides grants to Virginia airport operators. Since 1995, the Airports Authority has received approximately $15.9 million in state grants. The Airports Authority expects to receive an additional $13.2 million between 2009 and 2016.

Revenues received by the Airports Authority pursuant to these federal and state grants are expressly excluded from the definition of "Revenues" under the Indenture and will not be pledged to secure the Bonds.

Funding Source: PFCs

The Airports Authority began collecting a $3.00 PFC in 1994 and increased the PFC to $4.50 in May 2001. An airport must apply to the FAA for the authority to impose a PFC and to use the PFC moneys collected for specific FAA-approved projects. Since Reagan National and Dulles International collect a $4.50 PFC, federal entitlement grant moneys that otherwise would have been received under the AIP have been reduced by 75%.

The Airports Authority has submitted and gained approval of five series of PFC applications, with associated amendments, covering both Airports in the amount of $3.0 billion. As of November 30, 2008, the Airports Authority had collected $387 million (including interest earned) under the first four of these applications at Reagan National and $447 million (including interest earned) at Dulles International. The collection dates for approved PFC applications at Reagan National will expire on March 1, 2015, and at Dulles International on December 31, 2038. If the amounts authorized to be collected have not been collected by the expiration dates, it is expected that the authorization to collect the PFCs will be extended.

On March 6, 2009, the FAA approved the Airports Authority's request to amend PFC application No. 4 to extend the collection period from 2018 through 2038, and to allow the Airports Authority to use PFC revenues to pay the principal and interest on the Bonds used to fund certain CCP projects at Dulles International.

The following table sets forth a summary of the Airports Authority's approved PFC applications.

Approved PFC Applications[1]

PFC Application	Approval Date	Initial Approved Amount	Amended Approved Amount	Total Amount Collected as of November 30, 2008[2]
#1a - Reagan National	August 1993	$ 166,739,071	$ 166,410,356	$ 166,410,356
#1b - Dulles International	October 1993	199,852,390	221,916,682	221,916,682
#2a - Reagan National	May 2000	120,027,100	131,397,000	131,397,000
#2b - Dulles International	May 2000	81,748,000	72,508,092	72,508,092
#3a - Reagan National	July 2002	33,895,949	33,895,949	33,895,949
#3b - Dulles International	September 2002	59,102,550	58,903,463	58,903,463
#4a - Dulles International	August 2005	672,867,049	2,089,325,913	93,701,066
#4b - Reagan National	March 2006	146,603,508	146,603,508	55,385,184
#5a - Reagan National	April 2008	124,914,400	124,914,400	-
Total		$1,605,750,017	$ 3,045,875,363	$ 834,117,792

1 PFC application Numbers 1 and 2 were originally for the collection of $3.00 per enplaning passenger. In May 2001, the FAA approved amendments to PFC application Numbers 1 and 2 for Reagan National and Dulles International, authorizing the Airports Authority to collect an additional $1.50 PFC per enplaning passenger.

2 Includes interest income earned on PFCs held by the Airports Authority and restricted to use for PFC projects.

To provide liquidity for the funding of projects under the CCP, the Airports Authority has delivered to the Bank of America PFC Notes in an amount up to $495.9 million, secured by a pledge of the Airports Authority's PFC revenues. Currently, $432 million of PFC Notes are outstanding. The maturity date of the PFC Notes is June 1, 2017. The agreement with Bank of America includes a covenant by the Airports Authority that, in the event the Airports Authority's ability to impose or use PFCs is revoked, the Airports Authority will, to the extent it may do so lawfully and consistent with the Indenture, issue Bonds secured by Net Revenues to repay all outstanding PFC Notes. This covenant is subject to all applicable conditions precedent to the Airports Authority's ability to issue Bonds for the projects funded with the PFC Notes, including the conditions stated in the Airline Agreement and the additional Bonds test of the Indenture. In addition, the Airports Authority may expand the PFC Note program or institute an alternative financing mechanism to leverage additional PFCs. The Airports Authority plans to refund the outstanding PFC Notes with the proceeds of additional Bonds issued at a variable rate and make an irrevocable commitment to use $35 million of PFC revenues per year to pay Annual Debt Service on the Bonds from 2009 through 2016. See Part I, "AIRPORTS AUTHORITY INDEBTEDNESS – PFC Secured Indebtedness."

The FAA is authorized to terminate the authority to impose PFCs if the Airports Authority's PFC revenues are not being used for FAA-approved projects, if project implementation does not commence within the time periods specified in the FAA's regulations or if the Airports Authority otherwise violates FAA regulations. The authority to impose a PFC also may be terminated if the Airports Authority violates certain informal and formal procedural safeguards which must be followed. The Secretary of Transportation may authorize an airport operator, including the Airports Authority, to use PFC revenues to finance non-approved projects if such use is necessary due to the financial need of an airport. See also "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS – Effect of Airline Bankruptcies – PFCs."

The calculation of Net Revenues pledged under the Indenture expressly excludes the proceeds of any PFC or similar charge levied by or on behalf of the Airports Authority unless the Airports Authority takes action to treat these funds as Net Revenues. The Airports Authority has not taken any such actions, and therefore, any PFC or similar charge collected by the Airports Authority currently is not pledged to secure the Bonds. By August 1, 2009, however, the Airports Authority currently plans to irrevocably commit $35 million of PFC revenues per year to pay Annual Debt Service on the Bonds from 2009 through 2016.

The following table sets forth the annual collections of PFCs, plus interest income, from 1994 through the first eleven months of 2008.

PFC Collections

Calendar Year[1]	Reagan National	Dulles International	Total[2]
1994	$ 18,894,159	$ 11,164,708	$ 30,058,867
1995	19,895,052	13,585,354	33,480,406
1996	20,415,577	17,255,415	37,670,992
1997	19,922,714	16,080,610	36,003,324
1998	20,653,430	18,889,787	39,543,217
1999	19,024,173	24,096,445	43,120,618
2000	19,873,021	24,126,617	43,999,638
2001[3]	23,169,094	28,150,741	51,319,835
2002	25,050,752	31,582,074	56,632,826
2003	27,498,164	31,014,365	58,512,529
2004	29,824,841	42,162,043	71,986,884
2005	35,112,158	55,759,361	90,871,519
2006	38,918,474	43,240,383	82,158,857
2007	37,462,684	47,382,752	84,845,436
2008[4]	31,374,196	42,538,648	73,912,844
	$ 387,088,489	$ 447,029,303	$ 834,117,792

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1 The Airports Authority changed its fiscal year from an annual period ending September 30 to an annual period ending December 31 effective January 1, 1997.
2 Represents actual annual PFC collections but does not include accruals.
3 The Airports Authority began collection of a $4.50 PFC in May 2001.
4 Includes collections only from January 1 through November 30, 2008.

CERTAIN AGREEMENTS FOR USE OF THE AIRPORTS AUTHORITY'S FACILITIES

Airport Use Agreement and Premises Lease

The Airports Authority has entered into the Airline Agreement, on substantially identical terms, with nearly all of the airlines providing service at Reagan National and/or Dulles International. The Airline Agreement provides for the use and occupancy of facilities at the Airports and establishes the rates and charges, including landing fees and terminal rents to be paid by the Signatory Airlines. Airline rates and charges are calculated using a methodology where the Airports Authority costs, including debt service and debt service coverage, are allocated to separate cost centers at each Airport and each Signatory Airline's rates and charges are based on pro rata use of the facilities within these cost centers. Each Signatory Airline's payment includes its pro rata share of the Airports Authority's total requirements in the airline cost centers (including a component representing debt service plus debt service coverage of 25%), less transfers from the prior year. Airline fees pay for the cost centers of facilities utilized by air carriers. The Airports Authority's other revenues, principally concession revenue, pay for other cost centers such as roadways, parking areas and non-airline revenue generating portions of the terminal. See APPENDIX D – "Summary of Certain Provisions of the Airport Use Agreement and Premises Lease."

The Airline Agreement has rate making features that are designed to ensure that the Airports Authority's debt service and related coverage obligations under the Indenture are met. The Airline Agreement authorizes the Airports Authority to make immediate rate adjustments in the event that projected revenues are not adequate to meet the rate covenant under the Indenture, which adjustments are referred to as "Extraordinary Coverage Protection Payments" under the Airline Agreement. The Indenture requires that there be 125% coverage on the debt service on the Bonds. Under the Airline Agreement, the Airports Authority sets its rates and charges at each Airport to recover its costs in the airline-supported cost centers. The Airports Authority recovers its capital costs at each Airport by charging 100% of debt service plus debt service coverage of 25% to satisfy the 125% debt service coverage covenant included in the Indenture. Under the Airline Agreement, in the event that the 125% debt service coverage is not met at an Airport, the rate adjustment will occur at that Airport where the coverage was not met. In the event that the Airports Authority is unable to adjust rates sufficiently at the Airport that failed to generate the required 125% debt service coverage, under the Airline Agreement, the Airports Authority shall adjust the rates at the other Airport as necessary to fulfill the Airports Authority's obligation to meet the debt service coverage covenant required by the Indenture. See APPENDIX D – "Summary of Certain Provisions of the Airport Use Agreement and Premises Lease."

An airline that files for bankruptcy has the right to reject its Airline Agreement with the Airports Authority. In the event the Airports Authority does not recover all of its costs pursuant to the Airline Agreement with a bankrupt carrier, the Airports Authority may adjust the rates and charges for all Signatory Airlines in a subsequent rate period to recover the rates and charges due from the bankrupt carrier. As a result, if a Signatory Airline were to reject its lease of space at either Airport, the unrecovered rental costs could be allocated among the remaining airline tenants.

If an airline is not a Signatory Airline, such airline is required to pay rates and charges set by the Airports Authority in accordance with its regulations and resolutions of the Board and consistent with FAA requirements that such rates and charges be reasonable and non-discriminatory. While the Airports Authority believes that its rate-making methodologies, including its allocation of costs for purposes of establishing rates and charges, are reasonable, no assurance can be given that challenges by an airline will not be made to the rates and charges established by the Airports Authority or its methods of allocating particular costs. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS – Effect of Airline Bankruptcies."

The Airline Agreement expires on September 30, 2014, which is prior to the completion of the 2001-2016 CCP. It also may be terminated by the Airports Authority on September 30 of any year on 180 days notice to the Signatory Airlines. Except in limited circumstances, the Signatory Airlines cannot terminate the Airline Agreement while Bonds are outstanding. The Signatory Airlines do have a right to terminate the Airline Agreement if the Airports Authority determines to issue Bonds for a project in the airline-supported areas costing $25 million or more that requires an MII approval of the Signatory Airlines and such approval is not obtained. If MII approval is not obtained, the Airports Authority must defer the issuance of Bonds for that project for one year. Thereafter, the Airports Authority may issue Bonds for the project. However, if an MII approval of the Signatory Airlines still is not obtained after one year has elapsed, a Signatory Airline has 60 days to give the Airports Authority notice of intent to terminate its Airline Agreement in 180 days. Even if a Signatory Airline gives timely notice to the Airports Authority, the Airports Authority may elect not to issue Bonds, in which case the Signatory Airline's notice of intent to terminate will not be effective. Under the Airline Agreement, the Airports Authority is permitted to negotiate the Airline Agreement prior to its expiration.

The Airline Agreement is not assigned or pledged to the Trustee as security for the Bonds. The Airline Agreement may be amended at any time without the consent of the Holders of the Bonds. If for any reason the Airline Agreement is amended, expires or is terminated, the Airports Authority will set airline rates and charges in accordance with a successor agreement or its regulations and resolutions of the Board, consistent with FAA requirements that such rates and charges be reasonable and in an amount sufficient to satisfy the rate covenant in the Indenture. Such amendments, successor agreement or regulations could affect the Net Revenues projected by the Airport Consultant in the Report of the Airport Consultant. See APPENDIX A – "Report of the Airport Consultant" and APPENDIX D – "Summary of Certain Provisions of the Airport Use Agreement and Premises Lease." The Airline Agreement has been amended to exclude the DTR Revenues from the definition of "Revenues" and to ensure that no Revenues from the operation of the Airports will be used to support the operation of the DTR or finance the DTR improvements or the Metrorail Extension Project. See Part I, "INTRODUCTION – Operation of the Dulles Toll Road and Construction of the Metrorail Extension to Dulles International."

The Airline Agreement also provides that, in accordance with a formula, the Airports Authority will share its revenue, after certain expenses, referred to as Net Remaining Revenues ("NRR"), with the Signatory Airlines. To calculate the Airports Authority's and the Signatory Airlines' respective shares of NRR, the total amount of NRR is first segregated by Airport. NRR at each Airport is then reduced by depreciation, debt service coverage on Subordinated Bonds and coverage in the tenant equipment cost centers allocable to each Airport, with the Signatory Airlines receiving 100% of an amount equal to the debt service coverage on any Subordinated Bonds and coverage in the tenant equipment cost centers and the Airports Authority receiving 100% of an amount equal to depreciation. The remaining amount of NRR at each Airport is divided equally between the Airports Authority and the Signatory Airlines up to a plateau of $8 million at Reagan National and $12 million at Dulles International (both in 1989 dollars), which when adjusted annually in accordance with U.S. Implicit Price Deflator Index equals $11.5 million at Reagan National and $17.3 million at Dulles International (both in 2007 dollars). The remainder is split with 25% allocated to the Airports Authority and 75% allocated to the Signatory Airlines. The Signatory Airlines' share of NRR is used to lower airline rates and charges in the year following the year that the NRR is earned. The Airports Authority uses its share of NRR to fund its Capital, Operating and Maintenance Investment Program.

Terminal Concession Agreements

The Airports Authority has agreements to lease space to certain concessionaires who provide food, beverages, specialty retail, newspapers and other sundry items to users of the Airports. The Airports Authority has a management contract with Westfield Concession Management, Inc. ("Westfield") for the food and beverage and retail operations at Reagan National that expires on June 30, 2010, under which Westfield sub-leases all food and beverage and retail facilities at Reagan National. Westfield receives a fee from the Airports Authority for leasing and managing these facilities.

The Airports Authority has a management contract with Westfield for the food and beverage operations at Dulles International that expires on March 31, 2014. The Airports Authority also has a separate contract with Westfield for retail facilities at Dulles International that expires on June 30, 2010. Under both of these contracts, Westfield sub-leases the food and beverage and retail facilities at Dulles International and receives a fee from the Airports Authority for leasing and managing these facilities.

Concession contracts generally obligate the concessionaire to pay the higher of a percentage of gross revenues or a MAG to the Airports Authority. Typically these contracts extend for a period of three to five years, although some contracts extend for longer periods. The concession contracts are awarded on the basis of competitive procedures. Terminal concession revenue represented 17.1% of total concession revenue and 7.3% of total operating revenue in 2007. Terminal concession revenue represented 17.7% of total concession revenue and 7.1% of total operating revenue in the first eleven months of 2008. See table entitled "TOTAL CONCESSION REVENUES BY MAJOR CATEGORY" in Part I, "AIRPORTS AUTHORITY FINANCIAL INFORMATION."

Parking Facility Agreements

The parking facilities at the Airports are operated under two separate management contracts. The Airports Authority awarded the contract at Reagan National to AeroLink Transportation, Inc., and that contract expires on October 31, 2009. The Airports Authority awarded the contract at Dulles International to District of Columbia Parking Associates, and that contract expires on October 31, 2009. Under these management contracts, the Airports Authority retains all of the gross receipts from the public parking operation and reimburses the operator through periodic transfers to cover the operator's salaries, fringe benefits, various overhead expenses, other direct costs and general and administrative expenses. The operator is compensated through an annual fee and is also eligible for an annual performance-based incentive fee. Each off-airport public parking operator also pays the Airports Authority 4% of gross receipts derived from conducting business at Dulles International to the extent that gross receipts exceed $300,000. At Reagan National, parking revenue represented 56.7% of annual concession revenue in 2007, and 51.0% of concession revenue in the first eleven months of 2008. At Dulles International, parking revenue represented 55.5% of annual concession revenue in 2007, and 51.9% of concession revenue in the first eleven months of 2008. Parking revenue at both Airports represented 53.6% of total annual concession revenue in 2007, and 51.6% in the first eleven months of 2008, and 22.8% of total annual operating revenue in 2007, and 20.7% in the first eleven months of 2008. See table entitled "TOTAL CONCESSION REVENUES BY MAJOR CATEGORY" in Part I, "AIRPORTS AUTHORITY FINANCIAL INFORMATION."

Rental Car Facility Agreements

There currently are five on-airport rental car operators at Reagan National: Avis, Budget, DTG Operations (Dollar/Thrifty), Hertz and Vanguard (Alamo/National). The Airports Authority receives the greater of a MAG payment or 10% of the gross receipts of each on-airport rental car operator as a concession fee. Each on-airport rental car operator at Reagan National also currently assesses its customers and remits to the Airports Authority a daily customer contract fee of $2.50 established by the Airports Authority to recover the debt service associated with the construction of the rental car facilities. The only off-airport rental car company is Enterprise. Enterprise uses a bus that goes directly to the terminals and pays the Airports Authority 8% of the gross receipts generated from airport business. Alternatively, Enterprise may operate its own bus to a point away from the terminals where passengers transfer to an airport shuttle bus to the terminal and pay 4% of the gross receipts generated from airport business in excess of $300,000. Contracts with rental car operators at Reagan National were awarded on June 1, 2006, and expire on May 31, 2011.

There currently are seven on-airport rental car operators at Dulles International: Avis, Budget, Dollar, Enterprise, Hertz, Thrifty and Vanguard (Alamo/National). The Airports Authority bid the Dulles International on-airport rental car contracts in the fall of 2002. The new contracts became effective July 1, 2008, and expire on June 30, 2013. The Airports Authority receives the greater of a MAG payment or 10% of the gross receipts from each on-airport rental car operator as a concession fee. Under the prior contract, the cumulative minimum guarantee for the five-year contract term was approximately $42 million, and under the new contract the cumulative minimum guarantee for five years is approximately $80 million. Each off-airport operator also pays a $100 annual fee, plus 4% of gross receipts in excess of $300,000. There currently are no off-airport rental car companies at Dulles International.

Rental car revenue represented 15.8% of concession revenue in 2007, and 16.1% in the first eleven months of 2008, and 6.7% of total operating revenue in 2007, and 6.5% in the first eleven months of 2008. See table entitled "TOTAL CONCESSION REVENUES BY MAJORITY CATEGORY" in Part I, "AIRPORTS AUTHORITY FINANCIAL INFORMATION."

THE AIR TRADE AREA AND AIRPORTS ACTIVITY

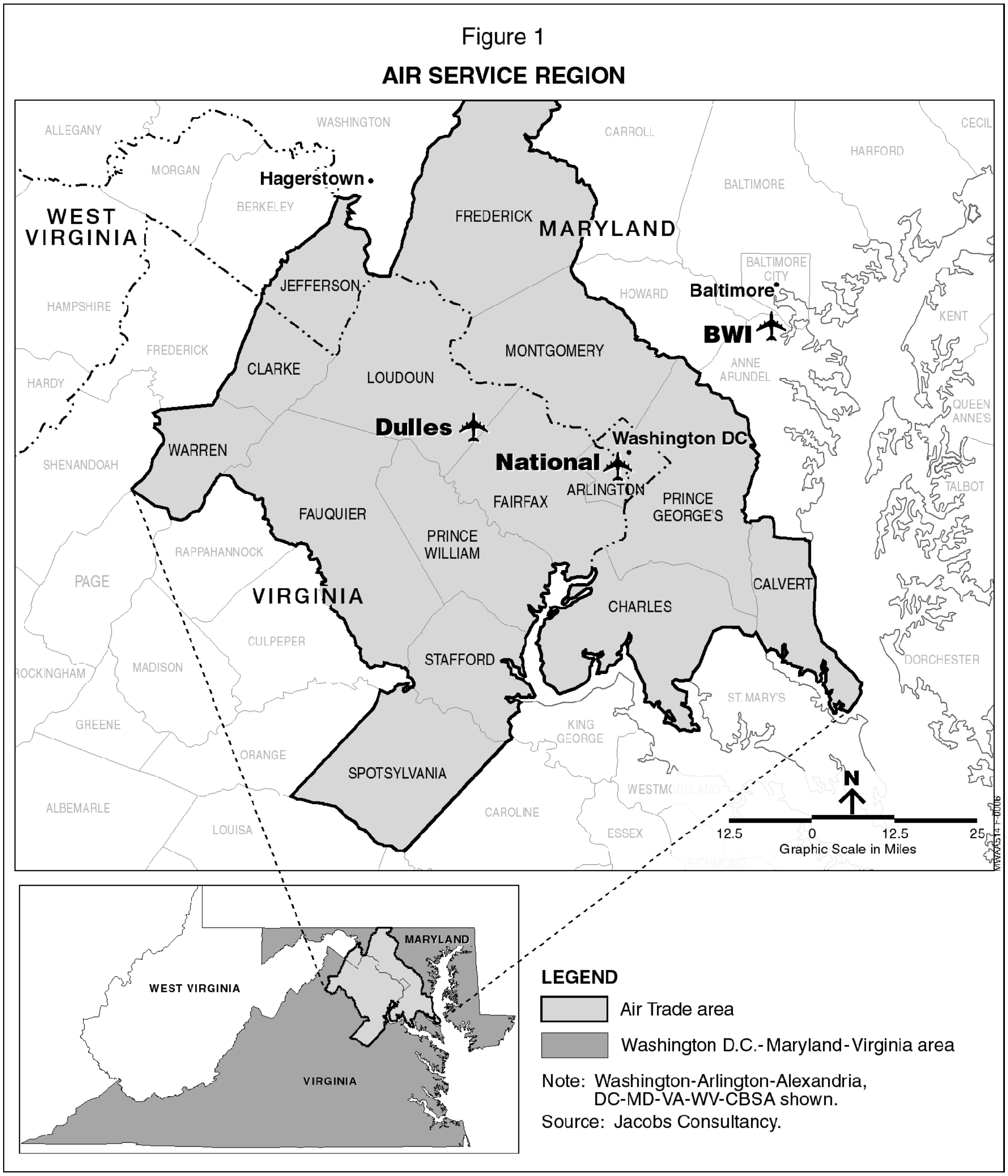
The Air Trade Area

The Airport Consultant defines the Air Trade Area for the Airports as the District of Columbia; the Maryland counties of Calvert, Charles, Frederick, Montgomery and Prince George's; the Virginia counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford and Warren; the independent Virginia cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas and Manassas Park; and the West Virginia county of Jefferson.

The population of the Air Trade Area increased at an annual compounded growth rate of 1.6% from 2000 to 2007, which was higher than the 1.0% population growth rate experienced by the United States during the same period. Per capita personal income of the Air Trade Area in 2007 was 143% of the United States average and is projected to increase an average of 1.6% per year between 2007 and 2020, the same growth rate that is projected for the United States.

Throughout the last decade, unemployment in the Air Trade Area has fluctuated between 2.5% and 4.0%, compared to the United States, where it has fluctuated between 4.0% and 6.0%. The Air Trade Area has had the lowest monthly unemployment rate of the top ten U.S. metropolitan areas for the last seven years. From 2000 to 2007, the Air Trade Area's nonagricultural employment increased at an annual compounded growth rate of 2.0%, compared to the 1.1% growth rate experienced throughout the United States. Nonagricultural employment in the Air Trade Area is projected to continue to increase at a faster rate than in the United States through 2020.

AIR TRADE AREA



Source: Report of the Airport Consultant

Airlines Serving the Airports

Listed below are scheduled airlines which served the Airports in the month of December 2008:

REAGAN NATIONAL[1]

MAJORS/NATIONALS
- AirTran Airways
- Alaska Airlines
- American Airlines
- Continental Airlines
- Delta Air Lines
- Frontier Airlines
- Midwest Airlines
- Northwest Airlines
- Spirit Airlines
- United Airlines
- US Airways[7,9]

FOREIGN FLAG CARRIERS
- Air Canada
- Air Canada Jazz (Regional)

REGIONALS/COMMUTERS
- Air Wisconsin[5]
- American Eagle[3]
- Chautauqua[2,4,5]
- Colgan Air[4,5]
- Comair[2]
- Continental Express[4]
- Freedom[2]
- Piedmont Airlines[5]
- Pinnacle[2,8]
- PSA[5]
- Republic Airline[5,10]
- Shuttle America[2]

ALL CARGO CARRIERS
- FedEx

DULLES INTERNATIONAL[1]

MAJORS/NATIONALS
- AirTran Airways
- American Airlines
- Delta Air Lines[7]
- JetBlue Airways[7]
- Northwest Airlines
- Southwest
- United Airlines[7]
- US Airways
- Virgin America

FOREIGN FLAG CARRIERS
- Aer Lingus
- Aeroflot
- Air Canada Jazz (Regional)
- Air France
- All Nippon Airways
- Austrian Airlines
- Avianca
- British Airways
- Cayman Airways
- COPA Airlines
- Ethiopian Airlines
- Grupo TACA
- Iberia
- KLM-Royal Dutch Airlines
- Korean Air
- Lufthansa German Airlines
- Qatar Amiri Air
- Saudi Arabian Airlines
- Scandinavian Airlines System
- South African Airways
- Virgin Atlantic Airways

REGIONALS/COMMUTERS
- Atlantic Southeast[2]
- Chautauqua[3,6,7]
- Colgan Air[6]
- Comair[2]
- Commutair[4]
- Compass[8]
- Continental Express[4]
- Freedom[2]
- Go-Jet[6]
- Mesa[5,6]
- PSA[5]
- Pinnacle[2,8]
- Shuttle America[6,7]
- Trans States[6]

ALL-CARGO CARRIERS
- ABX Air
- FedEx
- United Parcel Service

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1 Reflects code sharing between major/national and regional carriers only and not agreements between and among major/national carriers. Chartered carriers enplaning fewer than 1,000 passengers or less than 300 metric tons of cargo are not shown on this table.
2 Operates under a code sharing agreement with Delta.
3 Operates under a code sharing agreement with American.
4 Operates under a code sharing agreement with Continental.
5 Operates under a code sharing agreement with US Airways.
6 Operates under a code sharing agreement with United.
7 Provides domestic, and international/transborder service.
8 Operates under a code sharing agreement with Northwest Airlines.
9 On September 27, 2005, US Airways and America West Airlines merged into one airline. The new airline operates under the US Airways brand name.
10 Operates under a code sharing agreement with Midwest Airlines.

Source: Airports Authority Records

Airports Activity

Largely as a result of the Perimeter Rule, Reagan National offers primarily short and medium haul passenger flights to destinations within 1,250 miles of Washington, D.C. See "THE AIRPORTS AUTHORITY – Regulations and Restrictions Affecting the Airports." As of the first week of March 2009, nonstop service was provided from Reagan National to 73 destinations, including 69 cities nationwide as well as international destinations such as Montreal, Ottawa and Toronto in Canada and Nassau, Bahamas. In 2008, an estimated 81% of enplanements at Reagan National were origin and destination ("O&D") passengers and 19% were connecting passengers. In the twelve months ended September 30, 2008, traffic in Reagan National's top 15 domestic O&D city markets represented 53.3% of its total domestic O&D passengers. Reagan National's three largest domestic O&D markets in 2008 were New York, Chicago and Atlanta.

Dulles International serves primarily medium to long-haul markets, which is partly a function of the Perimeter Rule at Reagan National. Since 1986, Dulles International has served as a hub for United. In June 2004, Dulles International became the headquarters and the hub for Independence Air, which until August 3, 2004, had operated as Atlantic Coast Airlines ("Atlantic Coast"), United's primary express carrier at Dulles International. United replaced Atlantic Coast with other affiliates and continues to operate its United Express service from Dulles International. Independence Air filed for bankruptcy protection in November 2005, and ceased its operations in January 2006. See "Recent Enplanement Activity" below. As of the first week of March 2009, nonstop service was provided from Dulles International to 81 cities nationwide and to 39 international nonstop destinations. In 2008, an estimated 62% of enplanements at Dulles International were O&D passengers and 38% were connecting passengers. In the twelve months ended September 30, 2008, traffic in Dulles International's top 15 domestic O&D markets represented 57.7% of its total domestic O&D passengers, and its three largest domestic O&D markets were Los Angeles, San Francisco and Orlando.

Historical Activity

The following table summarizes total commercial enplanements at Reagan National and Dulles International from 1998 through 2008. Enplanements for 2001 must be considered in the context of the events of September 11, 2001. See "CERTAIN INVESTMENT CONSIDERATIONS."

Historical Commercial Enplanements[1,2]

	Reagan National		Dulles International					
	Total Enplanements	Annual Growth	Domestic Enplanements	Annual Growth	International Enplanements	Annual Growth	Annual Enplanements	Annual Growth
1998	7,895,144	0.2%	6,188,759	16.4%	1,615,194	9.0%	7,803,953	14.8%
1999	7,500,866	-5.0%	7,967,779	28.7%	1,841,705	14.0%	9,809,484	25.7%
2000	7,855,373	4.7%	7,888,431	-1.0%	2,083,201	13.1%	9,971,632	1.7%
2001	6,563,504	-16.4%	6,958,802	-11.8%	1,961,394	-5.8%	8,920,196	-10.5%
2002	6,460,451	-1.6%	6,497,774	-6.6%	2,017,724	2.9%	8,515,498	-4.5%
2003 [3]	7,102,415	9.9%	6,371,646	-1.9%	1,994,840	-1.1%	8,366,486	-1.7%
2004	7,952,071	12.0%	9,014,584	41.5%	2,309,572	15.8%	11,324,156	35.4%
2005	8,909,274	12.0%	10,947,383	21.4%	2,448,994	6.0%	13,396,377	18.3%
2006	9,239,818	3.7%	8,797,384	-19.6%	2,594,861	6.0%	11,392,245	-15.0%
2007	9,294,077	0.6%	9,313,161	5.9%	2,960,345	14.1%	12,273,506	7.7%
2008	8,977,783	-3.4%	8,745,847	-6.1%	3,109,785	5.0%	11,855,632	-3.4%
Annual Compounded Growth								
1998-2008		1.3%		3.5%		6.8%		4.3%
1998-2000		-0.3%		12.9%		13.6%		13.0%
2000-2008		1.7%		1.3%		5.1%		2.2%

1 Excludes passengers enplaned on general aviation and military flights.

2 Enplanement figures have been reconciled to the Airports Authority's records and may not match figures released in previous iss

3 Enplanements at Reagan National include enplaned passengers for Midway, which were inadvertently deleted from the 2007 Comprehensive Annual Financial Report.

Source: Airports Authority Records

Reagan National

Reagan National experienced virtually flat overall passenger traffic growth in the 1990s, in part due to the slot restrictions imposed by the High Density Rule. Between 1997 and 2000, enplanements at Reagan National decreased at an annual compounded rate of 0.1%, fluctuating from an increase of 4.7% in 2000 to a decline of 5.0% in 1999. From January through August 2001, enplanements at Reagan National increased by 7.9% compared to the same period in 2000, primarily as a result of the continuing shift of US Airways passengers to Reagan National from Dulles International and a significant increase in America West's enplanements after it received an exemption to the non-stop Perimeter Rule. Annual enplanements for 2001 decreased by 16.4% over 2000, however, as a result of the closure of Reagan National from September 11, 2001, until October 4, 2001, and a slow resumption of activity thereafter. Enplanements declined an additional 1.6% in 2002, reflecting the continuing fallout from the events of September 11, 2001.

Dulles International

Dulles International experienced steady growth in the 1990s, ending the decade with a significant surge in passenger traffic. Between 1997 and 2000, domestic enplanements increased at an annual compounded growth rate of 14.0%, as compared to an annual rate of 3.2% for total domestic enplanements nationwide. Fluctuations in domestic enplanements at Dulles International were largely due to changes in hubbing activity by United, increases in service by US Airways and the initiation of low-fare service by AirTran, Western Pacific, Delta Express and MetroJet. In 1999, domestic enplanements increased 28.7% from the previous year due to expanded service by United and the opening of the new regional concourse (Concourse A) serving Atlantic Coast and United Express passengers. In addition, 1999 was MetroJet's first full year of operation at Dulles International. In 2000, Dulles International's domestic enplanements declined by 1.0%, primarily as a result of most of US Airways' service shifting from Dulles International to Reagan

National. A continuing shift in US Airways' passenger traffic to Reagan National and the adverse impact of the events of September 11, 2001, on travel demand contributed to an 11.8% decrease in domestic enplanements at Dulles International in 2001 compared to 2000. In 2002, domestic enplanements declined an additional 6.6%, as a result of the gradual resumption of activity at Reagan National following the events of September 11, 2001.

Between 1997 and 2000, international enplanements increased at an annual compounded growth rate of 12.0% at Dulles International, as compared to an annual rate of 5.4% for international enplanements nationwide. In 1999 and 2000, total international enplanements at Dulles International increased 14.0% and 13.1%, respectively, due to new and increased service by United, Sabena Airlines ("Sabena"), Swissair and BWIA West Indies Airways ("BWIA").[5] In the aftermath of the events of September 11, 2001, international enplanements declined by 5.8% in 2001, compared to 2000. International enplanements recovered in 2002, increasing by 2.9%.

Recent Enplanement Activity

Although enplanements at the Airports declined significantly after the events of September 11, 2001, the overall recovery in passenger traffic at the Airports from mid-2002 through 2003, was consistent with the average recovery rate at other U.S. airports and most recently in 2004, 2005 and 2007, has exceeded the average growth rate at other U.S. airports. Enplanements began recovering at Reagan National once flight restrictions were fully lifted in April 2002. Since 2002, Reagan National has experienced five successive years of traffic growth. During 2003 and 2004, enplanements at Reagan National increased 9.9% and 12.0% respectively, surpassing the 2000 enplanement levels in 2004. In 2005, enplanements were 8,909,274, an increase of 12.0% over 2004. In 2006, enplanements were 9,239,818, an increase of 3.7% compared to 2005. In 2007, Reagan National served a record-high 9,294,077 enplaned passengers, an increase of 0.6% compared to 2006. In 2008, total enplanements at Reagan National were 8,977,783, a decline of 3.4% compared to 2007.

At Dulles International, recovery of the domestic passenger traffic fluctuated in comparison to the U.S. average in 2002 and in 2003. By the last quarter of 2003, however, the recovery of domestic traffic matched the U.S. average, which was at 88% of the 2000 enplanement levels. In 2003, domestic enplanements at Dulles International were 6,371,646 compared to 6,497,774 in 2002, representing a decrease of 1.9%. In 2004 and again in 2005, domestic enplanements reached record levels as a result of Independence Air's entrance into and stimulation of the Dulles International market, which caused other airlines to add service and reduce fares to compete with Independence Air. Domestic enplanements at Dulles International were 9,014,584 in 2004, an increase of 41.5% compared to 2003. Domestic enplanements reached 10,947,383 in 2005, increasing 21.4% over 2004 levels and setting a new record level. In 2006, domestic enplanements at Dulles International were 8,797,384, a decrease of 19.6% compared to 2005, reflecting the bankruptcy, cessation of operations and liquidation of Independence Air. In 2007, domestic enplanements at Dulles International were 9,313,161, an increase of 5.9% compared to 2006. In 2008, domestic enplanements at Dulles International were 8,745,847, a decline of 6.1%.

International enplanements at Dulles International recovered quickly after September 11, 2001. Despite the conflict in Iraq and the SARS outbreak in Asia and Canada in 2003, international enplanements at Dulles International recovered to a greater degree than international enplanements at airports nationally, and in the last quarter of 2003 were 5% higher than those in the same quarter of 2000. Growth continued in 2004, when international enplanements reached 2,309,572, an increase of 15.8%, compared to 2003. International enplanements increased 6.0% in 2005, to 2,448,994. In 2006, international enplanements at Dulles International were 2,594,861, an increase of 6.0% compared to 2005. In 2007, international enplanements at Dulles International were 2,960,345, an increase of 14.1% compared to 2006. In 2008, international enplanements at Dulles International were 3,109,785, an increase of 5.0% compared to 2007.

[5] Sabena ceased operations in March 2002. Swissair also ceased operations but was replaced immediately by SWISS with no gap in service. SWISS ceased operations in 2003. BWIA ceased operations in October 2006.

The following tables show passenger enplanements at Reagan National and Dulles International by airline between 2004 and 2008.

ENPLANEMENT MARKET SHARE BY AIRLINE AT REAGAN NATIONAL

Airline	2004	Share	2005	Share	2006	Share	2007	Share	2008	Share
US Airways[1]	2,125,546	26.7%	2,756,794	30.9%	2,402,455	26.0%	2,296,405	24.7%	2,170,157	24.2%
American	921,936	11.6%	1,119,235	12.6%	1,132,839	12.3%	1,214,058	13.1%	1,158,855	12.9%
Delta[2]	1,095,415	13.8%	1,131,927	12.7%	1,073,406	11.6%	957,515	10.3%	933,025	10.4%
Air Wisconsin (US Airways Express)	0	0.0%	32,716	0.4%	483,923	5.2%	568,630	6.1%	670,067	7.5%
Northwest	622,144	7.8%	643,017	7.2%	666,028	7.2%	675,764	7.3%	669,821	7.5%
Republic (US Airways Express)	0	0.0%	14,032	0.2%	465,755	5.0%	594,411	6.4%	630,563	7.0%
United	441,683	5.6%	462,300	5.2%	511,091	5.5%	519,311	5.6%	518,293	5.8%
Continental	309,128	3.9%	357,253	4.0%	378,298	4.1%	373,191	4.0%	325,851	3.6%
American Eagle	215,408	2.7%	264,758	3.0%	280,129	3.0%	258,697	2.8%	268,652	3.0%
AirTran Airways	138,707	1.7%	155,613	1.7%	172,293	1.9%	213,397	2.3%	249,030	2.8%
Comair (Delta Connection)	214,242	2.7%	158,060	1.8%	176,297	1.9%	179,534	1.9%	190,134	2.1%
Midwest	166,059	2.1%	187,012	2.1%	207,345	2.2%	204,583	2.2%	174,737	1.9%
Frontier	72,757	0.9%	121,424	1.4%	123,223	1.3%	128,498	1.4%	156,669	1.7%
PSA (US Airways Express)	197,829	2.5%	360,644	4.0%	153,266	1.7%	139,087	1.5%	147,013	1.6%
Alaska	77,325	1.0%	116,137	1.3%	130,596	1.4%	142,567	1.5%	146,589	1.6%
Spirit	110,303	1.4%	135,878	1.5%	104,988	1.1%	86,636	0.9%	106,483	1.2%
Air Canada	94,135	1.2%	104,637	1.2%	76,107	0.8%	61,837	0.7%	65,031	0.7%
Chautauqua (US Airways Express)	227,607	2.9%	156,591	1.8%	95,080	1.0%	70,677	0.8%	64,453	0.7%
Continental Express	90,655	1.1%	90,506	1.0%	97,211	1.1%	80,791	0.9%	58,935	0.7%
Pinnacle (Northwest Airlink)	10,455	0.1%	62,386	0.7%	55,563	0.6%	59,895	0.6%	58,100	0.6%
Air Canada Jazz	0	0.0%	0	0.0%	36,001	0.4%	45,314	0.5%	38,313	0.4%
Chautauqua (Continental Express)	0	0.0%	0	0.0%	0	0.0%	14,381	0.2%	34,546	0.4%
Freedom (Delta Connection)	0	0.0%	0	0.0%	0	0.0%	1,194	0.0%	24,797	0.3%
Shuttle America (Delta Connection)	0	0.0%	0	0.0%	269	0.0%	27,201	0.3%	23,646	0.3%
Republic (Midwest Express)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	20,291	0.2%
Colgan Air (Continental Connection)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	19,678	0.2%
Colgan Air (US Airways Express)	0	0.0%	2,532	0.0%	13,041	0.1%	13,867	0.1%	13,740	0.2%
Piedmont (US Airways Express)	47,777	0.6%	4,342	0.0%	11,584	0.1%	28,463	0.3%	12,856	0.1%
Chautauqua (Delta Connection)	0	0.0%	0	0.0%	1,700	0.0%	11,009	0.1%	9,881	0.1%
Atlantic Southeast (Delta Connection)	65,488	0.8%	35,904	0.4%	27,887	0.3%	26,268	0.3%	4,965	0.1%
Mesaba (Northwest Airlink)	0	0.0%	25,724	0.3%	14,734	0.2%	9,895	0.1%	4,658	0.1%
American TransAir	165,032	2.1%	145,227	1.6%	151,274	1.6%	159,377	1.7%	0	0.0%
America West	153,659	1.9%	172,484	1.9%	175,333	1.9%	125,095	1.3%	0	0.0%
Trans States (American Connection)	42,617	0.5%	25,230	0.3%	15,250	0.2%	0	0.0%	0	0.0%
Mesa (US Airways Express)	280,165	3.5%	58,990	0.7%	6,849	0.1%	0	0.0%	0	0.0%
Allegheny	24,344	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other[3]	41,655	0.5%	7,921	0.1%	3	0.0%	6,529	0.1%	7,954	0.1%
'TOTAL[4, 5, 6]	7,952,071	100.0%	8,909,274	100.0%	9,239,818	100.0%	9,294,077	100.0%	8,977,783	100.0%

[1] Includes activity for US Airways Shuttle.

[2] Includes activity for Delta Shuttle and Delta Express.

[3] Includes activity by charter flights and by certain scheduled airlines.

[4] Totals may not add due to rounding.

[5] Excludes military and general aviation passenger enplanements.

[6] Enplanement data has been reconciled to the Airports Authority's records and may not match figures released in previous issues.

Source: Airports Authority
Compiled by the Airport Consultant

ENPLANEMENT MARKET SHARE BY AIRLINE AT DULLES INTERNATIONAL
Domestic Enplanements

Airline	2004	Share	2005	Share	2006	Share	2007	Share	2008	Share
United	3,064,079	34.0%	3,131,653	28.6%	3,430,537	39.0%	3,551,268	38.1%	3,312,845	37.9%
Mesa (United Express)	282,517	3.1%	730,191	6.7%	1,602,553	18.2%	1,279,241	13.7%	906,747	10.4%
JetBlue	444,592	4.9%	475,282	4.3%	666,704	7.6%	776,980	8.3%	730,989	8.4%
Tran States (United Express)	288,287	3.2%	567,626	5.2%	498,796	5.7%	528,990	5.7%	545,487	6.2%
American	410,792	4.6%	471,771	4.3%	450,718	5.1%	444,445	4.8%	435,623	5.0%
Southwest Airlines	0	0.0%	0	0.0%	80,567	0.9%	368,977	4.0%	396,298	4.5%
Shuttle America (United Express)	110,075	1.2%	239,948	2.2%	266,414	3.0%	375,942	4.0%	369,050	4.2%
Delta[1]	474,913	5.3%	392,954	3.6%	384,682	4.4%	368,507	4.0%	333,445	3.8%
Go-Jet (United Express)	0	0.0%	0	0.0%	77,833	0.9%	227,050	2.4%	249,456	2.9%
Chautauqua (United Express)	154,760	1.7%	389,987	3.6%	127,799	1.5%	230,741	2.5%	239,421	2.7%
Colgan Air (United Express)	0	0.0%	22,075	0.2%	142,528	1.6%	156,967	1.7%	203,456	2.3%
Virgin America	0	0.0%	0	0.0%	0	0.0%	27,247	0.3%	194,248	2.2%
AirTran Airways	129,738	1.4%	133,541	1.2%	199,898	2.3%	204,194	2.2%	179,892	2.1%
Northwest	204,563	2.3%	220,105	2.0%	196,249	2.2%	199,194	2.1%	117,806	1.3%
US Airways	97,310	1.1%	118,897	1.1%	101,772	1.2%	109,878	1.2%	96,997	1.1%
Continental Express	153,109	1.7%	166,745	1.5%	134,477	1.5%	103,954	1.1%	79,287	0.9%
Freedom (Delta Connection)	0	0.0%	0	0.0%	4,537	0.1%	15,983	0.2%	52,565	0.6%
Compass (Northwest Airlink)	0	0.0%	0	0.0%	0	0.0%	9,955	0.1%	51,996	0.6%
Mesa (US Airways Express)	19,969	0.2%	15,509	0.1%	9,128	0.1%	22,464	0.2%	50,061	0.6%
Comair (Delta Connection)	73,264	0.8%	126,213	1.2%	58,385	0.7%	67,413	0.7%	37,923	0.4%
PSA (US Airways Express)	3,207	0.0%	20,372	0.2%	37,924	0.4%	23,553	0.3%	32,574	0.4%
Chautauqua (American Connection)	35,389	0.4%	41,675	0.4%	39,351	0.4%	9,709	0.1%	4,635	0.1%
Continental	27,616	0.3%	26,260	0.2%	15,217	0.2%	20,415	0.2%	3,808	0.0%
America West	120,987	1.3%	98,160	0.9%	86,614	1.0%	39,222	0.4%	0	0.0%
American Eagle	59,727	0.7%	66,266	0.6%	57,489	0.7%	20,434	0.2%	0	0.0%
Independence Air[2]	1,221,575	13.6%	2,690,638	24.6%	22,050	0.3%	0	0.0%	0	0.0%
Air Wisconsin (United Express)	641,015	7.1%	681,692	6.2%	16,899	0.2%	0	0.0%	0	0.0%
Atlantic Coast (United Express)[3]	817,453	9.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other[4]	179,647	2.0%	119,823	1.1%	88,263	1.0%	130,438	1.4%	121,238	1.4%
TOTAL[5, 6, 7]	9,014,584	100.0%	10,947,383	100.0%	8,797,384	100.0%	9,313,161	100.0%	8,745,847	100.0%

[1] Includes activity for Delta Express.

[2] Independence Air liquidated and ceased operations on January 5, 2006.

[3] On June 16, 2004, Atlantic Coast commenced operations as Independence Air. Atlantic Coast terminated its code-sharing relationship with United on August 3, 2004.

[4] Includes activity by charter flights and by certain scheduled airlines.

[5] Totals may not add due to rounding.

[6] Excludes military and general aviation passenger enplanements.

[7] Enplanement data has been reconciled to the Airports Authority's records and may not match figures released previously.

Source: Airports Authority

ENPLANEMENT MARKET SHARE BY AIRLINE AT DULLES INTERNATIONAL
International Enplanements

Airline	2004	Share	2005	Share	2006	Share	2007	Share	2008	Share
United	932,830	40.4%	1,004,913	41.0%	1,105,952	42.6%	1,350,797	45.6%	1,401,537	45.1%
British Airways	189,690	8.2%	189,991	7.8%	182,241	7.0%	173,361	5.9%	189,442	6.1%
Air France	156,142	6.8%	190,865	7.8%	201,577	7.8%	192,578	6.5%	176,064	5.7%
Lufthansa	163,817	7.1%	200,149	8.2%	215,272	8.3%	203,686	6.9%	173,440	5.6%
Chautauqua (United Express)	0	0.0%	6,494	0.3%	53,193	2.0%	69,523	2.3%	114,742	3.7%
TACA International	81,316	3.5%	90,554	3.7%	98,628	3.8%	118,331	4.0%	101,867	3.3%
Virgin Atlantic	92,282	4.0%	75,626	3.1%	83,992	3.2%	104,319	3.5%	95,567	3.1%
Shuttle America (United Express)	0	0.0%	11,099	0.5%	56,105	2.2%	74,393	2.5%	89,225	2.9%
Qatar Airways	0	0.0%	0	0.0%	0	0.0%	25,841	0.9%	85,231	2.7%
South African	0	0.0%	13,254	0.5%	58,492	2.3%	87,604	3.0%	82,084	2.6%
Austrian	82,215	3.6%	81,580	3.3%	78,879	3.0%	80,054	2.7%	80,821	2.6%
KLM Royal Dutch	70,856	3.1%	73,253	3.0%	77,105	3.0%	83,033	2.8%	78,574	2.5%
SAS	68,727	3.0%	74,016	3.0%	66,272	2.6%	66,251	2.2%	71,112	2.3%
All Nippon	68,744	3.0%	68,507	2.8%	70,047	2.7%	65,852	2.2%	62,932	2.0%
Korean Air	58,695	2.5%	60,604	2.5%	56,776	2.2%	63,789	2.2%	57,850	1.9%
Air Canada Jazz	0	0.0%	0	0.0%	63,833	2.5%	66,344	2.2%	49,104	1.6%
Ethiopian Airlines	13,422	0.6%	29,812	1.2%	34,300	1.3%	41,977	1.4%	44,955	1.4%
Iberia	0	0.0%	0	0.0%	0	0.0%	27,758	0.9%	39,646	1.3%
Air Canada	95,776	4.1%	69,791	2.8%	4,388	0.2%	558	0.0%	0	0.0%
Alitalia	42,678	1.8%	44,670	1.8%	31,882	1.2%	0	0.0%	0	0.0%
Air Wisconsin (United Express)	51,557	2.2%	81,885	3.3%	6,953	0.3%	0	0.0%	0	0.0%
Atlantic Coast (United Express)[1]	41,414	1.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other[2]	99,411	4.3%	81,931	3.3%	48,974	1.9%	64,296	2.2%	115,592	3.7%
TOTAL[3, 4, 5]	2,309,572	100.0%	2,448,994	100.0%	2,594,861	100.0%	2,960,345	100.0%	3,109,785	100.0%

1 On June 16, 2004, Atlantic Coast commenced operations as Independence Air. Atlantic Coast terminated its code-sharing relationship with United on August 3, 2004.

2 Includes activity by charter flights and by certain scheduled airlines.

3 Percentages may not add to 100 percent due to rounding.

4 Excludes military and general aviation passenger enplanements.

5 Enplanement data has been reconciled to the Airports Authority's records and may not match figures released previously.

Source: Airports Authority
Compiled by the Airport Consultant

COMBINED REAGAN NATIONAL AND DULLES INTERNATIONAL ENPLANEMENT MARKET SHARE BY AIRLINE

Airline	2004	Share	2005	Share	2006	Share	2007	Share	2008	Share
United	4,438,592	23.0%	4,598,866	20.6%	5,047,580	24.5%	5,421,376	25.1%	5,232,675	25.1%
US Airways[1]	2,222,856	11.5%	2,875,691	12.9%	2,504,227	12.1%	2,406,283	11.2%	2,267,154	10.9%
American	1,332,728	6.9%	1,591,006	7.1%	1,583,557	7.7%	1,658,503	7.7%	1,594,478	7.7%
Delta[2]	1,570,328	8.1%	1,524,881	6.8%	1,460,899	7.1%	1,331,245	6.2%	1,271,693	6.1%
Mesa (United Express)	282,517	1.5%	730,191	3.3%	1,602,553	7.8%	1,279,241	5.9%	906,747	4.4%
Northwest	826,707	4.3%	863,122	3.9%	862,277	4.2%	874,958	4.1%	789,806	3.8%
JetBlue	444,592	2.3%	475,282	2.1%	666,704	3.2%	776,980	3.6%	731,252	3.5%
Air Wisconsin (US Airways Express)	0	0.0%	35,054	0.2%	484,141	2.3%	568,630	2.6%	670,067	3.2%
Republic (US Airways Express)	0	0.0%	14,032	0.1%	465,755	2.3%	594,516	2.8%	631,513	3.0%
Tran States (United Express)	288,287	1.5%	567,626	2.5%	498,796	2.4%	528,990	2.5%	545,487	2.6%
Shuttle America (United Express)	110,075	0.6%	251,047	1.1%	322,519	1.6%	450,335	2.1%	458,275	2.2%
AirTran Airways	268,445	1.4%	289,154	1.3%	372,191	1.8%	417,591	1.9%	428,922	2.1%
Southwest Airlines	0	0.0%	0	0.0%	80,567	0.4%	368,977	1.7%	396,298	1.9%
Chautauqua (United Express)	154,760	0.8%	396,481	1.8%	180,992	0.9%	300,264	1.4%	354,163	1.7%
Continental	336,744	1.7%	383,513	1.7%	393,515	1.9%	393,606	1.8%	329,659	1.6%
American Eagle	275,135	1.4%	331,024	1.5%	337,618	1.6%	279,131	1.3%	268,652	1.3%
Go-Jet (United Express)	0	0.0%	0	0.0%	77,833	0.4%	227,050	1.1%	249,456	1.2%
Comair (Delta Connection)	287,506	1.5%	284,273	1.3%	234,682	1.1%	246,947	1.1%	228,057	1.1%
Colgan Air (United Express)	0	0.0%	22,075	0.1%	142,528	0.7%	156,967	0.7%	203,456	1.0%
Virgin America	0	0.0%	0	0.0%	0	0.0%	27,247	0.1%	194,248	0.9%
British Airways	189,690	1.0%	189,991	0.9%	182,241	0.9%	173,361	0.8%	189,442	0.9%
PSA (US Airways Express)	201,036	1.0%	381,016	1.7%	191,190	0.9%	162,640	0.8%	179,587	0.9%
Air France	156,142	0.8%	190,865	0.9%	201,577	1.0%	192,578	0.9%	176,064	0.8%
Midwest	166,059	0.9%	187,012	0.8%	207,345	1.0%	204,583	0.9%	174,737	0.8%
Lufthansa	163,817	0.8%	200,149	0.9%	215,272	1.0%	203,686	0.9%	173,440	0.8%
Frontier	113,707	0.6%	124,085	0.6%	123,223	0.6%	128,498	0.6%	156,669	0.8%
Alaska	125,937	0.7%	153,230	0.7%	142,017	0.7%	142,567	0.7%	146,589	0.7%
Continental Express	243,764	1.3%	257,251	1.2%	231,688	1.1%	184,745	0.9%	138,222	0.7%
Spirit	110,303	0.6%	135,878	0.6%	104,988	0.5%	86,636	0.4%	106,483	0.5%
TACA International	81,316	0.4%	90,554	0.4%	98,628	0.5%	118,331	0.5%	101,867	0.5%
Virgin Atlantic	92,282	0.5%	75,626	0.3%	83,992	0.4%	104,319	0.5%	95,567	0.5%
Air Canada Jazz	0	0.0%	0	0.0%	99,834	0.5%	111,658	0.5%	87,417	0.4%
Qatar Airways	0	0.0%	0	0.0%	0	0.0%	25,841	0.1%	85,231	0.4%
South African	0	0.0%	13,254	0.1%	58,492	0.3%	87,604	0.4%	82,084	0.4%
Austrian	82,215	0.4%	81,580	0.4%	78,879	0.4%	80,054	0.4%	80,821	0.4%
KLM Royal Dutch	70,856	0.4%	73,253	0.3%	77,105	0.4%	83,033	0.4%	78,574	0.4%
Pinnacle	36,181	0.2%	81,010	0.4%	77,785	0.4%	74,451	0.3%	78,055	0.4%
Freedom (Delta Connection)	0	0.0%	0	0.0%	4,537	0.0%	17,177	0.1%	77,362	0.4%
SAS	68,727	0.4%	74,016	0.3%	66,272	0.3%	66,251	0.3%	71,112	0.3%
Air Canada	189,911	1.0%	174,428	0.8%	80,495	0.4%	62,395	0.3%	65,031	0.3%
Chautauqua (US Airways Express)	227,607	1.2%	156,591	0.7%	95,080	0.5%	70,677	0.3%	64,453	0.3%
All Nippon	68,744	0.4%	68,507	0.3%	70,047	0.3%	65,852	0.3%	62,932	0.3%
Korean Air	58,695	0.3%	60,604	0.3%	56,776	0.3%	63,789	0.3%	57,850	0.3%
Mesa (US Airways Express)	300,134	1.6%	74,499	0.3%	15,977	0.1%	22,464	0.1%	50,061	0.2%
Compass (Northwest Airlink)	0	0.0%	0	0.0%	0	0.0%	9,955	0.0%	51,996	0.2%
Chautauqua (Continental Express)	0	0.0%	0	0.0%	0	0.0%	14,381	0.1%	34,546	0.2%
Trans States (American Connection)	43,055	0.2%	25,230	0.1%	15,250	0.1%	32,784	0.2%	21,596	0.1%
Atlantic Southeast (Delta Connection)	99,578	0.5%	50,125	0.2%	32,193	0.2%	36,758	0.2%	21,261	0.1%
Colgan Air (US Airways Express)	0	0.0%	9,912	0.0%	42,186	0.2%	38,597	0.2%	15,042	0.1%
Piedmont (US Airways Express)	47,777	0.2%	4,342	0.0%	11,584	0.1%	28,463	0.1%	12,856	0.1%
Mesaba (Northwest Airlink)	0	0.0%	25,724	0.1%	14,734	0.1%	9,895	0.0%	4,658	0.0%
America West	274,646	1.4%	270,644	1.2%	261,947	1.3%	164,317	0.8%	0	0.0%
American TransAir	165,032	0.9%	145,227	0.7%	151,274	0.7%	159,377	0.7%	0	0.0%
Air Wisconsin (United Express)	692,572	3.6%	763,577	3.4%	23,852	0.1%	0	0.0%	0	0.0%
Independence Air[3]	1,221,575	6.3%	2,690,638	12.1%	22,050	0.1%	0	0.0%	0	0.0%
Atlantic Coast (United Express)[4]	858,867	4.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other[5]	286,730	1.5%	243,515	1.1%	174,619	0.8%	231,029	1.1%	339,752	1.6%
TOTAL[6, 7, 8]	19,276,227	100.0%	22,305,651	100.0%	20,632,063	100.0%	21,567,583	100.0%	20,833,415	100.0%

[1] Includes activity for US Airways Shuttle.

[2] Includes activity for Delta Shuttle and Delta Express.

[3] Independence Air liquidated and ceased operations on January 5, 2006.

[4] On June 16, 2004, Atlantic Coast commenced operations as Independence Air. Atlantic Coast terminated its code-sharing relationship with United on August 3, 2004.

[5] Includes activity by charter flights and by certain scheduled airlines.

[6] Percentages may not add to 100 percent due to rounding.

[7] Excludes military and general aviation passenger enplanements.

[8] Enplanement data has been reconciled to the Airports Authority's records and may not match figures released previously.

Source: Airports Authority
Compiled by the Airport Consultant

Baltimore/Washington International Thurgood Marshall Airport

Portions of the Air Trade Area also are served by BWI, which is located northeast of Washington, D.C., approximately 30 miles from Reagan National and 46 miles from Dulles International. BWI is operated by the State of Maryland Department of Transportation. The Federal Lease and the Federal Act provide for the voluntary inclusion of BWI among the airports operated by the Airports Authority. At the time the Airports Authority was created, the State of Maryland officials declined to have BWI included in the Airports Authority.

According to information on BWI's website (which has not been independently verified by the Airports Authority), total enplaned passengers at BWI in 2007 numbered approximately 10.5 million. This represented a 1.8% increase in passenger traffic compared to 2006. International enplaned passengers totaled approximately 299,000 in 2007, a 9.4% decline over 2006. The five airlines with the largest number of enplaned passengers at BWI in 2007 were Southwest Airlines ("Southwest") (52.53%), AirTran (11.82%), Delta (6.55%), United (6.48%), and US Airways (6.44%). Enplanements at BWI in the first nine months of 2008, showed a decrease of 0.7% over the same period in 2007.

Between 1995 and 2001, BWI's share of air passengers in the Washington-Baltimore Regional Area grew significantly reflecting both growth in the number of air travelers in the region and some diversion of traffic to BWI and away from the Airports. BWI accounted for 32.2% of total enplaned passengers in the region in 1995 and the Airports accounted for the remaining 67.8%. In 2001, 39.7% of passengers in the region were enplaned at BWI and 60.3% were enplaned at the Airports. This diversion primarily related to the presence of low-cost carriers at BWI, especially Southwest, and also reflects the impact of the FAA's closure of Reagan National for 23 days following the events of September 11, 2001, and the ensuing federally imposed restrictions on air carrier activities at Reagan National for several months thereafter.

In a 2005 study, DOT noted that airports in multi-airport regions, such as Reagan National and Dulles International, can be vulnerable to diversion of local O&D traffic to alternative regional airports that have a strong low-cost presence, such as BWI. Low-cost carriers accounted for approximately 70% of total departing seat capacity at BWI in March 2009. In 2007, 32.8% of passengers in the region were enplaned at BWI and 67.2% were enplaned at the Airports. Also affecting growth of the Airports is the inability of Reagan National to accommodate any significant increase in passengers during peak periods because of physical constraints and slot restrictions. Largely as a result of the constraints at Reagan National, as air travel increased since 1995 to and from the Air Trade Area, most of the growth was accommodated by BWI or Dulles International. Between 2002 and 2007, National's share of enplaned passengers in the region increased modestly from 26.4% to 29.0%. In the first nine months of 2008, Reagan National's and Dulles International's shares of enplaned passenger traffic declined to 28.6% and 38.2% respectively, while BWI's shares increased to 33.2%.

BWI competes with Reagan National and Dulles International primarily for domestic O&D passenger traffic. BWI's share of the regional domestic O&D traffic increased from 37.3% in 1997 to 39.6% in 2007. During that same period, National's share decreased from 40.5% to 34.1%, and Dulles International's share increased from 22.2% to 26.4%. While domestic O&D traffic between 1997 and 2007 increased at an annual average rate of 2.5% at Reagan National and at Dulles International, it grew at an annual average rate of 3.5% at BWI during that same 10-year period. In the first nine months of 2008, domestic O&D traffic declined 0.9% at BWI, 6.8% at Reagan National and 6.5% at Dulles International, as compared to the same period in 2007.

The following table details market shares of Reagan National, Dulles International and BWI based on total enplanements (O&D and connecting traffic) in the Washington-Baltimore Regional Area in 2001 through 2007.

Airport	2001	2002	2003	2004	2005	2006	2007
Reagan National	25.6%	26.4%	28.0%	27.0%	27.7%	29.8%	29.0%
Dulles International	34.7%	34.8%	33.0%	38.5%	41.6%	36.8%	38.2%
BWI	39.7%	38.8%	38.9%	34.5%	30.7%	33.4%	32.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1 This table is based on total enplanements in the Washington-Baltimore Regional Area during each respective calendar year. Percentages may not add to 100% due to rounding.

2 Reflects the impact of the FAA's closure of Reagan National for 23 days after the events of September 11, 2001, and the ensuing federally imposed restrictions on air carrier activities at Reagan National for several months thereafter.

Source: Compiled by the Airport Consultant

FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS

General

The Airports Authority derives a substantial portion of its operating revenues from airline landing and facility rental fees. The financial strength and stability of the airlines using the Airports, together with numerous other factors, influence the level of aviation activity at the Airports and revenues of the Airports Authority. Individual airline decisions regarding level of service, particularly hubbing activity at the Airports also affect total enplanements. After September 11, 2001, substantially all domestic airlines were downgraded by the rating agencies, a number of them declared bankruptcy under Chapter 11 of the U.S. Bankruptcy Code ("Chapter 11"), including United, US Airways, Delta, Northwest, ATA, Air Canada and Independence Air, and many airlines implemented service reductions and layoffs of employees in response to a reduction in passenger demand. By early 2007, all major airlines that filed for Chapter 11 bankruptcy protection emerged from bankruptcy protection and started reporting operating profits. In 2008, however, record fuel prices, currency fluctuations and other factors caused most airlines to raise fares, add new fees and surcharges, significantly reduce capacity systemwide and reduce the size of their fleets and personnel. Several airlines filed for bankruptcy and/or ceased operations and a number of airlines are consolidating with other airlines.

US Airways

For the year ended December 31, 2008, US Airways and its regional affiliates represented approximately 19.9% of the revenues earned from airlines at Reagan National. No other airline represented over 9.0% of such revenues at Reagan National. Enplanements of US Airways and its regional affiliates at the Airports in 2008 represented 18.7% of the combined enplanements at both Airports.

US Airways filed for bankruptcy protection under Chapter 11 on August 11, 2002, and emerged from bankruptcy on March 31, 2003. On September 12, 2004, US Airways again filed for bankruptcy protection under Chapter 11. On September 27, 2005, US Airways and America West merged and reconstituted US Airways emerged from bankruptcy. The merged airline is operating under the US Airways brand.

According to information obtained from its filings with the SEC, US Airways reported a net loss of $803 million in 2008, which excludes special charges totaling $1.4 billion, compared to a net loss of $427 million in 2007. US

Airways stated that its performance in 2008 was negatively affected by high fuel prices but that it has taken a number of steps to offset such negative effects by reducing capacity, introducing new fees and increasing liquidity.

United

For the year ended December 31, 2008, United and its regional affiliates represented approximately 27.0% of the revenues earned from airlines at Dulles International. No other airline represented over 3.0% of such revenues at Dulles International. Enplanements of United and its regional affiliates at the Airports in 2008 represented 38.2% of the combined enplanements at both Airports.

United filed for bankruptcy protection under Chapter 11 on December 9, 2002, and emerged from bankruptcy on February 1, 2006. According to information obtained from its filings with the SEC, United reported a net loss of $537 million in the first quarter of 2008, compared to a net loss of $152 in the first quarter of 2007, a net loss of $2.7 billion in the second quarter of 2008, compared to a net profit of $274 million in the second quarter of 2007, a net loss of $779 million in the third quarter of 2008, compared to a net profit of $334 million in the third quarter of 2007, and a net loss of $1.3 billion in the fourth quarter of 2008, compared to a net loss of $53 million in the fourth quarter of 2007. United also reported that its performance in 2008 was negatively affected by the unprecedented increase in the price of fuel and a weakening economy, but that it took steps to reduce such negative effects including reducing its mainline domestic capacity by 15.5-16.5%, removing less fuel efficient aircraft from its fleet and reducing staff.

Under its amended Airline Agreement with the Airports Authority, United was obligated to occupy, and to pay rates and charges for the cost, of the Tier 2 Concourse and related facilities at Dulles International. Shortly before United declared bankruptcy, it requested that the Airports Authority not proceed with the planned construction of the Tier 2 Concourse until United determined whether it needed and could afford the costs of all of the planned improvements. All design work has ceased on this project as the Airports Authority evaluates its plan to move forward with the Tier 2 Concourse and related facilities.

In January 2004, the Airports Authority agreed to permit United to construct a temporary regional terminal at Dulles International, known as Concourse G. Construction of Concourse G was completed on June 29, 2004, at a cost to United of approximately $22 million. In 2006, the Airports Authority purchased Concourse G from United at an amortized value of approximately $15.4 million and thus agreed to recover costs from United over a ten-year period pursuant to the terms of the Airline Agreement. Following Independence Air's bankruptcy, United acquired its facilities at Dulles International, principally Concourse A, and discontinued use of Concourse G. As a result, the Airports Authority demolished Concourse G in October 2006 and United agreed to pay the remaining debt service on bonds issued to finance this facility through the Concourse A rental rate.

Prior to United's emergence from bankruptcy in 2006, United and the Airports Authority agreed to terms that cured United's defaults to the Airports Authority and United paid all of its outstanding debt to the Airports Authority for rents, landing fees and other services, totaling approximately $4.5 million. United assumed its Airline Agreement with the Airports Authority to use and lease space at the Airports, but the agreement to build and lease the Tier 2 Concourse was eliminated. United has agreed to reimburse the Airports Authority $20.3 million over a 10-year period for the expenses the Airports Authority incurred in designing the Tier 2 Concourse project. See "THE 2001-2016 CCP."

In 2004, United commenced operations of Ted, its low-fare division, at Dulles International. United discontinued Ted operations in January 2009, and plans to reconfigure the Ted fleet of aircraft by the end of 2009, to include first class seats that will generate more revenue.

Other Airlines Serving the Airports

Several other airlines operating at the Airports have experienced financial difficulties during the past few years. Northwest and Delta each filed for bankruptcy protection on September 14, 2005. Each airline continued to operate at the Airports during the reorganization. Delta emerged from bankruptcy protection on April 30, 2007, and Northwest emerged from bankruptcy protection on May 31, 2007. On October 29, 2008, Delta acquired Northwest. The Northwest brand will be phased out gradually and the merged airline will operate under the Delta name and brand.

TransWorld Airlines ("TWA") filed for bankruptcy and in April 2001, TWA was acquired by American. Midway Airlines ("Midway") filed for bankruptcy protection under Chapter 11 in August 2001. Although Midway initially continued to operate in reorganization, it filed for Chapter 7 liquidation in October 2003, and ceased operations. Air Canada filed for bankruptcy under United States and Canadian law on April 1, 2003, and emerged from bankruptcy in September 2004. Sabena, which commenced service at Dulles International on October 31, 2000, has since liquidated. Independence Air commenced service at Dulles International in June 2004 and represented 15.4% of total airline revenues at Dulles International in 2005. Independence Air filed for bankruptcy protection in November 2005 and ceased operations in January 2006.

ATA filed for bankruptcy on October 26, 2004, and emerged from bankruptcy in February 2006. ATA ceased operations and filed for bankruptcy protection for the second time in April 2008. ATA currently owes the Airports Authority approximately $74,897 in pre-petition debt. MaxJet ceased operations at Dulles International in October 2007, and filed for bankruptcy protection in December 2007. MaxJet has paid its post-petition debt, however, the Airports Authority's claim against MaxJet for approximately $554,000 in lease rejection damages is pending in bankruptcy court. Frontier filed for bankruptcy protection in April 2008. Frontier has agreed to assume its lease and to pay the Airports Authority approximately $80,000 for its pre- and post-petition debt. The Airports Authority is pursuing its rights against each of these airlines but does not consider the amounts owed by any bankrupt airlines to be material.

The Airports Authority cannot predict the duration or extent of reductions and disruptions in air travel or the extent of any adverse impact on Revenues, PFC collections, passenger enplanements, operations or the financial condition of the Airports Authority that such disruptions and reductions may cause, or whether these and other factors will result in more airline bankruptcies. All airlines that have filed for reorganization under the U.S. bankruptcy laws have remitted all material payments due to the Airports Authority under the Airline Agreements. The Airports Authority is not able to predict how long any airline in bankruptcy protection will continue operating at the Airports or whether any airline will liquidate or substantially restructure its operations. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. Further, the Airports Authority cannot predict or give any assurance that the airlines serving the Airports will continue to pay or to make timely payment of their obligations under the Airline Agreement.

For additional information regarding airlines generally and United and US Airways specifically, see APPENDIX A – "Report of the Airport Consultant."

Effect of Airline Bankruptcies

Assumption or Rejection of Leases and Executory Contracts

An airline that has executed an Airline Agreement or other executory contract with the Airports Authority and seeks protection under the U.S. bankruptcy laws after October 17, 2005, must assume or reject: (a) its Airline Agreement within 120 days after the bankruptcy filing subject to a court-approved, one-time 90-day extension (further extensions are subject to the consent of the lessor), and (b) its other executory contracts with the Airports Authority prior to the confirmation of a plan of reorganization. Bankruptcy courts are courts of equity, however, and as such can, and often do, grant exceptions to these time limitations.

In the event of an assumption of any executory contract or lease, an airline is required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable executory contract or lease. In the event of an assumption by a debtor airline and assignment to a third party, the assurance of future performance must be demonstrated by the proposed assignee.

Rejection of an Airline Agreement or other executory contract with the Airports Authority gives rise to an unsecured claim of the Airports Authority for damages, the amount of which in the case of an Airline Agreement or other lease is limited by the U.S. Bankruptcy Code generally to the amount unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years of rent. Claims for such damages are subject to the Airports Authority's duty to mitigate damages. The amount ultimately allowed in the event of a rejection of an Airline Agreement or other executory contract could be considerably less, however, than the maximum amount allowed under the U.S. Bankruptcy Code. Amounts unpaid as a result of a rejection of an Airline Agreement by an airline in bankruptcy can be passed on to the remaining Signatory Airlines under the Airline Agreement, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs.

TWA, US Airways, United, Independence Air, Delta, Northwest, Air Canada and ATA were each operating at the Airports under an Airline Agreement at the time of their respective filings for bankruptcy protection. TWA's Airline Agreement was assigned to and assumed by American. With the permission of the Airports Authority, Independence Air assumed and assigned its Airline Agreement to United and ceased its operations at Dulles International. All other airlines have exited from bankruptcy since 2000, have assumed their Airline Agreement and continue to operate at the Airports.

With respect to an airline in bankruptcy proceedings in a foreign country, such as Air Canada, the Airports Authority is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

PFCs

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181), the VISION 100-Century of Aviation Reauthorization Act, P.L. 108-176, and the Federal Aviation Administration Extension Act of 2008, P.L. 110-330 (collectively, the "PFC Acts"), the FAA has approved the Airports Authority's applications to require airlines to collect and remit to the Airports Authority a $4.50 PFC for each enplaning revenue passenger at the Airports. See "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Sources – Funding Source: PFCs."

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Airports Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted to commingle PFC collections with other revenues. Airlines that have filed for Chapter 7 or 11 bankruptcy protection, however, are required to segregate PFC revenue in a separate account for the benefit of the airport and cannot grant a third party any security or other interest in PFC revenue. The airlines are entitled to retain interest earned on PFC collections until such PFC collections are remitted. This procedure has been followed by ATA, United, Delta, Northwest and Independence Air during their respective bankruptcies. PFCs collected by those airlines are required by the bankruptcy court to be placed in accounts separate from other airline revenue accounts and be paid to airports monthly in accordance with the PFC regulations. However, the Airports Authority cannot predict whether an airline that files for bankruptcy protection will properly account for the PFCs or whether the bankruptcy estate will have sufficient moneys to pay the Airports Authority in full for the PFCs owed by such airline. The Airports Authority has recovered all of its PFCs from each of the airlines that filed for Chapter 11 bankruptcy protection. PFCs are not pledged to the repayment of the Bonds. By August 1, 2009, however, the Airports Authority currently plans to irrevocably commit $35 million of PFC revenues per year to pay Annual Debt Service on the Bonds from 2009 through 2016. See "PLAN OF FUNDING FOR THE 2001-2016 CCP – Funding Source: PFCs."

Information Concerning the Airlines

Certain of the airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Certain information, including financial information, concerning such airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected and copies obtained at prescribed rates at the SEC's principal offices at 100 F Street, N.E., Washington, D.C. 20549, and should be available for inspection and copying at the SEC's regional offices located at 233 Broadway, New York, New York 10279, and 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. The public may obtain information on the hours of operation of the Public Reference Room by calling the SEC at 1-800-SEC-0380. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Some of the airlines are required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, DOT, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations file limited information only with the DOT.

The Airports Authority has no responsibility for the completeness or accuracy of information available from the DOT or SEC, including, but not limited to, updates of information on the SEC's Internet site or links to other Internet sites accessed through the SEC's site.

CERTAIN INVESTMENT CONSIDERATIONS

The Bonds may not be suitable for all investors. Prospective purchasers of the Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

General

The Revenues of the Airports Authority are affected substantially by the economic health of the air transportation industry and the airlines serving the Airports. Certain factors that may materially affect the Air Trade Area, the Airports and the airlines include, but are not limited to (i) the availability and cost of aviation fuel and other necessary supplies, (ii) national and international economic conditions and currency fluctuations, (iii) the financial health and viability of the airline industry, (iv) air carrier service and route networks, (v) growth of population and the economic health of the region and the nation, (vi) changes in demand for air travel, (vii) service and cost competition, (viii) levels of air fares, (ix) fixed costs and capital requirements, (x) the cost and availability of financing, (xi) the capacity of the national air traffic control system, (xii) the capacity of the Airports and the capacity of competing airports, (xiii) national and international disasters and hostilities, (xiv) the cost and availability of employees, (xv) labor relations within the airline industry, (xvi) regulation by the federal government including the affect of the High Density and Perimeter rules on Reagan National, (xvii) environmental risks and regulations, noise abatement concerns and regulations, (xvii) bankruptcy and insolvency laws, (xviii) safety concerns arising from international conflicts and the possibility of additional terrorist attacks and other risks. Several of these factors, including increased fuel, labor, equipment and other costs, slow or negative traffic growth in certain areas, increased competition among air carriers, bankruptcies, consolidation and mergers among air carriers, costs of compliance with new security regulations and requirements, threat of possible future terrorist attacks and increases in the requirements for and the cost of debt capital, reduced profits and caused significant losses for all but a few air carriers in the early 2000s. By early 2007, all major airlines serving the Airports that had been in bankruptcy emerged from bankruptcy protection and started reporting profits. In 2008, however, a number of airlines (including some that served the Airports) ceased operations and/or filed for bankruptcy protection unable to sustain increased costs due to record aviation fuel prices and other financial pressures. See "THE AIR TRADE AREA AND AIRPORTS ACTIVITY" and "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS."

Cost of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. According to the Air Transport Association, fuel is the largest cost component of airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant increases in the price of fuel.

Any increase in fuel prices causes an increase in airline operating costs. According to the Air Transport Association, a one-dollar per barrel increase in the price of crude oil equates to approximately $445 million in annual additional expense for U.S. airlines. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has risen sharply in response both to political instability abroad as well as increased demand for petroleum products around the world. Oil prices reached an all-time record high of $145.29 per barrel in July 2008, but have steadily declined in the past six months. Significant fluctuations and prolonged increases in the cost of aviation fuel have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. Since 2006, the rate of economic growth in the U.S. has slowed considerably, primarily due to losses in real estate values and tightening of credit in financial markets. During September 2008, significant and dramatic changes occurred in the financial markets. Several U.S. commercial and investment banks declared bankruptcy, were acquired by other financial institutions, combined with other financial institutions or sought huge infusions of capital. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore the consumers' confidence in the nation's financial markets. The short and long term effects of these developments on the broader economy are not known at this time. There can be no assurances that such developments will not have an adverse effect on the air transportation industry.

Geopolitical Risks

As a result of the conflicts in the Middle East and related terrorist threats immediately following the events of September 11, 2001, airlines significantly reduced the number of transatlantic flights and airline revenues and cash flow were adversely affected. Although passenger traffic in the last three years has exceeded the pre-September 11, 2001, levels, uncertainty associated with war and the threats of future terrorist attacks may have an adverse impact on air travel in the future.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in the Middle East) and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Aviation Security Requirements and Related Costs

As a result of the events of September 11, 2001, and continuing air safety concerns, the FAA instituted numerous safety and security measures for all U.S. airports, including prohibiting unticketed persons beyond security checkpoints and enhancing the search and security checks of all passengers and baggage. In addition, in 2002, the federal government established the Transportation Security Administration (the "TSA") and transferred to the TSA the responsibility for security at all airports.

The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the new security measures. The Airports are currently in compliance with all federally mandated security requirements. If additional financial assistance becomes available from TSA, the Airports Authority plans to perform certain additional building modifications to better accommodate in-line baggage screening equipment. See "THE 2001-2016 CCP."

The Airports Authority cannot predict the effect of any future government-required security measures on passenger activity at the Airports. Nor can the Airports Authority predict how the government will staff the security screening functions or the effect on passenger activity of government decisions regarding its staffing levels.

Certain Factors Affecting the Airports

Enplanements at the Airports, collections of PFCs and the receipt of Revenues were negatively affected by security restrictions on the Airports and the financial condition of the air transportation industry following the terrorist attacks of September 11, 2001, and the Airports Authority, like many airport operators, experienced increased operating costs due to compliance with federally mandated and other security and operating changes. Given the proximity of the Airports to Washington, D.C., the FAA or the Department of Homeland Security may require further enhanced security measures and impose additional restrictions on the Airports, which may negatively affect future Airports Authority performance. The Airports Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the possibility of increased security restrictions, the likelihood of future air transportation disruptions or the impact on the Airports or the airlines from such incidents or disruptions. See "THE AIRPORTS AUTHORITY – Possible Future Restrictions on Reagan National" and "– Airlines Serving the Airports" and "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS."

Regulations and Restrictions Affecting the Airports

The operations of the Airports Authority and its ability to generate revenues are affected by a variety of legislative, legal, contractual and practical restrictions, including restrictions in the Federal Act, limitations imposed by the Federal Lease, provisions of the Airline Agreement, regulations such as the High Density and Perimeter rules that affect Reagan National and extensive federal regulations applicable to all airports. For a description of these restrictions and regulations, see "THE AIRPORTS AUTHORITY – Regulations and Restrictions Affecting the Airports."

Airlines Serving the Airports

The Airports Authority derives a substantial portion of its operating revenues from landing, facility rental and concession fees. The financial strength and stability of the airlines using the Airports, together with numerous other factors, influence the level of aviation activity at the Airports. In addition, individual airline decisions regarding level of service, particularly hubbing activity at the Airports and aircraft size such as use of regional jets, can affect total enplanements.

In 2008, a number of airlines (including some that served the Airports) ceased operations and/or filed for bankruptcy protection unable to sustain increased costs due to record aviation fuel prices and other financial pressures. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS." No assurances can be given that any of these airlines will continue operations or maintain their current level of operations at the Airports. If one or more of these airlines discontinues operations at the Airports, its current level of activity may not be replaced by other carriers. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS."

Effect of Bankruptcy on the Airline Agreement

In the event of bankruptcy proceedings involving one or more of the Signatory Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement. In the event of assumption, the debtor airline is required to cure any prior defaults and to provide adequate assurance of future performance under the relevant document. Rejection of the Airline Agreement by any Signatory Airline gives rise to an unsecured claim of the Airports Authority for damages, the amount of which may be limited by the U.S. Bankruptcy Code. The amounts unpaid as a result of a rejection of the Airline Agreement by a Signatory Airline in bankruptcy can be passed on to the remaining Signatory Airlines. If the bankruptcy of one or more Signatory Airlines were to occur, however, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the Airline Agreement. See "CERTAIN AGREEMENTS FOR USE OF THE AIRPORTS AUTHORITY'S FACILITIES – Airport Use Agreement and Premises Lease," "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORTS – Effect of Airline Bankruptcies" and APPENDIX D – "Summary of Certain Provisions of the Airport Use Agreement and Premises Lease."

Expiration and Possible Termination of Airline Agreement

Pursuant to the Airline Agreement, each Signatory Airline has agreed to pay the rates and charges for its use of the Airports. The Airline Agreement will expire on September 30, 2014, which is prior to the completion of the 2001-2016 CCP. Under the Airline Agreement, the Airports Authority has an annual right to terminate the Airline Agreement on 180 days notice effective each September 30. Under certain limited conditions, a Signatory Airline may terminate the Airline Agreement. See "CERTAIN AGREEMENTS FOR USE OF THE AIRPORTS AUTHORITY'S FACILITIES – Airport Use Agreement and Premises Lease." The Airports Authority is permitted to renegotiate the Airline Agreement prior to its expiration.

Limitations on Bondholders' Remedies

The occurrence of an Event of Default under the Indenture does not grant a right to either the Trustee or the Bondholders to accelerate payment of the Bonds. As a result, the Airports Authority may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airports even if an Event of Default has occurred and no payments are being made on the Bonds. See "THE BONDS – Events of Default and Remedies; No Acceleration or Cross Default."

Cost and Schedule of Capital Construction Program

The costs and the schedule of the projects included in the CCP depend on various sources of funding, including additional Bonds, CP Notes, PFCs, and federal grants, and are subject to a number of uncertainties. The ability of the Airports Authority to complete the 2001-2016 CCP may be adversely affected by various factors including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material, and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation, (xi) environmental issues, including environmental approvals that the Airports Authority has not obtained at this time, and (xii) additional security improvements and associated costs mandated by the federal government. A delay in the completion of certain projects under the 2001-2016 CCP could delay the collection of revenues in respect of such projects, increase costs for such projects, and cause the rescheduling of other projects. In addition, any of the deferred projects could be implemented at any time adding to the cost of the 2001-2016 CCP. Dulles International's ability to increase capacity, which may be necessary to efficiently accommodate forecasted increases in aircraft operations and enplaned passengers, is largely dependent upon completion of certain projects in the 2001-2016 CCP. There can be no assurance that the cost of construction of the 2001-2016 CCP projects will not exceed the currently estimated dollar amount or that the completion of the projects will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue additional Bonds and may result in increased costs per enplaned passenger to the airlines, which may place the Airports at a competitive disadvantage to other airports. See "THE 2001-2016 CCP."

Competition

The Airports compete with other U.S. airports for both domestic and international passengers. Portions of the Air Trade Area are served by BWI. BWI experienced rapid growth in enplanements from 1991 through 2003, primarily due to the increasing presence of low-cost carriers at BWI, in particular Southwest. Among the three airports serving the Air Trade Area, BWI moved from enplaning the fewest passengers in the Air Trade Area in 1991 to enplaning the most passengers in 2003. In 2004, although each of the Region's airports experienced higher passenger activity, Dulles International's enplanements surpassed BWI as a result of considerable passenger traffic stimulation caused by the startup of Independence Air at Dulles International and the resulting competitive response by United and other airlines serving

Dulles International. The significant increase of low-cost seat capacity at Dulles International in 2004, slowed traffic growth at BWI and resulted in the return to Dulles International of some portion of the Region's domestic passenger traffic that had migrated to BWI. As a result of the initiation of service at Dulles International by Southwest in October 2006, and by Virgin America in September 2007, and despite the cessation of operations by Independence Air in January 2006, Dulles International continued to serve the largest share of passengers (38%) in the Air Trade Area in 2008, equal to the share it had served in 2004. The Airports Authority cannot predict, however, whether this trend will continue long-term. With the expected continued growth of low-cost carriers and proposed improvements in transportation to and from the region, BWI will likely continue to be a strong competitor for the region's domestic traffic.

International traffic represents a significant and growing portion of the enplanements at Dulles International. International O&D and connecting passengers are projected to make up 28% of all enplanements at Dulles International in 2009. Dulles International ranked ninth among U.S. airports in terms of international passengers and was the country's fourth largest transatlantic international gateway in March 2009. Among east coast airports, only the New York area airports offer more service across the Atlantic. International traffic may be more susceptible to fluctuation and disruption based on political instability, terrorist activities, currency fluctuations, and other factors that can not be predicted or controlled by the airlines or the Airports Authority. The Airports Authority cannot predict whether the level of international traffic will continue at its current level or continue to grow at Dulles International, nor can it predict what events occurring domestically or international might adversely affect such traffic in the future. See APPENDIX A – "Report of the Airport Consultant."

The Airports Authority also may continue to experience increases in its operating costs due to compliance with federally mandated and other security and operating changes that are unique to the Airports. Such increased costs may increase the cost per enplaned passenger to the airlines, which could result in the Airports being at a competitive disadvantage relative to other airports and transportation modes. See "THE AIR TRADE AREA AND AIRPORTS ACTIVITY" and "CERTAIN FACTORS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND THE AIRPORTS."

Travel Substitutes

Teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings. Events such as the terrorist attacks of September 11, 2001, may have accelerated this trend.

Other Key Factors

Capacity limitations of the national air traffic control system, the Airports and at competing airports could be factors that might affect future activity at the Airports. In the past, demands on the air traffic control system have caused operational restrictions that have affected airline schedules and passenger traffic and caused significant delays. The FAA has made certain improvements to the computer, radar and commutations equipment of the air traffic control system in recent years, but no assurances can be given that future increases in airline and passenger activity would not again adversely affect airline operations.

Future growth of air traffic at Reagan National will be constrained by the limits of the facilities as well as the Perimeter and High Density rules. Existing terminal and airfield capacity at Dulles International are believed to be sufficient to accommodate future growth in airline traffic.

BWI is the primary airport in the Air Trade Area that competes with the Airports. BWI has no airfield, landside or access constraints that would inhibit growth in either domestic or international markets. In recent years, certain low cost carriers, and particularly Southwest, have developed hubs and expanded rapidly at BWI. No assurances can be given that other airlines will not commence or expand activities at BWI to the detriment of airline activity at either or both of the Airports.

For more details on these and other "key factors" that could impact results of Airports Authority operations, see APPENDIX A – "Report of the Airport Consultant."

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airports and other matters and states that any projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from the projections, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "Report of the Airport Consultant."

Forward Looking Statements

This Official Statement, and particularly the information contained in Part I under the captions "INTRODUCTION," and "THE BONDS," and in Part II under the captions "THE AIRPORTS AUTHORITY'S FACILITIES AND MASTER PLANS," "PLAN OF FUNDING FOR THE 2001-2016 CCP," "THE BONDS," "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "Report of the Airport Consultant," contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake the timing or the costs of certain projects. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant is attached in APPENDIX A. The Report of the Airport Consultant was prepared by Jacobs Consultancy, Inc., in conjunction with its subconsultants, MAC Consulting, LLC, and Airport Strategies, LLC. The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of Jacobs Consultancy, Inc. as the Airport Consultant and its subconsultants. As stated in the Report of the Airport Consultant, any projection is subject to uncertainties. Therefore, there are likely to be differences between projected and actual results, and those differences may be material. The Report of the Airport Consultant has not been updated to reflect the final terms of the Bonds or other changes occurring after the date of the Report of the Airport Consultant. The Report of the Airport Consultant is based on a number of assumptions and contains projections and statements relating to operating and financial results that may not be realized. The assumptions used reflect the best information available to the Airports Authority and reliance on the knowledge and experience of the Airport Consultant. The Airports Authority's future operating and financial performance, however, may vary from the projections and such variances may be material. Among other things, the Report of the Airport Consultant assumed the issuance of future debt by the Airports Authority at particular interest rates and the completion of certain planned construction at assumed costs. The Report of the Airport Consultant also assumed only the cost of constructing the 2001-2016 CCP then planned by the Airports Authority and the issuance of the debt necessary to finance such projects.

Regulatory and other restrictions may adversely affect the ability of the Airports Authority to achieve the projections in the Report of the Airport Consultant. See "THE AIRPORTS AUTHORITY – Regulations and Restrictions Affecting the Airport." Other factors affecting the achievement of the projections include, without limitation, the Airports Authority's ability to incur debt at assumed interest rates, unexpected construction delays or cost increases (which may reflect special costs of the Airports Authority's projects as well as general increase in construction costs). Such projections also may be affected by the factors affecting the airline industry in general and by the number and types of passengers using the Airports in future fiscal years.

The Report of the Airport Consultant includes projected Signatory Airline cost per enplaned passenger at Reagan National and Dulles International, which at a maximum is estimated to increase to $15.29 in 2016 at Reagan National and $27.89 in 2013 at Dulles International. The Report of the Airport Consultant also includes a sensitivity analysis. The sensitivity analysis assumes 7.5 million enplaned passengers at Reagan National during each year of the projection period starting in 2009, which is equivalent to 86% of the baseline projection for 2009, and 82% of the baseline projection for 2016. The sensitivity analysis assumes 10 million enplaned passengers at Dulles International in 2009 and then an increase at one-half the rate of growth used in the baseline projection or about 1.4% per year, which is equivalent to approximately 88% of the baseline projection for 2009, and 83% of the baseline projection for 2016. The number of O&D passengers and the volume of aircraft landed weight were assumed to be reduced proportionately to the reductions in the number of enplaned passengers. Based on the sensitivity analysis, the maximum Signatory Airline cost per enplaned passenger during the projection period would be $18.80 at Reagan National and $32.41 at Dulles International. In the sensitivity analysis, the estimated debt service coverage remains at or higher than 134% during the projection period. See APPENDIX A - "Report of the Airport Consultant."

CONTINUING DISCLOSURE

The Airports Authority has entered into the Disclosure Agreement with DAC meeting the requirements of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. The Disclosure Agreement requires the Airports Authority to file with DAC (i) certain annual financial information and operating data and (ii) certain event notices. Under the Disclosure Agreement, DAC will serve as the Airports Authority's Disclosure Dissemination Agent for purposes of filing annual disclosure required by the Rule 15c2-12 with all nationally recognized municipal securities information repositories ("NRMSIRs") and with any Virginia state information depository ("SID") and event notices with the Municipal Securities Rulemaking Board (the "MSRB"). DAC also will provide certain financial information of the Airports Authority through DAC's web site at http://www.dacbond.com. The form of the Disclosure Agreement is attached as APPENDIX G.

In accordance with the changes to Rule 15c2-12 promulgated by the SEC, as of July 1, 2009, the Airports Authority's annual financial information and the annual budget information, along with notices of the occurrence of certain material events, will be filed solely with the MSRB under its Electronic Municipal Market Access System. The Airports Authority expects to amend the Disclosure Agreement before July 1, 2009, to reflect this recent change to Rule 15c2-12. The Airports Authority may further amend the Disclosure Agreement in the future so long as such amendment is consistent with Rule 15c2-12 as then in effect. No SID currently exists for Virginia. Neither the Airports Authority nor the Underwriters make any representation as to the scope of services provided by any NRMSIR or the charges for such services.

The Disclosure Agreement requires the Airports Authority to provide limited information at specified times. While the Airports Authority expects to provide substantial additional information, as it has in the past, it is not legally obligated to do so. A default by the Airports Authority under the Disclosure Agreement is not an Event of Default with respect to the Bonds. The Disclosure Agreement permits any bondholder to seek specific performance of the Airports Authority's obligations thereunder after 30 days prior written qualifying notice to the Airports Authority and 30 days to cure, but no assurance can be given as to the outcome of any such proceeding. In connection with the issuance of its outstanding Bonds, the Airports Authority has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide certain annual financial information and material event notices.

FINANCIAL ADVISORS

DEPFA First Albany Securities LLC and P.G. Corbin & Company, Inc. (collectively, the "Financial Advisors") served as financial advisors to the Airports Authority in connection with the issuance of the Bonds. The Financial Advisors have prepared the debt issuance plan for funding a portion of the 2001-2016 CCP based on information provided by the Airports Authority. In addition, they have assisted in the preparation of this Official Statement. The Financial Advisors have not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

On February 13, 2009, Jefferies Group, Inc. announced that its subsidiary Jefferies & Company, Inc. had entered into a definitive agreement with DEPFA Bank plc, a member of Hypo Real Estate Group, to acquire DEPFA First Albany Securities LLC. The acquisition is subject to regulatory approvals and other closing conditions which are expected to be completed during the first quarter of 2009. Upon the completion of the acquisition, Jefferies & Company, Inc. will be responsible for providing services as a financial advisor to the Airports Authority in connection with the issuance of the Bonds.

INDEPENDENT AUDITORS

The financial statements as of December 31, 2007 and December 31, 2006, and for each of the two years in the period ended December 31, 2007, of the Airports Authority included in this Official Statement as APPENDIX B, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report appearing in APPENDIX B.

PROSPECTIVE FINANCIAL INFORMATION

The Report of the Airport Consultant included in APPENDIX A of this Official Statement was prepared by the Airport Consultant and contains prospective financial information. This prospective financial information was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Other prospective financial information included in this Official Statement, including summaries of prospective financial information from the Report of the Airport Consultant, has been prepared by, and is the responsibility of, the Airports Authority's management. PricewaterhouseCoopers LLP, independent auditors, has neither examined nor compiled this prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or offer any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in APPENDIX B of this Official Statement relates to the Airports Authority's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

REPORT OF THE AIRPORT CONSULTANT

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March 9, 2009

The Honorable H.R. Crawford
Chairman of the Board

Mr. James E. Bennett
President and Chief Executive Officer

Metropolitan Washington Airports Authority
1 Aviation Circle
Washington, D.C. 20001-6000

Re: **Report of the Airport Consultant**
Metropolitan Washington Airports Authority
Airport System Revenue Bonds, Series 2009A and Series 2009B

Dear Mr. Crawford and Mr. Bennett:

Jacobs Consultancy, Inc. in conjunction with its subconsultants, MAC Consulting, LLC, and Airport Strategies, LLC, is pleased to submit this Report of the Airport Consultant in connection with the plans of the Metropolitan Washington Airports Authority (the Airports Authority) to issue Airport System Revenue Variable Rate Bonds, Series 2009A (the Series 2009A Bonds) in the original principal amount of $165,000,000* and Airport System Revenue Bonds, Series 2009B (the Series 2009B Bonds) in the original principal amount of $235,000,000* (collectively, the Series 2009 Bonds). This letter and the accompanying attachment and exhibits constitute our Report.

The Airports Authority operates Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International) (collectively, the Airports).

The Series 2009 Bonds are being issued under the Amended and Restated Master Indenture of Trust, dated as of September 1, 2001, as previously supplemented and amended (the Master Indenture), and the Thirty-First and the Thirty-Second Supplemental Indentures of Trust, dated as of April 1, 2009, (together with the Master Indenture, the Indenture). Capitalized terms not otherwise defined in the Report shall have the meanings given in the Indenture.

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* Preliminary; subject to change.

The purpose of the Report is to evaluate the ability of the Airports Authority to produce Net Revenues sufficient to meet the requirements of the Rate Covenant in the Indenture, taking into account Annual Debt Service on the $165 million of proposed Series 2009A Bonds, $235 million of proposed Series 2009B Bonds, $38.5 million of Commercial Paper Notes expected to be issued and Outstanding after the issuance of the Series 2009 Bonds, $4.1 billion of other Bonds currently Outstanding, $432 million of future Bonds assumed to be issued by August 1, 2009 to refund the PFC Notes currently outstanding, and $388 million of future Bonds assumed to be issued after August 1, 2009 to finance projects in the 2001- 2016 CCP (described below).

The Airports Authority expects that all projects funded with the proceeds of the Series 2009 Bonds will be completed and placed in service by 2014. The evaluation covers the projection period through 2016, which is two full fiscal years following 2014.

The Report does not take into account the $381.5 million of Commercial Paper Notes authorized by the Airports Authority that may, but are not expected to be, issued and Outstanding during the projection period.

CAPITAL CONSTRUCTION PROGRAM

The Airports Authority initiated its Capital Construction Program (CCP) for the Airports in 1988 to expand, modernize, and maintain the Airports. From time to time, the Airports Authority adjusts the scope, timing, and size of the CCP. The Airports Authority expects projects included in the active portion of the CCP to be constructed between 2001 and 2016 (the 2001-2016 CCP), while other projects in the CCP will be undertaken as airline and passenger activity and demand warrant. In September 2008, the Airports Authority deferred certain projects previously included in the 2001-2016 CCP and revised the scope of other projects, which reduced the estimated cost of the 2001-2016 CCP from $7.06 billion to $4.84 billion (in escalated dollars). Of the $4.84 billion estimated cost of the 2001-2016 CCP, the Airports Authority estimates that it had expended $3.5 billion as of November 30, 2008.

SERIES 2009 BONDS

The Series 2009 Bonds are being issued in two series for the following purposes:

- The Series 2009A Bonds are being issued as variable rate bonds to refinance a portion of the Outstanding Series Two Commercial Paper Notes, refinance a portion of the Outstanding Series One Commercial Paper Notes, fund a debt service reserve if necessary, and pay costs of issuing the Series 2009A Bonds.

- The Series 2009B Bonds are being issued as fixed rate bonds to refinance all of the remaining Outstanding Series One Commercial Paper Notes, pay costs of terminating certain interest rate swap agreements, pay capitalized interest on the Series 2009B Bonds and certain outstanding Bonds, fund a deposit to the Series 2009B Reserve Account in the Debt Service Reserve Fund, pay costs of issuing the Series 2009B Bonds, and pay a portion of the costs of certain projects in the 2001-2016 CCP.

The Series 2009A Bonds and the Series 2009B Bonds are considered additional Bonds under the Indenture. We will separately provide, by documentation outside of the Report, the information needed from the Airport Consultant, which the Airports Authority will use in part to demonstrate compliance with the test for the issuance of additional Bonds.

FUTURE BONDS

With respect to future Bonds, the Airports Authority plans to do the following:

- The Airports Authority plans to execute a new supplemental indenture under which it will create a PFC Fund and two subaccounts, a PFC Debt Service Account and a PFC Project Account. Pursuant to the supplemental indenture, the Airports Authority will irrevocably commit to pay $35 million of Annual Debt Service from the portion of the PFC Revenues it collects each year at Dulles International from 2009 through 2016 and deposits into the PFC Debt Service Account. The remainder of the PFC Revenues collected will be deposited into the PFC Project Account and will be available to pay the PFC eligible costs of projects approved by the Federal Aviation Administration (the FAA) including, at the discretion of the Airports Authority, Annual Debt Service in excess of the amount paid from the PFC Debt Service Account.

- The Airports Authority plans to issue Bonds bearing interest at a variable rate by August 1, 2009 in the principal amount of approximately $432 million to refund the currently outstanding PFC Notes.

- The Authority also plans to issue additional Bonds after August 1, 2009. The proceeds of these Bonds (approximately $388 million) will be used to pay a portion of the costs of certain CCP projects, pay capitalized interest on certain Outstanding Bonds, fund deposits to the Debt Service Reserve Fund, and pay costs of issuance.

On March 6, 2009, the FAA approved the Airports Authority's request to amend its PFC application to use PFC Revenues collected at Dulles International to pay the principal and interest on Bonds for the Aerotrain system and related projects at Dulles International.

THE INDENTURE

The Series 2009 Bonds will be issued under the Indenture.

Security for the Bonds

Under the Indenture, Bonds are secured by a pledge of Net Revenues. Net Revenues mean Revenues plus transfers, if any, from the General Purpose Fund to the Revenue Fund, after provision is made for the payment of Operation and Maintenance Expenses. Among other things, Revenues do not include PFC Revenues unless designated as such by the Airports Authority, Hedge Termination Payments received by the Airports Authority, or Released Revenues under the Indenture. The Airports Authority has not designated PFC Revenues as Revenues under the Indenture. The Airports Authority has completed the procedures necessary to treat the revenues from operation of the Dulles Toll Road (DTR) as Released Revenues under the Indenture, thereby excluding the DTR revenues from the Revenues and from the pledge of Net Revenues securing the Bonds.

Rate Covenant

In the Indenture, the Airports Authority covenants that it will, at a minimum, fix and adjust from time to time the fees and other charges for the use of the Airports, including services rendered by the Airports Authority so that the Net Revenues produced will be the greater of either:

(i) The amounts needed for making the required deposits in the Fiscal Year to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund, and the Emergency Repair and Rehabilitation Fund; or

(ii) 125% of the amount required to pay the Annual Debt Service with respect to Bonds for such Fiscal Year.

Annual Debt Service excludes "principal of and interest on indebtedness for which funds are, or are reasonably expected to be, available for and which are irrevocably committed to make such payments" including any such funds in an escrow account or any such funds constituting capitalized interest.

Funds irrevocably committed to make payments on Annual Debt Service include: (1) capitalized interest estimated by the Airports Authority's financial advisors based on information provided by the Airports Authority, (2) accrued interest on the date of issuance, if any, and (3) for the purpose of the Report, PFC Revenues identified by the Airports Authority for deposit to the PFC Debt Service Account described above.

Additional Bonds Test

The Indenture provides that the Airports Authority may issue additional Bonds based on future Net Revenues provided certain requirements of the Additional Bonds Test are satisfied. The Additional Bonds Test provides the Airports Authority may issue additional Bonds based on future Net Revenues if, among other things:

> . . .an Airport Consultant has provided to the Trustee a certificate stating that, based upon reasonable assumptions, projected Net Revenues will be sufficient to satisfy the Rate Covenant (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of the additional Bonds proposed to be issued) for each of the next three full Fiscal Years following issuance of the additional Bonds, or each full Fiscal Year from issuance of the additional Bonds through two full Fiscal Years following completion of the Projects financed by the additional Bonds proposed to be issued, whichever is later;

The Indenture also establishes two conditional aspects to this additional Bonds test:

> . . .provided that, if Maximum Annual Debt Service with respect to all Bonds to be Outstanding following the issuance of the proposed additional Bonds in any Fiscal Year is greater than 110% of Annual Debt Service for such Bonds in any of the test years, then the last Fiscal Year of the test must use such Maximum Annual Debt Service;

> . . .provided further, that if capitalized interest on any Bonds and proposed additional Bonds is to be applied in the last Fiscal Year of the period described in this sentence, the Airport Consultant shall extend the test through the first full Fiscal Year for which there is no longer capitalized interest. . .

SUBORDINATED BONDS AND JUNIOR LIEN OBLIGATIONS

The Airports Authority issued subordinated lien debt under the Master Indenture of Trust relating to the Subordinated Bonds, dated as of March 1, 1988. All such debt has been retired and the Airports Authority currently has no plans to issue any such additional subordinated bonds.

The Airports Authority has entered into various interest rate swap agreements to hedge against potential future increases in interest rates. All of the Airports Authority's swap agreements were entered into in connection with the planned issuance of variable rate debt and represent floating-to-fix rate agreements. Payment obligations arising from such swap agreements are considered Junior Lien Obligations and are secured by a pledge of Net Revenues after that of Bonds and Subordinated Bonds.

AIRLINE AGREEMENT

The Airports Authority and nearly all of the airlines serving the Airports (the Signatory Airlines) have entered into agreements that provide for the use and occupancy of the Airports and establish the methodology for calculating the landing fees and terminal rents paid by the Signatory Airlines (the Airline Agreement). Under the Airline Agreement, the Airports Authority may adjust rates payable by the Signatory Airlines to ensure that Net Revenues at each of the Airports are projected to be not less than 125% of the sum of Debt Service on Bonds and Subordinated Bonds as defined in the Airline Agreement. The Airline Agreement is scheduled to expire on September 30, 2014.

For purposes of the Report, it was assumed that the provisions of the Airline Agreement relating to the calculation of airline rentals, fees, and charges will continue through the end of the projection period, and that the Signatory Airlines will pay all amounts required under the Airline Agreement.

The Signatory Airlines signified their consent to the 2001-2016 CCP through the majority-in-interest (MII) review and approval process established in the Airline Agreement. The projects in the 2001-2016 CCP, their estimated costs, and the funding plan are described in the attachment and summarized in Exhibits A and B provided at the end of the Report.

SCOPE OF THE REPORT

In preparing the Report, we analyzed:

- Future airline traffic demand at the Airports, giving consideration to the demographic and economic characteristics of the region served, historical trends in airline traffic, the roles of the Airports in the route systems of United Airlines, US Airways, and other airlines, and key factors that may affect future airline traffic.

- Estimated sources and uses of funds for the 2001-2016 CCP and, as previously discussed, Annual Debt Service on the Outstanding Bonds, the proposed Series 2009 Bonds being issued, and the future Bonds expected to be issued.

- Historical relationships among revenues, expenses, airline traffic, and other factors that may affect future revenues and expenses.
- Historical and future PFC revenues and their planned uses.
- The Airports Authority's historical results, estimated results for 2008, the budget for 2009, expected staffing requirements, and other operational considerations.
- The Airports Authority's policies and contractual arrangements relating to the use and occupancy of the Airports, including the calculation of airline rentals, fees, and charges under the Airline Agreement; the operation of concession privileges; and the leasing of buildings and grounds.

Jacobs Consultancy, MAC Consulting, LLC, and Airport Strategies, LLC identified key factors upon which the future financial results of the Airports Authority depend; formulated assumptions about those factors; and on the basis of those assumptions, assembled the financial projections presented in the exhibits at the end of the Report. Estimates of project costs, project financing, Annual Debt Service, and other data were provided by the sources noted in the Report.

Projected Payments by Signatory Airlines

As shown in Exhibit E-4, Signatory Airlines pay a variety of rentals, fees, and charges pursuant to the Airline Agreement. On a per enplaned passenger basis, these charges are projected to increase from $13.26 in 2010 to a high of $15.29 in 2016 at Reagan National, and from $25.68 in 2010 to a high of $27.89 in 2013 at Dulles International, which includes the cost of the international arrivals building (IAB). Excluding rentals and fees for the IAB, Signatory Airlines are projected to increase to a high of $25.07 in 2013 at Dulles International.

The ratio of airline payments per enplaned passenger (CPE) is commonly used as a basis of comparison among airports, even though issues inherent in the data affect the comparability of such ratios. Data from various sources (i.e., bond offering documents, rating agencies, FAA) indicate that CPE at the 30 large-hub airports as defined by the FAA, which includes Reagan National and Dulles International, ranges from $2.53 to $20.41. It is expected that other large-hub airports also will experience increases in CPE as they complete their capital programs. While a comparative study of future CPE at other airports has not been prepared, it is reasonable to expect that CPE at the Airports will be within the range that other large-hub airports will experience as they complete their capital programs.

Projected Debt Service Coverage

As shown in Exhibit G-1, provided at the end of the Report, the Net Revenues of the Airports Authority are projected to be sufficient to meet the requirements of the Rate Covenant each year of the projection period. The table below shows Net Revenues in relation to Annual Debt Service and demonstrates debt service coverage of not less than 125% in each year of the projection period. Between 2007 and 2012, debt service coverage is projected to decrease from 1.72x to 1.35x, reflecting a faster increase in Annual Debt Service than Net Revenues. Key variables influencing this projected decrease are described in the Financial Analysis section of the Report.

PROJECTED DEBT SERVICE COVERAGE
(escalated dollars in thousands)

	in thousands		
Year	Net Revenues [A]	Annual Debt Service [B]	Debt Service Coverage [A/B]
2007 (A)	$316,432	$184,247	1.72
2008 (E)	$322,485	$197,087	1.64
2009 (E)	$370,392	$246,896	1.50
2010	$440,474	$319,422	1.38
2011	$453,219	$330,244	1.37
2012	$478,362	$354,907	1.35
2013	$493,530	$362,924	1.36
2014	$502,861	$365,181	1.38
2015	$510,074	$365,303	1.40
2016	$516,671	$365,723	1.41

Note: A=Actual; E=Estimated.

Sensitivity Test Projections

To test the sensitivity of the financial projections, we projected fewer enplaned passengers at Reagan National and Dulles International based on hypothetical assumptions. The effect of these projections was to increase the Signatory Airline payments per enplaned passenger and to reduce debt service coverage in each year of the projection period, but in no year did debt service coverage fall below 1.34x. The

Financial Analysis section of the Report contains additional discussion and information about the sensitivity test

Assumptions Underlying the Financial Projections

The accompanying financial projections are based on information and assumptions prepared for, and consistent with, the Report's intended purpose. The assumptions were either provided by, or reviewed with and agreed to by, Airports Authority management. Accordingly, the projections reflect appropriate assumptions about management's expected course of action during the projection period and in management's judgment, present fairly the expected financial results of the Airports Authority consistent with those assumptions.

The key factors and assumptions that are significant to the projections are set forth in the Report. The Report should be read in its entirety for an understanding of the projections and the underlying assumptions.

In our opinion, the assumptions underlying the projections provide a reasonable basis for the projections. However, any financial projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. Therefore, we cannot provide any form of assurance that the projections will be achieved. There are likely to be differences between the projections and actual results, and those differences may be material. Because of these uncertainties, Jacobs Consultancy makes no guaranty or warranty with respect to the projections disclosed in the Report. Nothing contained herein shall be deemed to create or imply the creation of any third party beneficiary status for any person in relation to Jacobs Consultancy's Agreement with the Authority for Airport Consultant Services. We have no responsibility to update the Report for events and circumstances occurring after the date of the Report.

* * * * *

We appreciate the opportunity to serve as Airport Consultant for the Airports Authority's proposed financing.

Respectfully submitted,

Jacobs Consultancy

JACOBS CONSULTANCY

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CONTENTS *(continued)*

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FINANCIAL ANALYSIS *(continued)*

TABLES

TABLES *(continued)*

FIGURES

FIGURES *(continued)*

EXHIBITS

AIR TRADE AREA

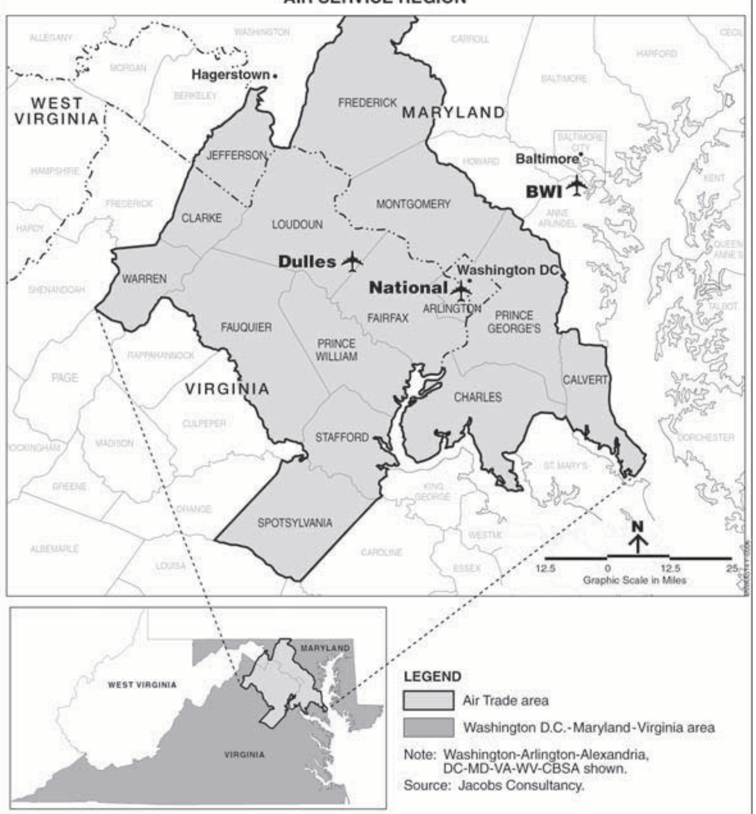
This section defines the Air Trade Area and discusses key socio-economic factors affecting air travel demand at the Airports (Reagan National and Dulles International). This discussion provides a foundation for the air traffic analysis and forecasts presented later in this Report.

THE AIR TRADE AREA

Reagan National and Dulles International serve an Air Trade Area consisting of the greater Washington D.C. area including the District of Columbia, home of the nation's capital. The Air Trade Area for purposes of this Report is the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area, as defined by the U.S. Office of Management and Budget. The Air Trade Area is comprised of the following jurisdictions: the District of Columbia; the Maryland counties of Calvert, Charles, Frederick, Montgomery, and Prince George's; the Virginia counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren; the independent Virginia cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park; and the West Virginia county of Jefferson. (See Figure 1.)

Figure1

AIR SERVICE REGION



More than 5.3 million people reside in the Air Trade Area, which in 2007 accounted for 38% of the population, 47% of the income, and 43% of the non-farm employment in the larger combined regional area of the District of Columbia, the State of Maryland, and the Commonwealth of Virginia (Washington D.C.-Maryland-Virginia Area).

Portions of the Air Trade Area also are served by Baltimore/Washington International Thurgood Marshall Airport (BWI), which is located approximately 30 miles northeast of Washington, D.C. proper and is operated by the Maryland Aviation Administration (MAA), organized within the Department of Transportation of the State of Maryland. Reagan National, Dulles International, and BWI serve overlapping geographic markets in the Air Trade Area. The interrelationship among these airports is discussed in the Air Traffic Analysis section.

Economic Trends

The Air Trade Area produced goods and services with a market value of $320 billion in 2006 (expressed in 2001 dollars). Real Gross Domestic Product (GDP) of the Air Trade Area increased consistently between 2001 and 2006 driven largely by the financial activities sector and the professional and business services sector. (See Table 1.)

Metropolitan Statistical Areas (MSAs) like the Air Trade Area account for more than 90% of the nation's GDP. Real GDP increased in 349of the 363 MSAs between 2001 and 2006 and the average annual increase was 2.7%, which compared to a 3.8% increase in the Air Trade Area. Real GDP per capita for the Air Trade Area ($60,757) was 146% of the 2006 U.S. metropolitan average ($41,510).

From 1991through 2007, the U.S. real GDP increased annually. There was an 8-month recession between March 2001 and November 2001, according to the National Bureau of Economic Research (NBER), which defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in Real GDP, real income, employment, industrial production, and wholesale-retail trade. The NBER determined that the U.S. entered a recession in December 2007. As of February 2009, an end to the recession has not been identified. The economic outlook for the Air Trade Area and the U.S. is discussed later in this section.

Table 1
REAL GDP
Air Trade Area and U.S. Metropolitan Portion

	Air Trade Area		U.S. Metropolitan Portion	
		Annual Increase		Annual Increase
Real GDP (billions of 2001 dollars)				
2001	$ 264	-	$ 9,038	-
2002	270	2.2%	9,168	1.4%
2003	282	4.3	9,385	2.4
2004	297	5.4	9,716	3.5
2005	312	5.0	10,020	3.1
2006	320	2.4	10,345	3.2
GDP Per Capita				
2001	$ 53,667	-	$ 38,231	-
2002	53,874	0.4%	38,347	0.3%
2003	55,413	2.9	38,860	1.3
2004	57,639	4.0	39,804	2.4
2005	59,768	3.7	40,627	2.1
2006	60,757	1.7	41,510	2.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Population, Employment, and Income Trends

The population of the Air Trade Area has grown, and is projected to grow, at a rate nearly 50% faster than the nation and the Washington D.C.-Maryland-Virginia Area. (See Table 2.) Between 2000 and 2007, population growth in the Air Trade Area was significantly driven by growth in Loudoun County, which increased 7.2% annually, on average, over the period (See Table 3).

The Air Trade Area is the eighth largest metropolitan statistical area in the United States. (See Figure 3.) Between 2000 and 2007, the Washington MSA's population increased by 10% (see Figure 4), and, as of 2007, foreign-born workers accounted for 20% of the population, a 28% increase from 2000.

Table 2

HISTORICAL AND PROJECTED SOCIOECONOMIC DATA

Air Trade Area, Washington D.C.-Maryland-Virginia Area, and United States

	Air Trade Area			Washington D.C.-Maryland-Virginia Area			United States	
	Number		Average Annual Increase	Number		Average Annual Increase	Number	Average Annual Increase
Population								
Historical								
1990		4,138,610	-		11,622,060	-	249,624,270	-
2000		4,820,410	1.5%		12,986,130	1.1%	282,128,140	1.2%
2007		5,379,340	1.6		13,995,120	1.1	302,296,480	1.0
1990-2007			1.6			1.1		1.1
Projected								
2010		5,645,360	1.6%		14,473,710	1.1%	311,391,180	1.0%
2020		6,554,800	1.5		16,156,240	1.1	344,201,790	1.0
2007-2020			1.5			1.1		1.0
Nonagricultural Employment								
Historical								
1990		2,951,950	-		7,276,860	-	139,428,210	-
2000		3,416,810	1.5%		8,290,080	1.3%	167,241,580	1.8%
2007		3,924,240	2.0		9,197,810	1.5	180,289,680	1.1
1990-2007			1.7			1.4		1.5
Projected								
2010		4,146,450	1.9%		9,592,220	1.4%	187,138,520	1.3%
2020		4,934,400	1.8		11,027,900	1.4	212,627,550	1.3
2007-2020			1.8			1.4		1.3
Per Capita Income (in 2000 dollars)								
Historical								
1990	$	33,741	-	$	27,298	-	$ 24,432	-
2000		40,771	1.9%		32,718	1.8%	29,628	1.9%
2007		46,131	1.8		37,783	2.1	32,283	1.2
1990-2007			1.9			1.9		1.7
Projected								
2010	$	48,687	1.8%	$	40,109	2.0%	$ 34,052	1.8%
2020		57,041	1.6		47,704	1.7	39,756	1.6
2007-2020			1.6			1.8		1.6

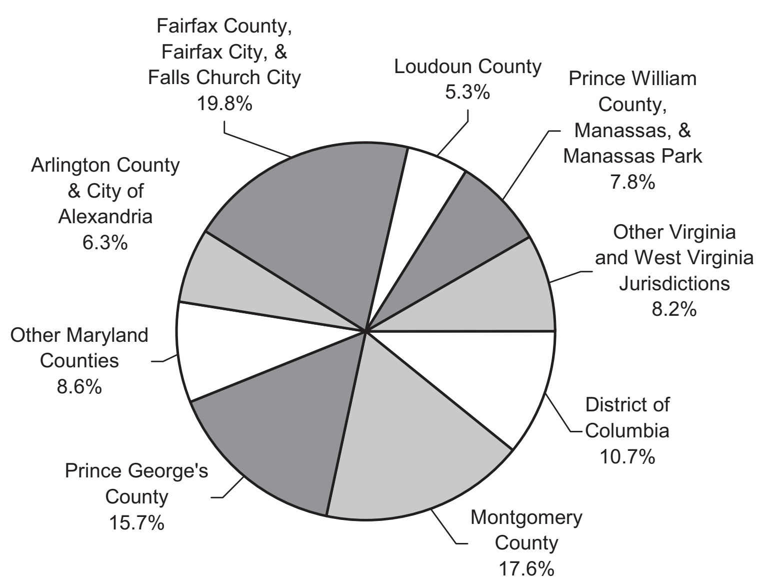
Source: National Planning Association, Data Services, Inc. Key Indicators of County Growth, 1970-2030, 2008 Edition.

Table 3
AIR TRADE AREA POPULATION BY COUNTY

	2000	2007	Avg. Annual Increase	Percentage of Air Trade Area in 2007
District of Columbia				
District of Columbia	571,070	575,790	0.1%	10.7%
State of Maryland				
Montgomery County	877,490	945,560	1.1	17.6
Prince George's County	803,620	845,040	0.7	15.7
Other Maryland Counties	393,070	465,220	2.4	8.6
Commonwealth of Virginia				
Arlington County & City of Alexandria	318,200	337,790	0.9%	6.3%
Fairfax County, Fairfax City, & Falls Church City	1,006,790	1,064,510	0.8	19.8
Loudoun County	173,810	283,310	7.2	5.3
Prince William County, Manassas, & Manassas Park	329,480	419,410	3.5	7.8
Other Virginia Jurisdictions	304,450	391,220	3.6	7.3
State of West Virginia				
Jefferson County	42,430	51,490	2.8%	1.0%
Air Trade Area Total	4,820,410	5,379,340	1.6%	100.0%

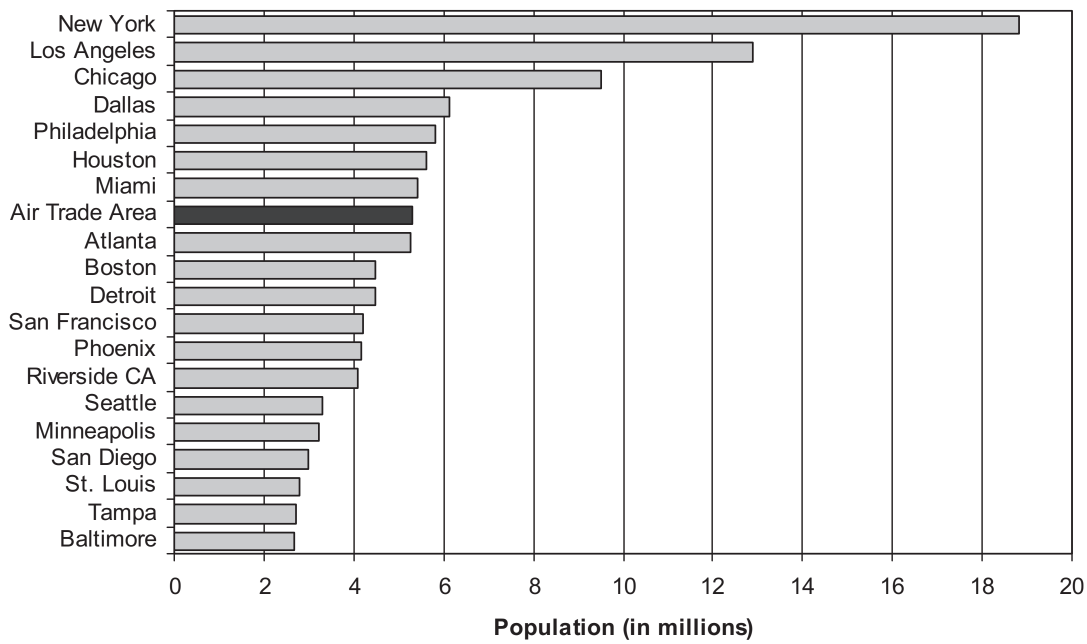
Note: Columns may not add to totals shown because of rounding.
Source: National Planning Association, Data Services, Inc. *Key Indicators of County Growth, 1970-2030, 2008 Edition.*

Figure 2
GEOGRAPHIC DISTRIBUTION OF THE AIR TRADE AREA'S 2007 POPULATION



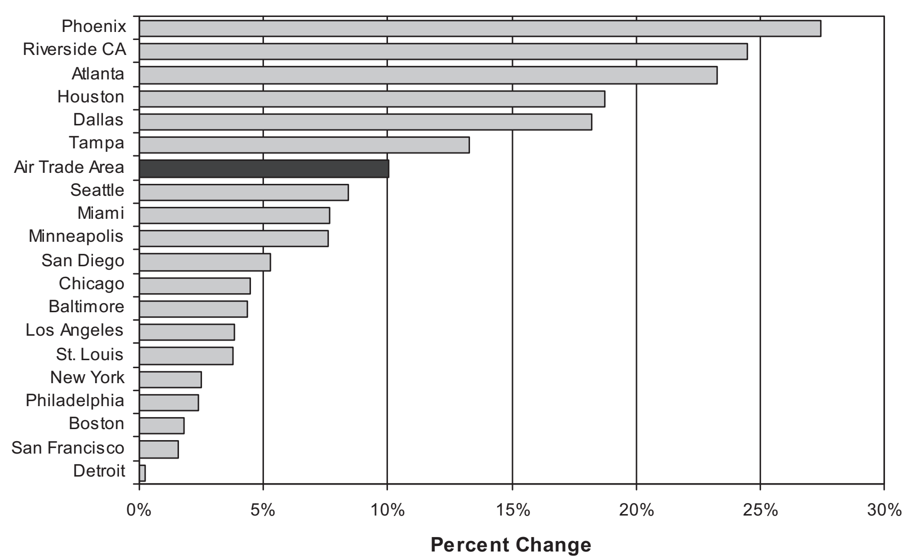
Source: National Planning Association, Data Services, Inc. *Key Indicators of County Growth, 1970-2030, 2008 Edition.*

Figure 3
**2007 POPULATION
IN THE TOP 20 U.S. METROPOLITAN STATISTICAL AREAS**



Source: U.S. Department of Commerce, Bureau of the Census website, accessed February 17, 2009.

Figure 4
**PERCENT CHANGE IN POPULATION
IN THE TOP 20 U.S. METROPOLITAN STATISTICAL AREAS**
(2000 vs. 2007)



Source: U.S. Department of Commerce, Bureau of the Census website, accessed February 17, 2009.

The Air Trade Area is fourth in the nation in total nonagricultural employment. (See Figure 5.) Between November 2007 and November 2008 total nonagricultural employment increased by 0.8%, which was the third largest gain and one of only four areas with reported gains among the top 20 metropolitan areas. (See Figure 6.) In May 2008 the National Planning Association (NPA) projected that nonagricultural employment in the Air Trade Area would increase at a faster rate than both the average for the nation or for the Washington D.C.-Maryland-Virginia Area. (See Table 2.)

Encompassing the region around the nation's capital, the Air Trade Area is home to the federal government, its employees, and the contractors and subcontractors that support the federal government. Organizations such as the Center for Regional Analysis at George Mason University (CRA) believe the Air Trade Area to be somewhat insulated from economic downturns, due to the economic activity that the federal government generates. Federal purchases from area companies, national associations, professional services firms, and international businesses desiring proximity to federal government facilities and services provide economic stimulation and stability to the Air Trade Area in both up cycles and down cycles. From 1998 through 2007 unemployment in the Air Trade Area fluctuated in a range of 2.5% to 4.0%, compared to a range of 4.0% to 6.0% for the United States. (See Figure 7.) The Air Trade Area has had the lowest monthly unemployment rate of the top ten U.S. metropolitan areas for the last 7 years. The Air Trade Area also had the lowest unemployment rate of the 10 largest job markets in the United States in December 2008, with an unemployment rate of 4.7% compared with the national average of 7.1%.[1]

The most recently available economic and employment data indicate that to date the Air Trade Area, unlike many other metropolitan areas in the U.S., has not suffered economic declines and job losses during the current economic recession. In 2008 the Air Trade Area experienced a Gross Regional Product (GRP) increase of approximately 1.1%[2] and a small net increase of 11,800 jobs between December 2007 and December 2008.[3]

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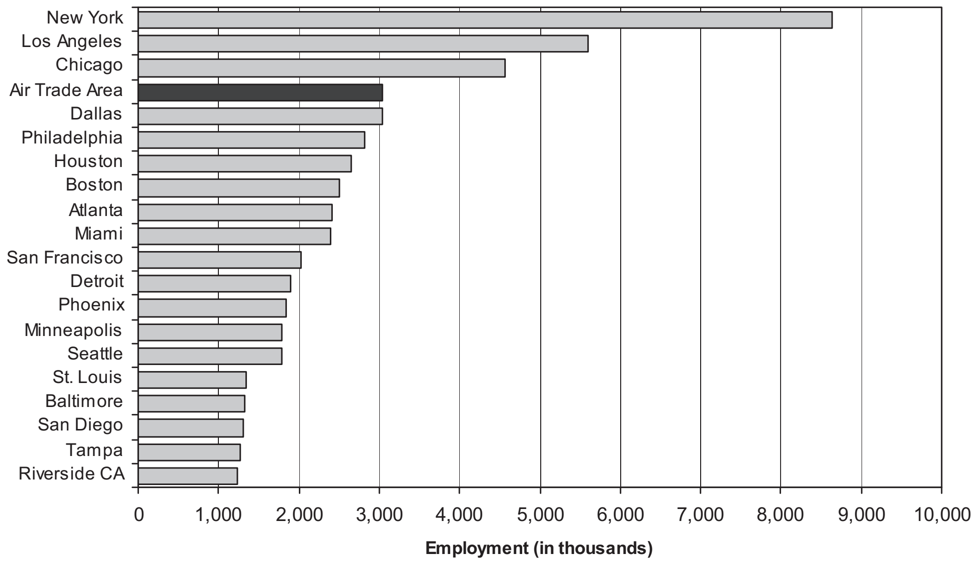
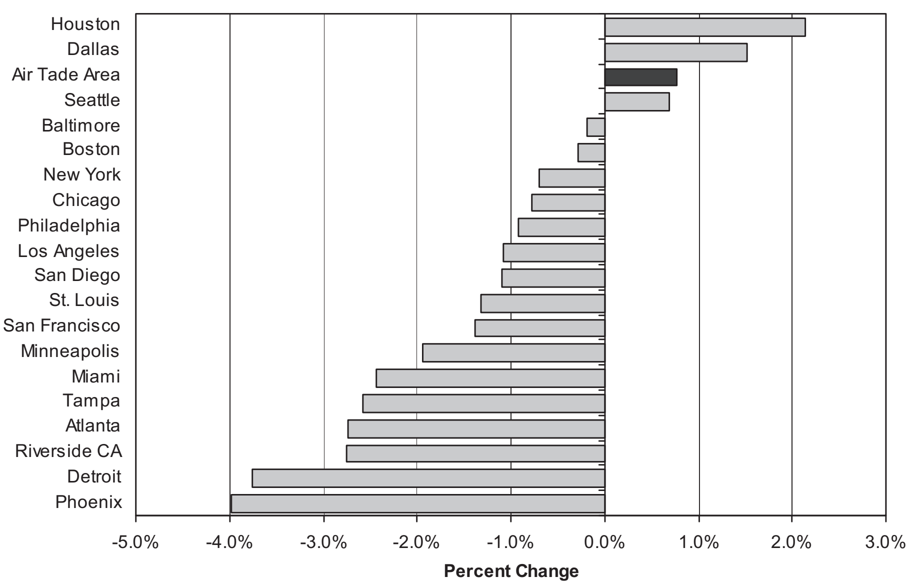
1. U.S. Department of Labor, Bureau of Labor Statistics, "Economic News Release", February 4, 2009.
2. George Mason University, Center for Regional Analysis, Washington Area Economic Outlook, February 12, 2009.
3. Ibid.

Figure 5
EMPLOYMENT
IN THE TOP 20 U.S. METROPOLITAN STATISTICAL AREAS
(November 2008)



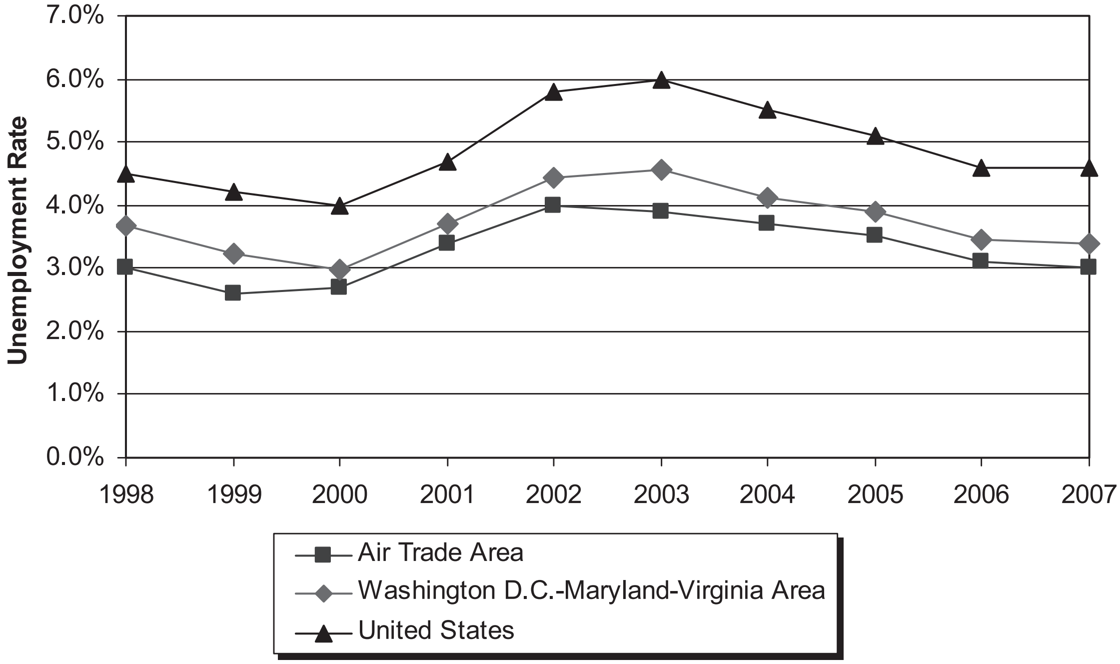
Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed February 13, 2009.

Figure 6
PERCENT CHANGE IN EMPLOYMENT
IN THE TOP 20 U.S. METROPOLITAN STATISTICAL AREAS
(November 2007 vs. November 2008)



Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed February 13, 2009.

Figure 7
UNEMPLOYMENT RATE
Air Trade Area, Washington D.C.-Maryland-Virginia Area, and United States
(calendar years)



Source: Bureau of Labor Statistics, compiled by Jacobs Consultancy.

The workforce in the Air Trade Area is well-educated with approximately 20% holding a graduate or professional degree and 45% holding a bachelor's degree. This highly educated resident population is seen as a primary strength and driver of the Air Trade Area's economy. The Greater Washington Initiative, an economic marketing organization that assists firms in expanding their businesses in the Air Trade Area, reports that the Air Trade Area has the highest per capita ratio of "knowledge workers" in the country. Knowledge workers are engaged in professional services, information technology, education, and research. Many of the Air Trade Area's knowledge workers provide professional services to the federal government. Due to the increased procurement activities by the federal government in the last ten years, companies in a variety of fields have become closely integrated with supporting government operations. Industries such as research laboratories continue to support government initiatives, while out-sourced professional services are now critical to federal government functioning. There was an initiative to reduce federal procurement spending in the early 1990s; however, between 1997 and 2007 annual federal procurement spending in the Air Trade Area increased from approximately $20.0 billion annually to $58.9 billion annually in constant 2007 dollars.[4]

Federal procurement activities also support regional economic growth indirectly, as companies that focus on professional services, such as consulting companies, choose to locate in the Air Trade Area because they see federal contracts as providing a base that can support a larger organization.[5] The stability provided by federal contracts allows these companies to grow and expand beyond federal services. Additionally, the Air Trade Area is considered to have a high quality of life and good accessibility to other cities and countries through the three area airports, both factors that are important to "knowledge workers".

The Air Trade Area is also attractive to international businesses. The air service provided by the three area airports is seen as an important feature for businesses that require frequent travel, as is the proximity to political power and decision makers. In recent years companies such as Volkswagen International, Airbus, Hilton Hotels, and BAE Systems have chosen to locate their U.S. headquarters in the area. There are over 1,000 institutions in the region that engage in international business, including 180 embassies, entities such as the World Bank, the International Monetary Fund, the Inter-American Development Bank, and the Export-Import Bank, and roughly 400 international associations and 350 law firms with international practices.

According to Bureau of Labor Statistics data for 2006, services accounted for 43% of the employment in the Air Trade Area, which was substantially similar to the nation's percentage of services employment (42%). As the Air Trade Area houses the seat of the federal government, government employment (federal plus local) accounted for 24% of employment, higher than the National percentage of 16%. Manufacturing, as a percentage of total employment in the Air Trade Area, accounted for 3% of all employment, significantly lower than the National percentage of 11%.

Per capita personal income (PCPI) of the Air Trade Area in 2007 was 122% of the average for the Washington D.C.-Maryland-Virginia Area and 143% of the National average. In 2007, Fairfax County, Fairfax City, and Falls Church City recorded the highest PCPI ($58,263) in the Air Trade Area. (See Table 4.) PCPI for the Air Trade Area is projected to increase an average 1.6% per year (in constant dollars) between 2007 and 2020, the same growth rate that is projected for the nation but lower than the Washington D.C.-Maryland-Virginia Area (1.8%).

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4. George Mason University, Center for Regional Analysis, Washington Area Economic Outlook, June 26, 2008.
5. Washington Post 2008 Annual Business Review, May 12, 2008.

Table 4
PER CAPITA PERSONAL INCOME BY COUNTY
Air Trade Area
(in 2000 dollars)

	2000	2007	Average Annual Increase
District of Columbia			
District of Columbia	$ 39,786	$ 49,345	3.1%
State of Maryland			
Calvert County	$ 30,129	$ 35,877	2.5%
Charles County	29,438	34,731	2.4
Frederick County	31,987	37,763	2.4
Montgomery County	48,880	56,820	2.2
Prince George's County	30,200	32,578	1.1
Commonwealth of Virginia			
Arlington County & City of Alexandria	$ 48,947	$ 56,921	2.2%
Clarke County	34,723	31,845	-1.2
Fairfax County, Fairfax City, & Falls Church City	51,359	58,263	1.8
Fauquier County	37,796	42,903	1.8
Loudoun County	38,876	38,770	0.0
Prince William County, Manassas, & Manassas Park	30,461	34,983	2.0
Spotsylvania County	29,552	31,498	0.9
Stafford County	26,831	32,086	2.6
Warren County	26,219	29,099	1.5
State of West Virginia			
Jefferson County	$ 27,137	$ 29,875	1.4%

Source: National Planning Association, Data Services, Inc. *Key Indicators of County Growth, 1970-2030, 2008 Edition.*

Tourism

According to Forbes Traveler, the Air Trade Area ranked sixth in the United States as the most visited market among domestic visitors and eighth among international visitors. In 2006, 59% of domestic visitors to the Air Trade Area were leisure travelers while the remaining 41% of visitors were on business. In addition to the federal government, the Washington Convention Center is located in downtown Washington, D.C. This facility hosts over one million convention and meeting attendees per year.

According to Capital Region USA's 2006 Overseas Visitor Summary Report , 79% of the Air Trade Area's overseas visitors indicated they visited the District of Columbia, 22% visited Virginia, and 17% visited Maryland.[6] Dining out, shopping, and visiting historical sites were the top leisure activities for overseas travelers.

Washington, D.C., the destination within the Air Trade Area for the majority of visitors, had 13.9 million domestic visitors and 1.2 million international visitors in 2006, according to Destination DC, a non-profit Washington, D.C.-based organization that promotes tourism for the District. Visitors to Washington, D.C., spent $5.24 billion in 2006, of which $1.4 billion was attributed to international visitors.

Economic Outlook

Historically the Air Trade Area has been supported by an expanding population, incomes higher than the National average, and forecasts of economic growth in terms of GRP that exceed those of the U.S. as a whole. These factors are expected to support stronger economic performance in the Air Trade Area relative to the nation and many other MSAs or CSAs, even during the current recession.

The length and depth of the current national recession makes it one of the most severe downturns in the last 100 years. The likely duration of this recession is unknown, and the financial markets and the housing industry are likely to undergo further restructuring before the national economy begins a recovery. While the Air Trade Area is not immune to a national economic downturn, data indicate that, through the timeframes of the most recently published data (generally covering through the fourth quarter of 2008), the Air Trade Area economy continued to be relatively stable.

A January 2009 study by the Brookings Institution[7] recognizes the Air Trade Area as a generally prosperous area, with a strong employment base, high education levels and high wages. The forecast for economic growth (GRP) developed by CRA projects a growth rate of 1.0% for the Air Trade Area in 2009, increasing to 3.0% in 2010 and 4.0% in 2012 and 2013. CRA projects that the Air Trade Area's economic growth will exceed that of the United States for each year from 2009 through 2013.

The risks to growth in the Air Trade Area were identified in a Global Insight/CRA analysis from September 2008. Those risks are largely the same risks facing the United States as a whole and include a slowdown in consumer spending, unstable

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6. The sum of these percentages is larger than 100%, as some visitors visited more than one jurisdiction.
7. Brookings Institution, Demographic and Economic Trends in the National Capital Region and Their Effects on Children, Youth and Families, January, 2009.

oil prices, a continuing weakness in the real estate market, and the continuing credit crisis[8] However, the Global Insight/CRA analysis also notes that the economy of the Air Trade Area is stabilized by federal procurement and other federal spending which, over the last 30 years, have been largely unaffected by business cycles. However, political initiatives to reduce federal spending could be introduced in the future, and such initiatives could potentially reduce federal procurement spending in the Air Trade Area.[9]

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8. The George Mason University, Center for Regional Analysis, Washington Area Economic Outlook updated on September 3, 2008. The Outlook referred to new federal policies, which we interpret as references to the then-anticipated action of the federal government in support of Fannie Mae and Freddie Mac and to the possibility of additional federal intervention in financial markets.
9. "PNC Economics, Washington" Economics Division, PNC Financial Services Group, January 2009. www.pnc.com/economicreports.

AIRPORT FACILITIES

The Airports (Reagan National and Dulles International) are operated under an agreement and deed of lease with the U.S. Department of Transportation (the Federal Lease).

REAGAN NATIONAL

Reagan National is located on approximately 860 acres along the Potomac River in Arlington County, Virginia, approximately three miles south of Washington, D.C. Road access to the airport is provided via the George Washington Parkway. Access is also available via the local subway system, Metrorail.

Reagan National has three runways. Runway 1/19 (6,869 feet long) is the primary air carrier runway due to its length and its suitability for noise and security purposes. This runway and its associated taxiways are capable of handling up to Group IV aircraft, which is an airplane design group designation assigned by the FAA based on aircraft wingspan and tail height. A Group IV aircraft is equivalent to a Boeing 767-300 aircraft. Runway 15/33 (5,204 feet long) and Runway 4/22 (4,911 feet long) are used primarily by smaller, lighter aircraft (e.g., turboprops) based on wind conditions and operational considerations.

Regan National has three terminals. Collectively, the terminals have more than 1 million gross square feet gross and 44 gates equipped with loading bridges.

- Terminal A, which opened in 1940 and is listed on the National Register of Historic Places, is being restored by the Airports Authority. Terminal A is separate from the newer Terminal B/C and has its own contained landside building providing passenger ticketing, check-in, security screening, and baggage claim facilities. There are nine aircraft gates in Terminal A, which are all capable of handling Group IV aircraft.

- Terminal B/C, which opened in 1997, are interconnected. The cathedral style terminals share passenger ticketing, check-in, and baggage claim areas. Terminal B/C has 35 total gates on three piers. There are security screening areas located at the entrance to each of the three piers. Of the 35 gates, 17 are designated for Group III aircraft and the remaining 18 are designated for Group IV aircraft. There are also 9 hardstand positions, serving Group II aircraft. Table 5 shows airline gate distribution and use at Reagan National.

Public parking facilities consist of parking garages and surface lots, which are described in more detail later in this Report. Terminal B/C has direct connections to the Metrorail system and to public parking garages through two enclosed pedestrian bridges.

DULLES INTERNATIONAL

Dulles International is located on approximately 11,830 acres of land (exclusive of the Dulles Access Highway) in Fairfax and Loudoun Counties, Virginia, approximately 26 miles west of Washington, D.C.

The Dulles Access Highway, a limited-access highway that is subject to the Airports Authority's jurisdiction under the Federal Lease, is the primary automobile route to the airport. Plans have been developed to extend Metrorail service to and beyond Dulles International. Until then, the Airports Authority provides a bus connection to the Metrorail station in West Falls Church, and thereby a connection to the entire Metrorail system. Additionally, the Washington Metropolitan Area Transit Authority (WMATA) provides a rapid bus transit service from Dulles International to the Rosslyn and L'Enfant Plaza Metrorail stations, in Arlington, VA and downtown Washington D.C., respectively.

Dulles International currently has four runways: Runway 1L/19R (9,400 feet long); Runway 1C/19C (11,500 feet long); Runway 1R/19L (11,500 feet long); and Runway 12/30 (10,500 feet long). All runways are capable of accommodating the commercial aircraft operating at Dulles International. Most often operations are in parallel flow using the parallel runways. Runway 12/30 is primarily used for departures to the west and arrivals from the east during periods of high winds. The runways and associated taxiways are capable of handling up to Group V aircraft which is equivalent to a Boeing 747-400.

The Airports Authority recognizes the possibility that a new, 550-seat aircraft, such as the A380, may operate at Dulles International as soon as 2010. Dulles International's runway/taxiway system meets Federal Aviation Administration (FAA) design standards for these aircraft. These aircraft are likely to occupy two gates at terminal facilities during the boarding and unloading process. Two gates in Concourse B will be modified to accommodate these aircraft.

Dulles International features a Main Terminal designed by Eero Saarinen, which opened in 1962. The terminal complex consists of the Main Terminal and four midfield concourses (Concourses A, B, C and D), which collectively provide more than 2.5 million gross square feet and 115 passenger gates. Passenger ticketing, check-in, baggage services, and security screening are all conducted in the Main Terminal. The midfield concourses may be reached via mobile lounges, and there is also a tunnel walkway to Concourse B from the Main Terminal. Starting in late 2009, the Airports Authority plans to begin operation of the Aerotrain system to connect the Main Terminal and the midfield concourses. The Aerotrain system is discussed more fully below.

The Main Terminal has 4 aircraft gates (the Z gates) and an International Arrivals Building (IAB) that provides customs and border protection, agriculture and immigration service facilities and can serve up to 2,400 passengers an hour. An expansion of the IAB will be completed in phases over the next few years in order to accommodate the growing international traffic at Dulles International.

- Concourse A has approximately 71,000 square feet of floor space and 35 regional aircraft gates, which are all served via hardstand. Concourse A connects to Concourse B by a pedestrian bridge.

- Concourse B has approximately 887,000 square feet and 37 aircraft gates. Since September 2007, seven of the aircraft gates at Concourse B have been out of service due to construction related to the development of the Aerotrain system. Several of these gates will be returned to service by the end of 2009.

- Concourses C and D have a combined total of approximately 609,000 square feet of floor space and 47 aircraft gates. All of the gates on Concourse C and all but 4 of the gates on Concourse D are leased on a preferential-use basis to United Airlines pursuant to the Airline Agreement, which is discussed in the Financial Analysis section. A Federal Inspection Station (FIS) provides custom and border patrol services for Star Alliance passengers arriving on an international flight and connecting to a domestic flight using the Concourse C and D gates. This facility was re-designed in 2008 and can now handle approximately 1,200 passengers an hour.

Aerotrain System

Access to the midfield concourses will be provided primarily via the Aerotrain system when it becomes operational. The Aerotrain system is being developed as a fully automated, fully radio controlled system that will initially provide service to 4 stations. The Main Terminal station will be integrated with the Security Mezzanine that is currently under construction. The Tier 1 East Station will serve Concourse A and the gates on the eastern end of Concourse B. The Tier 1 West Station will serve the remaining gates on Concourse B. The fourth station, the Concourse C East Station, has been built under the location of the future midfield concourse (Tier 2). In the near term, passengers using this station will access Concourse C via a temporary walkway connected to the Concourse C East Station. Aerotrain is being developed to operate with less than 2-minute headways and travel times of approximately 72 seconds between stations.

Until Tier 2 is constructed, mobile lounges will continue to serve Concourse D and the IAB, but the use of the mobile lounges is projected to be reduced by 50% when the Aerotrain becomes operational in late 2009.

Facility Management

The Airports Authority is able to flexibly manage the use and occupancy of airline terminal premises at the Airports to achieve efficient use of existing facilities and to foster access to facilities for new entrant airlines and for incumbent airlines looking to expand.

The Airports Authority has the right under the Airline Agreement to reallocate airline premises (including gates leased on a preferential use basis) and equipment among the Signatory Airlines every three years in order "to provide adequate facilities" for all airlines operating or desiring to operate at the Airports. In addition to the periodic reallocation of premises, the Airports Authority has the right to require a Signatory Airline to accommodate the requests of another airline to share premises.

The Airports Authority has developed certain passenger gates and terminal facilities at Dulles International using PFC revenues and its share of Net Remaining Revenues (NRR). The Airports Authority manages these gates under an application and permit procedure. All Signatory Airlines can apply to use the "permitted gates and space" on terms established pursuant to policies and procedures of the Airports Authority. A permit authorizes the use of a gate for a specified block of time to accommodate the particular schedule or operation of a Signatory Airline. Thus, one or more Signatory Airlines may be authorized to use an Airports Authority-operated gate in common with other Signatory Airlines over the course of a day. The Airports Authority may cancel a permit on 30-days advance written notice for any reason and without cause. A Signatory Airline may cancel a permit on 60-days advance written notice.

Also, if necessary, the Airports Authority can deploy its mobile lounge service to accommodate airlines on the Dulles Jet Apron when gates are not otherwise available. The mobile lounge service also provides the capability of using any gate at Dulles International to serve international arrivals. Within Concourse B, 16 gates have sterile corridors, designed specifically to accommodate international arrivals.

The distribution of preferential and permit gates at Reagan National and Dulles International as of February 2009 are presented in Tables 5 and 6, respectively.

Table 5
GATE DISTRIBUTION AND USE
Ronald Reagan Washington National Airport
(February 2009)

	Number of gates Concourse A	B/ C
Airline		
Air Canada		1
Airtran	2	
American		5
Continental (*a*)		4
Delta		7
Midwest	2	
Northwest	4	
Spirit	1	
US Airways (*b*)		15
United		3
Total Preferential Gates	9	35

Note: Gates include aircraft parking positions and associated holdrooms.
(*a*) Alaska sublets a gate from Continental.
(*b*) Frontier sublets a gate from US Airways.

Table 6
GATE DISTRIBUTION AND USE
Washington Dulles International Airport
(February 2009)

	Number of gates					
	Concourse				Main Terminal	
	A (*a*)	B (*b*)	C	D	Z	Total
Preferential Use Gates	35		23	20		78
Permit Gates		37		4	4	45
Total Preferential and Permit Gates	35	37	23	24	4	123

Notes: Gates include aircraft parking positions and associated holdrooms.
See the discussion of permit gates in the Facility Management section.
(*a*) Parking positions for regional jet aircraft.
(*b*) Includes 11 parking positions (and 19 loading bridges) designated for wide-body aircraft, which are also capable of handling 14 narrow-body aircraft.
(*c*) Except for four gates in Concourse D, all Preferential Use Gates at Dulles International are leased to United Airlines.

Fuel Settling Tank Farm

In June 2008 the Airports Authority completed the development of a fuel settling tank farm at Dulles International. The tank farm consists of three fuel settling tanks with a total capacity of approximately 26 million gallons, which, in combination with existing on-airport tank farm capacity of 17 million gallons, provides an adequate supply for approximately 28 days of fuel for the airlines operating at the airport based on current utilization.

The tank farm is connected via a 36-inch pipeline that has the velocity-handling capability required to tap directly off of Colonial Pipeline Company's high pressure trunk line that runs from the Gulf Coast to the New York area. It takes approximately 48-72 hours for the fuel to settle. The settling tanks provide two distinct advantages. The first is the assurance that airlines operating at Dulles International will not face fuel shortages. This is a key point as some fuel providers have found it more lucrative to switch away from providing jet fuel at certain locations, and airports, including Dulles International, have encountered shortages in the past. The second benefit of the fuel settling tank farm is that it is less expensive for airlines to pay back the costs incurred in construction through rates and charges than it has been to pay the fuel settling charges and transportation fees to off-site providers. The airlines own the fuel and arrange for delivery. The Airports Authority estimates that airline fuel delivery costs are now approximately 30% less than they were under the off-airport leases.

Cargo Buildings

There are a total of six cargo buildings at Dulles International with a total of approximately 524,000 square feet of cargo warehouse space.

AIRLINE TRAFFIC ANALYSIS

The Air Trade Area section of this Report described factors affecting demand for air travel at the Airports, including a large and expanding population, personal incomes higher than the national average, and forecasts of economic growth in terms of GRP that exceed that of the United States as a whole. This section considers how market factors, such as airline service and fares at the Airports and at competing airports, will affect the realization of that demand in the form of passenger traffic.

This section is laid out in subsections, as follows:

- Brief profiles of Reagan National and Dulles International
- Competing airports
- Reagan National—historical service and traffic trends
- Dulles International—historical service and traffic trends
- Key factors affecting future airline traffic
- Airline traffic projections at Reagan National and Dulles International

REAGAN NATIONAL AIRPORT PROFILE

Reagan National served approximately 9.0 million enplaned passengers in 2008, after hitting a 12-year low of 6.5 million in 2002 following the events of September 11, 2001, and a record-high 9.3 million in 2007. (See Table 7.) The airport experienced a higher rate of growth than that experienced by all U.S. airports taken together for the 12 months ended June 30, 2001 through the 12 months ended June 30, 2008. (See Figure 8.)

More than 98% of passengers enplaned at Reagan National in 2008 were flying on domestic itineraries and an estimated 81% were origin-destination (O&D) passengers. Seven of the eight largest U.S. passenger airlines (all except Southwest) serve Reagan National.

Reagan National is the fourth largest airport in the route network of US Airways as of March 2009. (See Table 8.) US Airways and its code-share affiliates enplaned 41.4% of Reagan National's passengers in 2008. (See Figure 10.) Second-ranking American Airlines accounted for 15.9% of total enplaned passengers in 2008. In 2008, US Airways and its affiliates accounted for most (an estimated 86%) of the connecting passengers at Reagan National.

Advance published flight schedules (filed by the airlines as of February 2009 and subject to change) indicate a 5.3% year-over-year decline in scheduled departing seats at Reagan National in the first three quarters of 2009, which is less than the 8.4% nationwide capacity cut over the same period. Scheduled departing seats on US Airways at Reagan National show a slightly larger decline (down 6.2%) over the period, although this is less than US Airways' system-wide capacity reduction of 7.8%.

Given its proximity to the nation's capital and the seat of federal government operations (only 5 miles from the central business district of Washington, D.C.), Reagan National was subject to more restrictive operating conditions than other airports after the events of September 11, 2001. The FAA closed Reagan National for 22 days in response and did not fully lift its restrictions on passenger flight operations until April 27, 2002. Reagan National is also subject to the FAA's High Density Rule and Perimeter Rule. The Authority's noise abatement program includes, among other initiatives, limitations on certain aircraft operations at Reagan National after 9:59 p.m. and before 7:00 a.m. and subjects violators to a civil penalty.

DULLES INTERNATIONAL AIRPORT PROFILE

Dulles International served approximately 11.9 million enplaned passengers in 2008 representing more than half (57%) of the total passengers enplaned at the Airports. In 1978, by comparison, Dulles International served 1.5 million enplaned passengers representing just 18% of the Airports' total. (See Figure 11.)

Dulles International experienced a much faster rate of increase in domestic passengers than most of the top 30 U.S. airports from the year ended June 30, 2001 through the year ended June 30, 2008. (See Figure 8.) Dulles International also experienced a faster rate of increase in international passengers than all but two of the top 20 U.S. airports. (See Figure 9.) In both cases, passenger traffic at Dulles International grew at three times the rate for all U.S. airports taken together.

In 2008, nearly 74% of passengers enplaned at Dulles International were flying on domestic itineraries and 62% were O&D passengers. The eight largest U.S. passenger airlines all serve Dulles International.

Dulles International is the third largest airport in the route network of United Airlines as of March 2009. (See Table 9.) United and its regional code-share affiliates enplaned 64% of Dulles International's passengers in 2008. (See Figure 10.) United and its affiliates also accounted for most (an estimated 87%) of the connecting passengers at Dulles International in 2008.

Advance published flight schedules (filed by the airlines as of February 2009 and subject to change) indicate a 5.6% year-over-year decline in scheduled departing seats at Dulles International in the first three quarters of 2009, which is less than the 8.4% nationwide capacity cut over the same period. Scheduled departing seats on United show a slightly smaller decline (down 4.8%) at Dulles International over the period, which is less than United's system-wide capacity reduction of 10.7% and its capacity reductions at its other hub airports (down between 10.0% and 12.5% at each of San Francisco, Los Angeles, Denver, and Chicago-O'Hare).

Dulles International was ranked ninth in the nation based on the number of international passengers for the 12 months ended June 30, 2008. Dulles International was also the nation's fourth largest transatlantic international gateway based on departing seats in March 2009—rivaling Chicago and exceeding Atlanta, Los Angeles, and Miami. Among U.S. East Coast airports, only the New York area airports offer more service across the Atlantic.

Dulles International is the main international gateway on the East Coast for United and for other members of the Star Alliance.[10] United and its United Express partners provide the domestic feed for U.K.- and Europe-bound flights operated by United, Lufthansa, Austrian, and SAS. Dulles International also serves as a connecting gateway for Star Alliance flights to and from Canada (Air Canada), Japan (All Nippon), and South Africa (South African). Furthermore, with recent service offerings by United to Beijing (March 2007), Rio de Janeiro (seasonal service started October 2007), Dubai (October 2008), and Moscow (March 2009) and planned for Geneva (April 2009), the geographic orientation of the international hub at Dulles International is growing and diversifying. Together, United and the other Star Alliance carriers represented 69% of scheduled international seats offered at Dulles International in March 2009. The remainder (31%) were offered by other U.S. and foreign-flag carriers, the largest ones being British Airways and Air France with a combined 12.1% of total scheduled international departing seats in March 2009.

JetBlue is the second-ranked airline at Dulles International, accounting for 8.4% of domestic enplaned passengers in 2008. Dulles International, in turn, ranked seventh among airports in JetBlue's route network in terms of departing seats in March 2009. The airline's departing seats at Dulles International represented 3.1% of the airline's system total, ranking behind New York-Kennedy, Boston, Orlando, Fort Lauderdale, Long Beach, and West Palm Beach.

Dulles International is an important cargo airport, ranking 10th among U.S. airports in terms of international cargo tonnage enplaned and deplaned in the 12 months ended June 2008, according to data filed by the airlines with U.S. DOT. Most of the cargo at Dulles International in 2008 was handled by United (39.6%), using its fleet of passenger aircraft, and FedEx (22.4%), using all-cargo aircraft.

10. The Star Alliance is one of three global airline alliances; the other two are Oneworld and Skyteam. Star Alliance has 21 member airlines, of which eight serve Dulles International (United, US Airways, Air Canada, All Nippon, Austrian, Lufthansa, SAS, and South African). In June 2008, United and Continental announced that Continental would join the Star Alliance in 2009.

Table 7

ENPLANED PASSENGER TRENDS

Ronald Reagan Washington National and Washington Dulles International Airports

(calendar years; passengers in thousands)

	National			Dulles				Authority Total		
Year	Dom.	Intl.	**Total**	Dom.	Intl.	*Intl. as % of Total*	**Total**	Dom.	Intl.	**Total**
1996	7,424	136	**7,560**	5,002	1,368	*21.5%*	**6,370**	12,426	1,504	**13,931**
1997	7,763	114	**7,877**	5,318	1,482	*21.8*	**6,800**	13,082	1,596	**14,677**
1998	7,791	104	**7,895**	6,189	1,615	*20.7*	**7,804**	13,979	1,720	**15,699**
1999	7,388	113	**7,501**	7,968	1,842	*18.8*	**9,809**	15,356	1,954	**17,310**
2000	7,726	129	**7,855**	7,888	2,083	*20.9*	**9,972**	15,615	2,212	**17,827**
2001	6,480	83	**6,564**	6,959	1,961	*22.0*	**8,920**	13,439	2,045	**15,484**
2002	6,356	104	**6,460**	6,498	2,018	*23.7*	**8,515**	12,854	2,122	**14,976**
2003 *(a)*	6,971	131	**7,102**	6,372	1,995	*23.8*	**8,366**	13,343	2,126	**15,469**
2004	7,797	155	**7,952**	9,015	2,310	*20.4*	**11,324**	16,812	2,464	**19,276**
2005	8,737	173	**8,909**	10,947	2,449	*18.3*	**13,396**	19,684	2,622	**22,306**
2006	9,054	185	**9,240**	8,797	2,595	*22.8*	**11,392**	17,852	2,780	**20,632**
2007	9,146	149	**9,294**	9,313	2,960	*24.1*	**12,274**	18,459	3,109	**21,568**
2008	8,836	141	**8,978**	8,746	3,110	*26.2*	**11,856**	17,582	3,251	**20,833**
Compound annual growth rate										
1996-2000	1.0%	-1.3%	**1.0%**	12.1%	11.1%		**11.9%**	1.0%	11.9%	**6.4%**
2000-2008	1.7	1.1	**1.7**	1.3	5.1		**2.2**	1.5	4.9	**2.0**
Percent change from previous year										
2000-2001	-16.1%	-35.5%	**-16.4%**	-11.8%	-5.8%		**-10.5%**	-13.9%	-7.6%	**-13.1%**
2001-2002	-1.9	25.0	**-1.6**	-6.6	2.9		**-4.5**	-4.4	3.8	**-3.3**
2002-2003	9.7	26.1	**9.9**	-1.9	-1.1		**-1.7**	3.8	0.2	**3.3**
2003-2004	11.9	17.7	**12.0**	41.5	15.8		**35.4**	26.0	15.9	**24.6**
2004-2005	12.0	11.5	**12.0**	21.4	6.0		**18.3**	17.1	6.4	**15.7**
2005-2006	3.6	7.4	**3.7**	-19.6	6.0		**-15.0**	-9.3	6.1	**-7.5**
2006-2007	1.0	-19.9	**0.6**	5.9	14.1		**7.7**	3.4	11.8	**4.5**
2007-2008	-3.4	-4.8	**-3.4**	-6.1	5.0		**-3.4**	-4.7	4.6	**-3.4**

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

(a) In this table and all subsequent tables and figures in this report the figures shown for domestic and total enplaned passengers in 2003 at Reagan National differ from those published in the Authority's 2007 Comprehensive Annual Financial Report (CAFR) due to Midway being inadvertently deleted from the CAFR.

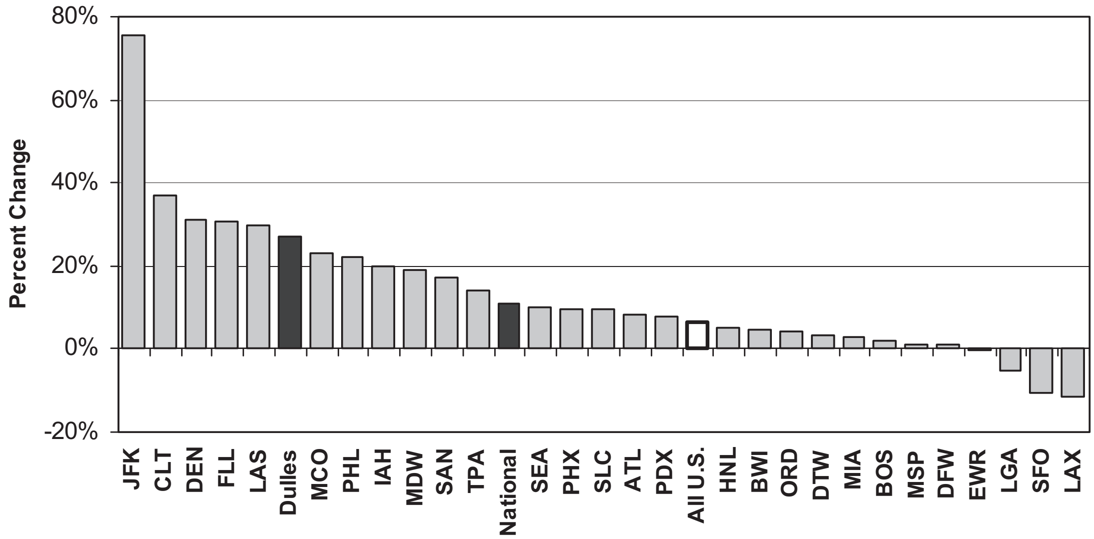
Source: Metropolitan Washington Airports Authority.

Figure 8

PERCENT CHANGE IN DOMESTIC ENPLANED PASSENGERS

Top 30 U.S. Airports

(for the 12 months ended June 30, 2001 vs. the 12 months ended June 30, 2008)



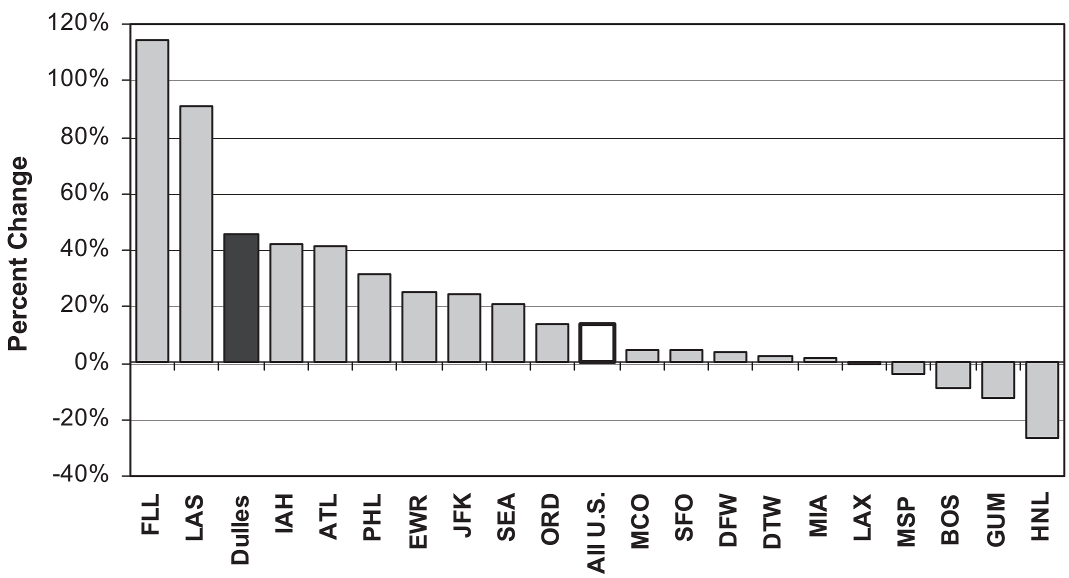
Sources: U.S. DOT, Schedules T100 and 298C T1.

Figure 9

PERCENT CHANGE IN INTERNATIONAL ENPLANED PASSENGERS

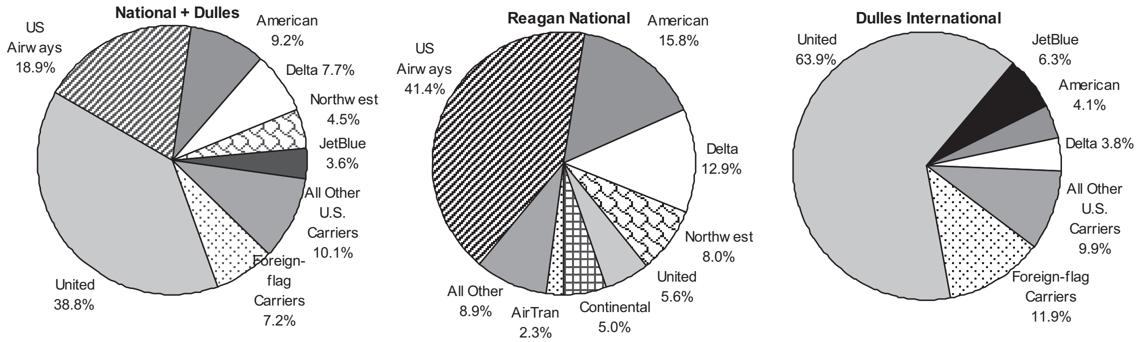
Top 20 U.S. Airports

(for the 12 months ended June 30, 2001 vs. the 12 months ended June 30, 2008)



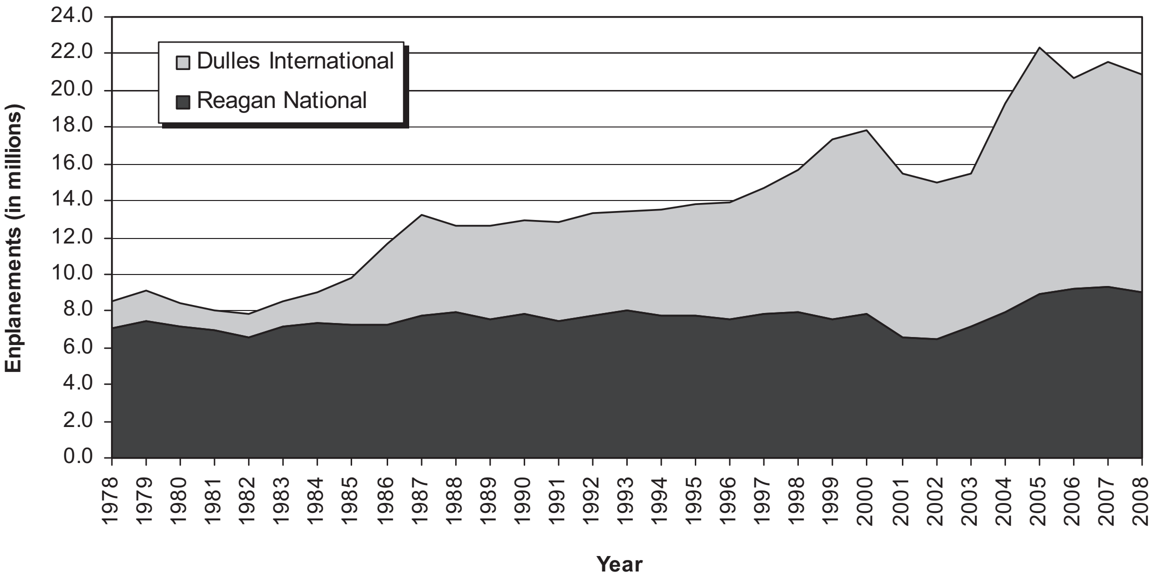
Sources: U.S. DOT, Schedules T100 and 298C T1.

Figure 10
CARRIER SHARES OF TOTAL ENPLANED PASSENGERS
Ronald Reagan Washington National, Washington Dulles International Airports
(calendar year 2008)



Note: Carriers include regional codesharing affiliates, if any.
Source: Metropolitan Washington Airports Authority.

Figure 11
TOTAL ENPLANED PASSENGERS
Washington Dulles International and Ronald Reagan Washington National Airports
(calendar years)



Notes: Includes both revenue and non-revenue passengers on domestic and international flights. Excludes enplaned passengers on general aviation and military flights.
Source: Metropolitan Washington Airports Authority.

Table 8

SCHEDULED DEPARTING SEATS ON US AIRWAYS

Top U.S. Airports in the US Airways System

(for the first week in March, 2008 and 2009)

		Departing Seats		Change	
Rank	Airport	2008	2009	Absolute	Percent
1	Charlotte	385,561	389,111	3,550	0.9%
2	Philadelphia	265,325	254,015	-11,310	-4.3
3	Phoenix	241,653	225,269	-16,384	-6.8
4	**Washington-National**	**113,904**	**106,807**	**-7,097**	**-6.2**
5	New York-LaGuardia	77,082	76,821	-261	-0.3
6	Las Vegas	97,576	67,335	-30,241	-31.0
7	Boston	64,429	61,698	-2,731	-4.2
8	Orlando	34,323	30,032	-4,291	-12.5
9	Pittsburgh	38,669	29,898	-8,771	-22.7
10	Los Angeles	24,756	24,648	-108	-0.4
	All Other	809,263	736,952	-72,311	-8.9
	Total---U.S. System	2,152,541	2,002,586	-149,955	-7.0%

Note: Represents domestic and international seats and includes regional codesharing affiliates.

Source: *Official Airline Guide*, accessed January 30, 2009.

Table 9

SCHEDULED DEPARTING SEATS ON UNITED

Top U.S. Airports in the United System

(for the first week of March, 2008 and 2009)

		Departing Seats		Change	
Rank	Airport	2008	2009	Absolute	Percent
1	Chicago-O'Hare	409,812	384,928	-24,884	-6.1%
2	Denver	306,009	281,020	-24,989	-8.2
3	**Washington-Dulles**	**189,923**	**183,786**	**-6,137**	**-3.2**
4	San Francisco	194,357	178,162	-16,195	-8.3
5	Los Angeles	140,437	120,743	-19,694	-14.0
6	Las Vegas	34,878	30,558	-4,320	-12.4
7	Boston	29,554	28,758	-796	-2.7
8	Seattle	30,558	26,972	-3,586	-11.7
9	San Diego	25,618	25,102	-516	-2.0
10	New York-LaGuardia	22,142	22,578	436	2.0
	All Other	737,247	668,948	-68,299	-9.3
	Total---U.S. System	2,120,535	1,951,555	-168,980	-8.0%

Note: Represents domestic and international seats and includes regional codesharing affiliates.

Source: *Official Airline Guide*, accessed January 30, 2009.

COMPETING AIRPORTS

Reagan National and Dulles International face regional competition for traffic from Baltimore/Washington International Thurgood Marshall Airport (BWI) and international gateway competition for traffic from other major U.S. east coast gateway airports such as Boston, Philadelphia, New York-Kennedy, Newark, and Atlanta.

Regional Airport Competition

The availability of airline service at Reagan National, Dulles International, and BWI gives many consumers in the Air Trade Area a choice of airport, which is the basis for regional competition among airports.

BWI is located about 30 miles northeast of downtown Washington, D.C. by Interstate highway and is also accessible from Washington D.C. by several public transportation options, including rail and bus service. In non-peak periods, BWI is 55 minutes (39 miles) by road from Reagan National and 69 minutes (58 miles) by road from Dulles International.[11]

In the three-airport regional market, BWI serves about 40% of the domestic O&D passengers and Reagan National and Dulles International together serve about 60%. In March 2009, airlines offered nonstop service from BWI to 61 U.S. cities. Low-cost carriers (LCCs) offered service from BWI to 49 of these 61 cities, and service on 57 of these 61 routes was available on mainline jet aircraft.[12] While airlines offered service from Reagan National and Dulles International to more nonstop destinations than at BWI, many fewer destinations were served (1) by LCCs and (2) using mainline aircraft. (See Table 10.) Dulles International has, however, experienced strong growth in LCC service in recent years. Between 2003 and 2009, the numbers of flights and seats offered by LCCs at Dulles International tripled, while the number of airports served by LCCs increased from 4 to 15.

Airfares at BWI are generally lower than airfares at either Reagan National or Dulles International. Based on available fare data for the first three quarters of 2008, domestic O&D passengers at BWI paid $136, on average, for a one-way trip averaging 1,025 miles, compared to about $194 at Reagan National for a trip averaging 984 miles, and about $194 at Dulles International for a trip averaging 1,386 miles. A large proportion of travelers have demonstrated, however, that they place greater value on the location of the Airports and the level of air service offered at the Airports than on the fare differences with BWI. The higher fares provide better margins for the airlines serving the Airports and this, in turn, makes for a degree of service stability.

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11. According to the MapQuest website.
12. For the purpose of this Report, jet aircraft have been categorized as either mainline jets (100 or more seats) or regional jets (less than 100 seats).

Table 10

COMPARISON OF DOMESTIC SCHEDULED PASSENGER AIRLINE SERVICE

Ronald Reagan Washington National, Washington Dulles International and Baltimore/Washington International Airports

(for the first week in March)

Airport	Number of airports served *(a)* 1998	2003	2008	2009	Weekly flight departures 1998	2003	2008	2009	Weekly departing seats 1998	2003	2008	2009
By carrier type:												
Total---all carriers												
DCA	59	63	69	69	2,355	2,406	2,608	2,530	258,512	225,029	252,489	239,907
IAD	69	69	89	81	2,541	2,199	2,566	2,413	166,485	169,747	228,927	212,792
BWI	56	62	62	61	1,893	2,172	2,173	2,016	192,874	262,886	269,919	248,536
Regular-fare carriers												
DCA	59	61	69	69	2,355	2,380	2,522	2,438	258,512	220,752	240,914	227,356
IAD	68	67	86	75	2,445	2,115	2,262	2,133	155,925	158,643	188,783	175,349
BWI	51	33	27	23	1,544	989	759	685	147,573	104,412	80,026	71,304
Low-cost carriers												
DCA	-	2	5	5	-	26	86	92	-	4,277	11,575	12,551
IAD	3	4	14	15	96	84	304	280	10,560	11,104	40,144	37,443
BWI	14	40	48	49	349	1,183	1,414	1,331	45,301	158,474	189,893	177,232
By aircraft type:												
Mainline jet												
DCA	44	36	38	32	1,788	1,341	1,368	1,121	238,772	180,706	185,623	154,429
IAD	34	31	34	34	909	862	973	868	125,389	117,642	143,092	128,413
BWI	39	51	60	57	1,255	1,777	1,828	1,721	171,423	248,393	251,388	232,874
Regional jet												
DCA	-	24	54	53	-	639	1,207	1,363	-	29,416	65,683	82,945
IAD	7	31	51	47	102	669	1,326	1,288	5,100	33,206	76,721	75,542
BWI	1	8	12	12	14	186	265	225	700	8,151	14,690	12,890
Turboprop												
DCA	23	22	8	4	567	426	33	46	19,740	14,907	1,183	2,533
IAD	40	26	17	14	1,530	668	267	257	35,996	18,899	9,114	8,837
BWI	22	9	4	3	624	209	80	70	20,751	6,342	3,841	2,772

(a) Some city markets are served by more than one airport. Some airports are served by more than one carrier type or aircraft type.

Source: *Official Airline Guide*, accessed January 30, 2009.

Southwest introduced service at BWI in September 1993 and provides most of the LCC service at the airport. As of March 2009, BWI was the fourth largest airport in the Southwest system in terms of departing seats, although advance published flight schedules indicate that the airline's departing seats at BWI in the first three quarters of 2009 will be 6.2% lower than the corresponding period of 2008. This decline exceeds Southwest's 4.4% system-wide capacity reduction over the same period. Southwest, the second-largest U.S. airline in terms of passengers (following the merged Delta/Northwest entity), is discussing arrangements with codesharing partners to serve North American destinations outside of the United States. Southwest began limited service at Dulles International in 2006.

International Gateway Competition

The availability of international service at Dulles International and other U.S. airports gives consumers a choice of itinerary routings via those airports, which is the basis for gateway competition.

The maturity of the United hub at Dulles International and the connectivity of airlines serving the airport make Dulles International the preferred international airport in the three-airport region. BWI is not considered to be a serious competitor to Dulles International for international gateway traffic in the foreseeable future. The primary potential for gateway competition with Dulles International is with transatlantic traffic. Currently, the major gateway airports competing for transatlantic passengers connecting to and from other parts of the U.S. include New York-Kennedy, Newark, Chicago, Atlanta, Boston, and Philadelphia. (See Table 11.) It is worth noting that, of the 10 largest U.S. transatlantic gateway airports, Dulles International experienced the largest relative increase in the number of transatlantic departing seats between March 2004 and March 2009.

Table 11
DAILY DEPARTING TRANSATLANTIC FLIGHTS AND SEATS
At Top U.S. International Gateway Airports
(for the first week in March, 2004 and 2009; ranked on 2009 seats)

		Scheduled Flight Departures			Scheduled Departing Seats		
Rank	Airport	2004	2009	Pct. Chg.	2004	2009	Pct. Chg.
1	New York-Kennedy	62.1	81.1	30.6%	16,704.6	20,556	23.1%
2	New York-Newark	36.1	51.7	43.1	8,404.6	10,972	30.6
3	Chicago-O'Hare	33.1	31.9	-3.9	8,018.4	7,627	-4.9
4	**Washington-Dulles**	**19.3**	**26.6**	**37.8**	**4,926.1**	**6,941**	**40.9**
5	Atlanta	19.0	25.0	31.6	4,450.0	5,936	33.4
6	Los Angeles	12.0	15.3	27.4	3,757.9	4,401	17.1
7	Miami	15.1	13.7	-9.4	4,451.4	3,866	-13.2
8	Boston	13.9	15.1	9.3	3,526.1	3,726	5.7
9	San Francisco	10.0	10.9	8.6	2,980.1	3,382	13.5
10	Philadelphia	11.7	13.9	18.3	2,985.4	3,275	9.7
11	Houston-Bush	8.3	11.7	41.4	2,141.4	3,089	44.3
12	Orlando	4.9	5.1	5.9	1,768.7	1,948	10.2
13	Detroit	8.3	6.7	-19.0	2,274.0	1,940	-14.7
14	Dallas/ Ft. Worth	7.0	6.4	-8.2	1,636.0	1,501	-8.3
15	Seattle	3.3	4.6	39.1	901.3	1,117	23.9

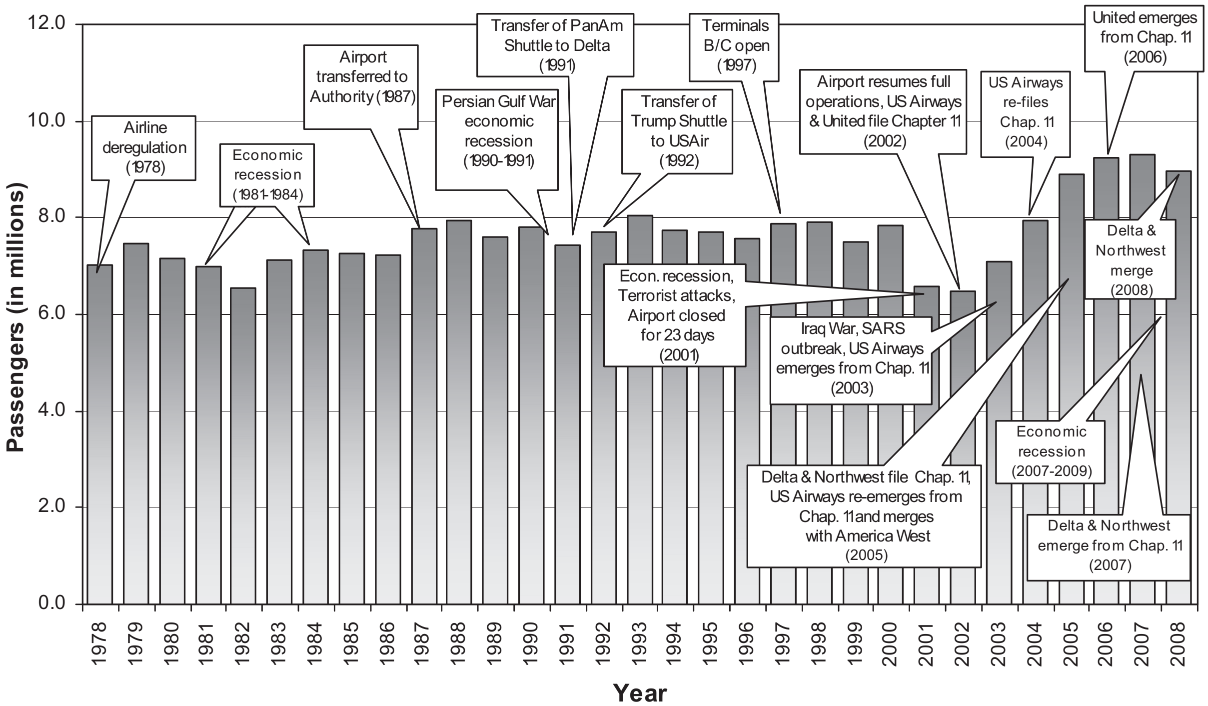
Notes: Includes average daily flights and seats to destinations in Europe, the Middle East, and Africa. Excludes charter flights.
Source: *Official Airline Guide*, accessed January 30, 2009.

REAGAN NATIONAL—HISTORICAL SERVICE AND TRAFFIC TRENDS

This section discusses trends in domestic airline service, passenger traffic, and airfares at Reagan National.

From the early 1980s until 2000, annual enplaned passenger levels at Reagan National were virtually flat, seldom fluctuating more than 5% above or below 7.5 million passengers. However, after 2002, Reagan National experienced 5 successive years of traffic growth. Figure 12 provides a graphic depiction of enplaned passengers at Reagan National from 1978 through 2008, illustrating the departure in 2001 from the previous consistent pattern.

Figure 12
HISTORY OF ENPLANED PASSENGERS
Ronald Reagan Washington National Airport
(calendar years)



Notes: Includes both domestic and international, and revenue and non-revenue passengers. Excludes passengers enplaned on general aviation and military flights.
Source: Metropolitan Washington Airports Authority.

Airline Service Trends

Airlines provided slightly less seat capacity at Reagan National in March 2008 than in March 1998, operating more flight frequencies using smaller aircraft. However, with higher load factors, airlines were able to enplane 14% more passengers in 2008 than 1998.

Between March 2008 and March 2009, the airlines reduced both flight departures (down 3%) and departing seat capacity (down 5%) at Reagan National. The shift of service to regional jets continued, and by March 2009 they accounted for more than half of all flight departures and more than one-third of departing seat capacity at Reagan National.

Table 12
DOMESTIC SCHEDULED PASSENGER AIRLINE SERVICE, BY AIRCRAFT TYPE
Ronald Reagan Washington National Airport
(for the first week in March)

					Change		
	1998	2003	2008	2009	1998-2003	2003-2008	2008-2009
Airports served nonstop *(a)*	**59**	**63**	**69**	**69**	**+4**	**+6**	**-**
Jet	44	48	68	67	+4	+20	-1
Mainline Jet	*44*	*36*	*38*	*34*	*-8*	*+2*	*-4*
Regional Jet	*-*	*24*	*54*	*53*	*+24*	*+30*	*-1*
Turboprop	23	22	8	4	-1	-14	-4
Weekly flight departures	**2,355**	**2,406**	**2,608**	**2,530**	**+51**	**+202**	**-78**
Jet	1,788	1,980	2,575	2,484	+192	+595	-91
Mainline Jet	*1,788*	*1,341*	*1,368*	*1,121*	*-447*	*+27*	*-247*
Regional Jet	*-*	*639*	*1,207*	*1,363*	*+639*	*+568*	*+156*
Turboprop	567	426	33	46	-141	-393	+13
Weekly departing seats	**258,512**	**225,029**	**252,489**	**239,907**	**-33,483**	**+27,460**	**-12,582**
Jet	238,772	210,122	251,306	237,374	-28,650	+41,184	-13,932
Mainline Jet	*238,772*	*180,706*	*185,623*	*154,429*	*-58,066*	*+4,917*	*-31,194*
Regional Jet	*-*	*29,416*	*65,683*	*82,945*	*+29,416*	*+36,267*	*+17,262*
Turboprop	19,740	14,907	1,183	2,533	-4,833	-13,724	+1,350
Average seats per flight	**110**	**94**	**97**	**95**	**-16**	**+3**	**-2**
Jet	134	106	98	96	-27	-9	-2
Mainline Jet	*134*	*135*	*136*	*138*	*+1*	*+1*	*+2*
Regional Jet	*n.a.*	*46*	*54*	*61*	*n.a.*	*+8*	*+6*
Turboprop	35	35	36	55	+0	+1	+19

Notes: Domestic flights comprise 97% of all scheduled passenger flights at Reagan National.
n.a.=not applicable.
Columns may not add to totals shown because of rounding.

(a) Some city markets are served by more than one airport. Some airports are served by more than one aircraft type.

Source: *Official Airline Guide*, accessed January 30, 2009.

The effect of regional jet deployment in certain markets served from Reagan National is reflected in Table 12. Many Reagan National markets continue to be served primarily by mainline jet aircraft (e.g., Chicago, Atlanta, Orlando, and Tampa). Some short-haul Reagan National markets in the Northeast, however, experienced a significant shift of capacity to regional jets (e.g., Newark, New York-Kennedy, and Boston).

All of Reagan National's top 15 O&D markets had nonstop scheduled jet service in March 2009 and nine of them were served nonstop by more than one airline. (See Table 13.) Two of the top four routes (i.e., to New York and Boston) were served nonstop by three or more airlines in March 2009.

Table 13

SCHEDULED PASSENGER JET SERVICE
IN THE TOP 15 DOMESTIC O&D PASSENGER MARKETS

Ronald Reagan Washington National Airport
(for the first week of March)

Rank (a)	City market / *Airport*	Airlines with nonstop service (b) 2009	Weekly scheduled departing jet flights 1998	2003	2008	2009	Weekly scheduled departing jet seats 1998	2003	2008	2009
1	New York	AA,CO,DL,US	316	383	345	303	46,310	37,599	34,875	26,302
	LaGuardia	*DL,US*	*211*	*256*	*233*	*186*	*32,160*	*30,246*	*27,575*	*19,614*
	Kennedy	*AA,DL*	*28*	*64*	*62*	*90*	*3,983*	*3,159*	*3,166*	*4,756*
	Newark	*CO*	*77*	*63*	*50*	*27*	*10,167*	*4,194*	*4,134*	*1,932*
2	Chicago *(c)*	AA,UA	181	182	140	157	22,894	21,337	18,226	19,648
3	Atlanta	DL,FL	102	117	172	142	15,500	14,906	22,392	19,823
4	Boston	AA,DL,US	98	182	174	175	11,185	16,426	15,800	15,870
5	Dallas/ Fort Worth *(d)*	AA,US	108	79	93	90	16,030	11,600	12,064	11,868
6	Detroit	NW,US	60	60	75	76	7,879	7,800	8,686	8,592
7	Fort Lauderdale	NK,US	21	28	43	49	2,940	3,124	5,986	7,057
8	Miami	AA	76	56	56	63	11,061	8,016	8,288	9,324
9	Denver	F9,UA	-	7	28	28	-	952	4,312	4,386
10	Orlando	FL,US	28	35	42	45	3,416	4,081	5,149	6,011
11	Los Angeles *(e)*	AS	-	-	7	7	-	-	1,099	1,099
12	Houston *(f)*	CO	41	49	57	52	5,609	5,776	6,769	6,758
13	Minneapolis/ St. Paul	NW	46	47	39	39	6,338	6,452	5,712	5,412
14	Tampa	US	28	28	35	34	3,892	3,173	4,392	4,616
15	St. Louis	AA	53	37	25	25	7,165	5,180	3,500	3,500
	Top 15 Markets		1,158	1,290	1,331	1,285	160,219	146,422	157,250	150,266
	Other Markets		630	690	1,244	1,199	78,553	63,700	94,056	87,108
	Total---All Markets		1,788	1,980	2,575	2,484	238,772	210,122	251,306	237,374

(a) Top 15 city markets ranked by total domestic outbound O&D passengers for the 12 months ended September 30, 2008.
(b) Certificated U.S. airlines operating scheduled passenger jet services. Each mainline carrier and its codesharing affiliates were counted as one airline. Carrier Legend: AA=American, AS=Alaska, CO=Continental, DL=Delta, F9=Frontier, FL=AirTran, NK=Spirit, NW=Northwest, UA=United, US=US Airways.
(c) Market includes O'Hare and Midway airports.
(d) Market includes Dallas/Fort Worth Airport and Love Field.
(e) Market includes Los Angeles, Long Beach, Burbank, Orange County, and Ontario airports.
(f) Market includes Hobby and Bush airports.
Source: *Official Airline Guide.*

Figure 13 shows the domestic destinations served by daily nonstop service from Reagan National in March 2009. An approximation of the 1,250-mile "Perimeter," created by the Perimeter Rule described earlier, is shown for reference. (See further discussion of the Perimeter Rule later in the Report.)

Regulatory constraints on capacity (i.e., the High Density Rule, discussed later in the Report) have, on the one hand, limited the opportunities for significant growth of LCC services at Reagan National while, on the other hand, dissuaded incumbent airlines from reducing flight frequency and thereby losing valuable slots.

Source: Official Airline Guides, Inc.

Figure 13

U.S. AIRPORTS SERVED BY DAILY SCHEDULED NONSTOP ROUND TRIP PASSENGER JET FLIGHTS

Ronald Reagan Washington National Airport

First Week in March, 2009

JACOBS
CONSULTANCY

Airline Shares of Enplaned Passengers

At Reagan National, only minor shifts occurred in each carrier group's market share from 1998 through 2008. (See Table 14.) The top two airlines at Reagan National (US Airways and American, along with their codesharing affiliate carriers) enplaned more than half (57.2%) of all passengers in 2008. Delta, Northwest, United, and Continental accounted for 32.1% of the total, and all other airlines accounted for the remaining 10.7%.

There was a significant shift in passengers over the past ten years, however, from flights operated by major carriers to flights operated by their regional affiliates, as well as a gain in enplaned passengers by LCCs. In 2008, major carriers accounted for 66.0% of total enplaned passengers at Reagan National, down from 90.1% in 1998, regional affiliates accounted for 25.2% of total enplaned passengers, up from 6.3%, and LCCs accounted for 5.7% of total enplaned passengers, up from 0.8% in 1998. Other domestic and foreign-flag airlines accounted for the remaining enplaned passengers in each period.

Enplaned Passenger Trends

Connecting passenger traffic at Reagan National has increased over the past 10 years to 19.0% of total enplaned passengers in 2008, compared to 13.1% in 1998. (See Table 15.) O&D passengers made up the remainder.

Table 14

CARRIER SHARES OF TOTAL ENPLANED PASSENGERS

Ronald Reagan Washington National Airport

(calendar years; enplaned passengers in thousands)

Carrier	1998	2003	2004	2005	2006	2007	2008
US Airways *(a)*	3,238.8	2,728.1	3,091.4	3,567.0	3,807.3	3,843.2	3,708.9
American *(b)*	1,395.7	1,166.1	1,182.8	1,409.2	1,428.2	1,472.8	1,427.5
Delta *(c)*	1,347.2	1,355.0	1,379.0	1,325.9	1,279.6	1,202.7	1,193.5
Northwest *(d)*	528.4	587.0	632.6	731.1	736.3	745.6	732.6
United	528.3	398.7	441.7	462.3	511.1	519.3	518.3
Continental *(e)*	570.7	397.4	399.8	447.8	475.5	468.4	439.0
AirTran		26.3	138.7	155.6	172.3	213.4	249.0
Midwest *(f)*	88.6	156.0	166.1	187.0	207.3	204.6	195.0
Frontier		39.0	72.8	121.4	123.2	128.5	156.7
Alaska		33.9	77.3	116.1	130.6	142.6	146.6
Spirit		8.9	110.3	135.9	105.0	86.6	106.5
Air Canada *(g)*	104.5	79.4	94.1	104.6	112.1	107.2	103.3
ATA *(h)*		126.5	165.0	145.2	151.3	159.4	-
All Other	93.0	-	0.4	-	0.0	-	0.8
Total	**7,895.1**	**7,102.4**	**7,952.1**	**8,909.3**	**9,239.8**	**9,294.1**	**8,977.8**
Carrier share of total							
US Airways *(a)*	41.0%	38.4%	38.9%	40.0%	41.2%	41.4%	41.3%
American *(b)*	17.7	16.4	14.9	15.8	15.5	15.8	15.9
Delta *(c)*	17.1	19.1	17.3	14.9	13.8	12.9	13.3
Northwest *(d)*	6.7	8.3	8.0	8.2	8.0	8.0	8.2
United	6.7	5.6	5.6	5.2	5.5	5.6	5.8
Continental *(e)*	7.2	5.6	5.0	5.0	5.1	5.0	4.9
AirTran	-	0.4	1.7	1.7	1.9	2.3	2.8
Midwest *(f)*	1.1	2.2	2.1	2.1	2.2	2.2	2.2
Frontier	-	0.5	0.9	1.4	1.3	1.4	1.7
Alaska	-	0.5	1.0	1.3	1.4	1.5	1.6
Spirit	-	0.1	1.4	1.5	1.1	0.9	1.2
Air Canada *(g)*	1.3	1.1	1.2	1.2	1.2	1.2	1.2
ATA *(h)*	-	1.8	2.1	1.6	1.6	1.7	-
All Other	1.2	-	0.0	-	0.0	-	0.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(a) Includes US Airways Express (Air Wisconsin, Allegheny, Chautauqua, Colgan Air, Mesa, Midway, Piedmont, PSA, Republic, Trans States, and US Airways Shuttle). America West is included here as an affiliate of US Airways for all years shown, although its merger with US Airways did not occur until September 2005.

(b) Includes American Connection (American Eagle, Chautauqua, and Trans States). TWA is included here as an affiliate of American in 1998, although American did not start reporting TWA passengers with its own until 2001.

(c) Includes Delta Connection (Atlantic Coast, Atlantic Southeast, Chautauqua, Comair, Delta Shuttle, Freedom, Pinnacle, and Shuttle America).

(d) Includes Northwest Airlink (Mesaba and Pinnacle).

(e) Includes Continental Connection (Chautauqua, Colgan Air, and ExpressJet).

(f) Includes Midwest Connection.

(g) Includes Air Canada Jazz.

(h) ATA ceased all operations on April 3, 2008.

Source: Metropolitan Washington Airports Authority.

Table 15

HISTORICAL ENPLANED PASSENGERS BY MARKET SEGMENT

Ronald Reagan Washington National Airport

(calendar years; enplaned passengers in thousands)

	O&D passengers				Connections			
	Scheduled		Domestic charter &	**Total**	Domestic-to-		**Total**	**Total enplaned**
Year	Dom.	Intl. *(a)*	non-rev. *(b)*	**O&D**	domestic	Gateway *(c)*	**connect.**	**passengers**
1997	6,149	537	231	**6,917**	921	39	**960**	**7,877**
1998	6,003	557	301	**6,861**	1,009	25	**1,034**	**7,895**
1999	5,732	584	295	**6,611**	865	25	**890**	**7,501**
2000	6,108	586	285	**6,979**	843	33	**876**	**7,855**
2001	5,204	454	243	**5,901**	644	18	**663**	**6,564**
2002	5,218	473	267	**5,958**	479	24	**503**	**6,460**
2003	5,531	519	240	**6,290**	767	46	**812**	**7,102**
2004	6,134	562	249	**6,946**	940	66	**1,006**	**7,952**
2005	6,892	591	202	**7,685**	1,150	75	**1,225**	**8,909**
2006	6,907	613	171	**7,691**	1,455	93	**1,548**	**9,240**
2007	6,886	627	175	**7,688**	1,548	58	**1,606**	**9,294**
2008	6,471 E	618 E	187 E	**7,276 E**	1,639 E	63 E	**1,702 E**	**8,978**
Compound annual growth rate								
1997-2000	-0.2%	2.9%	7.3%	**0.3%**	-2.9%	-5.0%	**-3.0%**	**-0.1%**
2000-2008	0.7	0.7	-5.2	**0.5**	8.7	8.4	**8.7**	**1.7**
Percent change from previous year								
2000-2001	-14.8%	-22.4%	-15.0%	**-15.5%**	-23.5%	-45.1%	**-24.4%**	**-16.4%**
2001-2002	0.3	4.1	10.0	**1.0**	-25.7	30.8	**-24.2**	**-1.6**
2002-2003	6.0	9.6	-9.9	**5.6**	60.1	92.2	**61.6**	**9.9**
2003-2004	10.9	8.5	3.6	**10.4**	22.7	43.8	**23.9**	**12.0**
2004-2005	12.3	5.1	-18.9	**10.6**	22.3	13.6	**21.7**	**12.0**
2005-2006	0.2	3.8	-15.3	**0.1**	26.6	24.6	**26.4**	**3.7**
2006-2007	-0.3	2.2	2.5	**0.0**	6.4	-37.9	**3.7**	**0.6**
2007-2008	-6.0	-1.4	6.5	**-5.4**	5.9	9.2	**6.0**	**-3.4**

Note: E=Estimated on the basis of three quarters of actual data.

(a) Includes O&D passengers that boarded domestic flights at Reagan National bound for international destinations via other U.S. gateway airports, a small number of international charter enplaned passengers, and international non-revenue passengers.

(b) Includes passengers on domestic non-scheduled (charter) flights and domestic non-revenue passengers.

(c) Gateway connections represent passengers connecting from domestic flights to international flights, and vice versa.

Sources: Metropolitan Washington Airports Authority; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

From 1997 to 2000, the number of domestic O&D passengers at Reagan National declined slightly, while international O&D passengers, mostly to Canada, showed strong growth due, in large part, to the U.S.-Canada open skies agreement that took effect in 1995. Passenger traffic declined 16.4% in 2001. By 2005, O&D passengers had not only recovered but reached a record level and held steady at that level in the subsequent two years, before declining 5.4% in 2008.

Connecting passengers at Reagan National declined by nearly 50% between 1997 and 2002. Since then, however, connections have grown strongly, more than tripling between 2002 and 2008. Indeed, connections represented 19% of all enplaned passengers at Reagan National in 2008, compared to just 8% in 2002. The majority of these passengers were connecting between domestic US Airways flights.

In the 12 months ended September 2008, passenger traffic in the top 15 domestic O&D city markets at Reagan National was up 20.9% over the 12 months ended September 2003. (See Table 16.) Due in part to lower fares over the past five years, passenger traffic to Atlanta, Detroit, and Miami showed particularly significant increases. By contrast, airfares paid in the "Shuttle" markets (i.e., to and from New York and Boston) increased, while O&D traffic volumes in those markets declined.

Average domestic fares paid in the top 15 domestic O&D city markets at Reagan National increased 3.4% between 1998 and 2008. By comparison, average fares increased 22.6% in the smaller-volume domestic markets over the same time period.

Fares at Reagan National tend to be higher than at Dulles International in large O&D markets within the 1,250-mile perimeter since capacity is limited, competition is less robust, and higher-yield (typically business) passengers tend to prefer the convenience of flights at Reagan National. On the other hand, fares at Reagan National are lower than at Dulles International, on average, to destinations outside the perimeter, in part because higher-yield travelers tend to prefer the nonstop flights available at Dulles International and also because airlines at Reagan National offer lower fares to attract traffic to their connecting services in those markets.

Cargo Trends

Total air cargo tonnage handled at Reagan National is minimal and has shown a long-term declining trend since 1992. Because Reagan National is land-constrained and therefore lacks the physical space necessary to accommodate all-cargo aircraft operations and associated facilities, all-cargo carriers operate mostly at Dulles International, BWI or other airports. With the notable exception of four weekly freighter flights introduced by FedEx in July 2008, cargo at Reagan National is carried primarily in the belly compartments of passenger flights.

In 2008, approximately 3,700 tons of air cargo were handled at Reagan National versus 366,000 tons at Dulles International. Federal Express accounted for 49% of total air cargo tonnage handled at Reagan National, followed by US Airways and Continental with about 20% and 10%, respectively.

Table 16
TOP 15 DOMESTIC O&D CITY MARKETS
Ronald Reagan Washington National Airport
(for the 12 months ended September 30)

2008 Rank	City Market *Airport*	Domestic outbound O&D passengers 1998	2003	2008	As percent of total 1998	2008	Compound annual growth rate 1998-2003	2003-2008
1	New York	1,019,380	735,020	480,180	16.9%	7.3%	-6.3%	-8.2%
	LaGuardia	*816,740*	*660,280*	*396,660*	*13.5*	*6.1*	*-4.2*	*-9.7*
	Kennedy	*53,870*	*15,270*	*43,720*	*0.9*	*0.7*	*-22.3*	*23.4*
	Newark	*148,770*	*59,470*	*39,800*	*2.5*	*0.6*	*-16.8*	*-7.7*
2	Chicago *(b)*	345,150	343,200	424,150	5.7	6.5	-0.1	4.3
3	Atlanta	195,000	181,610	394,480	3.2	6.0	-1.4	16.8
4	Boston	264,790	363,410	346,740	4.4	5.3	6.5	-0.9
5	Dallas/ Fort Worth *(c)*	187,700	178,070	231,500	3.1	3.5	-1.0	5.4
6	Detroit	83,400	109,850	200,150	1.4	3.1	5.7	12.7
7	Fort Lauderdale	92,110	105,460	195,550	1.5	3.0	2.7	13.1
8	Miami	120,630	97,450	174,170	2.0	2.7	-4.2	12.3
9	Denver	68,180	101,070	170,820	1.1	2.6	8.2	11.1
10	Orlando	104,940	116,260	170,270	1.7	2.6	2.1	7.9
11	Los Angeles *(d)*	137,280	122,090	157,560	2.3	2.4	-2.3	5.2
12	Houston *(e)*	81,430	115,950	155,910	1.4	2.4	7.3	6.1
13	Minneapolis/ St. Paul	127,320	137,680	147,050	2.1	2.3	1.6	1.3
14	Tampa	100,220	94,440	129,150	1.7	2.0	-1.2	6.5
15	St. Louis	58,720	82,260	107,560	1.0	1.6	7.0	5.5
	Total---top 15 markets	2,986,250	2,883,820	3,485,240	49.5%	53.3%	-0.7%	3.9%
	All other markets	3,042,340	2,561,250	3,048,100	50.5	46.7	-3.4	3.5
	Total---all markets	6,028,590	5,445,070	6,533,340	100.0%	100.0%	-2.0%	3.7%

2008 Rank	City Market *Airport*	Average one-way fare paid *(a)* 1998	2003	2008	Percent change 1998-2003	2003-2008
1	New York	$116.33	$102.98	$159.02	-11.5%	54.4%
	LaGuardia	*112.13*	*95.72*	*160.42*	*-14.6*	*67.6*
	Kennedy	*96.24*	*122.14*	*107.91*	*26.9*	*-11.7*
	Newark	*146.61*	*178.72*	*201.22*	*21.9*	*12.6*
2	Chicago *(b)*	165.83	161.88	154.73	-2.4	-4.4
3	Atlanta	217.04	162.70	157.94	-25.0	-2.9
4	Boston	184.79	147.83	195.36	-20.0	32.2
5	Dallas/ Fort Worth *(c)*	234.32	230.06	218.99	-1.8	-4.8
6	Detroit	201.74	181.02	104.11	-10.3	-42.5
7	Fort Lauderdale	122.91	113.39	116.22	-7.7	2.5
8	Miami	166.26	183.21	147.41	10.2	-19.5
9	Denver	132.29	130.79	177.68	-1.1	35.9
10	Orlando	124.74	127.57	140.61	2.3	10.2
11	Los Angeles *(d)*	215.09	191.21	201.52	-11.1	5.4
12	Houston *(e)*	260.64	233.62	240.37	-10.4	2.9
13	Minneapolis/ St. Paul	231.15	202.15	222.84	-12.5	10.2
14	Tampa	128.62	135.68	154.41	5.5	13.8
15	St. Louis	231.31	181.88	190.98	-21.4	5.0
	Average---top 15 markets	$163.42	$152.32	$168.92	-6.8%	10.9%
	All other markets	172.46	170.84	211.36	-0.9	23.7
	Average---all markets	$167.98	$161.03	$188.72	-4.1%	17.2%

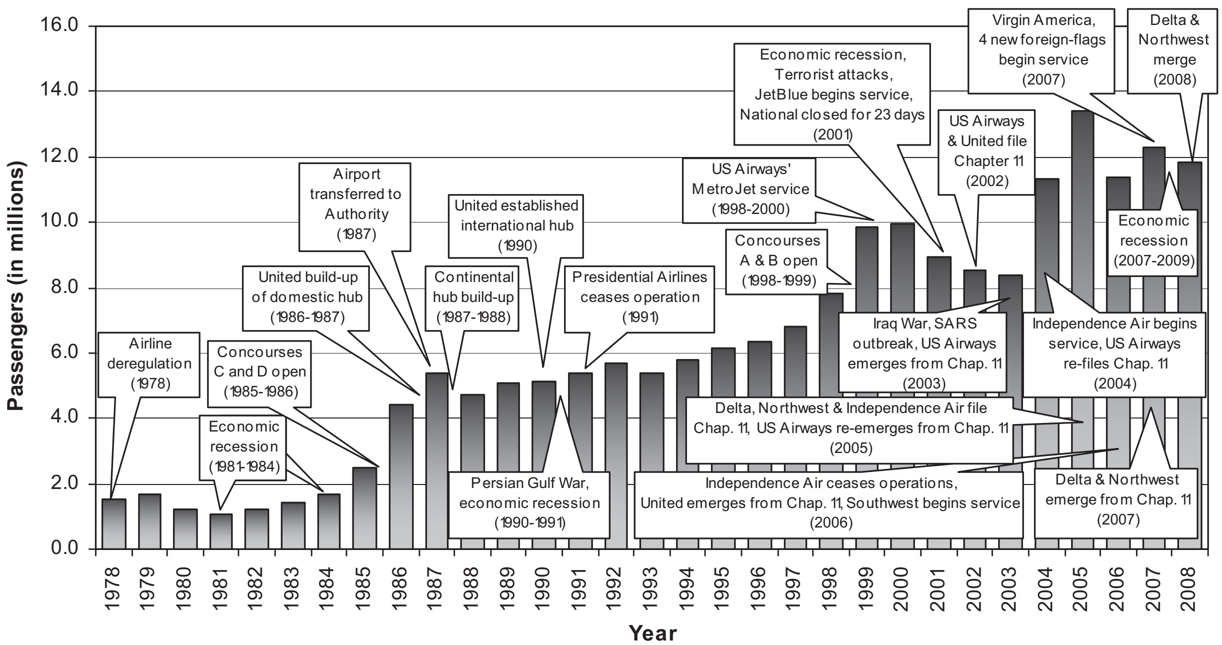
(a) Average one-way fares shown are net of all taxes, fees, and PFCs.
(b) Market is served by O'Hare and Midway airports.
(c) Market is served by Dallas/Fort Worth Airport and Love Field.
(d) Market is served by Los Angeles, Burbank, Long Beach, Ontario, and Orange County airports.
(e) Market is served by Bush and Hobby airports.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

DULLES INTERNATIONAL—HISTORICAL SERVICE AND TRAFFIC TRENDS

This section discusses trends in airline service, passenger traffic, and airfares at Dulles International.

Enplaned passengers at Dulles International have increased from less than 2 million in 1978 to approximately 12 million in 2008. (See Figure 14.)

Figure 14
HISTORY OF ENPLANED PASSENGERS
Washington Dulles International Airport
(calendar years)



Notes: Includes both domestic and international, and revenue and non-revenue passengers. Excludes passengers enplaned on general aviation and military flights.
Source: Metropolitan Washington Airports Authority.

Enplaned Passenger Trends

Table 17 presents the most recent 12-year passenger history at Dulles International, showing the primary market segments of passenger traffic since 1997. Traffic growth was very strong at the airport from 1997 to 2000, with passenger growth averaging 13.6% per year. Although traffic levels since that time have been highly volatile, net passenger growth in the 2000-2008 period averaged 2.2% per year, more than double the rate of traffic growth nationwide (0.8%, per year, on average) over the same period.

As shown in Table 17, connecting passengers increased at nine times the rate for O&D passengers after 2000. However, connecting traffic increases tracked O&D

traffic increases closely in six of the eight years, with the exceptions of 2005, when United and Independence Air were competing actively for connecting passengers, and 2008, when connecting traffic held firm as O&D traffic declined 5.4%.

Table 17
HISTORICAL ENPLANED PASSENGERS BY MARKET SEGMENT
Washington Dulles International Airport
(calendar years; enplaned passengers in thousands)

	O&D passengers				Connections			
	Scheduled		Domestic charter &	**Total**	Domestic-to-		**Total**	**Total enplaned**
Year	Dom.	Intl. *(a)*	non-rev. *(b)*	**O&D**	domestic	Gateway *(c)*	**connect.**	**passenger**
1997	3,378	1,254	498	**5,130**	772	898	**1,670**	**6,800**
1998	4,013	1,355	605	**5,973**	865	967	**1,831**	**7,804**
1999	4,888	1,494	645	**7,027**	1,601	1,182	**2,783**	**9,809**
2000	4,689	1,686	674	**7,048**	1,592	1,331	**2,923**	**9,972**
2001	3,970	1,681	651	**6,302**	1,462	1,156	**2,618**	**8,920**
2002	3,859	1,683	479	**6,022**	1,187	1,307	**2,494**	**8,515**
2003	4,064	1,671	179	**5,915**	1,288	1,164	**2,452**	**8,366**
2004	5,899	1,922	184	**8,005**	1,912	1,408	**3,320**	**11,324**
2005	6,572	2,023	81	**8,677**	3,177	1,542	**4,720**	**13,396**
2006	5,095	2,052	137	**7,284**	2,308	1,800	**4,108**	**11,392**
2007	5,331	2,253	230	**7,813**	2,399	2,062	**4,460**	**12,274**
2008	4,938 E	2,321 E	135 E	**7,393 E**	2,299 E	2,163 E	**4,462** E	**11,856**
Compound annual growth rate								
1997-2000	11.6%	10.4%	10.6%	**11.2%**	27.3%	14.0%	**20.5%**	**13.6%**
2000-2008	0.6	4.1	-18.2	**0.6**	4.7	6.3	**5.4**	**2.2**
Percent change from previous year								
2000-2001	-15.3%	-0.3%	-3.3%	**-10.6%**	-8.2%	-13.2%	**-10.4%**	**-10.5%**
2001-2002	-2.8	0.2	-26.5	**-4.5**	-18.8	13.1	**-4.7**	**-4.5**
2002-2003	5.3	-0.7	-62.5	**-1.8**	8.5	-10.9	**-1.7**	**-1.7**
2003-2004	45.1	15.0	2.5	**35.3**	48.5	20.9	**35.4**	**35.4**
2004-2005	11.4	5.3	-55.9	**8.4**	66.2	9.6	**42.2**	**18.3**
2005-2006	-22.5	1.4	68.5	**-16.1**	-27.4	16.7	**-13.0**	**-15.0**
2006-2007	4.6	9.8	68.1	**7.3**	3.9	14.5	**8.6**	**7.7**
2007-2008	-7.4	3.0	-41.4	**-5.4**	-4.2	4.9	**0.0**	**-3.4**

Note: E=Estimated on the basis of three quarters of actual data.

(a) Includes O&D passengers that boarded domestic flights at Dulles International bound for international destinations via other U.S. gateway airports, a small number of international charter enplaned passengers, and international non-revenue passengers.

(b) Includes passengers on domestic non-scheduled (charter) flights and domestic non-revenue passengers.

(c) Gateway connections represent passengers connecting from domestic flights to international flights, and vice versa.

Sources: Metropolitan Washington Airports Authority; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Domestic Airline Service Trends

Between March 1998 and March 2008, there was a doubling of passenger jet operations at Dulles International, driven mostly by an increase in the number of flights operated by regional jets at the airport. (See Table 18.) Mainline jet operations increased 7%, and a significant amount of regional jet service was introduced by the codesharing feeder partners of major airlines to expand service and to replace both mainline jet and turboprop operations. By March 2008, regional jets accounted for about 52% of all flight operations at the airport.

Table 18
DOMESTIC SCHEDULED PASSENGER AIRLINE SERVICE, BY AIRCRAFT TYPE AND LENGTH OF HAUL
Washington Dulles International Airport
(for the first week of March)

					Change		
	1998	2003	2008	2009	1998-2003	2003-2008	2008-2009
Number of Airports Served *(a)*	**69**	**69**	**89**	**81**	**-**	**+20**	**-8**
Jet	39	56	74	69	+17	+18	-5
Mainline	*34*	*31*	*34*	*34*	*-3*	*+3*	*-*
Regional	*7*	*31*	*51*	*47*	*+24*	*+20*	*-4*
Turboprop	40	26	17	14	-14	-9	-3
Weekly Flight Departures	**2,541**	**2,199**	**2,566**	**2,413**	**-342**	**+367**	**-153**
Jet	1,011	1,531	2,299	2,156	+520	+768	-143
Mainline	*909*	*862*	*973*	*868*	*-47*	*+111*	*-105*
Regional	*102*	*669*	*1,326*	*1,288*	*+567*	*+657*	*-38*
Turboprop	1,530	668	267	257	-862	-401	-10
Weekly Departing Seats	**166,485**	**169,747**	**228,927**	**212,792**	**+3,262**	**+59,180**	**-16,135**
Jet	130,489	150,848	219,813	203,955	+20,359	+68,965	-15,858
Mainline	*125,389*	*117,642*	*143,092*	*128,413*	*-7,747*	*+25,450*	*-14,679*
Regional	*5,100*	*33,206*	*76,721*	*75,542*	*+28,106*	*+43,515*	*-1,179*
Turboprop	35,996	18,899	9,114	8,837	-17,097	-9,785	-277
Average Seats per Flight	**66**	**77**	**89**	**88**	**+12**	**+12**	**-1**
Jet	129	99	96	95	-31	-3	-1
Mainline	*138*	*136*	*147*	*148*	*-1*	*+11*	*+1*
Regional	*50*	*50*	*58*	*59*	*-0*	*+8*	*+1*
Turboprop	24	28	34	34	+5	+6	+0
Jet Departures by Length of Haul	**1,011**	**1,531**	**2,299**	**2,156**	**+520**	**+768**	**-143**
Short-haul (<600 mi.)	510	932	1,364	1,367	+422	+432	+3
Med.-short-haul (600-1,200 mi.)	244	260	470	380	+16	+210	-90
Med.-long-haul (1,200-1,800 mi.)	77	67	121	120	-10	+54	-1
Long-haul (1,800 mi.)	180	272	344	289	+92	+72	-55

(a) Some city markets are served by more than one airport. Some airports are served by more than one aircraft type.
Source: *Official Airline Guide*, accessed January 30, 2009.

Between March 2008 and March 2009, there was a net decline in seats and flights at Dulles International. Turboprop and regional jet flights declined by 4% and 3%, respectively, while mainline jet flights declined 11%. In March 2009, regional jets accounted for 60% of all jet operations at the airport, as well as more than one-third of total seats.

Whereas introduction of regional jets at Reagan National resulted in a decline in overall average seating capacity per flight, the result at Dulles International was an increase in the average number of seats per domestic flight, from 66 in 1998 to 88 in 2009. At Dulles International, regional jets typically replaced smaller turboprop aircraft.

Partly due to increased regional jet activity at Dulles International, the number of flights has increased in 12 of the top 15 domestic O&D city markets since 1998. (See Table 19.)

In 10 of the top 15 markets in March 2009, Dulles International air travelers had the choice of nonstop service offerings from at least two airlines. Three or more airlines offered nonstop service in five of the markets.

Figure 15 shows the domestic destinations served by daily nonstop or one-stop service from Dulles International in March 2009.

Although the scale of United's domestic hubbing operation has fluctuated at Dulles International, United's domestic capacity in 2007 matched its previous (2000) record level at the airport. (See Figure 16.) However, advance published flight schedules (filed by the airlines as of February 2009 and subject to change) indicate that United's domestic seat capacity at Dulles International in 2009 will be 11% below the airline's 2007 peak level (down approximately 6.3% year-over-year). United's 2009 domestic capacity reduction at Dulles International represents a 6.3% year-over-year decline, compared to domestic capacity reductions ranging between 9.5% and 12.0% at its other hub airports (San Francisco, Los Angeles, Denver, and Chicago-O'Hare).

Table 19

SCHEDULED PASSENGER JET SERVICE
IN THE TOP 15 DOMESTIC O&D PASSENGER MARKETS

Washington Dulles International Airport
(for the first week of March)

Rank (a)	City Market / *Airport*	Airlines with nonstop service (b)	Weekly scheduled departing jet flights				Weekly scheduled departing jet seats			
		2009	1998	2003	2008	2009	1998	2003	2008	2009
1	Los Angeles	AA,B6,UA,VX	68	80	111	103	12,557	12,981	17,552	16,424
	Los Angeles	*AA,UA,VX*	*68*	*66*	*97*	*90*	*12,557*	*10,881*	*15,452*	*14,474*
	Long Beach	*B6*	-	*14*	*14*	*13*	-	*2,100*	*2,100*	*1,950*
	Ontario	-	-	-	-	-	-	-	-	-
	Orange County	-	-	-	-	-	-	-	-	-
	Burbank	-	-	-	-	-	-	-	-	-
2	San Francisco (c)	B6,UA,VX	42	84	97	83	7,637	13,105	15,429	12,627
3	Orlando	B6,FL,UA,WN	53	49	87	78	6,040	5,558	12,155	10,382
4	Boston	B6,UA	112	40	74	74	12,866	4,636	8,274	9,066
5	Chicago (d)	UA,WN	63	94	94	93	8,597	9,708	14,174	14,190
6	Atlanta	DL,FL,UA	124	140	122	116	15,395	16,760	13,607	12,818
7	Denver	UA	62	55	60	65	12,094	8,523	10,539	12,219
8	Las Vegas	UA,WN	14	17	35	28	2,016	2,276	5,159	3,857
9	San Diego	UA	7	14	28	21	770	1,736	4,130	3,326
10	New York (e)	B6,CO,DL,UA	21	92	189	195	2,765	4,981	12,687	12,396
11	Fort Lauderdale	B6	7	14	35	21	1,211	2,100	5,250	3,150
12	Tampa	UA,WN	14	21	42	41	1,120	2,478	6,118	5,645
13	Dallas/ Fort Worth (f)	AA,UA	55	46	48	53	7,519	6,306	5,768	6,524
14	Minneapolis/ St. Paul	NW	14	21	33	20	1,400	2,100	3,902	1,688
15	Seattle	UA	14	35	21	21	1,764	4,330	3,134	2,814
	Top 15 Markets		670	802	1,076	1,012	93,751	97,578	137,878	127,126
	Other Markets		341	729	1,223	1,144	36,738	53,270	81,935	76,829
	Total---All Markets		1,011	1,531	2,299	2,156	130,489	150,848	219,813	203,955

(a) Top 15 city markets ranked by total domestic outbound O&D passengers for the 12 months ended September 30, 2008.

(b) Certificated U.S. airlines operating scheduled passenger jet services. Each mainline carrier and its codesharing affiliates were counted as one airline. Legend: AA=American, B6=JetBlue, CO=Continental, DL=Delta, FL=AirTran, NW=Northwest, UA=United, VX=Virgin America, WN=Southwest.

(c) Market includes San Francisco, Oakland, and San Jose airports.

(d) Market includes O'Hare and Midway airports.

(e) Market includes LaGuardia, Kennedy, and Newark airports.

(f) Market includes Dallas/Fort Worth Airport and Love Field.

Source: *Official Airline Guide*, accessed January 30, 2009.

LEGEND

- ● Daily scheduled nonstop service
- ◐ Daily scheduled one-stop same-plane service

Source: Official Airline Guides, Inc.

Figure 15

U.S. AIRPORTS SERVED BY DAILY SCHEDULED ROUND TRIP PASSENGER JET FLIGHTS

Washington Dulles International Airport

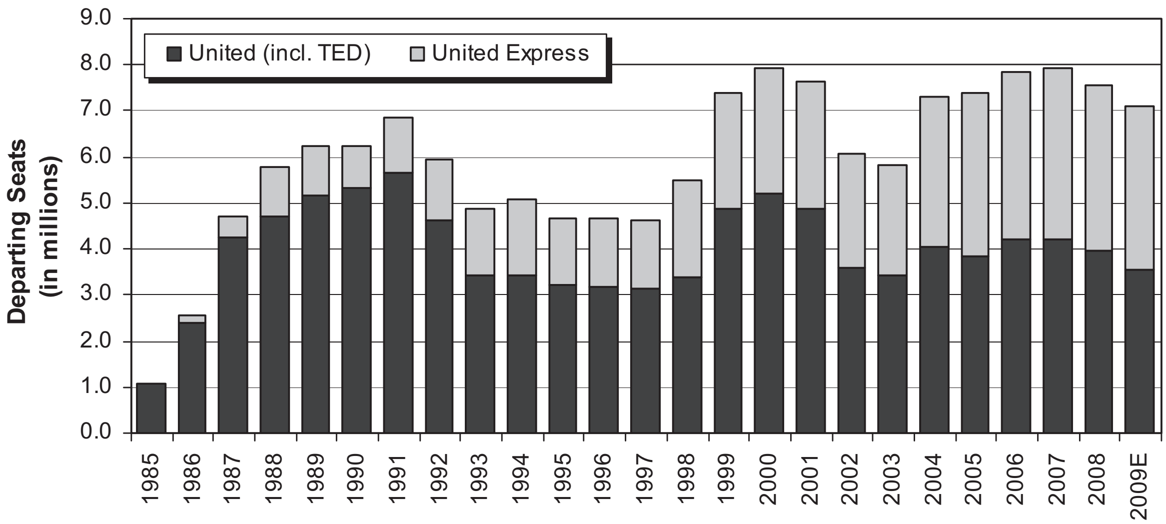
First Week in March, 2009

JACOBS CONSULTANCY

Figure 16

DOMESTIC DEPARTING SEATS ON UNITED AND UNITED EXPRESS

Washington Dulles International Airport



Note: Estimated 2009 seats are based on advance schedule filings by United.
Source: *Official Airline Guide*, accessed January 30, 2009.

Airline Shares of Domestic Enplaned Passengers

In 2008, the number of domestic enplaned passengers at Dulles International declined 6.1% from 2007. (See Table 20.) The number of enplaned passengers on United and its codesharing affiliates was down 8.2%. Among the major airlines operating at Dulles International, only Southwest and Virgin America registered increases in domestic enplaned passengers in 2008.

LCCs increased their share of domestic enplaned passengers at Dulles International from 8.0% in 2003 and to 17.4% in 2008. The increase is largely attributable to increasing service levels by JetBlue and initiation of service at Dulles International by Southwest in 2006 and Virgin America in 2007.

Table 20

CARRIER SHARES OF DOMESTIC ENPLANED PASSENGERS

Washington Dulles International Airport

(calendar years; enplaned passengers in thousands)

Carrier	1998	2003	2004	2005	2006	2007	2008
United *(a)*	3,694.0	4,143.0	5,358.2	5,763.2	6,163.4	6,350.2	5,826.5
JetBlue	-	342.6	444.6	475.3	666.7	777.0	731.0
American *(b)*	562.4	495.9	506.3	579.7	547.6	507.4	461.9
Delta *(c)*	718.2	614.8	582.3	533.4	452.0	463.0	453.5
Southwest	-	-	-	-	80.6	369.0	396.3
US Airways *(d)*	549.3	223.6	261.9	280.1	264.8	226.6	196.9
Virgin America	-	-	-	-	-	27.2	194.2
Northwest *(e)*	140.6	174.3	230.3	238.7	218.5	223.7	189.8
AirTran	343.5	166.6	129.7	133.5	199.9	204.2	179.9
Continental *(f)*	131.1	131.5	180.7	193.0	149.7	124.4	85.4
Sun Country	14.9	0.3	0.2	0.6	16.4	31.4	20.7
Independence Air *(g)*	-	-	1,221.6	2,690.6	22.1	-	-
All Other	34.7	79.1	98.7	59.3	15.9	9.1	9.9
Total	**6,188.8**	**6,371.6**	**9,014.6**	**10,947.4**	**8,797.4**	**9,313.2**	**8,745.8**
Carrier share of total							
United *(a)*	59.7%	65.0%	59.4%	52.6%	70.1%	68.2%	66.6%
JetBlue	-	5.4	4.9	4.3	7.6	8.3	8.4
American *(b)*	9.1	7.8	5.6	5.3	6.2	5.4	5.3
Delta *(c)*	11.6	9.6	6.5	4.9	5.1	5.0	5.2
Southwest	-	-	-	-	0.9	4.0	4.5
US Airways *(d)*	8.9	3.5	2.9	2.6	3.0	2.4	2.3
Virgin America	-	-	-	-	-	0.3	2.2
Northwest *(e)*	2.3	2.7	2.6	2.2	2.5	2.4	2.2
AirTran	5.6	2.6	1.4	1.2	2.3	2.2	2.1
Continental *(f)*	2.1	2.1	2.0	1.8	1.7	1.3	1.0
Sun Country	0.2	0.0	0.0	0.0	0.2	0.3	0.2
Independence Air *(g)*	-	-	13.6	24.6	0.3	-	-
All Other	0.6	1.2	1.1	0.5	0.2	0.1	0.1
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(a) Includes Ted and United Express (Air Wisconsin, Atlantic Coast, Chautauqua, Colgan Air, Go-Jet, Mesa, Shuttle America, and Trans States).

(b) Includes American Connection (American Eagle, Chautauqua, and Trans States). TWA is included here as an affiliate of American in 1998, although American did not start reporting TWA passengers with its own until 2001.

(c) Includes Delta Connection (Atlantic Southeast, Chautauqua, Comair, Freedom, Pinnacle, Shuttle America, and Skywest).

(d) Includes US Airways Express (Air Wisconsin, Allegheny, CCAir, Colgan Air, Commutair, Mesa, Piedmont, PSA, and Republic). America West is included here as an affiliate of US Airways for all years shown, although its merger with US Airways did not occur until September 2005.

(e) Includes Northwest Airlink (Compass and Pinnacle).

(f) Includes Continental Express (Colgan Air and ExpressJet).

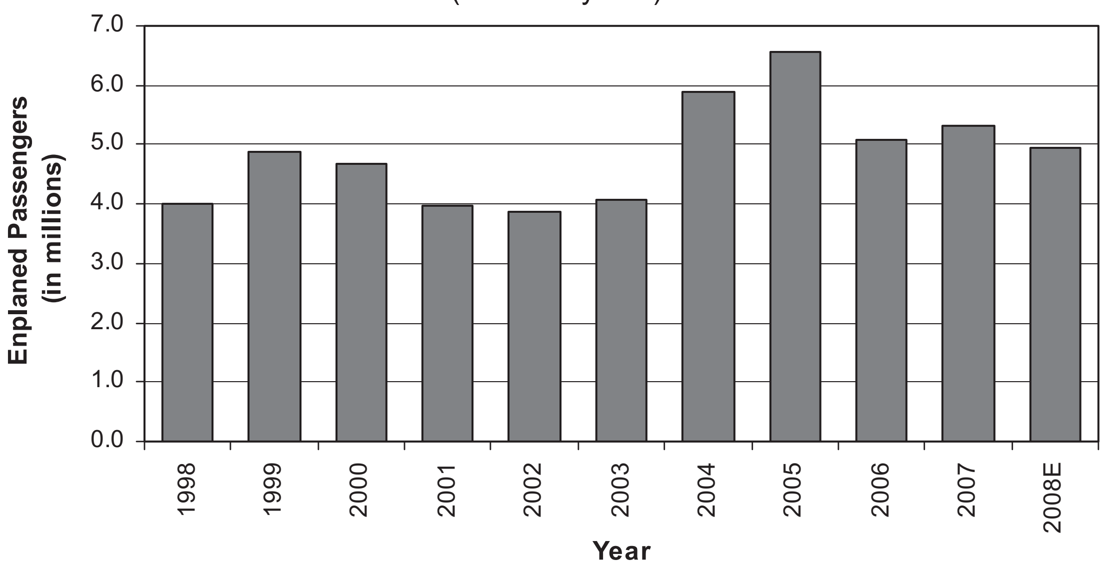
(g) Independence Air operated from a base at Dulles International from June 2004 until it terminated all service in early January 2006. The airline stimulated domestic passenger traffic through its use of very low fares which, for the airline, proved unprofitable.

Source: Metropolitan Washington Airports Authority.

Domestic Market and Fare Trends

Domestic O&D traffic at Dulles International experienced no net gain between 1998 and 2001. (See Figure 17.) The drop in domestic O&D traffic at Dulles International in 2002 (down 2.8%) was cushioned by the additional traffic handled during the first three months of the year while operations at Reagan National were restricted following the events of September 11, 2001. Between 2002 and 2008, domestic O&D passenger levels increased 4.2% per year, on average. In 2004 and 2005, domestic O&D passengers temporarily spiked during the short life of Independence Air.

Figure 17
DOMESTIC O&D PASSENGERS
Washington Dulles International Airport
(calendar years)



Notes: Domestic O&D enplaned passengers in 2004 and 2005 may have been overstated due to Independence Air reporting irregularities.
E=Estimated on the basis of three quarters of actual data.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

The top 15 domestic O&D city-pair markets at Dulles International are quite different from those at Reagan National. (See Table 21.) West Coast cities tend to rank higher at Dulles International, and the major East Coast cities tend to rank lower, reflecting a longer-haul passenger base.

Table 21

TOP 15 DOMESTIC O&D CITY MARKETS

Washington Dulles International Airport

(calendar years)

2008 Rank	City Market / *Airport*	Domestic outbound O&D passengers 1998	2003	2008	As percent of total 1998	2008	Compound annual growth rate 1998-2003	2003-2008
1	Los Angeles	349,490	399,550	574,070	9.2%	9.9%	2.7%	7.5%
	Los Angeles	*318,670*	*248,310*	*424,100*	*8.4*	*6.1*	*-4.9*	*11.3*
	Long Beach	*340*	*124,100*	*97,920*	*0.0*	*3.1*	*225.4*	*-4.6*
	Burbank	*2,090*	*2,330*	*20,700*	*0.1*	*0.1*	*2.2*	*54.8*
	Orange County	*18,650*	*15,520*	*15,920*	*0.5*	*0.4*	*-3.6*	*0.5*
	Ontario	*9,740*	*9,290*	*15,430*	*0.3*	*0.2*	*-0.9*	*10.7*
2	San Francisco *(b)*	272,330	375,690	477,960	7.1	9.3	6.6	4.9
3	Orlando	185,560	161,110	307,350	4.9	4.0	-2.8	13.8
4	Boston	409,390	73,440	245,280	10.7	1.8	-29.1	27.3
5	Chicago *(c)*	125,290	139,920	234,500	3.3	3.5	2.2	10.9
6	Atlanta	342,060	299,030	195,310	9.0	7.4	-2.7	-8.2
7	Denver	218,500	172,040	184,950	5.7	4.2	-4.7	1.5
8	Las Vegas	42,770	61,690	172,880	1.1	1.5	7.6	22.9
9	San Diego	70,250	72,970	151,620	1.8	1.8	0.8	15.8
10	New York *(d)*	113,010	114,230	151,050	3.0	2.8	0.2	5.7
11	Fort Lauderdale	45,970	125,640	135,110	1.2	3.1	22.3	1.5
12	Tampa	59,300	62,700	133,870	1.6	1.5	1.1	16.4
13	Dallas/ Fort Worth *(e)*	142,980	119,120	123,700	3.7	2.9	-3.6	0.8
14	Minneapolis/ St. Paul	38,850	49,540	105,580	1.0	1.2	5.0	16.3
15	Seattle	76,420	111,720	93,200	2.0	2.8	7.9	-3.6
	Total---top 15 markets	2,492,170	2,338,390	3,286,430	65.3%	57.7%	-1.3%	7.0%
	All other markets	1,323,000	1,713,780	1,782,520	34.7	42.3	5.3	0.8
	Total---all markets	3,815,170	4,052,170	5,068,950	100.0%	100.0%	1.2%	4.6%

2008 Rank	City Market / *Airport*	Average one-way fare paid *(a)* 1998	2003	2008	Percent change 1998-2003	2003-2008
1	Los Angeles	$264.95	$244.44	$221.77	-7.7%	-9.3%
	Los Angeles	263.40	294.39	237.29	*11.8*	*-19.4*
	Long Beach	323.12	143.13	171.88	*-55.7*	*20.1*
	Burbank	320.24	309.24	166.53	*-3.4*	*-46.1*
	Orange County	298.38	258.80	209.05	*-13.3*	*-19.2*
	Ontario	237.47	222.43	199.13	*-6.3*	*-10.5*
2	San Francisco *(b)*	355.89	239.77	274.12	-32.6	14.3
3	Orlando	105.01	117.82	106.29	12.2	-9.8
4	Boston	73.65	157.63	123.99	114.0	-21.3
5	Chicago *(c)*	142.16	155.54	141.28	9.4	-9.2
6	Atlanta	103.70	120.63	140.02	16.3	16.1
7	Denver	198.69	237.14	239.40	19.3	1.0
8	Las Vegas	217.70	207.37	178.04	-4.7	-14.1
9	San Diego	307.09	319.92	260.21	4.2	-18.7
10	New York *(d)*	149.97	116.89	113.40	-22.1	-3.0
11	Fort Lauderdale	126.58	101.02	123.32	-20.2	22.1
12	Tampa	110.66	132.51	115.09	19.7	-13.1
13	Dallas/ Fort Worth *(e)*	212.28	222.47	212.38	4.8	-4.5
14	Minneapolis/ St. Paul	216.23	191.47	157.44	-11.5	-17.8
15	Seattle	310.07	254.83	308.55	-17.8	21.1
	Average---top 15 markets	$183.98	$193.25	$187.82	5.0%	-2.8%
	All other markets	201.04	158.75	198.11	-21.0	24.8
	Average---all markets	$189.90	$178.66	$191.43	-5.9%	7.2%

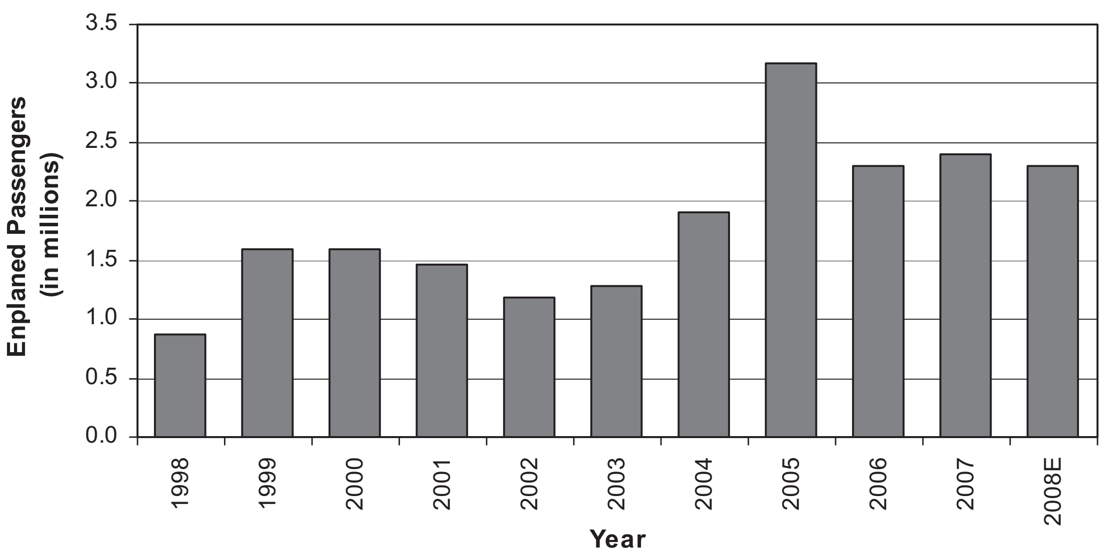
(a) Average one-way fares shown are net of all taxes, fees, and PFCs.
(b) Market is served by San Francisco, Oakland, and San Jose airports.
(c) Market is served by O'Hare and Midway airports.
(d) Market is served by Kennedy, LaGuardia, and Newark airports.
(e) Market is served by Dallas/Fort Worth Airport and Love Field.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

In the 1998-to-2003 period, Dulles International experienced growth in domestic O&D passenger traffic (up 1.2% per year, on average) and a modest decline in average domestic airfares paid (down 5.9% over the period). It is worth noting that the number of passengers traveling in the top 15 markets declined slightly (down 1.3% per year) while the fares they paid, on average, increased 5.0%, whereas the number of passengers traveling in the lesser-volume markets grew strongly (up 5.3% per year) while the average fare paid in those markets dropped 21.0% over the period.

The 2003-to-2008 period saw a significant increase in the share of passengers traveling on LCCs. Even so, airfares paid at Dulles International in 2008 were, on average, 7.2% higher than in 2003. Some individual markets at Dulles International were particularly responsive to lower fares. Substantial reductions in average fares paid to and from Boston, Las Vegas, San Diego, Tampa, and Minneapolis/St. Paul, for example, led to sharply increased traffic in those markets.

The number of passengers connecting between domestic flights at Dulles International grew considerably but fluctuated quite markedly in the years 1998 through 2008. (See Figure 18.) The pattern reflects US Airways' brief service increase in the late 1990s and, more recently, the expansion of United's hubbing activity at the airport and the short-lived Independence Air operation. Domestic connecting traffic in 2008 was double the 2002 level and nearly triple the 1998 level.

Figure 18
DOMESTIC-TO-DOMESTIC CONNECTING PASSENGERS
Washington Dulles International Airport
(calendar years)



Notes: Domestic-to-domestic connections in 2004 and 2005 may have been understated due to Independence Air reporting irregularities.
E=Estimated on the basis of three quarters of actual data.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

International Airline Service Trends

International departing seats at Dulles International more than doubled over the past 11 years, from 33,400 to 74,100 average weekly seats. (See Table 22.) This growth is evidence of both a strong base of demand for international air travel and an extensive traffic feed system to support international service. Increases were recorded by both U.S. airlines and foreign-flag airlines operating international flights at Dulles International. The particularly strong increase in capacity to Latin America and the Caribbean in recent years was due largely to United shifting its Latin American operations from Miami and New York-Kennedy to Dulles International in 2003 and 2004. The doubling of capacity to Asia between 2003 and 2008 was primarily due to United's introduction of nonstop service to Tokyo and Beijing.

Table 22
TRENDS IN INTERNATIONAL AIRLINE SERVICE
Washington Dulles International Airport
(for the first week of March)

	Number of airports served				Number of carriers				Weekly departing seats			
	1998	2003	2008	2009	1998	2003	2008	2009	1998	2003	2008	2009
Total---all destinations	**14**	**21**	**37**	**39**	**13**	**14**	**20**	**23**	**33,390**	**47,189**	**72,242**	**74,123**
By carrier flag:												
U.S. (virtually all United)	7	11	24	25	2	2	2	3	14,609	20,745	38,507	39,517
Foreign	10	14	21	21	11	12	18	20	18,781	26,444	33,735	34,606
By world area:												
U.K., Europe, and Africa	8	9	18	19	9	9	14	14	25,565	32,622	46,443	48,318
Latin Amer. & Carib. *(a)*	3	7	12	13	3	3	4	7	3,248	5,922	11,353	10,472
Asia	1	2	3	3	1	2	3	3	2,276	3,645	7,626	8,393
Canada	2	3	4	4	1	2	2	2	2,301	5,000	6,820	6,940
By aircraft type:												
Mainline Jet	13	18	33	35	13	13	19	22	32,090	42,189	65,422	67,183
Regional Jet	2	3	4	4	1	2	2	2	1,300	5,000	6,820	6,940

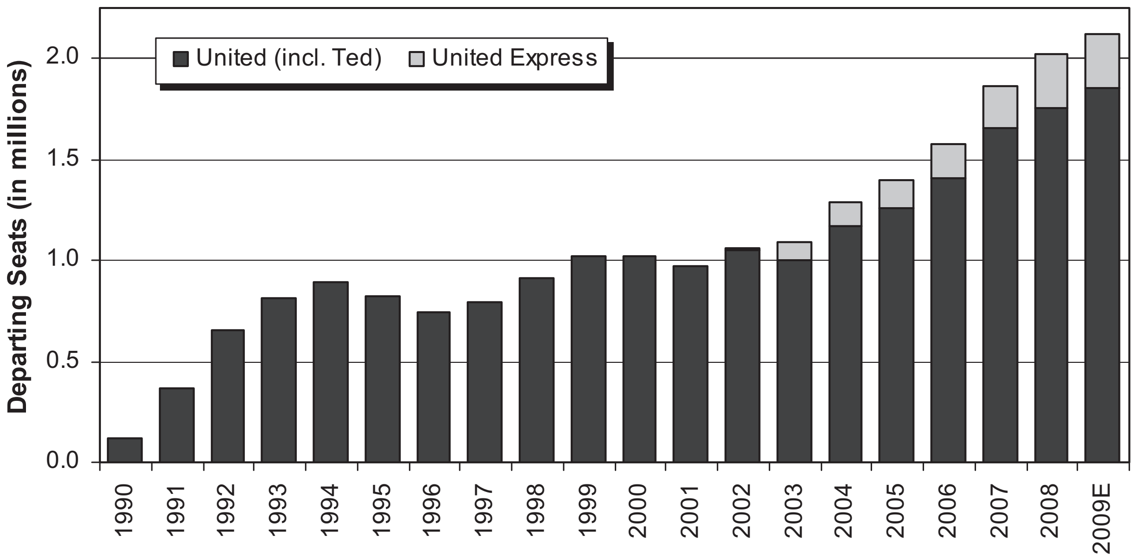
(a) Includes Mexico, Central America, South America, and the Caribbean.
Source: *Official Airline Guide*, accessed January 30, 2009.

United's international service level at Dulles International has grown significantly since the early 1990s. (See Figure 19.) From a small base in 1990, United's international capacity at Dulles International exceeded one million departing seats in 1999. It is expected to reach a new high in 2009 (over 2.1 million departing seats) after six years of particularly strong growth and the introduction of United Express service on some Canadian routes.

Indeed, while United's advance published flight schedules (filed as of February 2009 and subject to change) indicate that its system-wide capacity will be down 10.7%

year-over-year in the first three quarters of 2009, they also indicate that its international seat capacity at Dulles International will be 4.4% *higher* over the same period.

Figure 19
SCHEDULED INTERNATIONAL DEPARTING SEATS ON UNITED AND UNITED EXPRESS
Washington Dulles International Airport



Note: Estimated 2009 seats are based on advance schedule filings by United.
Source: *Official Airline Guide*, accessed January 30, 2009.

Figure 20 shows the international destinations served by daily nonstop or one-stop service from Dulles International in March 2009.

LEGEND

- ● Scheduled nonstop service
- ◐ Scheduled one-stop same-plane service

Source: Official Airline Guides, Inc.

Figure 20

INTERNATIONAL AIRPORTS SERVED BY SCHEDULED ROUND TRIP PASSENGER JET FLIGHTS

Washington Dulles International Airport

First Week in March, 2009

JACOBS CONSULTANCY

Airline Shares of International Enplaned Passengers

Between 2000 and 2008, international enplaned passengers at Dulles International grew at an average annual rate of 5.1%, four times the rate of domestic enplaned passengers. In 2002, compared to a 6.5% year-over-year drop in international traffic nationwide, there was an increase of 2.9% at Dulles International. Over the following six years, international traffic at Dulles International increased 54%, during a period marked by the war in Iraq, the SARS outbreak, a thwarted terrorist plot to attack flights from the United Kingdom destined for various U.S. airports including Dulles International, and a national recession. International passengers accounted for 26.2% of enplaned passengers at Dulles International in 2008.

United and United Express accounted for 51.6% of international passengers at Dulles International in 2008, up from 42.2% in 2003. (See Table 23.) No other U.S. airlines have a material international service presence at Dulles International. Enplaned passengers on foreign-flag airlines increased from 2003 to 2008 at a slower rate than on U.S. airlines. Two foreign-flag airlines that did not serve Dulles International in 2003 (South African and Qatar Airways) accounted for 5.4% of total international enplaned passengers in 2008. Foreign-flag airlines accounted for 48.1% of the international enplaned passengers at the airport in 2008, although that share has been declining gradually since 2001. European, African, and Middle Eastern airlines accounted for the largest share of international traffic (37.9%) in 2008, followed by airlines from the Caribbean & Latin America (4.7%), Asia (3.9%), and Canada (1.6%).

Table 23

CARRIER SHARES OF INTERNATIONAL ENPLANED PASSENGERS

Washington Dulles International Airport

(calendar years; enplaned passengers in thousands)

Carrier	1998	2003	2004	2005	2006	2007	2008
United *(a)*	737.1	841.4	1,025.8	1,104.4	1,222.2	1,494.7	1,605.5
British Airways	183.5	187.9	189.7	190.0	182.2	173.4	189.4
Air France	91.2	139.8	156.1	190.9	201.6	192.6	176.1
Lufthansa	116.0	149.4	163.8	200.1	215.3	203.7	173.4
TACA International	42.4	73.0	81.3	90.6	98.6	118.3	101.9
Virgin Atlantic	76.7	82.4	92.3	75.6	84.0	104.3	95.6
Qatar Airways	-	-	-	-	-	25.8	85.2
South African	-	-	-	13.3	58.5	87.6	82.1
Austrian	53.1	76.2	82.2	81.6	78.9	80.1	80.8
KLM	-	39.7	70.9	73.3	77.1	83.0	78.6
SAS	-	58.1	68.7	74.0	66.3	66.3	71.1
All Nippon	55.3	62.2	68.7	68.5	70.0	65.9	62.9
Korean Air	22.4	46.3	58.7	60.6	56.8	63.8	57.9
Air Canada *(b)*	65.8	95.3	95.8	69.8	68.2	66.9	49.1
Ethiopian	5.1	7.7	13.4	29.8	34.3	42.0	45.0
All Other	166.6	135.5	142.1	126.6	80.9	92.1	155.2
Total	**1,615.2**	**1,994.8**	**2,309.6**	**2,449.0**	**2,594.9**	**2,960.3**	**3,109.8**
Carrier share of total							
United *(a)*	45.6%	42.2%	44.4%	45.1%	47.1%	50.5%	51.6%
British Airways	11.4	9.4	8.2	7.8	7.0	5.9	6.1
Air France	5.6	7.0	6.8	7.8	7.8	6.5	5.7
Lufthansa	7.2	7.5	7.1	8.2	8.3	6.9	5.6
TACA International	2.6	3.7	3.5	3.7	3.8	4.0	3.3
Virgin Atlantic	4.8	4.1	4.0	3.1	3.2	3.5	3.1
Qatar Airways	-	-	-	-	-	0.9	2.7
South African	-	-	-	0.5	2.3	3.0	2.6
Austrian	3.3	3.8	3.6	3.3	3.0	2.7	2.6
KLM	-	2.0	3.1	3.0	3.0	2.8	2.5
SAS	-	2.9	3.0	3.0	2.6	2.2	2.3
All Nippon	3.4	3.1	3.0	2.8	2.7	2.2	2.0
Korean Air	1.4	2.3	2.5	2.5	2.2	2.2	1.9
Air Canada *(b)*	4.1	4.8	4.1	2.8	2.6	2.3	1.6
Ethiopian	0.3	0.4	0.6	1.2	1.3	1.4	1.4
All Other	10.3	6.8	6.2	5.2	3.1	3.1	5.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(a) Includes United Express (Air Wisconsin, Atlantic Coast, Chautauqua, and Shuttle America).

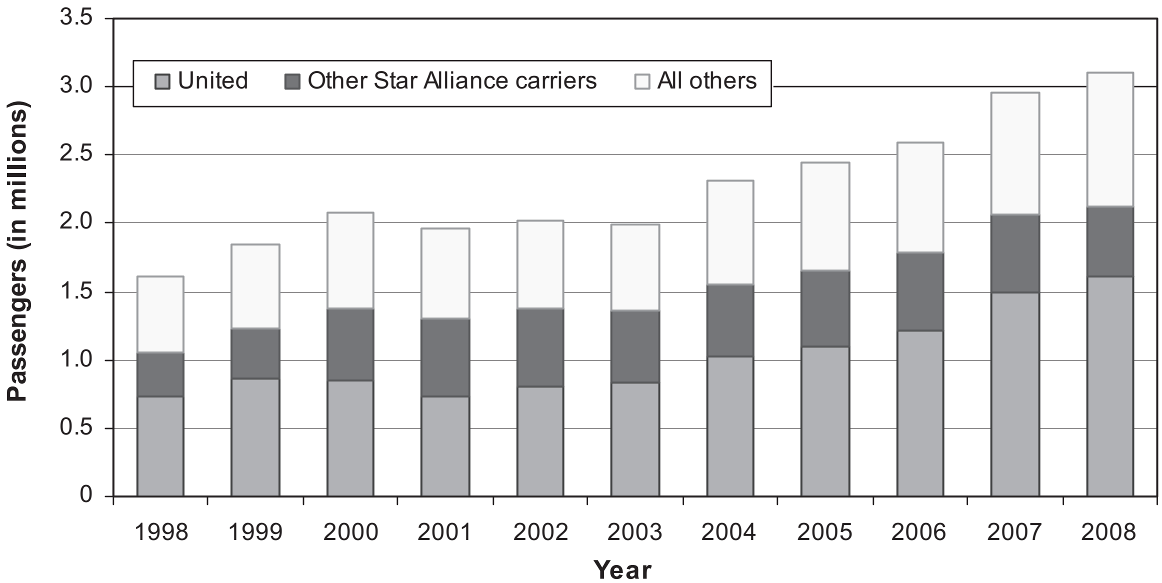
(b) Includes Air Canada Jazz.

(c) In 2008, 'All Other' includes: Iberia, Aer Lingus, COPA, Saudi Arabian, Avianca, Aeroflot, Delta, Northwest, Cayman Airways, JetBlue, and various charter carriers.

Source: Metropolitan Washington Airports Authority.

The Star Alliance carriers have been strong performers at Dulles International since 1998. Between 1998 and 2008, international traffic doubled for United and the other Star Alliance airlines, considered together. The non-Star Alliance airlines performed nearly as well, growing 76% over the same period. The composition of international traffic at Dulles International over the past 10 years is depicted in Figure 21. In 2008, United and its Star Alliance partners together accounted for 68% of international enplaned passengers at the airport.

Figure 21
CHANGES IN INTERNATIONAL ENPLANED PASSENGERS
Washington Dulles International Airport
(calendar years)



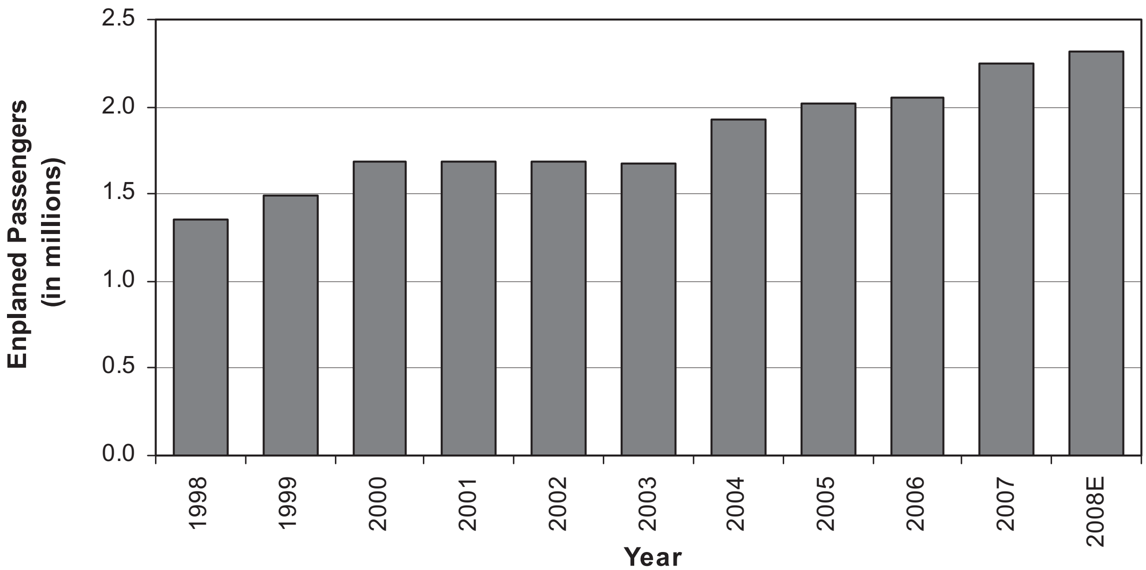
Notes: Includes revenue and nonrevenue passengers. Excludes passengers enplaned on general aviation or military flights. United includes passengers enplaned on United Express flights.
Source: Metropolitan Washington Airports Authority.

International Passenger Market Trends

The number of international O&D passengers at Dulles International has increased steadily since 1998. (See Figure 22.) Increases averaged 5.5% per year over the 10-year period ending in 2008. Sustained strong growth and demonstrated resistance to decline in the face of economic recession and adverse world events constitute evidence of the durability of demand for international air travel at Dulles International.

Gateway connections (i.e., passengers connecting from domestic flights to international flights, and vice versa) and international O&D passengers exhibited similar overall rates of growth for the past 10 years. (See Figure 23.) Not coincidentally, the pattern of gateway connecting passenger growth closely resembles the profile of United's international departing seats at Dulles International, presented earlier in Figure 19. Gateway connections with United's international flights and, to a lesser extent, with flights operated by the other Star Alliance carriers, comprised most of the airport total. Consequently, the future rate of growth of this component of international traffic at Dulles International is expected to parallel the growth of international service at the airport by United and its Star Alliance partners.

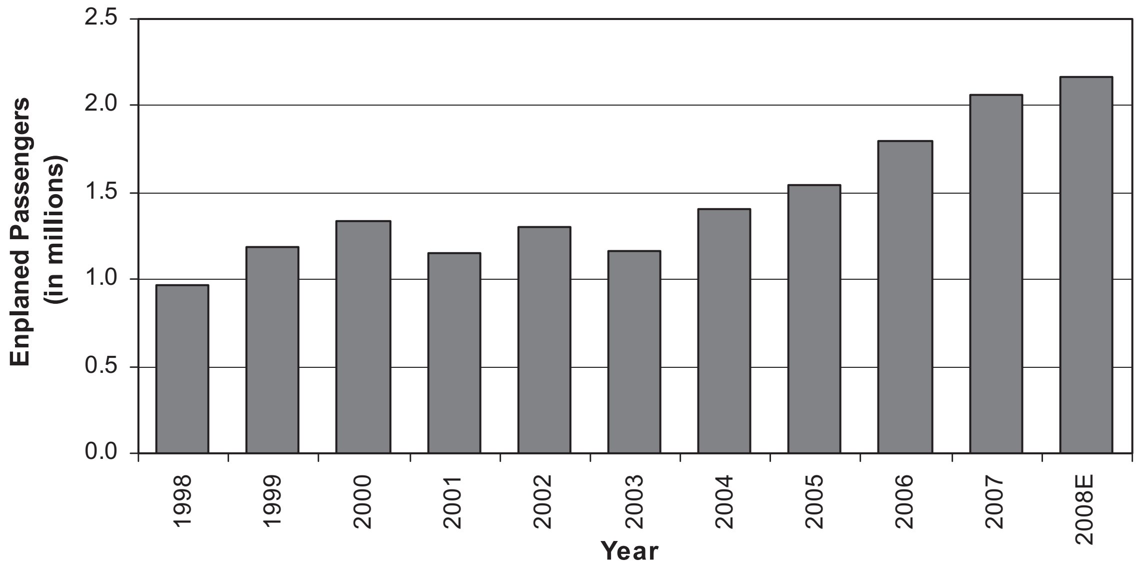
Figure 22
INTERNATIONAL O&D PASSENGERS
Washington Dulles International Airport
(calendar years)



Notes: Includes O&D passengers that boarded domestic flights at Dulles International bound for international destinations via other U.S. gateway airports, as well as small numbers of passengers on charter flights and non-revenue passengers. Also may include passengers connecting from one international flight to another.
E=Estimated on the basis of three quarters of actual data.

Sources: Metropolitan Washington Airports Authority; U.S. DOT, Schedule T100; *Official Airline Guide*.

Figure 23
INTERNATIONAL GATEWAY CONNECTING PASSENGERS
Washington Dulles International Airport
(calendar years)



Note: Gateway connections represent passenger connections from domestic flights to international flights, and vice versa.
E=Estimated on the basis of three quarters of actual data.

Sources: Metropolitan Washington Airports Authority; U.S. DOT, Schedule T100; *Official Airline Guide*.

Passengers bound for the U.K., Europe, Africa, and the Middle East accounted for 72% of all international passengers at Dulles International in the first six months of 2008. Traffic to other world areas, however, while much smaller in volume, has been growing at a more rapid pace. Table 24 presents trends in international passengers at Dulles International (O&D and connecting combined) for the four major world areas served by airlines at Dulles International.

Table 24

PASSENGERS DEPARTING ON INTERNATIONAL FLIGHTS

Washington Dulles International Airport

(calendar years, except as noted)

Year	U.K., Europe, Africa, & Middle East	Latin Am., Mexico, & Caribbean *(a)*	Asia	Canada	**Total--- all destinations**
1997	1,228,778	125,257	44,249	11,347	**1,409,631**
2002	1,629,118	142,022	104,782	115,913	**1,991,835**
2003	1,477,236	228,178	100,060	147,956	**1,953,430**
2004	1,664,853	292,254	119,201	176,319	**2,252,627**
2005	1,766,201	325,959	121,586	168,430	**2,382,176**
2006	1,845,768	392,659	133,393	201,942	**2,573,762**
2007	2,002,898	380,139	264,085	229,061	**2,876,183**
First 6 months					
2007	1,058,112	191,521	139,877	113,866	**1,503,376**
2008	1,000,576	198,668	137,241	56,769	**1,393,254**
Compound annual growth rate					
1997-2002	5.8%	2.5%	18.8%	59.2%	**7.2%**
2002-2007	4.2	21.8	20.3	14.6	**7.6**
Percent change from previous year					
2002-2003	-9.3%	60.7%	-4.5%	27.6%	**-1.9%**
2003-2004	12.7	28.1	19.1	19.2	**15.3**
2004-2005	6.1	11.5	2.0	-4.5	**5.8**
2005-2006	4.5	20.5	9.7	19.9	**8.0**
2006-2007	8.5	-3.2	98.0	13.4	**11.8**
First 6 months					
2007-2008	-5.4	3.7	-1.9	-50.1	**-7.3**

Note: Departing passengers include enplaned and "through" passengers on scheduled and non-scheduled flights.

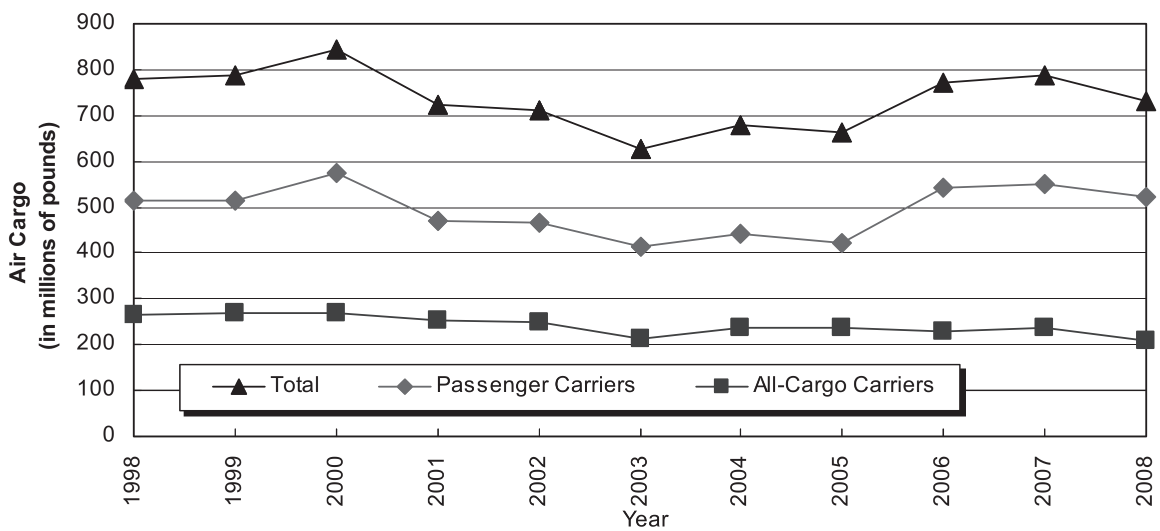
(a) Includes Mexico, Central America, South America, and the Caribbean.

Source: U.S. DOT, Schedule T100.

Cargo Trends

Total cargo tonnage handled at Dulles International in 2008 was 6% lower than it was in 1998. (See Figure 24.) Cargo tonnage carried by passenger airlines at Dulles International increased 2% over the past 10 years while cargo tonnage carried by all-cargo carriers declined 21%. Domestic cargo tonnage declined 42% over the same period while international cargo tonnage increased 76%.

Figure 24
HISTORY OF AIR CARGO HANDLED, BY CARRIER TYPE
Washington Dulles International Airport
(calendar years)



Notes: Sum of enplaned and deplaned air cargo. Excludes cargo carried on military and general aviation flights.
Source: Metropolitan Washington Airports Authority.

A fundamental shift in the nature of the cargo carried by the passenger airlines occurred between 1998 and 2008. Over the 10-year period, domestic cargo tonnage handled by passenger airlines fell 62% while their international cargo tonnage increased 76%. (See Table 25.) While passenger airlines account for virtually all of the international cargo handled at Dulles International, their share of domestic cargo tonnage at the airport declined from about 51% in 1998 to 33% in 2008. All-cargo carriers accounted for the remainder.

All-cargo carriers at Dulles International handle almost exclusively domestic cargo. The share of total tonnage handled by all-cargo carriers has declined somewhat over the past 10 years, from 34% in 1998 to 28% in 2008.

Table 25
TRENDS IN AIR CARGO HANDLED, BY TYPE OF AIRLINE
Washington Dulles International Airport
(calendar years; cargo in thousands of pounds)

	Domestic			International			Total		
Fiscal year	Passenger	All-cargo	Total	Passenger	All-cargo	Total	Passenger	All-cargo	Total
1998	274,123	265,097	539,220	238,393	0	238,393	512,516	265,097	777,613
2003	143,071	210,893	353,964	271,323	179	271,502	414,394	211,071	625,466
2004	124,164	238,502	362,666	316,179	159	316,337	440,343	238,661	679,004
2005	103,668	238,168	341,835	319,259	481	319,741	422,927	238,649	661,576
2006	110,257	229,012	339,269	431,623	412	432,035	541,880	229,424	771,304
2007	116,042	237,574	353,616	433,710	557	434,267	549,753	238,131	787,883
2008	103,618	208,262	311,880	420,017	146	420,163	523,635	208,408	732,043
Compound annual growth rate									
1998-2003	-12.2%	-4.5%	-8.1%	2.6%	n.a.	2.6%	-4.2%	-4.5%	-4.3%
2003-2008	-6.2	-0.3	-2.5	9.1	-3.9	9.1	4.8	-0.3	3.2
1998-2008	-9.3	-2.4	-5.3	5.8	n.a.	5.8	0.2	-2.4	-0.6
Percent change from previous year									
2007-2008	-10.7%	-12.3%	-11.8%	-3.2%	-73.8%	-3.2%	-4.8%	-12.5%	-7.1%
Share of Airport total									
1998	35.3%	34.1%	69.3%	30.7%	-	30.7%	65.9%	34.1%	100.0%
2003	22.9	33.7	56.6	43.4	0.0	43.4	66.3	33.7	100.0
2008	14.2	28.4	42.6	57.4	0.0	57.4	71.5	28.5	100.0

Notes: Sum of enplaned and deplaned freight and mail. Excludes air cargo carried on military and general aviation flights. Rows may not add to totals shown because of rounding. Percentages were calculated using unrounded numbers.
n.a.=not applicable.
Source: Metropolitan Washington Airports Authority.

The cargo market at Dulles International is dominated by two airlines: United and FedEx. Their combined share declined somewhat over the past 10 years, from 68.3% in 1998 to 62.0% in 2008. (See Table 26.) The third-ranking airline, Lufthansa, accounted for 5.9% of the Dulles International total in 2008.

Table 26

CARRIER SHARES OF AIR CARGO HANDLED

Washington Dulles International Airport

(calendar years; cargo in thousands of pounds)

Carrier	1998	2003	2004	2005	2006	2007	2008
United *(a)*	334,309	217,885	226,214	225,023	329,497	319,512	289,711
FedEx	196,865	160,323	182,741	187,532	182,118	186,740	163,747
Lufthansa	18,489	28,610	36,144	41,204	49,939	46,974	42,965
British Airways	30,274	32,186	34,454	30,692	30,050	29,917	29,428
All Nippon	15,460	18,546	19,109	18,340	24,194	29,692	26,880
ABX	29,832	29,988	35,718	29,669	24,491	28,764	24,636
Air France	11,687	18,778	24,171	24,008	24,031	24,240	23,951
Qatar Airways	-	-	-	-	-	9,685	22,762
UPS	14,526	19,909	19,671	20,958	22,398	22,068	19,801
Virgin Atlantic	17,931	15,422	18,285	13,325	15,538	17,787	15,683
Austrian	-	15,466	16,349	14,397	13,586	15,409	14,432
SAS	-	11,887	15,830	17,035	16,232	15,781	13,665
KLM	-	3,175	8,858	9,697	11,687	13,537	12,714
American (incl. TWA) *(b)*	29,092	10,639	5,985	3,978	4,393	4,618	4,746
All Other	79,147	42,651	35,475	25,719	23,150	23,160	26,922
Total	**777,613**	**625,466**	**679,004**	**661,576**	**771,304**	**787,883**	**732,043**
Carrier share of total							
United *(a)*	43.0%	34.8%	33.3%	34.0%	42.7%	40.6%	39.6%
FedEx	25.3	25.6	26.9	28.3	23.6	23.7	22.4
Lufthansa	2.4	4.6	5.3	6.2	6.5	6.0	5.9
British Airways	3.9	5.1	5.1	4.6	3.9	3.8	4.0
All Nippon	2.0	3.0	2.8	2.8	3.1	3.8	3.7
ABX	3.8	4.8	5.3	4.5	3.2	3.7	3.4
Air France	1.5	3.0	3.6	3.6	3.1	3.1	3.3
Qatar Airways	0.0	0.0	0.0	0.0	0.0	1.2	3.1
UPS	1.9	3.2	2.9	3.2	2.9	2.8	2.7
Virgin Atlantic	2.3	2.5	2.7	2.0	2.0	2.3	2.1
Austrian	0.0	2.5	2.4	2.2	1.8	2.0	2.0
SAS	0.0	1.9	2.3	2.6	2.1	2.0	1.9
KLM	0.0	0.5	1.3	1.5	1.5	1.7	1.7
American (incl. TWA) *(b)*	3.7	1.7	0.9	0.6	0.6	0.6	0.6
All Other	10.2	6.8	5.2	3.9	3.0	2.9	3.7
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Sum of enplaned and deplaned freight and mail. Excludes air cargo carried on military and general aviation flights.

(a) Includes United Express (Air Wisconsin).

(b) Includes American Eagle. TWA is included here as an affiliate of American in 1998, although American did not start reporting TWA passengers with its own until 2001.

Source: Metropolitan Washington Airports Authority.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the demographic and economic effects on airline travel demand to and from the Air Trade Area, discussed earlier, key factors that will affect airline traffic at the Airports include:

- Economic and political conditions
- Financial health of the airline industry
- Price of aviation fuel
- Aviation security concerns
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Capacity of the national air traffic control system
- Capacity of the Airports
- Capacity of competing airports
- High Density and Perimeter Rules

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger traffic during those years. The relatively severe economic recession that began in December 2007 and the mortgage crisis which led to the collapse or government bailout of several large financial firms in the fall of 2008, combined with rising unemployment, reduced discretionary income, and increased airfares, has contributed to the recent reduction in airline travel demand.

With the globalization of business and the increased importance of international trade, growth of the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns, and hostilities are now important influences on passenger traffic, particularly at major U.S. gateway airports such as Dulles International. Sustained future increases in both domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Financial Health of the Airline Industry

Increases in passenger traffic at the Airports will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly United and US Airways, to make the necessary investments to increase service.

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

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

- US Airways filed twice for bankruptcy protection, in 2002 and 2004.
- In December 2002, United Airlines filed for bankruptcy protection (emerged February 2006).
- In 2003, American avoided filing for bankruptcy protection only after obtaining labor cost concessions from its employees and drastically reducing service at its St. Louis hub.
- In February 2005, Delta eliminated its Dallas/Fort Worth hub, reduced service at its Cincinnati hub, and restructured its other airport operations. In September 2005, Delta filed for bankruptcy protection (emerged April 2007).
- In September 2005, Northwest filed for bankruptcy protection (emerged May 2007).
- Among smaller airlines, other bankruptcy filings included Hawaiian Airlines in March 2003 (emerged June 2005), ATA Airlines in October 2004 (emerged March 2006), Aloha Airlines in December 2004 (emerged February 2006), and Independence Air in November 2005 (ceased operations January 2006).
- Record aviation fuel prices and other financial pressures resulted in further airline bankruptcies and liquidations in early 2008. In March and April 2008, Aloha, ATA, and Skybus ceased operations. In April 2008, Frontier Airlines filed for Chapter 11 bankruptcy protection.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in 2008, as the price of aviation fuel increased to unprecedented levels, the industry again confronted a profitability crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other non-fuel expenses, increasing airfares, and imposing ancillary fees and charges. As of February 2009, the U.S. airlines plan year-over-year reductions in total scheduled domestic capacity approximating 10%, 9%, and 7%, respectively, in each of the first three quarters of 2009. Depending on the price of fuel and the level of passenger demand, additional capacity adjustments may be implemented later in 2009.

Various industry analysts have suggested that, at the elevated fuel prices experienced in mid-2008, industry-wide domestic capacity reductions on the order of 15% to 20% would be required to achieve equilibrium between seat supply and passenger demand at airfares adequate to achieve airline profitability. While the combination of reduced seat capacity, higher airfares, and weak economic conditions is expected to lead to reduced passenger numbers at most airports in 2009, the combined effects of increased ancillary revenue streams, reduced availability of discount fares, and dramatically reduced fuel costs (since the summer of 2008) have led many industry analysts to predict strong airline profits in 2009.

Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. Aviation fuel represented the largest item of airline operating expense in the first quarter of 2008, accounting for roughly 30% of expenses for most airlines. By mid-2008, average fuel prices peaked at three times their mid-2004 level. In the second half of 2008, fuel prices fell precipitously as demand declined worldwide. By January 2009, fuel prices had fallen to roughly one-quarter of their July 2008 level.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. There is, however, widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

While aviation fuel prices have not affected the ability of airlines to provide service, fluctuating prices do affect airline service levels, airfares, and passenger numbers. Airline operating economics are also likely to be affected as regulatory costs are imposed on the airline industry to account for aircraft emissions contributing to global climate change.

Aviation Security Concerns

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

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against attacks and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), and more intensive screening of passengers and baggage.

Historically, airline travel demand has recovered after temporary declines stemming from terrorist attacks, hijackings, aircraft crashes, and international hostilities. Provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airports will depend primarily on economic, not security, factors.

Airline Service and Routes

The number of origin and destination passengers depends on the intrinsic attractiveness of the Air Trade Area as a business and leisure destination and the propensity of its residents to travel. The number of connecting passengers, on the other hand, depends on the airline service provided at the Airports.

Most major airlines have developed nationwide systems of hubs that allow them to offer a higher frequency of service in many city-pair markets than would be possible otherwise. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines at that airport and at competing hub airports.

As discussed in an earlier section, Reagan National serves as a secondary connecting hub for US Airways and Dulles International as a primary connecting hub and international gateway for United. As a result, much of the connecting passenger traffic at the Airports results from the route network and flight schedules of US Airways and United rather than the economy of the Air Trade Area. If US Airways were to reduce connecting service at Reagan National or United were to reduce connecting service at Dulles International, such service would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. Price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by capacity and yield management; market presence, passenger demand, and other competitive factors; labor, fuel, and other airline operating costs; airline debt burden; and taxes, fees, and other charges assessed by governmental and airport agencies. Future passenger levels, both nationwide and at the Airports, will depend in part on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines was reduced from 14.9 to 12.7 cents per passenger-mile. In 2006 and 2007, airlines reduced capacity and were able to sustain fare increases, and industry-wide yields increased to an average of 13.8 cents per passenger-mile. By mid-2008 yields had increased further, to 16.2 cents per passenger-mile. The ability of airlines to continue to increase and rationalize fares while controlling seat capacity is seen as key to the industry regaining and sustaining profitability.

In many airline travel markets nationwide, price and service competition has been provided by new-entrant airlines and other airlines with lower cost structures. At Reagan National, AirTran, Alaska, Frontier, and Spirit have provided competition in some markets since they were granted slots under exemptions to the High Density Rule. At Dulles International, AirTran, JetBlue, Southwest, and Virgin America have provided such competition in many travel markets. As legacy network airlines like United and US Airways have restructured their operations and reduced costs, they have enhanced their ability to compete on price with the LCCs.

Airline Consolidation and Alliances

In response to competitive and financial pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In September 2005, US Airways and America West merged. In October 2008, Delta and Northwest merged. Various other combinations of American, Continental, United, and US Airways have been rumored but, in an environment of uncertain fuel prices and weak demand, none are expected to occur in the near term. In the longer term, further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merging airlines, to the degree that their route networks overlap.

Alliances provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. In June 2008, United and Continental announced code-sharing and other cooperative plans as well as the intention for Continental to join the Star Alliance in the fourth quarter of 2009. In January 2009, United and Aer Lingus announced plans to offer daily code-share service between Dulles International and Madrid, beginning in March 2010. The route is made possible by the Open Skies Agreement between the European Union and the United States.

Southwest has announced its intention to form international code-share partnerships with Canadian airline WestJet and Mexican airline Volaris. Further details of these arrangements, including code-share flight schedules, are expected to be announced in late 2009 and early 2010, respectively.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After 2001, air traffic delays abated as a result of reduced aircraft operations, but delays returned as nationwide demand strengthened in the years that followed. Air traffic delays are again declining given the widespread airline capacity cuts already implemented and those published for 2009.

Capacity of the Airports

In addition to any future constraints that may be imposed by the national air traffic control system, future growth in airline traffic at Reagan National will be constrained by the limits of the airport facilities and by the restrictions imposed by the High Density Rule and the Perimeter Rule. At Dulles International, existing terminal and airfield capacity, together with the planned fifth runway, are believed to be sufficient to accommodate future growth in airline traffic over the projection period.

Capacity of the Primary Competing Airport in the Region (BWI)

There are no airfield, landside, or access constraints at BWI that would inhibit development of domestic or international traffic in the forecast period. Terminal facilities and roadway access at BWI are adequate for airline passenger growth. The runways at BWI accommodate operations by most aircraft operating in commercial service. For example, the airport currently handles two daily flights by fully-loaded DC-10 wide-body aircraft carrying military personnel to and from Europe. BWI has Federal Inspection Services facilities where U.S. Customs and Border Protection staff process arriving international passengers, baggage, and cargo. There are two primary reasons for the minimal amount of international service at BWI, and neither relates to the physical facilities: proximity to Dulles International, and the lack of an interlining, hubbing airline to provide feed traffic for international flights.

Perimeter and High Density Rules

Reagan National is subject to federal statutory and regulatory restrictions that do not apply to most other airports in the United States.

By federal statute, nonstop flights from Reagan National generally are limited to destinations not more than 1,250 statute miles away. The "Perimeter Rule" was amended in 2000 to allow six daily round-trip scheduled nonstop air carrier flights between Reagan National and points beyond the 1,250-mile perimeter. Federal legislation enacted in 2003 (the Vision 100 Century of Flight Aviation Authorization Act, commonly referred to as Vision 100) directed DOT to grant exemptions for service beyond the 1,250-mile perimeter if it finds that the proposed service would 1) provide air transportation with domestic network benefits in areas beyond the perimeter, 2) increase competition by new entrant air carriers or in multiple markets, 3) maintain travel options for communities served by small and medium hub airports within the perimeter, and 4) not result in meaningful travel delays. Six additional "beyond perimeter" daily nonstop roundtrip flights were authorized in December 2003.[13]

The "High Density Rule", which has been in effect since 1969, limits the number of air carrier, regional air carrier and general aviation flights that can be scheduled in each hour at Reagan National. Federal legislation enacted in 2000 (the Aviation Investment and Reform Act for the 21st Century, commonly referred to as AIR-21) required the phasing out of the High Density Rule at the other slot-controlled airports (i.e., JFK, LaGuardia, Chicago-O'Hare) but not at Reagan National, although AIR-21 and subsequent legislation have exempted a number of additional flights.

Since 2000, a total of 44 additional slot exemptions have been granted at Reagan National, bringing the total number of daily slots at the airport to 912. A slot is an authorization from the FAA for a single takeoff or landing. The AIR-21 legislation created 24 new slots in 2000, 12 of which were allocated beyond the perimeter and 12 within the perimeter. In 2003, under Vision 100 legislation, DOT granted an additional 20 slot exemptions, comprising 12 beyond-perimeter slots and 8 within-perimeter slots. In a February 2007 report, the U.S. Government Accountability Office stated that, even if the number of slots at Reagan National is not increased, additional capacity exists at the airport. Nearly 80 slots are unused because they are in early-morning or late-evening time periods, and larger aircraft could be used in slots that currently are being utilized by smaller aircraft.

Slots are awarded to airlines—whether incumbent or new entrant—that DOT believes are likely to produce the most competitive benefits including, among other

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13. The 2003 legislation also increased the number of slot exemptions allowed per hour (from 2 to 3) and made available 4 slot exemptions for service to any airport within the 1,250-mile perimeter, regardless of hub size. The legislation also allowed the operation of regional jets with up to 76 seats in slots at Reagan National that had been limited to aircraft with 55 seats or less.

criteria, lower fares. In implementing this directive, DOT has tended to favor LCCs in recent years. Of the 20 slot exemptions created in 2003, for example, 10 were allocated to LCCs. Despite this, and primarily due to the regulatory constraints on capacity imposed by the High Density Rule, there has been limited opportunity for significant growth of LCC services at Reagan National.

Dulles International provides capacity that is not available at Reagan National. Dulles International, unlike Reagan National, is not subject to the High Density Rule or the Perimeter Rule and was not subjected to extended closure and flight restrictions after the events of September 11, 2001. In addition, Dulles International has more airside and landside capacity than Reagan National.

PROJECTED AIRLINE TRAFFIC

Projections of airline traffic at the Airports through 2016 were developed on the basis of analyses of the economic base for airline passenger demand, trends in historical traffic, and key factors likely to affect future traffic, all as discussed in earlier sections. The Terminal Area Forecasts (TAF) for the Airports, issued by the FAA in December 2008, were also reviewed.

In developing the projections, it was assumed that, over the long term, airline traffic at the Airports will increase as a function of growth in the economy of the Air Trade Area and continued airline competition. It was assumed that airline service at the Airports will not be constrained by the availability of aviation fuel, limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airports, rates and charges for the Airports, or, except for Reagan National, government policies or actions that restrict growth.

The projections for the Airports share the common assumptions described below:

1. The U.S. economic recession will last through the remainder of 2009. In 2010, economic growth will resume gradually. From 2011 to the end of the projection period, the economy will experience growth in gross domestic product averaging between 2.0% and 2.5% per year.

2. The economy of the Air Trade Area will expand at a rate in excess of the United States as a whole.

3. Notwithstanding uncertainty regarding fuel prices and other operating expenses, the airlines serving the Airports will remain financially viable and will begin to add seat capacity at the Airports in the 2010-2011 period, as warranted by increasing demand.

4. Competition among airlines serving the major markets at each of the Airports will ensure the continued availability of competitive airfares.

5. A generally stable international political environment and enhanced passenger and baggage screening procedures will maintain airline traveler confidence in aviation security without imposing unreasonable inconveniences.

6. There will be no major disruption of airline service or travel behavior as a result of international hostilities or terrorist acts or threats.

7. No change will occur to the competitive advantage of a) Dulles International and Reagan National relative to BWI with regard to connecting service for domestic passengers and b) Dulles International relative to competing U.S. airports with regard to gateway service for international passengers, over the period of the projection.

Projected Passenger Traffic at Reagan National

In 2009, the number of enplaned passengers at Reagan National is projected to fall 3.3% to 8.7 million from 9.0 million in 2008. Overall seat capacity at Reagan National is expected to decline 3.8% in 2009 while load factors increase slightly.

In 2010, the number of enplaned passengers at Reagan National is projected to be essentially flat at 8.7 million, reflecting the expectation of a slow recovery from the economic recession, increased airfares, and slightly lower airline seat capacity. In particular, it was assumed that:

- Airlines will undertake material system-wide capacity cuts throughout 2009, although cuts made at Reagan National will be generally less than the national average.

- US Airways will make capacity reductions at Reagan National in a way that will minimize the release of slots for use by other airlines.

- Passenger load factors will increase at Reagan National in 2009 and throughout the projection period, as airlines more closely match capacity to reduced levels of passenger demand.

From 2011 through 2016, the number of enplaned passengers at Reagan National is projected to increase at an average annual rate of 0.8%. This is slightly below the TAF rate of growth forecast at Reagan National by the FAA (1.0% per year) over the same time period. This longer-term projection reflects expectations about airline changes necessary to balance demand, capacity, costs, and airfares at Reagan National. In particular, for the projection of enplaned passengers at Reagan National, it was assumed that:

- Enplaned passenger levels will increase as a result of gradually increasing load factors and aircraft seating capacities.

- Incumbent airlines will maintain as many frequencies at Reagan National as feasible in order to protect slot allocations and limit market penetration by LCCs. Nonetheless, there may be opportunities for LCCs to receive additional slot allocations, given the merger of Delta and Northwest as well as the challenge for airlines like US Airways to find a viable balance between demand, capacity, costs, and airfares. Under such future circumstances, fares likely will moderate and traffic will respond positively.

- US Airways, whether as an independent airline or part of a merged larger airline, will continue to develop its service at Reagan National as a secondary hub in its route network.

- Other major airlines will provide competitive nonstop service at Reagan National in larger-volume passenger markets.

- The High Density and Perimeter rules will remain largely unchanged and any future slot exemptions will be modest in number.

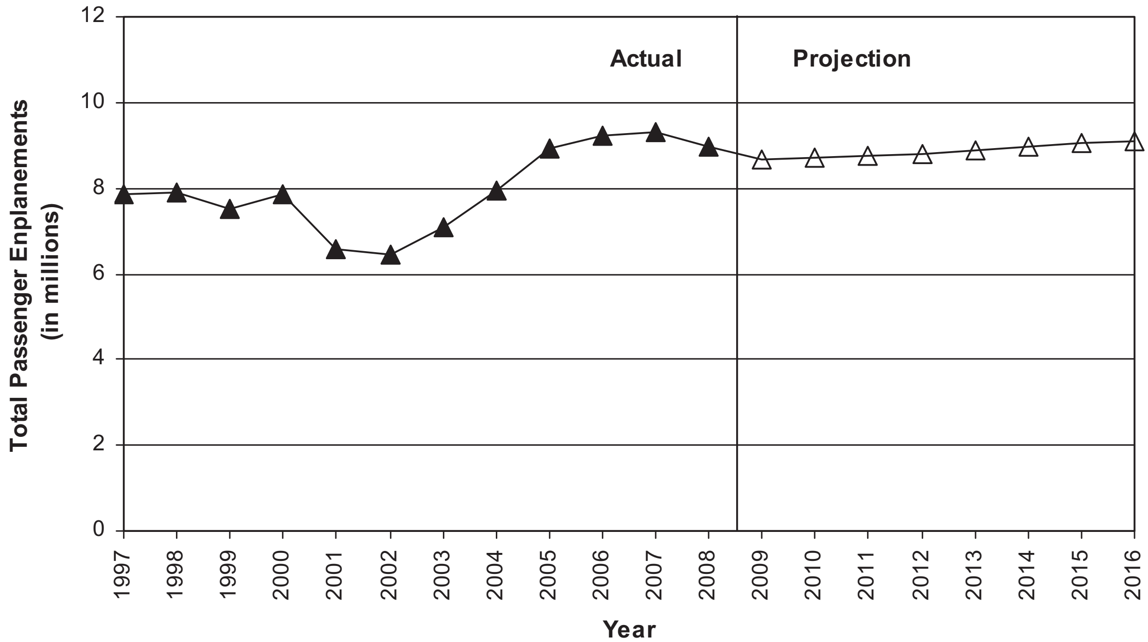
Total enplaned passengers at Reagan National are projected to number 9.1 million in 2016. Passenger connections at the airport are projected to account for the same proportion of total enplaned passengers (19%) in 2016 as they did in 2008. For a detailed presentation of both historical and projected passengers by market segment, refer to Table 27. The projection is presented graphically in Figure 25.

Figure 25

TOTAL ENPLANED PASSENGERS—HISTORICAL AND PROJECTED

Ronald Reagan Washington National Airport

(calendar years)



Sources: Historical: Metropolitan Washington Airports Authority.
Projection: Jacobs Consultancy.

Table 27

ENPLANED PASSENGER PROJECTION TRENDS

Ronald Reagan Washington National Airport

(for the 12 months ended December 31)

	Domestic enplaned passengers						International enplaned passengers			
	Revenue passengers on scheduled flights									
	Originating		Connections from:		"Charter"			Connections		TOTAL
Year	Domestic O&D	Bound for intl. destns.	Domestic flights	International flights	and non-rev. *(a)*	**DOMESTIC TOTAL**	International O&D *(b)*	from domestic flights	**INTL. TOTAL**	**ENPLANED PASSENGERS**
1997	6,148,740	443,090	921,115	18,890	231,303	**7,763,138**	94,089	19,860	**113,949**	**7,877,087**
1998	6,003,380	464,470	1,009,175	12,390	301,263	**7,790,678**	92,056	12,410	**104,466**	**7,895,144**
1999	5,731,640	483,750	864,735	12,560	295,478	**7,388,163**	100,453	12,250	**112,703**	**7,500,866**
2000	6,107,860	473,590	842,865	16,280	285,498	**7,726,093**	112,310	16,970	**129,280**	**7,855,373**
2001	5,203,810	380,210	644,390	9,100	242,644	**6,480,154**	74,210	9,140	**83,350**	**6,563,504**
2002	5,217,750	380,120	478,735	12,770	266,863	**6,356,238**	93,133	11,080	**104,213**	**6,460,451**
2003	5,531,130	408,680	766,550	24,250	240,347	**6,970,957**	109,878	21,580	**131,458**	**7,102,415**
2004	6,134,460	438,750	940,390	34,850	248,932	**7,797,382**	123,639	31,050	**154,689**	**7,952,071**
2005	6,891,700	453,350	1,149,810	40,020	201,845	**8,736,725**	137,699	34,850	**172,549**	**8,909,274**
2006	6,906,970	474,860	1,455,125	46,560	170,970	**9,054,485**	138,583	46,750	**185,333**	**9,239,818**
2007	6,885,850	504,360	1,548,045	32,010	175,289	**9,145,554**	122,593	25,930	**148,523**	**9,294,077**
2008A	6,471,280 E	504,590 E	1,638,690 E	35,250 E	186,609 E	**8,836,419**	113,364 E	28,000 E	**141,364**	**8,977,783**
2009P	6,227,100	507,100	1,581,800	35,700	186,600	**8,538,300**	113,800	28,100	**141,900**	**8,680,200**
2010	6,230,100	512,200	1,583,400	36,200	186,600	**8,548,500**	114,400	28,600	**143,000**	**8,691,500**
2011	6,267,000	520,400	1,592,900	36,800	186,600	**8,603,700**	115,700	29,100	**144,800**	**8,748,500**
2012	6,312,000	528,200	1,604,100	37,400	186,600	**8,668,300**	117,700	29,500	**147,200**	**8,815,500**
2013	6,360,100	536,100	1,615,300	38,000	186,600	**8,736,100**	119,800	30,000	**149,800**	**8,885,900**
2014	6,410,300	544,400	1,628,200	38,600	186,600	**8,808,100**	122,200	30,500	**152,700**	**8,960,800**
2015	6,460,600	553,000	1,640,800	39,200	186,600	**8,880,200**	124,600	31,000	**155,600**	**9,035,800**
2016	6,511,300	561,600	1,653,500	39,800	186,600	**8,952,800**	127,100	31,500	**158,600**	**9,111,400**
Compound annual growth rate										
Historical:										
1997-2000	-0.2%	2.2%	-2.9%	-4.8%	7.3%	**-0.2%**	6.1%	-5.1%	**4.3%**	**-0.1%**
2000-2001	-14.8	-19.7	-23.5	-44.1	-15.0	**-16.1**	-33.9	-46.1	**-35.5**	**-16.4**
2001-2002	0.3	0.0	-25.7	40.3	10.0	**-1.9**	25.5	21.2	**25.0**	**-1.6**
2002-2006	7.3	5.7	32.0	38.2	-10.5	**9.2**	10.4	43.3	**15.5**	**9.4**
2006-2008	-3.2	3.1	6.1	-13.0	4.5	**-1.2**	-9.6	-22.6	**-12.7**	**-1.4**
Projection:										
2008-2012	-0.6%	1.1%	-0.5%	1.5%	0.0%	**-0.5%**	0.9%	1.3%	**1.0%**	**-0.5%**
2012-2016	0.8	1.5	0.8	1.6	0.0	**0.8**	1.9	1.7	**1.9**	**0.8**
2008-2016	0.1	1.3	0.1	1.5	0.0	**0.2**	1.4	1.5	**1.4**	**0.2**

Notes: Excludes passengers enplaned on general aviation and military flights. A=Actual; E=Estimate; P=Projection.

(a) Category includes passengers on non-scheduled (charter) flights, and non-revenue passengers.

(b) Category includes international O&D passengers on scheduled flights, along with small numbers of passengers on charter flights, non-revenue passengers, and international-to-international connections, if any.

Sources: Historical: Metropolitan Washington Airports Authority; U.S. DOT, *Air Passenger Origin-Destination Survey* , reconciled to Schedules T100 and 298C T1.
Estimate and Projection: Jacobs Consultancy.

Reagan National Flight Operations and Landed Weight Trends and Projections

Projections of flight operations and aircraft landed weight at Reagan National were derived from the passenger projection presented earlier and trends in flight operations since 1997. Key metrics such as average seat occupancy, aircraft seat capacity, and aircraft size were employed in the development of these projections, which exclude general aviation and military flights.

The average enplaned passenger load factor at Reagan National rose from 64% in 2003 to 70% in 2008 as a result of traffic increasing faster than capacity. Aircraft size also increased, as US Airways' Express affiliates replaced a significant amount of their turboprop capacity with 50-seat and, increasingly, 70-seat regional jets.[14] Over the longer term, airlines serving Reagan National are expected to increase aircraft size slightly, allowing them to add capacity at a faster rate than flights and to reduce their unit costs. Together, these factors are expected to increase the total number of departing seats offered at Reagan National at a somewhat slower rate than the number of enplaned passengers through 2016. These changes are projected to maintain between 268,000 and 272,000 flight operations in each year through 2016 (see Table 28). The net effect is that, although the projection calls for the number of enplaned passengers at Reagan National to increase slightly (0.2% per year, on average) from 2008 to 2016, no increase in the number of flight operations is projected.

The projection of total landed weight at Reagan National reflects declines averaging 0.9% per year in 2009 and 2010, coinciding with projected capacity declines, followed by increases averaging 0.5% per year thereafter, through 2016, coinciding with slight increases in projected aircraft size.

14. Vision 100 changed the definition of "regional air carrier" to allow the operation of regional jets with up to 76 seats in slots designated for regional air carriers at Reagan National. Under previous legislation, any carrier operating regional jets with more than 55 seats were required to use air carrier slots intended for larger narrow- and wide-body jet aircraft. This change was made to allow air carriers greater flexibility in flight scheduling at Reagan National.

Table 28
FLIGHT DEPARTURE AND AIRCRAFT LANDED WEIGHT PROJECTION TRENDS
Ronald Reagan Washington National Airport
(calendar years)

Year	Enpl. Passengers (thousands)	Enpl. Psgr. Load Factor	Departing Seats (thousands)	Average Seats per Flight	Departing Passenger Flights	**Total Flight Ops. *(a)***	Flight Arrivals	Avg. Landed Weight Per Flight (pounds)	**Total Landed Weight (millions of pounds)**
1997	7,877	60.5%	13,023	104.5	124,571	**249,142**	124,571	96,649	**12,039.7**
1998	7,895	61.7%	12,796	105.7	121,100	**242,200**	121,100	97,219	**11,773.2**
1999	7,501	59.1%	12,686	106.9	118,627	**237,253**	118,627	96,211	**11,413.1**
2000	7,855	59.1%	13,293	107.2	123,990	**247,980**	123,990	100,009	**12,400.2**
2001 *(b)*	5,551	58.4%	9,511	108.0	88,102	**176,204**	n.a.	n.a.	**n.a.**
2001	6,564	n.a.	n.a.	n.a.	103,499	**206,997**	103,499	104,721	**10,838.5**
2002	6,460	61.8%	10,454	98.5	106,169	**212,337**	106,169	95,254	**10,113.0**
2003	7,102	64.3%	11,041	88.9	124,214	**248,428**	124,214	87,221	**10,834.1**
2004	7,952	65.7%	12,096	91.0	132,883	**265,765**	132,883	86,330	**11,471.8**
2005	8,909	68.1%	13,078	95.9	136,322	**272,644**	136,322	93,914	**12,802.5**
2006	9,240	70.4%	13,124	96.3	136,312	**272,623**	136,312	95,377	**13,001.0**
2007	9,294	73.7%	12,608	93.5	134,819	**269,638**	134,819	94,339	**12,718.7**
2008A	8,978	70.1%	12,804	93.3	135,483	**271,103**	135,483	93,531	**12,671.9**
2009P	8,680	70.0%	12,400	91.4	135,700	**271,400**	135,700	92,200	**12,511.5**
2010	8,692	70.5%	12,328	92.0	134,000	**268,000**	134,000	92,805	**12,435.9**
2011	8,749	70.7%	12,374	92.3	134,100	**268,200**	134,100	93,057	**12,479.0**
2012	8,816	70.9%	12,434	92.5	134,400	**268,800**	134,400	93,310	**12,540.8**
2013	8,886	71.1%	12,498	92.8	134,700	**269,400**	134,700	93,562	**12,602.8**
2014	8,961	71.3%	12,568	93.0	135,100	**270,200**	135,100	93,814	**12,674.3**
2015	9,036	71.5%	12,637	93.3	135,500	**271,000**	135,500	94,066	**12,746.0**
2016	9,111	71.7%	12,708	93.5	135,900	**271,800**	135,900	94,318	**12,817.9**
Compound annual growth rate									
Historical:									
1997-2000	-0.1%		0.7%		-0.2%	**-0.2%**	-0.2%	1.1%	**1.0%**
2000-2001	-16.4		n.a.		-16.5	**-16.5**	-16.5	4.7	**-12.6**
2001-2002	-1.6		n.a.		2.6	**2.6**	2.6	-9.0	**-6.7**
2002-2006	9.4		5.9		6.4	**6.4**	6.4	0.0	**6.5**
2006-2008	-1.4		-1.2		-0.3	**-0.3**	-0.3	-1.0	**-1.3**
Projection:									
2008-2012	-0.5%		-0.7%		-0.2%	**-0.2%**	-0.2%	-0.1%	**-0.3%**
2012-2016	0.8		0.5		0.3	**0.3**	0.3	0.3	**0.5**
2008-2016	0.2		-0.1		0.0	**0.0**	0.0	0.1	**0.1**

Notes: Excludes general aviation and military flights. A=Actual; P=Projected; n.a.=not available.

(a) Sum of flight arrivals and departures.

(b) Based on data for January through August, 2001.

Sources: Historical: Metropolitan Washington Airports Authority; U.S. DOT, Schedule T100; *Official Airline Guide.*
Projection: Jacobs Consultancy.

Projected Passenger Traffic at Dulles International

The number of passengers enplaned at Dulles International is projected to decline 4.7% to 11.3 million in 2009 from 11.9 million in 2008, and a further 0.4% in 2010. Modest growth in the number of enplaned passengers is projected to resume in 2011, increasing 1.6% to 11.4 million. Between 2011 and 2016, the number of passengers enplaned at Dulles International is projected to increase at 2.8% per year, on average.

In addition to the key factors affecting passenger traffic and the general assumptions underlying the projections described earlier, a number of assumptions related to projected traffic at Dulles International were made, including:

- Airlines will undertake material system-wide capacity cuts throughout 2009, and some of these cuts will occur at Dulles International.
- Passenger load factors at Dulles International will decline slightly in 2009, as airlines reduce capacity more slowly than the decline in passenger demand. Load factors will show small increases in 2010 and 2011.
- Over the longer term, enplaned passenger levels at Dulles International will increase in excess of capacity increases, resulting in gradually rising load factors.
- United, whether as an independent airline or part of a merged larger airline, will continue to develop its service at Dulles International as a domestic hub and international gateway.
- Other major airlines will provide competitive nonstop service at Dulles International in larger-volume passenger markets.
- No physical or regulatory factors will constrain expansion of Dulles International as airline traffic grows.
- Dulles International will maintain its position within the region as the primary provider of domestic long-haul and international airline service.
- JetBlue, Southwest, AirTran, Virgin America, and possibly other LCCs will continue to increase their presence at Dulles International, putting some downward pressure on airfares. Competitive responses to the increasing LCC presence at Dulles International are likely to take the form of fare matching rather than capacity additions.
- While United and other Star Alliance airlines will continue to use Dulles International as their primary transatlantic gateway, other foreign-flag airlines will add international service.

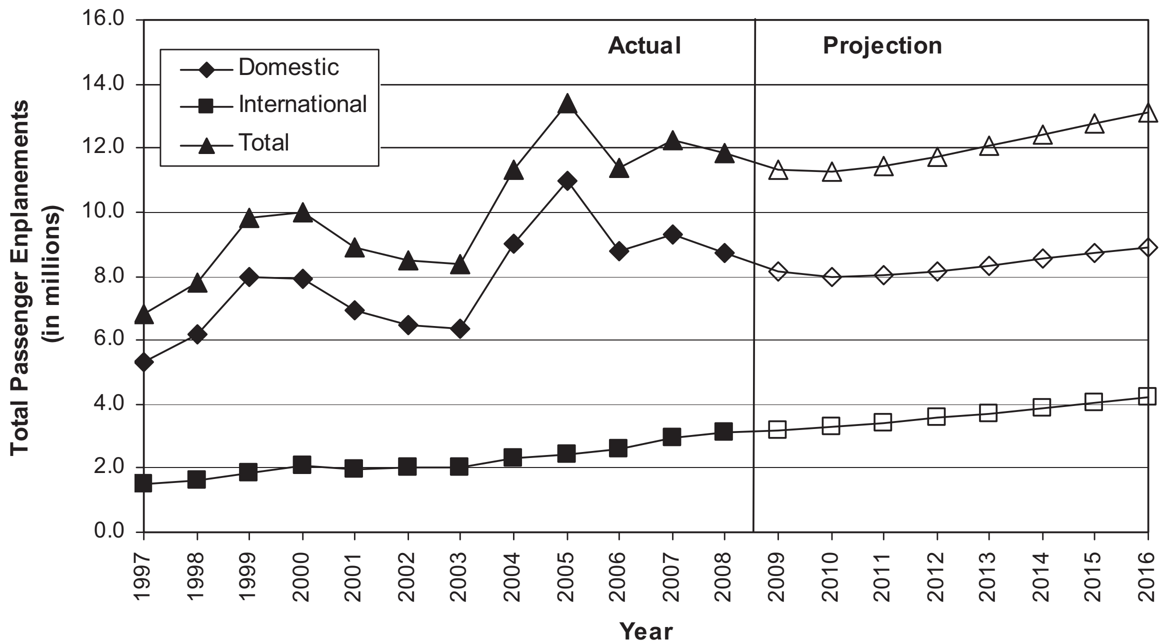
Total enplaned passengers at Dulles International are projected to be 13.1 million in 2016 (8.9 million domestic, 4.2 million international). The long-term projected enplaned passenger growth rate at Dulles International—2.6% per year, on average, between 2010 and 2016—is lower than the rate of growth (4.0% per year) forecast by the FAA in its TAF for Dulles International over the same period. Passenger connections are projected to account for the same share of total enplaned passengers (38%) at Dulles International in 2016 as they did in 2008. For a detailed presentation of both historical and projected passengers at Dulles International by market segment, refer to Table 29. The projection is presented graphically in Figure 26.

Figure 26

TOTAL ENPLANED PASSENGERS—HISTORICAL AND PROJECTED

Washington Dulles International Airport

(calendar years)



Sources: Historical: Metropolitan Washington Airports Authority.
Projection: Jacobs Consultancy.

Table 29

ENPLANED PASSENGER PROJECTION TRENDS

Washington Dulles International Airport

(calendar years)

	Domestic enplaned passengers						International enplaned passengers			
	Revenue passengers on scheduled flights									
	Originating		Connections from:		"Charter"			Connections		TOTAL
Year	Domestic O&D *(a)*	Bound for intl. destns.	Domestic flights *(a)*	International flights	and non-rev. *(b)*	**DOMESTIC TOTAL**	International O&D *(c)*	from Domestic Flights	**INTL. TOTAL**	**ENPLANED PASSENGERS**
1997	3,378,030	221,970	772,010	448,910	497,539	**5,318,459**	1,032,471	449,310	**1,481,781**	**6,800,240**
1998	4,012,920	224,300	864,680	482,180	604,679	**6,188,759**	1,130,674	484,520	**1,615,194**	**7,803,953**
1999	4,887,800	256,600	1,600,625	577,840	644,914	**7,967,779**	1,237,365	604,340	**1,841,705**	**9,809,484**
2000	4,688,990	277,280	1,592,140	656,360	673,661	**7,888,431**	1,408,381	674,820	**2,083,201**	**9,971,632**
2001	3,970,350	294,170	1,462,320	580,860	651,102	**6,958,802**	1,386,444	574,950	**1,961,394**	**8,920,196**
2002	3,859,440	318,400	1,187,075	654,150	478,709	**6,497,774**	1,364,954	652,770	**2,017,724**	**8,515,498**
2003	4,064,040	261,050	1,287,575	579,610	179,371	**6,371,646**	1,410,350	584,490	**1,994,840**	**8,366,486**
2004	5,898,630	314,960	1,911,570	705,560	183,864	**9,014,584**	1,607,172	702,400	**2,309,572**	**11,324,156**
2005	6,572,250	348,780	3,177,275	768,030	81,048	**10,947,383**	1,674,594	774,400	**2,448,994**	**13,396,377**
2006	5,095,200	357,920	2,308,235	899,480	136,549	**8,797,384**	1,694,121	900,740	**2,594,861**	**11,392,245**
2007	5,330,520	335,140	2,398,710	1,019,260	229,531	**9,313,161**	1,918,095	1,042,250	**2,960,345**	**12,273,506**
2008A	4,938,210 E	313,010 E	2,298,975 E	1,061,080 E	134,572 E	**8,745,847**	2,007,635 E	1,102,150 E	**3,109,785**	**11,855,632**
2009P	4,543,800	318,200	2,046,100	1,082,300	134,600	**8,125,000**	2,050,800	1,124,200	**3,175,000**	**11,300,000**
2010	4,443,200	330,900	1,967,000	1,114,600	134,600	**7,990,300**	2,112,000	1,157,800	**3,269,800**	**11,260,100**
2011	4,436,400	345,900	1,947,300	1,163,300	134,600	**8,027,500**	2,204,200	1,208,300	**3,412,500**	**11,440,000**
2012	4,498,000	361,600	1,964,800	1,212,400	134,600	**8,171,400**	2,297,200	1,259,300	**3,556,500**	**11,727,900**
2013	4,573,100	377,900	1,990,300	1,266,000	134,600	**8,341,900**	2,398,800	1,315,000	**3,713,800**	**12,055,700**
2014	4,654,100	394,900	2,016,900	1,321,100	134,600	**8,521,600**	2,503,200	1,372,300	**3,875,500**	**12,397,100**
2015	4,736,800	412,800	2,044,100	1,378,800	134,600	**8,707,100**	2,612,500	1,432,200	**4,044,700**	**12,751,800**
2016	4,821,400	431,400	2,072,100	1,439,000	134,600	**8,898,500**	2,726,500	1,494,700	**4,221,200**	**13,119,700**
Compound annual growth rate										
Historical:										
1997-2000	11.6%	7.7%	27.3%	13.5%	10.6%	**14.0%**	10.9%	14.5%	**12.0%**	**13.6%**
2000-2001	-15.3	6.1	-8.2	-11.5	-3.3	**-11.8**	-1.6	-14.8	**-5.8**	**-10.5**
2001-2002	-2.8	8.2	-18.8	12.6	-26.5	**-6.6**	-1.6	13.5	**2.9**	**-4.5**
2002-2006	7.2	3.0	18.1	8.3	-26.9	**7.9**	5.5	8.4	**6.5**	**7.5**
2006-2008	-0.6	-2.6	-0.1	3.4	-0.3	**-0.1**	3.5	4.1	**3.7**	**0.8**
Projection:										
2008-2012	-2.3%	3.7%	-3.9%	3.4%	0.0%	**-1.7%**	3.4%	3.4%	**3.4%**	**-0.3%**
2012-2016	1.8	4.5	1.3	4.4	0.0	**2.2**	4.4	4.4	**4.4**	**2.8**
2008-2016	-0.3	4.1	-1.3	3.9	0.0	**0.2**	3.9	3.9	**3.9**	**1.3**

Notes: Excludes passengers enplaned on general aviation and military flights. A=Actual; E=Estimate; P=Projection.

(a) Domestic O&D enplaned passengers may have been overstated, and domestic-to-domestic connections understated, in 2004 and 2005 due to Independence Air reporting irregularities.

(b) Category includes passengers on non-scheduled (charter) flights, and all non-revenue passengers.

(c) Category includes international O&D passengers on scheduled flights, along with small numbers of passengers on charter flights, non-revenue passengers, and int'l-to-int'l connections, if any.

Sources: Historical: Metropolitan Washington Airports Authority; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.
Estimate and Projection: Jacobs Consultancy.

Projected Domestic Passenger Traffic

In 2009, the number of passengers enplaned on domestic flights at Dulles International is projected to decline 7.1% to 8.1 million from 8.7 million in 2008. Advance published flight schedules (filed by the airlines as of February 2009, and subject to change) for 2009 show a 6.1% decline in domestic departing seats relative to 2008.

In 2010, the number of passengers enplaned on domestic flights at Dulles International is projected to decline by 1.7% to 8.0 million, reflecting the expectation of a slow recovery from the economic recession, increased airfares, and constrained airline seat capacity. In 2011, the number of passengers enplaned on domestic flights at Dulles International is projected to increase 0.5%, as economic growth and capacity expansion resume.

From 2012 through 2016, the number of passengers enplaned on domestic flights at Dulles International is projected to increase at an average annual rate of 2.1%. This longer-term projection reflects expectations about airline changes necessary to balance demand, capacity, costs, and airfares at Dulles International.

Projected International Passenger Traffic

In 2009, the number of passengers enplaned on international flights at Dulles International is projected to increase 2.1% to 3.2 million from 3.1 million in 2008. Advance published flight schedules (filed by the airlines as of February 2009, and subject to change) for 2009 show a 2.5% increase in international departing seats relative to 2008, but load factors are expected to be somewhat lower than in the previous year.

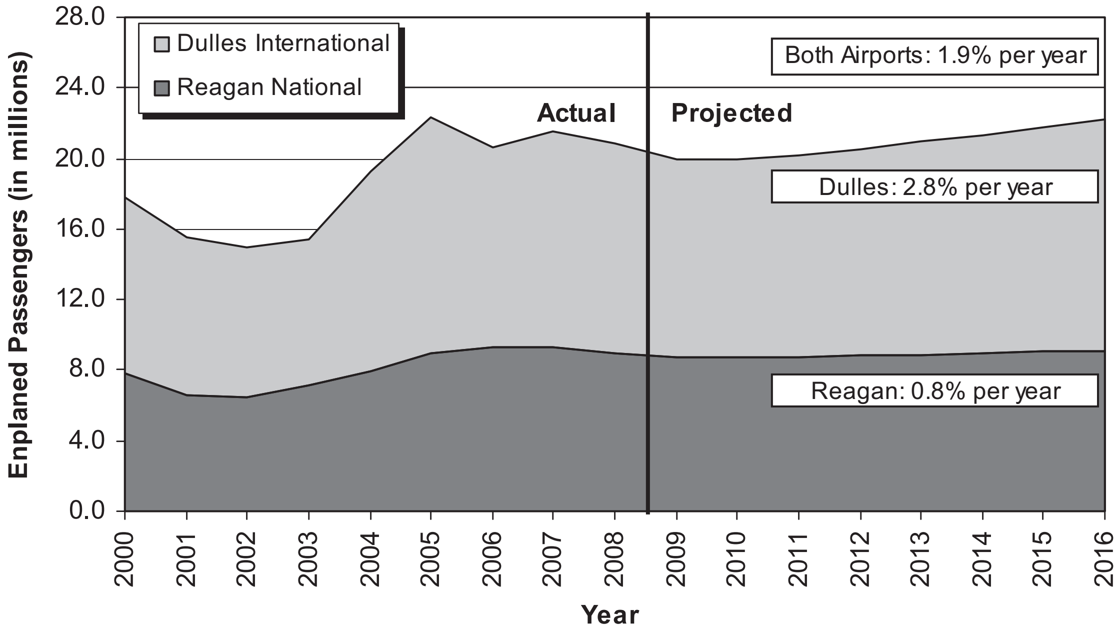
In 2010, the number of passengers enplaned on international flights at Dulles International is projected to increase by 3.0% to 3.3 million, reflecting the expectation of continuing depressed international travel demand arising from the lingering global economic downturn, the increased cost of international air travel, the lower value of the U.S. dollar, and a modest increase in airline seat capacity.

From 2011 through 2016, the number of passengers enplaned on international flights at Dulles International is projected to increase at an average annual rate of 4.3%. This longer-term projection reflects stronger demand for international air travel, the strength of the United/STAR Alliance gateway, and the robust tourism draw of the Air Trade Area.

Projected Passenger Traffic at the Airports

The number of enplaned passengers at Reagan National and Dulles International for the years 2011 through 2016, taken together, is projected to increase 1.9% per year, on average. (See Figure 27.) Given regulatory restrictions at Reagan National, Dulles International is expected to absorb the majority of future traffic growth at the Airports.

Figure 27
TOTAL ENPLANED PASSENGERS—HISTORICAL AND PROJECTED
Washington Dulles International and Ronald Reagan Washington National Airports
(calendar years; showing longer-term CAGR projected for the years 2011 through 2016)



Sources: Historical: Metropolitan Washington Airports Authority.
Projection: Jacobs Consultancy.

Dulles International Flight Operations and Landed Weight Trends and Projections

The projections of flight operations and aircraft landed weight at Dulles International were derived from the passenger projection and analysis of past trends in flight operations since 1997. Key metrics such as average seat occupancy, aircraft seat capacity, and aircraft size were employed in the development of these projections. The projections assumed no constraints on operations growth, and they exclude general aviation and military flights.

Between 1997 and 2000, the number of passenger flight operations increased by more than 40 percent at Dulles International. (See Table 30.) Following the events of September 11, 2001, passenger flight operations fell by one-third between 2000 and 2003, and load factors increased above 70% for the first time. The subsequent three years saw a temporary spike in passenger flight operations and dip in average seats per flight, both a result of Independence Air's short-lived tenure at the airport. By 2008, average seats per flight and load factor had risen to 102 seats and 78%, respectively.

The number of all-cargo operations declined in almost every year between 1997 and 2008 and, by 2008, was less than half of its 1997 level. Average landed weight per all-cargo flight, however, nearly doubled over the same period, with the net result that all-cargo landed weight in 2008 was only 11% lower than in 1997.

Between 2008 and 2016, increases in flights and seats are expected to average 1.6% and 1.4% per year, respectively, compared to 1.3% per year for passengers. The number of all-cargo flights is projected to be flat.

The projection of total landed weight follows generally the same pattern as the projection of enplaned passengers. An estimated 2.4% decline in landed weight is expected at Dulles International in 2009, followed by a 0.7% decline in 2010, coincident with anticipated capacity cuts. In the years 2011 through 2016, total landed weight is projected to increase at 2.4% per year, on average. This projection is slightly less than the 2.6% annual average growth projected for enplaned passengers over the same period due to modest increases in passenger load factors and average aircraft size. In 2016, landed weight is projected to be 21.9 billion pounds at Dulles International, up from 19.6 billion in 2008.

Table 30

FLIGHT DEPARTURE AND AIRCRAFT LANDED WEIGHT PROJECTION TRENDS

Washington Dulles International Airport

(calendar years; passengers and seats in thousands)

Year	Enpl. passengers	Enpl. psgr. load factor *(a)*	Departing seats	Average seats per flight	Departing flights: Passenger	Departing flights: All-cargo	Departing flights: Total	**TOTAL FLIGHT OPS.** *(b)*	Avg. landed weight per flight (pounds): Passenger	Avg. landed weight per flight (pounds): All-cargo	Total landed weight (in millions of pounds): Passenger	Total landed weight (in millions of pounds): All-cargo	**TOTAL**
1997	6,800	65.0%	10,466	80	130,727	4,323	135,050	**270,099**	90,373	150,780	11,814.2	651.8	**12,466.0**
1998	7,804	64.4%	12,114	81	150,164	4,292	154,456	**308,911**	90,129	190,573	13,534.1	817.9	**14,352.1**
1999	9,809	61.5%	15,940	83	192,862	3,785	196,647	**393,294**	86,018	205,170	16,589.7	776.6	**17,366.3**
2000	9,972	61.7%	16,168	85	191,093	3,564	194,657	**389,314**	87,817	222,230	16,781.1	792.0	**17,573.2**
2001 *(c)*	6,330	62.7%	10,101	91	111,471	2,302	113,773	**227,546**	n.a.	n.a.	n.a.	n.a.	n.a.
2001	8,920	n.a.	n.a.	n.a.	160,613	3,192	163,805	**327,609**	103,728	226,247	16,660.1	722.2	**17,382.2**
2002	8,515	64.3%	13,245	93	142,153	2,357	144,510	**289,020**	111,868	287,290	15,902.3	677.1	**16,579.4**
2003	8,366	70.9%	11,794	92	127,643	2,330	129,973	**259,945**	113,791	264,492	14,524.5	616.3	**15,140.8**
2004	11,324	69.9%	16,198	83	194,292	2,374	196,666	**393,332**	95,475	257,344	18,550.1	610.9	**19,161.0**
2005	13,396	75.6%	17,726	82	215,239	2,228	217,467	**434,934**	91,766	296,944	19,751.7	661.6	**20,413.3**
2006	11,392	76.9%	14,818	97	153,265	2,054	155,319	**310,637**	118,134	274,304	18,105.8	563.4	**18,669.2**
2007	12,274	79.0%	15,528	99	156,676	2,111	158,787	**317,574**	123,749	277,839	19,388.6	586.5	**19,975.1**
2008A	11,856	77.7%	15,265	102	150,181	2,091	152,272	**304,543**	126,739	278,000	19,033.7	581.3	**19,615.0**
2009P	11,300	76.0%	14,868	99	150,600	2,100	152,700	**305,400**	123,242	278,000	18,560.3	583.8	**19,144.1**
2010	11,260	76.3%	14,758	99	149,100	2,100	151,200	**302,400**	123,617	278,000	18,431.3	583.8	**19,015.1**
2011	11,440	76.5%	14,954	100	150,300	2,100	152,400	**304,800**	124,241	278,000	18,673.5	583.8	**19,257.3**
2012	11,728	76.6%	15,311	100	153,100	2,100	155,200	**310,400**	124,866	278,000	19,116.9	583.8	**19,700.7**
2013	12,056	76.7%	15,718	100	157,200	2,100	159,300	**318,600**	124,866	278,000	19,628.9	583.8	**20,212.7**
2014	12,397	76.8%	16,142	100	161,400	2,100	163,500	**327,000**	124,866	278,000	20,153.3	583.8	**20,737.1**
2015	12,752	76.9%	16,582	100	165,800	2,100	167,900	**335,800**	124,866	278,000	20,702.7	583.8	**21,286.5**
2016	13,120	77.0%	17,039	100	170,400	2,100	172,500	**345,000**	124,866	278,000	21,277.1	583.8	**21,860.9**
Compound annual growth rate													
Historical:													
1997-2000	13.6%		15.6%		13.5%	-6.2%	13.0%	**13.0%**	-1.0%	13.8%	12.4%	6.7%	**12.1%**
2000-2001	-10.5		n.a.		-16.0	-10.4	-15.8	**-15.8**	18.1	1.8	-0.7	-8.8	**-1.1**
2001-2002	-4.5		n.a.		-11.5	-26.2	-11.8	**-11.8**	7.8	27.0	-4.5	-6.2	**-4.6**
2002-2006	7.5		2.8		1.9	-3.4	1.8	**1.8**	1.4	-1.1	3.3	-4.5	**3.0**
2006-2008	2.0		1.5		-1.0	0.9	-1.0	**-1.0**	3.6	0.7	2.5	1.6	**2.5**
Projection:													
2008-2012	-0.3%		0.1%		0.5%	0.1%	0.5%	**0.5%**	-0.4%	0.0%	0.1%	0.1%	**0.1%**
2012-2016	2.8		2.7		2.7	0.0	2.7	**2.7**	0.0	0.0	2.7	0.0	**2.6**
2008-2016	1.3		1.4		1.6	0.1	1.6	**1.6**	-0.2	0.0	1.4	0.1	**1.4**

Notes: A=Actual; P=Projection; n.a.=not available.
Excludes general aviation and military flights.

(a) Load factor calculation based on enplaned passengers and excludes "through " passengers.

(b) Sum of flight arrivals and departures.

(c) Based on data for January through August, 2001.

Sources: Historical: Metropolitan Washington Airports Authority; U.S. DOT, Schedule T100; Official Airline Guide.
Projection: Jacobs Consultancy.

FINANCIAL ANALYSIS

This section presents the financial analysis. The financial analysis sets out the projection of Net Revenues and the evaluation of whether projected Net Revenues will be sufficient to meet the requirements of the Rate Covenant, taking into account Annual Debt Service on the $165 million of proposed Series 2009A Bonds, $235 million of proposed Series 2009B Bonds, $38.5 million of Commercial Paper Notes expected to be Outstanding after the issuance of the Series 2009 Bonds, $4.1 billion of other Bonds currently Outstanding, $432 million of future Bonds to be issued by August 1, 2009 to refund the PFC Notes currently outstanding, and $388 million of future Bonds assumed to be issued after August 1, 2009 to finance projects in the 2001-2016 CCP. The Airports Authority expects that all projects funded with the proceeds of the Series 2009 Bonds will be completed and placed in service by 2014. The evaluation covers the projection period through 2016, which is two full fiscal years following 2014.

FRAMEWORK FOR THE AIRPORTS AUTHORITY'S FINANCIAL OPERATIONS

The Airports Authority operates Reagan National and Dulles International as a financially self-supporting enterprise. The Airports are operated under the direction of the President and Chief Executive Officer with a staff of approximately 1,400, including police and fire employees.

The Indenture

The financial operations of the Airports Authority are governed in large part by the Indenture authorizing the issuance of Airport System Revenue Bonds. In the Indenture, the Airports Authority covenants that it will meet the Rate Covenant.

The Rate Covenant requires that the Airports Authority will, at a minimum, fix and adjust from time to time the fees and other charges for the use of the Airports, including services rendered by the Airports Authority so that the Net Revenues produced will be the greater of either:

(i) The amounts needed for making the required deposits in the Fiscal Year to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund, and the Emergency Repair and Rehabilitation Fund; or

(ii) 125% of the amount required to pay the Annual Debt Service with respect to Bonds for such Fiscal Year.

Net Revenues means Revenues, plus transfers, if any, from the General Purpose Fund to the Revenue Fund, after provision is made for the payment of Operation and Maintenance Expenses (O&M Expenses).

The Indenture also prescribes the application of Revenues to the funds and accounts established under the Indenture, as described in the later section "Application of Revenues."

The Airports Authority maintains its accounts as required by the Indenture. In this Report, operating revenues and expenses of the Airports Authority are presented on an accrual basis of accounting in conformance with the requirements of the Indenture.

Airline Agreements

The Airports Authority and nearly all of the airlines serving the Airports have entered into agreements (collectively, the Airline Agreement) that provide, among other things, for (1) the use and occupancy of the Airports; (2) the methodology for calculating the rentals, fees, and charges, paid by the airlines operating at the Airports; and (3) the majority-in-interest (MII) rights of the airlines that have executed the Airline Agreement (the Signatory Airlines) to approve certain capital expenditures. The Airline Agreement also provides:

- The Airports Authority may adjust airline rates to include Extraordinary Coverage Protection Payments to ensure that Net Revenues at each of the Airports are projected to be not less than 125% of the sum of Debt Service on Bonds and Subordinated Bonds.[15]

- The Airports Authority will share Net Remaining Revenues (NRR) each Fiscal Year with the Signatory Airlines according to an allocation methodology set out in the Airline Agreement.

- The Airports Authority's share of NRR is deposited into its Capital Fund, which is a creation of the Airline Agreement. Under the Airline Agreement, amounts in the Capital Fund may be used to (1) pay the costs of CCP projects, (2) redeem Outstanding Bonds, (3) pay the costs of projects not included in the CCP, (4) pay capital costs for a rail system to transport passengers to and from Dulles International, (5) pay the O&M Expenses of such rail system, and (6) pay Annual Debt Service on Bonds issued to fund the costs of any of the foregoing.

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15. The Airline Agreement defines Debt Service for any rate period as "the amounts required pursuant to the terms of any Indenture to be collected during said period for the payment of" Bonds, Subordinate Bonds, or other indebtedness subordinate to the Subordinate Bonds but not including the Federal Lease.

- The Signatory Airlines' share of NRR during a Fiscal Year is deposited into the General Purpose Fund. At the beginning of the next Fiscal Year, the Signatory Airlines' share of NRR is deposited into an Airline Transfer Account in the Revenue Fund and used to reduce rentals, fees, and charges in such year.

The Airline Agreement has been amended to exclude DTR revenues from the definition of "Revenues" used in the Airline Agreement.

The Airline Agreement is scheduled to expire on September 30, 2014, unless the Airports Authority exercises its unilateral right to terminate sooner. In addition, each Signatory Airline may terminate its Airline Agreement if the Airports Authority issues Bonds for a project after an MII disapproval of the project, the estimated cost of which exceeds $25 million. The Airports Authority currently plans to take no action that could be a basis for an early termination of the Airline Agreement.

For purposes of this Report, it is assumed that the provisions of the Airline Agreement relating to the calculation of rentals, fees, and charges, including Extraordinary Coverage Protection Payments and sharing of NRR, will continue in effect through the end of the projection period, and that the Signatory Airlines will pay all such rentals, fees, and charges.

Termination of Tier 2 Concourse Agreement

United, following its December 2002 petition for Chapter 11 bankruptcy, negotiated with the Airports Authority to assume various leases at the Airports including the Airline Agreement. In March 2004, as a result of these negotiations, the Airports Authority and United agreed, among other things, to terminate the agreement to construct and lease the Tier 2 Concourse at Dulles International. In consideration of this termination, United agreed to reimburse the Airports Authority $20.4 million for certain planning and design costs. After United emerged from bankruptcy in February 2006, the Airports Authority and United renewed discussions about the development of the Tier 2 Concourse. As of the date of the Report, discussions between the Airports Authority and United had been suspended.

For its 2008 financial statements, the Airports Authority has treated the deferral of Tier 2 and related facilities as an impaired asset in accordance with GASB 42. It recorded as operating expenses the write-down of $64.4 million of the costs to design Tier 2 and related facilities. It also recorded as revenues the $20.4 million reimbursement from United for certain planning and design costs. Such amounts are not treated as O&M Expenses under the Indenture, and such revenues are not treated as Revenues under the Indenture.

CAPITAL CONSTRUCTION PROGRAM

In 1998, the Airports Authority initiated a program of improvements for the Airports (the Capital Construction Program or CCP) to expand, modernize, and maintain the Airports. Under the CCP, the Airports Authority has constructed and plans to construct many of the principal elements of the Master Plans for Reagan National and Dulles International that are necessary for the development of the Airports.

The Airports Authority evaluates the CCP from time to time in light of changes in aviation demand, its financial capacity, and other factors and, over the years, the Airports Authority has made several adjustments in the program. In September 2008, the Airports Authority deferred certain projects previously included in the 2001-2016 CCP and revised the scope of other projects. The key effects of this decision were:

- To revise the scope of various projects and defer the development of consolidated rental car facility, the Tier 2 Concourse and related facilities, and the expansion of the south utility service complex.
- To reduce the estimated project costs for the active portion of the CCP from $7.06 billion to $4.84 billion (in escalated dollars) as depicted in Table 31.
- To modify the scheduled completion date for the active portion of the CCP that is funded with the proceeds of Bonds from 2016 to 2014.
- To reduce the estimate of future bond funding.

TABLE 31
CHANGES IN 2001-2016 CCP BETWEEN 2007 AND 2009
(escalated dollars in thousands)

	Project costs			
	As of 09/01/07	As of 01/01/09	increase/ (decrease)	Percent increase/ (decrease)
Airfield	$ 1,523,414	$ 789,884	$ (733,529)	(48.2)%
Airport Buildings	2,887,470	1,803,486	(1,083,984)	(37.5)
Systems & Services	485,915	252,120	(233,795)	(48.1)
Ground Transportation	771,874	570,861	(201,013)	(26.0)
Aviation	187,191	153,322	(33,869)	(18.1)
Nonaviation	12,011	12,011	0	0.0
Passenger Conveyance	843,488	786,633	(56,855)	(6.7)
Maintenance	99,297	111,803	12,506	12.6
Public Safety	40,544	69,796	29,252	72.2
Administration	204,806	285,021	80,216	39.2
Tenant Equipment	935	1,227	292	31.2
Total	**$ 7,056,944**	**$ 4,836,164**	**(2,220,780)**	**(31.5)%**
By airport:				
Reagan National	$ 464,948	$ 405,927	$ (59,020)	(12.7)%
Dulles International	6,591,997	4,430,236	(2,161,760)	(32.8)
Total	**$ 7,056,944**	**$ 4,836,164**	**(2,220,780)**	**(31.5)%**

Note: Columns may not add to totals shown because of rounding.
Source: Metropolitan Washington Airports Authority.

CAPITAL, OPERATING AND MAINTENANCE INVESTMENT PROGRAM

The Airports Authority prepares an annual budget for its Capital, Operating and Maintenance Investment Program (COMIP) that is funded primarily from the Airports Authority's share of NRR. The COMIP provides for various projects including maintenance, repairs, equipment acquisitions, improvements, and planning studies as well as the cost of the snow program and certain operating initiatives. For 2009, the Airports Authority has budgeted $33.4 million for new COMIP authorization. It is assumed that the Airports Authority will continue to fund the COMIP primarily from the Airports Authority's share of NRR.

INTERIM CCP FUNDING PLAN

The Airports Authority has authorized a commercial paper program to provide interim funding of projects in the CCP. The program is authorized in the aggregate principal amount not to exceed $500 million at any time. Commercial paper draws in combination with cash flows from long-term funding sources—federal and state grants, passenger facility charges (PFCs) including PFC Notes, and the proceeds of

Bonds—are generally expected to provide a cushion of several months capital liquidity based on projected CCP expenditures at any given time. Payment of commercial paper principal and interest is secured by Net Revenues and other pledged funds on parity with the Bonds.

The Airports Authority currently has in place two credit facilities allowing the Airports Authority to draw up to $420 million in Commercial Paper Notes at any given time. The Airports Authority's obligation to repay amounts drawn under such credit facilities also is secured by and payable from Net Revenues and other pledged funds on parity with Bonds.

As of March 1, 2009, there were $287.5 million of Commercial Paper Notes outstanding. The Airports Authority plans to refund all but $38.5 million of the currently Outstanding Commercial Paper Notes with the proceeds of the Series 2009 Bonds.

LONG-TERM CCP FUNDING PLAN

The major sources of funds the Airports Authority plans to use for projects in the 2001-2016 CCP are shown in Exhibit A and are discussed below.

Federal and State Grants

The Airports Authority is eligible to receive grants-in-aid from the Federal Aviation Administration (FAA) under the Airport Improvement Program (AIP) for up to 75% of the costs of eligible projects. Certain of these grants are to be received as "entitlement" grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and the amount of landed weight of all-cargo aircraft at the Airport. (The Airports Authority's share of passenger entitlement grants is reduced during the PFC collection period, as discussed below.) Other, "discretionary" grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports nationwide. The FAA issues letters of intent (LOIs) for grants based on the FAA's assessment of national priorities. An LOI represents the FAA's intention to obligate funds from future federal budget appropriations for the program.

The Airports Authority to date has received LOI commitments totaling $211.8 million for projects at Dulles International, including $200.2 million to finance a portion of the design and construction of the fourth runway and associated taxiways and the cost of the environmental study of Dulles International. As of January 31, 2009, $121.7 million in LOI funds have been received by the Airports Authority.

The continuing resolution authorizing the AIP grant program expired on March 6, 2009, and the FAA's expenditure authority from the Airport and Airway Trust Fund (the primary source of AIP funding) is scheduled to expire on March 31, 2009. For purposes of the financial projections in this Report, it was assumed that Congress will pass a reauthorization bill or extend the current authorization such that only a modest lapse in AIP funding authority will occur. In 2007, the Airports Authority received $26.7 million in AIP grant funds.

The American Recovery and Reinvestment Act (ARRA) was enacted in February 2009 to provide a $787 billion fiscal stimulus to the U.S. economy. The ARRA provides $1.1 billion to the FAA to make discretionary AIP grants to airports with priority given to projects that can be completed within two years of enactment of the ARRA and serve to supplement and not supplant planned expenditures from other capital resources. The FAA is to award not less than 50% of the $1.1 billion provided by the act within 120 days of its enactment and the remaining amounts not later than one year after the enactment. The Airports Authority plans to submit applications to the FAA to fund certain projects in the 2001-2016 CCP with discretionary AIP grants provided under the ARRA. FAA guidance released on March 3, 2009 provides that no single project may receive more than $15 million and no single sponsor may receive more than $20 million.

As of September 1, 2008, the Airports Authority had entered into an Other Transaction Agreement (OTA) with the TSA covering the cost to design and build one of the three in-line baggage systems at Dulles International. The Airports Authority has made several funding requests from the TSA for the in-line baggage screening systems at each of the Airports. The TSA is still reviewing the requests for further OTA funding for the systems at the Airports.

The Commonwealth of Virginia through the aviation portion of its Transportation Trust Fund provides grants to Virginia airport operators. The Airports Authority expects to receive 60% of deposits, if any, to the aviation portion of the Transportation Trust Fund up to a maximum of $2 million per year. In 2007, the Airports Authority received $2 million in grants from the Commonwealth of Virginia.

The federal and state grant funding shown in Exhibit A reflects a combination of (1) grant funds previously received from the FAA and the Commonwealth of Virginia, (2) funds projected to be received pursuant to grants currently approved as well as future grants from the Commonwealth of Virginia and the TSA, and (3) funds projected to be received pursuant to approved AIP entitlement and/or discretionary grants, including the LOI, as well as approximately $35.7 million of AIP grants yet to be approved.

Under current federal legislation, after March 31, 2009 the FAA may not make any new AIP grant to the Airports Authority (and may not approve any new application of the Airports Authority to impose additional PFCs). The Airports Authority is seeking to remove this provision from the law or at least to extend the date on which it will apply. The funding plan for the 2001-2016 CCP is affected by this legislation since approximately $35.7 million of projected AIP funds are not under approved grants. For purposes of the Report, it is assumed that legislation will be enacted to remove this provision from the law. The legislation does not apply to TSA funding and grants from the Commonwealth of Virginia.

The federal and state grants received by the Airports Authority are excluded from the definition of Revenues under the Indenture and are not pledged to secure Bonds.

PFC Revenues

The Airports Authority has approval from the FAA to impose and use a PFC per eligible enplaned passenger at both Airports. Between November 1993 at Reagan National and January 1994 at Dulles International through April 2001, the PFC was $3; effective May 2001, the PFC was increased to $4.50 at the Airports. Through November 30, 2008, PFC Revenues received by the Airports Authority, including investment earnings, was $834.1 million. In 2007, the Airports Authority collected $37.4 million in PFC Revenues at Reagan National and $47.3 million at Dulles International.

Under approvals received from the FAA through September 2007, the Airports Authority is authorized to impose a PFC and to use up to $1.730 billion of PFC Revenues on approved projects including, among others, the International Arrivals Building, the Concourse B Extension, and various projects associated with the fourth runway and the AeroTrain system at Dulles International. In February 2009, the Airports Authority submitted to the FAA a request to amend its PFC application number 4 at Dulles International to extend the collection period from 2018 to 2038 and to amend the PFC financing plan to use PFC Revenues to pay the principal and interest on Bonds used to fund the AeroTrain and related projects. On March 6, 2009, the FAA approved the amendment to the PFC application. The approval increased the Airports Authority's total PFC collection and use authority from $963 million to $2.693 billion.

It is assumed for purposes of the Report that the Airports Authority will, after refunding the PFC Notes described below, make an irrevocable commitment of PFC Revenues in the amount of $35 million per year for each year of the projection period to pay Annual Debt Service, thereby reducing Annual Debt Service in each year of the projection period by such amount.

Table 32

PFC AUTHORITY AND COLLECTIONS

Metropolitan Washington Airports Authority

(as of December 31, 2008)

	Amended and approved PFC collection and use authority		
PFC application	Reagan National	Dulles International	Total
1a, 1b	$ 166,410,356	$ 221,916,682	$ 388,327,038
2a, 2b	131,397,000	72,508,092	203,905,092
3a, 3b	33,895,949	58,903,463	92,799,412
4b, 4a	146,603,508	773,787,106	920,390,614
5	124,914,400	-	124,914,400
Total PFC collection and use authority			$ 1,730,336,556
Less: PFC collections through November 30, 2008			834,117,792
Remaining collection authority as of December 1, 2008			$ 896,218,764

Source: Metropolitan Washington Airports Authority.

The current collection dates for approved PFC applications at Reagan National will expire on March 1, 2015 and at Dulles International on September 1, 2018. If the collection dates for approved PFC applications expire before the authorized amounts have been collected, it is assumed that the Airports Authority will seek, and the FAA will grant, an extension of the PFC collection period. During the PFC collection period at a $4.50 level, the Airports Authority's share of AIP entitlement grants is reduced 75%. Congress has enacted legislation providing that after March 31, 2009, the FAA may not approve any new application of the Airports Authority to impose additional PFCs (and may not make any new AIP grant to the Airports Authority). The Airports Authority is seeking to remove this provision from the law or at least to extend the date on which it will apply.

Authorized PFC collections are estimated to be adequate for all planned uses of PFCs under the 2001-2016 CCP except for an estimated $215 million the Airports Authority plans to use to fund the PFC-eligible portion of the costs of constructing a Metrorail station at Dulles International. In the event that authorized PFC collections are not adequate or additional PFC collections are not approved, the Airports Authority would seek to identify other, non-Bond sources to fund development of the Dulles Metrorail station.

The calculation of Net Revenues expressly excludes the proceeds of any PFC or similar charge levied by or on behalf of the Airports Authority unless the Airports

Authority takes action to designate these funds as Revenues. The Airports Authority has taken no action to designate these funds as Revenues.

The Airports Authority has issued Flexible Term PFC Revenue Notes (PFC Notes) in a commercial paper mode to provide capital liquidity to fund PFC-eligible project costs. The PFC Notes are secured by a pledge of the Airports Authority's PFC Revenues. The PFC Notes are authorized in a maximum principal amount of $495.9 million; as of March 1, 2009, there were $432 million of PFC Notes outstanding. The PFC Notes are scheduled to mature June 1, 2017.

The agreement with Bank of America, which has issued a letter of credit for the PFC Notes, includes a covenant by the Airports Authority that, in the event the Airports Authority's ability to impose or use PFCs is revoked, the Airports Authority will, to the extent it may do so lawfully and consistent with the Indenture and with the Airline Agreement, issue Bonds secured by Net Revenues to repay all outstanding PFC Notes.

It is assumed for purposes of the Report that by August 1, 2009 the Airports Authority will refund the PFC Notes with Bonds issued under the Indenture now that the FAA has approved the amendment of PFC application 4 for Dulles International.

AIRPORT SYSTEM REVENUE BONDS

Exhibit B presents the estimated sources and uses of the proposed Series 2009 Bonds and the future Bonds the Airports Authority expects to issue to refund the PFC Notes currently outstanding and to fund the remaining costs of the 2001-2016 CCP. The estimates were developed by the Airports Authority's co-financial advisor, P.G. Corbin & Company, Inc. based on information provided by the Airports Authority. Future series of Bonds were assumed to be issued in 2009. The Airports Authority may, in addition, issue Refunding Bonds; however, for the purposes of this Report, no issues of Refunding Bonds were assumed.

The Series 2009 Bonds are being issued in two series for the following purposes:

- The Series 2009A Bonds are being issued as variable rate bonds to refinance a portion of the Outstanding Series Two Commercial Paper Notes, refund a portion of the Outstanding Series One Commercial Paper Notes, fund a debt service reserve if necessary, and pay costs of issuing the Series 2009A Bonds.

- The Series 2009B Bonds are being issued as fixed rate bonds to refinance all of the remaining Outstanding Series One Commercial Paper Notes, fund Swap termination payments, pay capitalized interest on the Series 2009B Bonds and certain outstanding Bonds, fund a deposit to the Series 2009B Reserve Account in the Debt Service Reserve Fund, pay costs of issuing the Series 2009B Bonds, and pay a portion of the costs of certain projects in the 2001-2016 CCP.

To fund the remaining costs of the 2001-2016 CCP, the Airports Authority plans to issue the following future Bonds under the Indenture:

- A planned issue of future Bonds by August 1, 2009 bearing interest at a variable rate in an aggregate principal amount of $432 million issued to refund the outstanding PFC Notes. This issue is identified as "PFC Notes Restructuring Bonds" in Exhibit B.
- A planned issue of future Bonds after August 1, 2009 in the aggregate principal amount of $387.74 million to pay a portion of the costs of certain projects in the 2001-2016 CCP and certain financing costs. This issue is identified as "Other Bonds" in Exhibit B.

The proceeds of the Series 2009 Bonds and the future Bonds are assumed to be applied to various projects in the 2001-2016 CCP as indicated in Exhibit A. Exhibit B summarizes the sources and uses of funds for the Series 2009 Bonds and for the future Bonds.

ANNUAL DEBT SERVICE

Exhibit C-1 presents historical and projected Annual Debt Service and includes the proposed Series 2009 Bonds and the future Bonds. The amounts shown in Exhibit C-1 for each Fiscal Year are the "payments required to be made for principal of and interest on all Bonds, including mandatory sinking fund redemptions and Regularly Scheduled Hedge Payments to be made by the Airports Authority, and the Airports Authority's payments pursuant to Reimbursement Agreements with Credit Providers to reimburse such Credit Providers for debt service payments made, and to pay credit enhancement or liquidity support fees" to the extent secured by the Indenture. The amounts shown in Exhibit C-1 for each year do not include debt service attributable to the Commercial Paper Notes authorized by the Airports Authority, but not expected to be issued and Outstanding during the test period.

- Annual debt service on the $38.5 million Series Two Commercial Paper Notes expected to be outstanding was calculated by assuming (i) the Commercial Paper Notes are to be amortized over a 30-year period from the date of issuance, (ii) level debt service, (iii) the interest rate is equal to the rate published by the Bond Buyer as the Bond Buyer 25 Revenue Bond Index which was 5.89% as of February 2, 2009 applied to the $21 million tax exempt portion plus 50 basis points cushion, and an interest rate equal to Bloomberg's taxable fair market yield for a 30 year maturity and a AA rating of 6.65% as of February 2, 2009 applied to the $17.5 million taxable portion plus 50 basis points cushion.

- Annual Debt Service on Outstanding Bonds subject to floating-to-fixed swap agreements was calculated at the fixed rate payable by the Airports Authority under the swap agreements. The Airports Authority has no fixed-to-floating rate swap agreements. Annual Debt Service on the Outstanding portion of the Series 2002C Bonds subject to the 2001 Swap Agreements ($62.77 million) was calculated by the Airports Authority's co-financial advisors using a rate of 4.45%, which represents the fixed rate payable by the Airports Authority under the 2001 Swap Agreements.

- Annual Debt Service on Outstanding Bonds bearing interest at a variable rate was calculated at a fixed annual rate of interest according to a method established in the Indenture. Annual Debt Service on the Outstanding portion of the Series 2002C Bonds not subject to the 2001 Swap Agreements ($143.69 million) was calculated by the Airports Authority's co-financial advisors using an assumed interest rate of 4.0%. Annual Debt Service on the Outstanding Series 2003D Bonds ($138.175 million) was calculated by the Airports Authority's co-financial advisors using an assumed interest rate of 4.0%.

- Annual Debt Service on the proposed Series 2009A Bonds in the aggregate principal amount of $165 million was calculated by the Airports Authority's co-financial advisors using a variable interest rate of 6.5%.

- Annual Debt Service on the proposed Series 2009B Bonds in the aggregate principal amount of $235 million was calculated by the Airports Authority's co-financial advisors using a fixed interest rate of 6.5%.

- Annual debt service on the $432 million of variable rate Bonds, assumed to be issued by August 1, 2009 was calculated by the Airports Authority's co-financial advisors assuming (i) the notes are to be amortized over a 30-year period from the date of issuance, (ii) level debt service, and (iii) an interest rate equal to the rate published by the Bond Buyer as the Bond Buyer 25 Revenue Bond Index which was 5.89% as of February 2, 2009 plus a cushion of 50 basis points.

- Annual Debt Service on the future Bonds assumed to be issued after August 1, 2009 in the aggregate principal amount of $387.74 million was calculated by the Airports Authority's co-financial advisors assuming an interest rate of 6.5%.

Annual Debt Service calculated for purposes of the test for additional Bonds and the Rate Covenant excludes "principal of and interest on indebtedness for which funds are, or are reasonably expected to be, available for and which are irrevocably committed to make such payments" including any such funds in an escrow account or any such funds constituting capitalized interest. Funds irrevocably committed to make payments on Annual Debt Service include: (1) capitalized interest estimated by the Airports Authority's financial advisors based on information provided by the Airports Authority, (2) accrued interest on the date of issuance, if any, and (3) for the purposes of the Report, $35 million of certain PFC Revenues identified by the Authority for deposit annually to the PFC Debt Service Account.

As presented in Exhibit C-1, Annual Debt Service on Outstanding Bonds, proposed Bond, and future Bonds is estimated to increase from $184.2 million in 2007 to $365.7million in 2016.

OPERATION AND MAINTENANCE EXPENSES

Exhibit D-1 presents historical and projected Operation and Maintenance Expenses of the Airports Authority's Aviation Enterprise Fund. O&M Expenses include "all expenses of the Airports Authority paid or accrued for the operation, maintenance, administration, and all ordinary current repairs of the Airports," which include expenses directly attributable to the Airports as well as an allocable portion of the expenses of Consolidated Functions.[16] O&M Expenses do not include, among other things, rentals payable under the Federal Lease, any expense for which the Airports Authority is or will be paid or reimbursed from any source that is not included as Revenues, or operating expenses of the Airports Authority's Dulles Corridor Enterprise Fund. Exhibit D-2 and Exhibit D-3 present the breakdown of O&M Expenses between Reagan National and Dulles International, respectively.

O&M Expenses were projected, using the 2009 current budget estimates as a base, taking into account management plans, facility development plans, expected increases in unit costs and inflation, and other assumptions. The following assumptions were most notable:

1. Increases in salaries and wages will continue to be subject to the parameters established by the President and Chief Executive Officer in the Performance Management Partnership (PMP) program. Compensation increases for all employees, including employees who are union members, will be governed by the PMP program and budgeted annually in response to current operating conditions. Each employee's salary adjustment, if any, will be based on achieving his or her individual performance goals under the PMP program.
2. The cost of salaries and wages and employee fringe benefits for life and health insurance and for retirement benefits will increase an average of 4% per year before allowances for incremental expenses.

16. The Consolidated Functions include the Offices of the President and Chief Executive Officer, Executive Vice President and Chief Operating Officer, Legal, Audit, Air Service Planning and Development, Communications, Finance, Engineering, Business Administration, Human Resources, Information and Telecommunications Systems, and the central staff of Public Safety.

3. The cost of utilities, which is comprised mostly of electricity and natural gas expense, will increase an average of 4% per year before allowances for incremental expenses.
4. For the 2009 budget, the Airports Authority assigned certain O&M expenses to the COMIP budget. Because, as previously described, the COMIP is funded primarily from the Airports Authority's share of NRR, using the COMIP budget mitigates the effect on airline rates and charges in 2009. Starting in 2010, however, the Authority plans to include these expenses (approximately $5 million) in the O&M budget again.
5. Incremental O&M Expenses to activate, operate, and maintain the fourth runway are estimated to be $1.1 million per year starting in 2010, $1.4 million per year starting in 2011, and $1.7 million per year starting in 2012.
6. The AeroTrain is expected to be substantially complete in July 2009 and to become operational by the end of 2009. Incremental O&M Expenses to operate and maintain the AeroTrain system are estimated to be $15 million per year starting in 2010. This projection reflects, among other things, a 50% reduction in the number of service hours for mobile lounges, which are heavy consumers of diesel fuel.
7. Other projects in the 2001-2016 CCP will be developed according to schedule, and the O&M Expenses associated with such projects will not have a material incremental effect.

Based on these and other assumptions, O&M Expenses of the Airports Authority are projected to increase from $253.4 million in 2007 to $414.6 million in 2016, at a compound annual growth rate of 5.6%.

REVENUES

Exhibit E-1 presents historical and projected Revenues of the Airports Authority's Aviation Enterprise Fund. Revenues do not include, among other things, PFCs unless treated as Revenues by the Airports Authority. Also, unless otherwise provided by a Supplemental Indenture, Revenues do not include (a) Hedge Termination Payments or (b) Released Revenues.

Revenues of the Airports Authority are derived primarily from rentals, fees, and charges paid for the use and occupancy of the Airports, including landing fees, terminal rents, and other charges payable by Signatory Airlines under the Airline Agreement, parking fees paid by users of the public parking facilities, and fees paid by companies for the right to operate concessions on properties of the Airports Authority.

Table 33
REVENUE SUMMARY
Metropolitan Washington Airports Authority
(for calendar year 2007; dollars in thousands)

	Reagan National		Dulles International		Total Airports	
	Amount	% of total	Amount	% of total	Amount	% of total
Airline revenues						
Terminal rents and user fees	$ 65,792	34.3%	$ 72,550	23.9%	$ 138,342	27.9%
Landing and apron fees	30,149	15.7	48,533	16.0	78,682	15.9
International arrival building fees	-	0.0	9,100	3.0	9,100	1.8
Passenger conveyance fees	-	0.0	18,294	6.0	18,294	3.7
	$ 95,942	50.0%	$ 148,447	48.9%	$ 244,419	49.4%
Concessions						
Landing side *(a)*	$ 48,623	25.3%	$ 64,994	21.4%	$ 113,618	22.9%
In-terminal	19,601	10.2	28,569	9.4	48,170	9.7
Airside	985	0.5	17,384	5.7	18,369	3.7
	$ 69,210	36.1%	$ 110,947	36.6%	$ 180,157	36.4%
Other operating revenue	$ 13,250	6.9%	$ 24,812	8.2%	$ 38,062	7.7%
Investment earnings	$ 13,435	7.0%	$ 19,075	6.3%	$ 32,510	6.6%
Total	**$ 191,835**	**100.0%**	**$ 303,312**	**100.0%**	**$ 495,148**	**100.0%**

Notes: Columns and rows may not add to totals shown because of rounding.
A=Actual; E=Estimated; P=Projected.
(a) Includes net public automobile parking, which is stated net of expenses and fees under parking management contract.
Source: Metropolitan Washington Airports Authority.

Individual components of Revenues shown for Reagan National in Exhibit E-2 and for Dulles International in Exhibit E-3 were projected taking into account historical results through 2007, estimated results for 2008, budget for 2009, allowances for price inflation, planned facility development, and the provisions of the Airline Agreement and various other leases and agreements between the Airports Authority and tenants of the Airports.

Revenues from sources related to passengers, such as parking and various concession revenues, and from sources related to aircraft movements or landed weights, such as landing fees, were projected to change, in part, as a function of the projections shown in the Airline Traffic Analysis section.

AIRLINE REVENUES

Signatory Airline Rentals, Fees, and Charges

Exhibit E-4 shows the historical and projected rates for the rentals, fees, and charges payable by the Signatory Airlines. The Airports Authority calculates and adjusts on an annual basis the rentals, fees, and charges payable by the Signatory Airlines under the Airline Agreement. The Airline Agreement also gives the Airports Authority the right to adjust rates at the midpoint of each Fiscal Year or at any other time in the event "[t]he Indenture requires such an adjustment" provided the adjustment is calculated in accordance with the Airline Agreement.

Signatory Airline rentals, fees, and charges are calculated based on the allocations of Total Requirements to the Cost Centers and Sub-Centers within the Airline Supported Areas. The Total Requirement of each such Cost Center and Sub-Center is determined by allocating O&M Expenses, deposits into certain funds and reserves required under the Indenture, Capital Charges (including Debt Service), Debt Service Coverage, Federal Lease payments, and the Total Requirements of the Indirect Cost Centers (Maintenance, Public Safety, Systems and Services, and Administrative).[17]

In total, the rentals, fees, and charges paid by Signatory Airlines recover the Signatory Airlines' pro rata share of the Total Requirements (net of allocable NRR) in each of the Airline Supported Areas. Revenues of the Airports Authority from other sources cover the Total Requirements of the Non-Aviation Cost Centers including the allocable portion of Total Requirements in the Indirect Cost Centers and the unrecovered portion of the Total Requirements in the Airline Supported Areas.

If Revenues of the Airports Authority are not sufficient at either or both of the Airports to produce Net Revenues at least 125% of the sum of Debt Service on Bonds and Subordinated Bonds, then the Airports Authority may adjust the Total Requirements in Airline Supported Areas at either or both Airports, as required, to include Extraordinary Coverage Protection Payments.

The calculation of projected rates for Reagan National and Dulles International presented in Exhibit E-4 do not include Extraordinary Coverage Protection Payments because the conditions requiring such payments are not projected for any year of the projection period.

As projects in the CCP come into service, the full amount of direct and allocated indirect O&M Expenses, Annual Debt Service, Debt Service Coverage and other costs associated with such projects are reflected in the Total Requirements for Airline Supported Areas. Total Requirements are projected to increase faster than NRR and faster than the use and occupancy of Airline Supported Areas by the Signatory Airlines. As a result, rates are projected to increase in all Airline Supported Areas at Reagan National and virtually all Airline Supported Areas at

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17. The Airline Agreement defines Debt Service Coverage as "an amount equal to twenty-five percent (25%) of the portion of Debt Service attributable to Senior Bonds and Subordinated Bonds," plus such other amounts as may be established by any financing agreement or arrangement with respect to other indebtedness.

Dulles International. One notable exception is the Passenger Conveyance Charge at Dulles International.

The Passenger Conveyance Charge is allocated among the Signatory Airlines at Dulles International based on their pro rata share of enplaned passengers. These charges only apply to the mobile lounge/planemate/bus components of passenger conveyance. When the AeroTrain system begins service, costs related to the AeroTrain will be included in the calculations for rentals in the International Arrivals Building (IAB) Cost Center and Terminal Sub Centers, while the level of passenger conveyance costs are expected to decline.

Signatory Airline Payments Per Enplaned Passenger

Exhibit E-4 shows historical and projected payments by Signatory Airlines expressed in relationship to passengers enplaned by Signatory Airlines. The projections were prepared on the assumption that the provisions of the Airline Agreement relating to the calculation of rentals, fees, and charges, including sharing of NRR, will continue in effect through the end of the projection period, and that the Signatory Airlines will pay all such rentals, fees, and charges.

The projections of Signatory Airline payments per enplaned passenger are summarized in the Table 34 below. These payments are projected to increase from $10.51 per enplaned passenger in 2007 to a high of $15.29in 2016 at Reagan National, and from $12.11 in 2007 to a high of $27.89 in 2013 at Dulles International, which includes the cost of the international arrivals building (IAB). Excluding rentals and fees for the IAB, Signatory Airline payments per enplaned passenger are projected to increase to a high of $25.07 in 2013 at Dulles International.

Table 34

SIGNATORY AIRLINE PAYMENTS PER ENPLANED PASSENGER

Metropolitan Washington Airports Authority

For fiscal years ending December 31

		Dulles International	
Year	Reagan National	Total	Excluding IAB
2007 (A)	$10.51	$12.11	$11.36
2008 (E)	$10.73	$13.28	$12.55
2009 (E)	$12.71	$17.72	$16.53
2010	$13.26	$25.68	$23.91
2011	$13.72	$26.91	$24.32
2012	$14.52	$27.66	$24.78
2013	$15.06	$27.89	$25.07
2014	$15.17	$27.38	$24.60
2015	$15.27	$26.87	$24.12
2016	$15.29	$26.37	$23.65

Note: A=Actual; E=Estimated.

Source: Metropolitan Washington Airports Authority.

The ratio of airline payments per enplaned passenger (CPE) is commonly used as a basis of comparison among airports, even though issues inherent in the data affect the comparability of such ratios. Data from various sources (i.e., bond offering documents, rating agencies, FAA) indicate that CPE at the 30 large-hub airports as defined by the FAA, which includes Reagan National and Dulles International, ranges from $1.33 to $20.97. It is expected that other large-hub airports also will experience increases in CPE as they complete their capital programs. While a comparative study of future CPE at other airports has not been prepared, it is reasonable to expect that CPE at the Airports will be within the range experienced at other large-hub airports as they complete their capital programs.

CONCESSION REVENUES

Public Parking

The Airports Authority provides a variety of public parking facilities at the Airports. The number of spaces and parking rates for each facility as of February 1, 2009 are presented in the table below. Parking rates at the Airports were increased June 1, 2008.

Table 35
CURRENT AIRPORT PUBLIC PARKING FACILITIES
Reagan National and Dulles International Airports
(February 2009)

Airport Parking facilities	Number of spaces	Parking rates
Reagan National		
Garage A	771	$2 per half-hour for first 2 hours $4 per hour for next 2 hours $20 per day
Garage B/C	4,175	
Hourly		$2 per half-hour for first 2 hours $4 per hour for next 6 hours $36 per day
Daily		$5 per hour, $20 per day
Economy	2,956	$3 per hour, $12 per day
Total	7,902	
Dulles International		
Hourly Lot	1,923	$4 per hour, $36 per day
Daily Garage 1	4,680	$4 per half-hour, $17 per day
Daily Garage 2	3,645	$4 per half-hour, $17 per day
Economy	12,398	$5 per hour, $10 per day
Valet	830	$30 for first day $19 each additional day
Total	23,476	

Note: There are additional garage spaces under construction at Reagan National. When this construction is completed Garage A will have 1,423 spaces and Garage B/C will have 5,181 spaces.
Source: Metropolitan Washington Airports Authority.

The parking facilities and associated shuttle bus systems are operated for the Airports Authority by AeroLink Transportation at Reagan National and by District of Columbia Parking Associates (DCPA) at Dulles International. The management agreement with AeroLink became effective April 1, 2004 and extends until October 31, 2009. The management agreement with DCPA became effective November 1, 2004 and extends until October 31, 2009. The parking operators receive a fixed management fee (adjusted annually for inflation). The costs of the parking operations are reimbursed under the management agreement. A solicitation for a new parking contractor has been issued. The Airports Authority expects new contracts to be in place by November 1, 2009.

The parking revenues shown in Exhibits E-1, E-2, and E-3 are the net revenues received by the Airports Authority (gross receipts less operating expenses and management fees) under agreements.

Net parking revenues were $29.2 million at Reagan National in 2007, equivalent to $3.81 per originating passenger, and $50.0 million in 2007 at Dulles International, equivalent to $6.40 per originating passenger. There is essentially no competition for off-airport parking at either Airport. Some hotels may offer stay and fly packages, but those are not heavily advertised. There are no independent parking operators providing large off-airport parking lots with service to either Airport. Due to the high demand for parking at Reagan National, the Airports Authority is aware that passengers can encounter difficulty in finding parking spots, which has led to the expansion now underway, which will add approximately 1,400 new spaces.

Parking revenues were projected assuming the following:

1. Parking demand will increase from 2008 levels in proportion to projected increases in originating passengers.

2. Additional parking spaces will be constructed as contemplated in the 2001-2016 CCP to provide additional capacity to accommodate demand, while maintaining approximately the current balance between on-airport and off-airport parking spaces.

3. No increases in parking rates will be implemented over the period of the projection.

4. All parking facilities will continue to be operated under management agreements with financial terms substantially the same as the current agreements.

Rental Cars

There were five on-Airport rental car companies at Reagan National and six on-Airport companies at Dulles International providing service as of February 1, 2009. The on-Airport companies are presented below:

Reagan National	Dulles International
Avis	Avis
Budget	Budget
DTG Operations (Dollar and Thrifty)	DTG Operations (Dollar and Thrifty)
Hertz	Enterprise
Vanguard (National and Alamo)	Hertz
	Vanguard (National and Alamo)

The companies operate at the Airports under the terms of competitively bid concession agreements. At Reagan National, the rental car concession agreements became effective June 1, 2006 and are set to expire May 31, 2011. At Dulles International, the agreements became effective July 1, 2008 and are set to expire June 30, 2013. Under agreements with the Airports Authority, the rental car companies pay the greater of a minimum annual guarantee (MAG) or 10% of their gross receipts. The MAG adjusts annually per the terms agreed upon when the contracts were bid.

For companies operating at Reagan National, the agreements provide for a waiver of the MAG under two conditions: (1) if the number of deplaning passengers in a given month is less than 75% of the total deplaning passengers for the same month in the previous calendar year or (2) if it is determined that the rental car business has been negatively affected by shortages or disruption in supply of automobiles, gasoline, or other goods necessary to the business, but beyond the company's control. The waiver would remain in place for as long as the condition continues; thereafter, the Airports Authority has the right to determine when the MAG requirement would be reinstated. During the period of the waiver, the rental company is to continue paying the percentage rent.

For companies operating at Dulles International, the agreements provide for a waiver of the MAG if the number of locally destined, deplaning passengers in a given month is less than 80% of the total locally destined, deplaning passengers for the same calendar month of the previous year. During the waiver period, the MAG is reduced to 20% of the MAG that would otherwise be due during that period.

At Reagan National, off-airport rental car companies that transport their customers directly to or from the passenger terminals pay 8% of gross receipts generated from airport business, while companies whose customers transfer to an airport shuttle bus for access to or egress from the passenger terminals pay 4% of gross receipts in excess of $300,000. Enterprise is the only car rental company operating with an off-airport operation at Reagan National.

At Dulles International, off-airport rental car companies pay 4% of gross receipts in excess of $300,000. As of March 1, 2009, there were no off-airport rental car companies serving Dulles International.

In 2007, rental car revenues received by the Airports Authority totaled $34.4 million, or $2.22 per originating passenger. Such revenues are forecast to increase in proportion to the projected increase in originating passengers and with inflation.

The Airports Authority has established a customer contract fee of $2.50 per day at Reagan National, which is collected and remitted by on-airport rental car companies, to recover debt service associated with the construction of rental car facilities at the airport.

Food and Beverage

At Reagan National, approximately 65 food and beverage outlets representing 48,000 square feet of space were operated throughout the terminal facilities during 2008. In 2007, gross revenues for food and beverage concessions totaled $46.5 million, or $5.01 per enplaned passenger. At Dulles International, approximately 48 food and beverage outlets representing 48,100 square feet of space were operated throughout the terminal facilities during 2008. In 2007, gross revenues for food and beverage concessions totaled $58.6 million, or $4.79 per enplaned passenger.

Revenues from food and beverage operations at the Airports increased from $10.6 million in 2005 to $15.0 million in 2007. The growth in revenues reflected increased passenger activity and the completion in 2007 of the food and beverage renovation program, which added several new restaurants and improved the quality and variety of dining options at the Airports. Additionally new stores opened in 2008 and will continue to come online throughout 2009 at Dulles International as part of the Concourse B expansion and in conjunction with the opening of the new AeroTrain stations.

Westfield Concession Management (Westfield) manages the food and beverage programs at Reagan National and Dulles International under master developer agreements expiring June 30, 2010 and March 31, 2014, respectively. Under these agreements, Westfield develops and manages the food and beverage programs at the Airports, but does not operate any of the concession facilities. Westfield negotiates contracts with each concessionaire using a standard lease that has been approved by the Airports Authority. These contracts generally obligate the concessionaire to pay the higher of a minimum annual guarantee or a percentage of gross revenues. Westfield collects all rents and fees from the concessionaires and retains a portion of gross rental payments as its fee for the management services.

In the third quarter of 2009, the Airports Authority plans to re-bid the master developer concession agreements to combine food and beverage with retail at each airport. The new agreements are scheduled to become effective July 1, 2010.

In 2008 Airport Revenue News awarded the concession program at Reagan National two awards. Reagan National was the recipient of the best medium size airport concessions program design and best concessions management team.

Food and beverage revenues are projected to fluctuate as a function of projected changes in enplaned passengers and price inflation, with allowances for planned additions in food and beverage facilities or services.

Newsstand and Retail

At Reagan National, approximately 40 newsstand and retail outlets representing 30,000 square feet of space were operated throughout the terminal facilities during 2008. In 2007, gross revenues for newsstand and retail concessions totaled $33.2 million, or $3.57 per enplaned passenger.

At Dulles International, approximately 44 newsstand and retail outlets representing 30,600 square feet of space were operated throughout the terminal facilities during 2008. In 2007, gross revenues for newsstand and retail concessions totaled $43.1 million, or $3.51 per enplaned passenger.

Revenues from newsstand and retail operations at the Airports increased from $10.6 million in 2005 to $11.4 million in 2007. The growth in revenues primarily reflected increased passenger activity.

Westfield manages the retail programs at Reagan National and Dulles International, under master developer agreements with the Airports Authority. At Reagan National, the retail management program is part of the master concession agreement that includes the food and beverage program management. The master concession agreement for the retail program at Dulles International expires in 2010. As described in the food and beverage section, the master developer agreements will be re-bid in the third quarter of 2009.

Newsstand and retail revenues are projected to fluctuate as a function of projected changes in enplaned passengers and price inflation.

Duty Free

Duty free concessions for the Airports Authority is managed and operated by the firm, Dulles Duty Free. Under the contract, one duty free cart is operated at Reagan National. At Dulles International, there are Duty Free stores located in Concourse B and Concourses C and D; a kiosk between the C and D Concourses; and another kiosk in the Main Terminal. In 2007, gross revenues for Duty Free totaled $17.1 million or $5.50 per enplaned international passenger.

Revenues from duty free operations at the Airports increased from $3.1 million in 2005 to $3.4 million in 2007. The total for 2007 reflects a strong recovery after duty free revenues had declined to $2.9 million in 2006. According to the Airports Authority, some of the international routes that were new in 2007, particularly the service to Beijing, have been particularly beneficial to concession sales.

Fixed Base Operations

There are two Fixed Based Operators (FBOs), Landmark and Signature Flight Support, providing services to the general aviation (GA) community at Dulles International. The Landmark contract expires August 31, 2010, with an option for an additional 5-year period. The Signature FBO concession expires October 31, 2012, with an option period of 5 years. Landmark and Signature pay the greater of either a MAG ($5.9 million and $3.08 million, respectively) or a percentage of gross revenues for various categories of goods or services. Each of the FBOs consistently exceeds its MAG.

In-Flight Kitchen

The in-flight kitchen concession at Reagan National is operated by LSG Sky Chefs under a contract that extends to November 1, 2012. Sky Chefs pays the Airports Authority 10% of gross receipts for on-airport sales and 2% of gross receipts for off-airport sales. There is a MAG, which is adjusted annually to be equal to 80% of the previous year's actual amount due the Airports Authority. In-flight kitchen sales at Reagan National have continued to decline since airlines chose to remove food from most flights. Although they continue to provide a boxed meal, in-flight kitchen sales are significantly reduced. There are two in-flight kitchen operations at Dulles International. Gate Gourmet International operates under a contract that expires July 31, 2013, and LSG Skychefs operates under a contract that expires June 30, 2011. The contracts are substantially the same, with both operators paying a percentage of gross revenues to the Airports Authority: 8% of gross revenues for on-airport sales and 2% for off-airport sales. In recent years in-flight kitchen activity has remained relatively stable, with some growth due to the increased number of International flights at Dulles International.

OTHER OPERATING REVENUE

Other operating revenue includes rentals, TSA security fees, utility reimbursements, and other miscellaneous sources. Building rentals include revenues from facilities whose rents are based on market rates and others facilities (e.g., hangars, airmail, cargo) whose rents are based on cost-recovery rates. Revenues from TSA security fees include the reimbursement paid by TSA to the Airports Authority for providing police coverage in support of passenger screening activities. Revenues from utilities include the reimbursements for metered and/or billed utility service provided to tenants and concessionaires who do not otherwise pay a utility fee as part of their rental charge.

CASH POSITION AND INVESTMENT EARNINGS

Table 36 presents the cash reserves of the Airports Authority, which were $490.3 million as of November 30, 2008. Amounts in the Debt Service Reserve Fund are pledged to Bondholders and may only be used to pay debt service on Bonds. Amounts in the Operation and Maintenance Fund are not pledged to Bondholders, but may only be used to pay O&M Expenses. Amounts in the Emergency Repair and Rehabilitation Fund are not pledged to Bondholders, but may only be used to pay emergency repairs and maintenance to the Airports. The unencumbered reserve represents amounts in the General Purpose Fund that are available for any lawful purpose, while the encumbered reserve represents amounts set aside in the General Purpose Fund to satisfy financial obligations under existing contracts.

Interest income is derived from the investment of moneys in certain funds and accounts (other than the Construction Fund and the PFC Fund) including amounts in the Operation and Maintenance Fund, the Bond Fund, the Debt Service Reserve Fund, and the General Purpose Fund. Interest income is projected to increase in response to increase in the balance available for investment in the funds identified above assuming an average interest rate of 3.0%.

Table 36
CASH RESERVES
Metropolitan Washington Airports Authority
(for the period ending November 30, 2008)

Reserve	Amount
Debt Service Reserve *(a)*	$ 220.4
O&M Fund Reserve *(b)*	46.9
Emergency Reserve	5.9
Unencumbered reserve	120.5
Encumbered reserve	96.6
Total *(c)*	$ 490.3

(a) Limited to payment of debt service as required under the Indenture.
(b) Limited to payment of O&M expenses.
(c) Figures may not sum to totals due to rounding.
Source: Metropolitan Washington Airports Authority.

APPLICATION OF REVENUES

Exhibit F-1 presents the projected application of Revenues. Under the Indenture, all Revenues are to be deposited in the Revenue Fund. In addition, the Airports Authority may deposit in the Revenue Fund amounts from any available source, including transfers from the General Purpose Fund, if any. On the first business day of each month, (a) amounts in the Revenue Fund, excluding any transfers from the General Purpose Fund during the current Fiscal Year, and (b) 1/12 of the amount of any transfers from the General Purpose Fund during the current Fiscal Year, are to be withdrawn from the Revenue Fund and deposited or transferred into the funds and accounts in the following priority:

To the Operation and Maintenance Fund an amount necessary to increase the balance in the fund to 25% of the budget for O&M Expenses in the current Fiscal Year.

To the Bond Fund amounts set for in the applicable Supplemental Indentures with respect to each Series of Bonds for deposit to the Principal Account, Interest Account, and Redemption Account.

To the Debt Service Reserve Fund amounts necessary to restore the amounts on deposit in the respective accounts for each Series of Bonds the requirements set forth in the applicable Supplemental Indentures.

To the Subordinated Indenture Trustee the amount equal to the deposit to the Subordinated Bond Funds required by the Subordinated Indenture.

To the Subordinated Indenture Trustee the amount required by the Subordinated Indenture to replenish any Subordinated Reserve Funds.

To the Junior Lien Obligations Fund the amount, if any, equal to the required deposits pursuant to the Junior Lien Indentures.

To the Federal Lease Fund, 1/12 of the amount required to be paid annually to the federal government under the Federal Lease plus the amount, if any, necessary to make up for any deficiencies.

To the Emergency Repair and Rehabilitation Fund 1/12 of the aggregate amount, if any, withdrawn from such Fund in the preceding Fiscal Year.

To the General Purpose Fund all remaining moneys required to be withdrawn from the Revenue Fund on the first Business day of such month.

Amounts in the General Fund are not pledged to Bondholders and are available for use by the Airports Authority for any legal purpose, provided that any moneys required to be transferred to the Revenue Fund are not to be applied to any other purpose.

Termination payments owed by the Airports Authority under Swap Agreements, if any, would be payable from funds subordinated to Bonds, CP Notes, Subordinated Bonds, and Junior Lien Obligations.

SHARING OF NET REMAINING REVENUES

The Airline Agreement provides that the Airports Authority will share NRR with the Signatory Airlines according to a specific formula for each of the Airports. Exhibit F-2 presents the projection of Net Remaining Revenues and its allocation (in total) between the Airports Authority and the Signatory Airlines. The total amount of NRR is first segregated by Airport.

- The Signatory Airlines receive 100% of an amount equal to the debt service coverage on any Subordinated Bonds and coverage in the tenant equipment cost centers.
- The remaining amount of NRR at each Airport is divided equally between the Airports Authority and the Signatory Airlines up to a plateau amount. The plateau amounts for 1990 were $8.0 million at Reagan National and $12.0 million at Dulles International, subject to annual escalation in accordance with changes in the U. S. Implicit Price Deflator Index from a base date of October 1, 1989.
- The remaining amount of NRR above the plateau is split 25% to the Airports Authority and 75% to the Signatory Airlines.

The Signatory Airlines' share of NRR is transferred from the General Purpose Fund to the Airline Transfer Account in the Revenue Fund and used to lower airline rates and charges in the year following the year that the NRR is earned. The Airports Authority's share of NRR is available for any legal airport purpose, but the Airports Authority generally uses its share to fund the COMIP.

DEBT SERVICE COVERAGE

Exhibit G-1 presents the calculation of debt service coverage projected to be paid from Net Revenues. As discussed above, Net Revenues means Revenues, plus transfers, if any, from the General Purpose Fund to the Revenue Fund, after provision is made for the payment of Operation and Maintenance Expenses (O&M Expenses). The amount of the transfer from the General Purpose Fund is assumed to be the Signatory Airlines' share of NRR per the Airline Agreement.

Debt service coverage on the Bonds (Net Revenues divided by Annual Debt Service) is projected to equal at least 135% in each year of the projection period. Exhibits G-2 and G-3 present projections of debt service coverage for Reagan National and Dulles International, respectively.

Between 2007 and 2012, debt service coverage is projected to decrease from 1.72x to 1.35x, reflecting a faster increase in Annual Debt Service than Net Revenues. Several key variables influence this projected decrease:

- Annual Debt Service on Outstanding Bonds is scheduled to increase $122 million between 2007 and 2012 primarily reflecting the completion of several major projects in the 2001-2016 CCP.

- Annual Debt Service on the proposed Bonds and the future Bonds is projected to be $49 million in 2012 after taking into account a $35 million irrevocable commitment of PFC Revenues to pay Annual Debt Service.

- The rentals, fees, and charges payable by Signatory Airlines also will increase as the allocable portion of these increases in Annual Debt Service and Debt Service Coverage (at 25% of allocable Annual Debt Service) are included, along with incremental O&M Expenses, in the Total Requirements for Airline Supported Areas.

- While increases in Total Requirements for Airline Supported Areas are projected to cause Airline revenues to increase $214 million (88%), the 5% decrease projected in enplaned passengers is expected to dampen the growth in non-Airline revenues approximately 17%.

- Thus, between 2007 and 2012 there is projected to be a 93% increase in Annual Debt Service and a 37% increase in O&M Expenses, but only a 52% increase in Revenues and no increase in the transfer from the General Purpose Fund. The overall effect is a decline in debt service coverage.

However, between 2012 and 2016, debt service coverage is projected to increase from 1.35x to 1.41x, which is reflective of the stabilization of Annual Debt Service and O&M Expenses as well as increased Revenues primarily due to the recovery of enplaned passenger growth and its positive effect on concession revenues.

Exhibit G-1 also presents the calculation of the sufficiency of projected Net Revenue to meet the requirements of the Rate Covenant. The calculation takes into account Annual Debt Service on the Airports Authority's Outstanding Bonds, the proposed Series 2009 Bonds, and the future Bonds the Airports Authority plans to issue to refund the PFC Notes and to finance the costs to complete the 2001-2016 CCP. The Rate Covenant requires that Net Revenues be sufficient to provide for the larger of either (1) the Section 6.04(a)(i) Requirement or (2) the Section 6.04(a)(ii) Requirement as presented in the Exhibit. Net Revenues are projected to be sufficient to meet the requirements of the Rate Covenant each year of the projection period.

SENSITIVITY TEST PROJECTIONS

To test the sensitivity of the financial projections to fewer enplaned passengers, hypothetical assumptions about the number of future enplaned passengers and other variables were used. The sensitivity test assumptions are strictly hypothetical and the test does not evaluate a specific scenario of future events nor does it present a "worst case" scenario.

For sensitivity test purposes, enplaned passengers at Reagan National are assumed to be 7.5 million in each year of the projection period starting in 2009. This is equivalent to approximately 86% of the baseline projection for 2009 and approximately 82% for 2016. (For information purposes only, we note that between 1978 and 2004 enplaned passengers at Reagan National ranged between 7 and 8 million, except for 1982, 2001, and 2002 when they were less than 7 million.)

For sensitivity test purposes, enplaned passengers at Dulles International were assumed to be 10.0 million in 2009 and then increase at roughly one-half the rate of growth used in the baseline projection or 1.4% per year. This is equivalent to approximately 88% of the baseline projection for 2009 and approximately 82.5% for 2016 (10.8 million enplaned passengers). (For information purposes only, we note there were 5.1 million passengers enplaned at Dulles International in 1990, 10.0 million in 2000, and 11.9 million in 2008.)

The number of origin-destination passengers and the volume of aircraft landed weight were assumed to be reduced proportionately to reductions in the number of enplaned passengers.

The 2001-2016 CCP was assumed to be implemented on the same schedule and used for the baseline projections of enplaned passengers, notwithstanding the hypothesized reduction in passenger traffic beginning in 2009 used for this sensitivity test.

Except for the number of passengers and the aircraft landed weight, all assumptions underlying the financial projections are the same that were used for the baseline projections. There are no changes in projections of O&M Expenses, premises leased under the Airline Agreement, or premises leased under land and other facility leases at the Airports. Also, notwithstanding that fewer passengers would reduce the level of PFC Revenues and AIP entitlement grants and thereby increase the need to issue more Bonds in the future, there is no change in the projection of Annual Debt Service.

However, as a result of the hypothesized reduction in the number of enplaned passengers and in the volume of aircraft landed weight, there are lower projections of (1) revenues from Airline fees denominated in terms of passengers; (2) revenues from landside concessions for parking, rental car, and ground transportation fees; and (3) revenues from in-terminal concessions.

Under the sensitivity test:

- Between 2010 and 2016, debt service coverage on the Bonds is projected to be in the range of 1.34x to 1.38x, down from a range of 1.35x to 1.41x under the baseline projection.

- Between 2010 and 2016, Signatory Airline payments per enplaned passenger at Reagan National are projected to be in the range of $15.37 to $18.80, up from a range of $13.26 to $15.29 in the baseline projection. The sensitivity test projections for Dulles International for the same period are in the range of $29.00 to $32.41, up from a range of $25.68 to $27.89 in the baseline projection.

Exhibit A

2001-2016 CAPITAL CONSTRUCTION PROGRAM
Metropolitan Washington Airports Authority
(escalated dollars in thousands)

		Sources of Funds				
	Project Costs	Federal and State Grants	PFCs	Proceeds from Prior Bonds	Series 2009 Bonds	Future Bonds
Reagan National						
Completed Projects	$ 77,209	$ 5,212	$ 23,298	$ 48,699	$ -	$ -
Projects in Progress						
Terminal Modifications for In-Line Baggage Screening	113,391	85,043	-	9,949	25	18,373
Expansion of Parking Garages	51,415	-	-	31,226	3,455	16,734
Other Projects in Progress	163,913	43,522	4,299	49,234	2,943	63,915
Subtotal Projects in Progress	$ 328,718	$ 128,565	$ 4,299	$ 90,409	$ 6,422	$ 99,022
Total 2001-2016 CCP at Reagan National	$ 405,927	$ 133,777	$ 27,598	$ 139,108	$ 6,422	$ 99,022
Dulles International						
Completed Projects	$ 1,265,486	$ 30,142	$ 316,055	$ 919,290	$ -	$ -
Projects in Progress						
Domestic AeroTrain System	$ 991,556	$ 4,216	$ 302,261	$ 681,376	$ 292	$ 3,411
Main Terminal Security Mezzanine/AeroTrain Station	473,204	-	206,770	266,434	-	-
Airfield Taxi Lanes/Aprons Related to the AeroTrain	21,607	-	2,486	19,121	-	-
Subtotal AeroTrain	$ 1,486,366	$ 4,216	$ 511,516	$ 966,931	$ 292	$ 3,411
Terminal Modifications for In-Line Baggage Screening	$ 271,663	$ 244,195	$ -	$ 25,350	$ 502	$ 1,616
Fourth Runway and Associated Taxiways	260,723	181,649	-	76,702	-	2,372
Contribution to Dulles Metro	215,346	-	215,346	-	-	-
International Arrivals Building Expansion	199,987	-	124,303	75,684	-	-
Other Projects in Progress	730,664	45,824	13,516	529,790	1,469	140,066
Subtotal Projects in Progress	$ 3,164,750	$ 475,883	$ 864,682	$ 1,674,457	$ 2,262	$ 147,465
Total 2001-2016 CCP at Dulles International	$ 4,430,236	$ 506,025	$ 1,180,737	$ 2,593,747	$ 2,262	$ 147,465
Total 2001-2016 CCP	$ 4,836,164	$ 639,802	$ 1,208,335	$ 2,732,855	$ 8,685	$ 246,487

Source: Metropolitan Washington Airports Authority.
Totals may not add due to rounding.

Exhibit B

SOURCES AND USES OF BOND FUNDS
Metropolitan Washington Airports Authority
(dollars in thousands)

	Series 2009 Bonds	Future Bonds: PFC Notes Restructuring Bonds	Future Bonds: Other Bonds
Sources of Funds			
Bonds	$ 400,000	$ 432,000	$ 387,740
Original issue premium (discount)	-	-	-
Net bond proceeds	$ 400,000	$ 432,000	$ 387,740
Investment Earnings			
Construction Funds	$ 6	$ -	$ 1,913
Capitalized Interest	113	-	1,158
Subtotal Investment Earnings	$ 119	$ -	$ 3,071
Total sources	$ 400,119	$ 432,000	$ 390,811
Uses of Funds			
Project costs	$ 8,685	$ -	$ 246,487
Capitalized interest	56,103	-	94,722
Debt Service Reserve Account	34,322	-	38,774
Underwriters' discount and costs of issuance	12,008	-	10,827
Swap termination payments	40,000	-	-
Deposit to escrow fund to refund Outstanding CP	249,000	-	-
Deposit to escrow fund to refund PFC Notes	-	432,000	-
Total uses	$ 400,119	$ 432,000	$ 390,811

Source: PG Corbin (based on information provided by the Authority).
Totals may not add due to rounding.

Exhibit C-1

ANNUAL DEBT SERVICE
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

	Historical			Projected								
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Series of Bonds												
Series CP (a)	$ 4,497	$ -	$ 441	$ 1,190	$ 1,816	$ 3,024	$ 3,018	$ 3,021	$ 3,016	$ 3,024	$ 3,024	$ 3,016
Series 1997A-B	17,392	15,742	9,527	-	-	-	-	-	-	-	-	-
Series 1998A-B	21,033	19,657	18,411	20,158	19,985	20,032	20,073	20,080	20,090	20,089	20,085	20,090
Series 1999A	5,947	5,855	5,891	6,026	5,996	5,998	5,999	5,999	6,000	5,995	5,996	5,996
Series 2001A-B	14,343	13,940	14,943	16,078	18,402	19,428	19,510	19,785	20,007	20,009	20,008	20,009
Series 2002A-B, & D	8,085	11,347	12,764	16,106	19,320	21,804	22,020	22,380	21,899	21,899	21,899	21,897
Series 2002C & Swap (b)	21,380	21,385	21,395	21,439	21,474	21,486	21,607	21,630	21,640	21,644	21,650	21,658
Series 2003A-C	17,750	11,985	14,572	18,981	20,141	21,062	21,106	21,200	21,253	21,245	21,254	21,248
Series 2003D (c)	3,012	4,555	4,940	5,254	7,004	8,168	8,280	8,357	8,474	8,489	8,321	8,601
Series 2004A-D	38,961	34,479	38,241	41,847	44,410	46,013	46,159	46,226	46,505	46,552	46,555	46,550
Series 2005A-D	12,268	15,786	18,971	20,887	24,960	26,715	27,057	27,135	27,391	27,440	27,438	27,438
Series 2006A-C	-	8,623	15,398	8,911	24,531	35,101	35,780	36,449	37,634	37,597	37,601	37,601
Series 2007A-B	-	-	8,752	19,605	38,869	49,137	50,392	51,369	51,761	51,811	51,837	51,860
Series 2008A	-	-	-	605	5,446	11,223	12,308	22,259	22,902	23,085	23,164	23,237
Proposed Series 2009 (d)	-	-	-	-	5,320	24,506	27,509	29,287	29,875	29,945	29,946	30,000
Future - PFC Notes Restructuring Bonds (e)	-	-	-	-	24,222	32,299	32,296	32,297	32,300	32,297	32,299	32,297
Future - Other Bonds (f)	-	-	-	-	-	8,426	12,130	22,432	27,177	29,060	29,227	29,226
Subtotal	$ 164,668	$ 163,355	$ 184,247	$ 197,087	$ 281,896	$ 354,422	$ 365,244	$ 389,907	$ 397,924	$ 400,181	$ 400,303	$ 400,723
Less: Irrevocable PFC Commitment	-	-	-	-	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Total Annual Debt Service	$ 164,668	$ 163,355	$ 184,247	$ 197,087	$ 246,896	$ 319,422	$ 330,244	$ 354,907	$ 362,924	$ 365,181	$ 365,303	$ 365,723

Source: PG Corbin (based on information provided by the Authority).

(a) Annual debt service on the $38.5 million Series Two CP Notes expected to be outstanding is determined by assuming (i) the CP Notes are to be amortized over a 30-year period from the date of issuance, (ii) level debt service, (iii) the interest rate is equal to the rate published by the Bond Buyer as the Bond Buyer 25 Revenue Bond Index which was 5.89% as of February 2, 2009 applied to the $21 million tax exempt portion plus 50 basis points cushion, and an interest rate equal to Bloomberg's taxable fair market yield for a 30 year maturity and a AA rating of 6.65% as of February 2, 2009 applied to the $17.5 million taxable portion plus 50 basis points cushion.

(b) Interest on the $62.77 million of the Series 2002C Bonds which are the subject of the 2001 Swap Agreements has been calculated using a rate of 4.45%, representing the fixed rate payable by the Authority under the 2001 Swap Agreements. Interest on the $143.69 million of the Series 2002C Bonds which are not subject to the 2001 Swap Agreements has been calculated using an assumed interest rate of 4%.

(c) Interest on the $138.175 million of the Series 2003D Bonds has been calculated using an assumed interest rate of 4%.

(d) The Series 2009 Bonds are assumed to be issued in two series: $165 million of variable rate bonds and $235 million of fixed rate bonds.

(e) Annual debt service on the $432 million of commercial paper refinancing the PFC Notes is calculated by assuming the Bonds: (i) are to be amortized over a 30-year period from the date of issuance, (ii) level debt service, and (iii) the interest rate is equal to the rate published by the Bond Buyer as the Bond Buyer 25 Revenue Bond Index which was 5.89% as of February 2, 2009 plus 50 basis points cushion.

(f) The other future Bonds are assumed to be issued in 2009 at the par amount of $387.74 million and bear interest at a fixed rate of 6.5%.

Totals may not add due to rounding.

Exhibit C-2

ANNUAL DEBT SERVICE BY COST CENTER
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

	Historical			Projected								
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Allocation to Cost Centers												
Reagan National												
Airfield	$ 8,590	$ 7,973	$ 8,403	$ 7,567	$ 7,704	$ 9,042	$ 9,405	$ 10,170	$ 10,578	$ 10,582	$ 10,587	$ 10,591
Terminal A	618	617	766	2,566	4,488	4,542	4,543	4,599	4,837	4,836	4,830	4,840
Terminal B&C	31,510	29,033	32,561	34,125	34,028	34,032	34,369	35,675	37,902	37,902	37,907	37,908
Ground Transportation	16,713	13,613	15,361	12,062	12,045	16,053	18,147	18,491	18,497	18,503	18,509	18,515
Aviation	5,306	4,981	5,563	5,477	5,470	5,472	5,472	5,473	5,474	5,475	5,476	5,476
Nonaviation	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	69	76	88	1,030	1,031	1,055	1,419	1,543	1,749	1,749	1,749	1,751
Public Safety	20	22	26	406	1,535	2,572	2,733	2,833	2,836	2,835	2,837	2,839
Administration	1,515	1,386	4,038	2,033	2,057	2,586	3,017	6,593	6,602	6,575	6,576	6,577
Systems & Services	6,770	6,299	6,877	10,215	10,473	10,564	10,578	10,634	10,638	10,637	10,639	10,641
Tenant Equipment	2,148	1,821	2,081	-	-	-	-	-	-	-	-	-
Subtotal	$ 73,259	$ 65,821	$ 75,763	$ 75,481	$ 78,831	$ 85,920	$ 89,683	$ 96,012	$ 99,113	$ 99,095	$ 99,109	$ 99,138
Dulles International												
Airfield	$ 14,159	$ 13,396	$ 19,267	$ 21,558	$ 36,019	$ 42,412	$ 42,625	$ 43,712	$ 44,204	$ 44,208	$ 44,180	$ 44,229
Concourse C&D	2,259	2,826	2,767	3,509	4,043	4,437	4,438	4,955	4,960	4,965	4,969	4,975
Concourse B	1,612	1,489	1,683	1,613	7,689	10,522	11,214	11,720	11,728	11,732	11,731	11,745
Main Terminal	30,403	28,826	31,993	37,296	50,578	63,565	63,860	66,353	68,989	69,508	69,479	69,577
Airside Operations Building	78	73	71	62	62	62	62	62	62	62	62	62
International Arrivals Building	4,906	4,578	4,507	4,014	4,014	4,014	7,641	12,151	12,160	12,170	12,178	12,188
Concourse C IAB	530	522	525	553	553	553	553	553	553	553	553	553
Concourse A	249	1,202	422	423	423	423	423	423	423	423	423	423
Z Gates	446	1,504	1,535	1,260	1,267	1,266	1,266	1,272	1,272	1,273	1,271	1,273
Ground Transportation	16,459	15,214	16,523	18,259	18,932	20,134	20,528	20,940	20,962	22,678	22,841	22,867
Aviation	3,400	4,335	3,081	8,369	10,363	11,284	11,285	11,803	11,975	11,980	11,982	11,991
Nonaviation	1,825	1,005	1,211	1,630	1,625	1,629	1,629	1,627	1,628	1,626	1,627	1,625
Cargo	885	778	1,392	1,112	1,132	1,151	1,151	1,171	1,171	1,171	1,171	1,172
Passenger Conveyance	3,140	3,071	3,571	3,458	7,501	41,452	41,458	43,982	44,027	44,056	44,057	44,133
Maintenance	77	74	86	527	2,653	5,817	5,830	6,182	6,187	6,191	6,190	6,200
Public Safety	1,332	1,097	1,208	1,426	1,907	2,497	2,496	2,519	2,520	2,520	2,519	2,519
Administration	3,475	5,744	6,987	2,937	4,403	4,815	5,350	9,259	10,763	10,736	10,736	10,790
Systems & Services	5,138	10,895	10,709	12,499	13,805	16,372	17,653	19,111	19,128	19,137	19,127	19,164
Tenant Equipment	1,036	904	947	1,100	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097
Subtotal	$ 91,409	$ 97,534	$ 108,483	$ 121,606	$ 168,065	$ 233,502	$ 240,561	$ 258,895	$ 263,811	$ 266,087	$ 266,194	$ 266,585
Total Annual Debt Service	$ 164,668	$ 163,355	$ 184,247	$ 197,087	$ 246,896	$ 319,422	$ 330,244	$ 354,907	$ 362,924	$ 365,181	$ 365,303	$ 365,723

Source: PG Corbin (based on information provided by the Authority).
Totals may not add due to rounding.

Exhibit D-1

OPERATION AND MAINTENANCE EXPENSES
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Airports Authority	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Personnel expenses	$ 112,600	$ 112,634	$ 127,254	$ 134,349	$ 148,200	$ 164,488	$ 171,262	$ 178,192	$ 185,404	$ 192,914	$ 200,732	$ 208,876
Utilities	20,860	19,794	20,447	24,785	28,686	32,833	34,146	36,831	39,754	42,940	46,413	50,201
Services	64,551	68,849	73,287	76,621	66,168	75,447	79,845	83,123	86,473	89,960	93,589	97,366
Supplies & Materials	11,732	10,635	14,675	14,391	18,162	22,291	24,505	27,153	28,270	29,433	30,646	31,910
Miscellaneous	18,820	16,930	17,506	18,721	17,294	17,769	18,684	19,439	20,217	21,027	21,868	22,744
Equipment and facility expense	907	508	229	-	-	2,756	2,865	2,979	3,097	3,221	3,350	3,482
Total Airports	$ 229,470	$ 229,350	$ 253,398	$ 268,866	$ 278,511	$ 315,584	$ 331,307	$ 347,717	$ 363,215	$ 379,495	$ 396,598	$ 414,579

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.

Exhibit D-2

OPERATION AND MAINTENANCE EXPENSES
Ronald Reagan Washington National Airport
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Reagan National	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Summary by Line Item												
Personnel expenses	$ 42,550	$ 47,186	$ 52,713	$ 55,314	$ 60,506	$ 63,113	$ 65,638	$ 68,265	$ 70,995	$ 73,835	$ 76,788	$ 79,860
Utilities	6,976	7,083	7,623	9,352	11,252	11,702	12,170	12,657	13,163	13,690	14,238	14,808
Services	21,615	24,522	28,189	28,358	27,579	30,334	31,547	32,810	34,123	35,488	36,907	38,383
Supplies & Materials	3,572	3,512	4,702	4,125	4,998	5,284	5,496	5,716	5,945	6,182	6,429	6,686
Miscellaneous	5,853	6,668	7,901	7,890	6,766	7,376	7,670	7,977	8,296	8,629	8,974	9,333
Equipment and facility expense	110	62	181	-	-	213	221	229	237	247	257	267
Total	$ 80,677	$ 89,033	$ 101,309	$ 105,040	$ 111,101	$ 118,022	$ 122,742	$ 127,654	$ 132,759	$ 138,071	$ 143,593	$ 149,337
Summary by Cost Center												
Airfield	$ 4,636	$ 4,468	$ 5,574	$ 5,540	$ 5,682	$ 5,909	$ 6,145	$ 6,391	$ 6,646	$ 6,912	$ 7,188	$ 7,476
Terminal A	2,997	2,883	3,738	2,802	2,753	2,863	2,978	3,097	3,222	3,351	3,486	3,627
Terminal B&C	9,336	9,607	12,070	12,166	11,599	12,064	12,547	13,049	13,572	14,115	14,679	15,266
Ground Transportation	4,969	4,429	6,209	5,820	5,456	6,959	7,237	7,527	7,827	8,140	8,466	8,804
Aviation	652	783	1,249	1,918	1,883	1,958	2,037	2,119	2,204	2,292	2,384	2,479
Nonaviation	7	6	7	9	8	9	9	9	9	9	9	9
Maintenance	8,433	8,345	9,500	9,618	10,401	10,825	11,257	11,707	12,175	12,663	13,169	13,695
Public Safety	14,369	16,184	17,605	18,852	20,544	21,391	22,246	23,137	24,062	25,024	26,024	27,064
Administration	25,872	32,973	35,371	36,331	38,692	41,362	43,017	44,738	46,527	48,388	50,324	52,338
Systems & Services	9,406	9,355	9,987	11,985	14,084	14,682	15,269	15,880	16,515	17,177	17,864	18,579
Tenant Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	$ 80,677	$ 89,033	$ 101,309	$ 105,040	$ 111,101	$ 118,022	$ 122,742	$ 127,654	$ 132,759	$ 138,071	$ 143,593	$ 149,337
Ground transportation subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 80,677	$ 89,033	$ 101,309	$ 105,040	$ 111,101	$ 118,022	$ 122,742	$ 127,654	$ 132,759	$ 138,071	$ 143,593	$ 149,337

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.

Exhibit D-3

OPERATION AND MAINTENANCE EXPENSES
Washington Dulles International Airport
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Dulles International	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Summary by Line Item												
Personnel expenses	$ 70,050	$ 65,448	$ 74,541	$ 79,035	$ 87,695	$ 101,375	$ 105,624	$ 109,927	$ 114,409	$ 119,079	$ 123,944	$ 129,016
Utilities	13,883	12,711	12,823	15,433	17,434	21,131	21,976	24,174	26,591	29,250	32,175	35,393
Services	42,936	44,326	45,098	48,262	38,589	45,113	48,298	50,313	52,350	54,472	56,682	58,983
Supplies & Materials	8,159	7,123	9,973	10,266	13,164	17,007	19,009	21,437	22,325	23,251	24,217	25,224
Miscellaneous	12,968	10,262	9,605	10,831	10,529	10,393	11,014	11,462	11,921	12,398	12,894	13,411
Equipment and facility expense	797	446	48	-	-	2,543	2,644	2,750	2,860	2,974	3,093	3,215
Total	$ 148,793	$ 140,317	$ 152,089	$ 163,826	$ 167,410	$ 197,562	$ 208,565	$ 220,063	$ 230,456	$ 241,424	$ 253,005	$ 265,242
Summary by Cost Center												
Airfield	$ 14,078	$ 13,864	$ 12,895	$ 13,820	$ 10,403	$ 13,937	$ 15,862	$ 18,207	$ 18,935	$ 19,693	$ 20,481	$ 21,300
Concourse C&D	4,238	4,283	4,793	4,501	3,976	4,205	4,373	4,548	4,730	4,919	5,115	5,319
Concourse B	4,731	5,106	5,525	6,801	6,123	6,430	6,688	6,956	7,235	7,525	7,825	8,138
Main Terminal	9,642	10,624	10,215	11,774	10,506	11,053	11,495	11,954	12,432	12,930	13,448	13,986
Airside Operations Building	25	18	9	9	10	10	10	10	10	10	10	10
International Arrivals Building	1,576	1,692	1,655	1,570	1,372	1,427	3,216	3,345	3,479	3,618	3,762	3,913
Concourse C IAB	397	400	448	421	372	387	401	417	433	450	467	486
Concourse A	1,325	1,402	1,435	1,637	1,416	1,538	1,600	1,664	1,732	1,802	1,874	1,949
Z Gates	11	56	192	188	180	187	194	201	208	215	223	232
Ground Transportation	7,056	7,087	7,421	9,134	8,786	9,611	9,996	10,396	10,813	11,246	11,697	12,164
Aviation	219	239	351	472	474	493	513	533	554	576	599	624
Nonaviation	112	89	91	676	697	784	816	849	884	920	957	996
Cargo	209	130	126	421	430	545	567	590	613	637	663	689
Passenger Conveyance	17,720	15,994	19,132	18,080	19,429	34,001	35,361	36,776	38,247	39,777	41,368	43,022
Maintenance	11,564	11,824	14,726	14,583	15,876	17,672	18,379	19,113	19,877	20,672	21,499	22,359
Public Safety	20,201	19,127	20,967	23,252	25,714	26,792	27,864	28,978	30,137	31,342	32,596	33,899
Administration	40,312	33,909	37,422	39,184	42,256	45,301	47,113	48,998	50,958	52,997	55,118	57,323
Systems & Services	15,956	14,414	14,686	17,303	19,389	23,189	24,117	26,528	29,179	32,095	35,303	38,833
Tenant Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	$ 149,371	$ 140,259	$ 152,089	$ 163,826	$ 167,410	$ 197,562	$ 208,565	$ 220,063	$ 230,456	$ 241,424	$ 253,005	$ 265,242
Ground transportation subsidy	(578)	58	-	-	-	-	-	-	-	-	-	-
Total	$ 148,793	$ 140,317	$ 152,089	$ 163,826	$ 167,410	$ 197,562	$ 208,565	$ 220,063	$ 230,456	$ 241,424	$ 253,005	$ 265,242

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.

Exhibit E-1

REVENUES
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Airports Authority	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Airline revenues												
Terminal rents and user fees	$ 131,243	$ 131,688	$ 138,342	$ 147,535	$ 178,392	$ 255,715	$ 262,820	$ 274,876	$ 287,557	$ 291,201	$ 293,888	$ 296,302
Landing and apron fees	76,359	73,375	78,682	83,048	103,464	125,001	134,759	143,257	147,545	148,678	150,609	152,362
International Arrival Building fees	8,850	9,395	9,100	8,445	13,173	19,563	29,124	33,134	33,379	33,892	34,410	34,973
Passenger conveyance fees	16,874	14,777	18,294	16,147	23,241	10,083	7,061	7,434	7,830	7,996	8,128	8,260
Total airline revenues	$ 233,326	$ 229,235	$ 244,419	$ 255,174	$ 318,270	$ 410,362	$ 433,763	$ 458,701	$ 476,310	$ 481,767	$ 487,036	$ 491,897
Concessions												
Landside Concessions	-	-	-	-	-	-	-	-	-	-	-	-
Net public automobile parking (a)	$ 80,771	$ 75,620	$ 79,199	$ 77,436	$ 75,000	$ 79,528	$ 83,424	$ 88,049	$ 93,118	$ 98,536	$ 104,307	$ 110,455
Rental car	30,551	30,202	34,418	35,684	36,926	39,377	41,058	42,990	45,070	48,986	51,464	53,892
Ground Transportation Fees	4,490	4,534	4,681	6,232	5,822	6,191	6,429	6,702	6,994	7,300	7,620	7,955
Subtotal	$ 115,811	$ 110,357	$ 118,298	$ 119,352	$ 117,748	$ 125,096	$ 130,911	$ 137,741	$ 145,182	$ 154,822	$ 163,391	$ 172,302
In-terminal concessions												
Food & Beverage	$ 10,626	$ 12,678	$ 14,986	$ 15,867	$ 15,682	$ 15,979	$ 16,470	$ 17,059	$ 17,697	$ 18,368	$ 19,068	$ 19,800
Newsstand and Retail	10,583	10,520	11,354	11,808	11,601	11,817	12,186	12,632	13,116	13,625	14,157	14,713
Duty Free	3,133	2,892	3,381	3,925	3,957	4,044	4,209	4,413	4,639	4,877	5,130	5,397
Display Advertising	6,300	6,300	7,356	7,875	7,957	8,116	8,314	8,537	8,772	9,016	9,269	9,532
Other Concessions	6,223	6,536	6,554	9,978	9,705	9,903	10,182	10,509	10,861	11,230	11,616	12,017
Subtotal	$ 36,865	$ 38,926	$ 43,631	$ 49,453	$ 48,902	$ 49,859	$ 51,361	$ 53,150	$ 55,085	$ 57,116	$ 59,240	$ 61,459
Airside Concessions												
Fixed Base Operator	7,603	10,584	11,985	10,289	10,491	10,912	11,348	11,801	12,273	12,764	13,275	13,806
Inflight Kitchen	5,468	5,667	6,243	6,741	6,738	6,986	7,374	7,848	8,373	8,936	9,540	10,187
Subtotal	$ 13,071	$ 16,250	$ 18,228	$ 17,030	$ 17,230	$ 17,898	$ 18,722	$ 19,649	$ 20,646	$ 21,700	$ 22,815	$ 23,993
Total concession revenues	$ 165,748	$ 165,533	$ 180,157	$ 185,835	$ 183,879	$ 192,853	$ 200,994	$ 210,540	$ 220,913	$ 233,638	$ 245,446	$ 257,754
Other Operating Revenues												
Rents	$ 20,918	$ 21,519	$ 23,140	$ 26,119	$ 25,153	$ 27,191	$ 28,146	$ 29,789	$ 31,065	$ 32,186	$ 33,351	$ 34,573
TSA Security Fee	1,249	1,303	1,290	1,276	1,269	1,294	1,320	1,346	1,373	1,401	1,429	1,458
Utility Reimbursements	7,262	7,349	7,289	8,488	9,148	9,487	9,820	10,168	10,528	10,901	11,289	11,694
Other Revenues	6,378	5,794	6,344	12,588	10,267	10,811	11,244	11,694	12,162	12,648	13,153	13,679
Total other operating revenues	$ 35,807	$ 35,965	$ 38,062	$ 48,472	$ 45,837	$ 48,783	$ 50,530	$ 52,997	$ 55,128	$ 57,136	$ 59,222	$ 61,404
Investment Earnings												
Debt Service Reserve Fund	$ 4,964	$ 9,036	$ 10,847	$ 11,281	$ 10,911	$ 16,619	$ 16,619	$ 16,619	$ 16,619	$ 16,619	$ 16,619	$ 16,619
Bond funds	2,204	3,930	6,446	3,125	2,466	2,843	2,843	2,843	2,843	2,843	2,843	2,843
Unrestricted funds	7,169	14,769	15,217	9,474	9,338	9,880	10,453	11,059	11,701	12,380	13,098	13,858
Total investment earnings	$ 14,338	$ 27,735	$ 32,510	$ 23,880	$ 22,715	$ 29,342	$ 29,915	$ 30,521	$ 31,163	$ 31,842	$ 32,560	$ 33,320
Total Revenues	$ 449,219	$ 458,468	$ 495,148	$ 513,362	$ 570,701	$ 681,340	$ 715,202	$ 752,759	$ 783,514	$ 804,383	$ 824,264	$ 844,375

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.
(a) Revenues are stated net of expenses and fees under parking management contract.

Exhibit E-2

REVENUES
Ronald Reagan Washington National Airport
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Reagan National	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Airline revenues												
Terminal rents and user fees	$ 63,274	$ 62,490	$ 65,792	$ 67,849	$ 71,448	$ 76,149	$ 79,260	$ 84,069	$ 88,237	$ 89,352	$ 90,386	$ 90,932
Landing fees	29,446	32,058	30,149	31,826	34,537	39,160	40,785	44,013	45,618	46,656	47,615	48,517
Total airline revenues	$ 92,720	$ 94,548	$ 95,942	$ 99,675	$ 105,985	$ 115,310	$ 120,044	$ 128,082	$ 133,855	$ 136,008	$ 138,001	$ 139,448
Concessions												
Landside Concessions												
Net public automobile parking (a)	$ 26,876	$ 26,843	$ 29,191	$ 28,465	$ 27,700	$ 30,510	$ 31,631	$ 32,829	$ 34,084	$ 35,402	$ 36,769	$ 38,189
Rental car	16,066	16,411	19,433	20,463	21,703	23,904	25,023	26,223	27,490	28,831	30,235	31,707
Ground Transportation Fees	3,420	3,146	3,270	3,212	3,272	3,599	3,743	3,893	4,049	4,211	4,379	4,554
Subtotal	$ 46,362	$ 46,400	$ 51,893	$ 52,140	$ 52,675	$ 58,013	$ 60,397	$ 62,945	$ 65,623	$ 68,444	$ 71,383	$ 74,450
In-terminal concessions												
Food & Beverage	$ 4,907	$ 6,359	$ 6,801	$ 7,099	$ 7,105	$ 7,257	$ 7,450	$ 7,657	$ 7,873	$ 8,098	$ 8,329	$ 8,567
Newsstand and Retail	4,715	4,830	5,122	5,242	5,240	5,351	5,494	5,647	5,806	5,973	6,144	6,320
Duty Free	-	-	-	51	48	49	50	51	52	53	55	57
Display Advertising	3,150	3,072	3,715	3,848	3,879	3,956	4,035	4,116	4,198	4,281	4,367	4,454
Other Concessions	535	631	706	1,471	1,090	1,118	1,144	1,172	1,201	1,231	1,262	1,293
Subtotal	$ 13,306	$ 14,893	$ 16,344	$ 17,711	$ 17,362	$ 17,731	$ 18,173	$ 18,643	$ 19,130	$ 19,636	$ 20,157	$ 20,691
Airside Concessions												
Fixed Base Operator	$ -	$ 135	$ 205	$ -	$ 242	$ 252	$ 262	$ 272	$ 283	$ 294	$ 306	$ 318
Inflight Kitchen	785	784	767	731	740	770	806	845	886	929	974	1,021
Subtotal	$ 785	$ 919	$ 972	$ 731	$ 982	$ 1,022	$ 1,068	$ 1,117	$ 1,169	$ 1,223	$ 1,280	$ 1,339
Total concession revenues	$ 60,454	$ 62,213	$ 69,210	$ 70,583	$ 71,019	$ 76,766	$ 79,638	$ 82,705	$ 85,922	$ 89,303	$ 92,820	$ 96,480
Other Operating Revenues												
Rents	$ 8,642	$ 8,716	$ 8,696	$ 9,053	$ 9,010	$ 9,400	$ 9,792	$ 10,201	$ 10,629	$ 11,075	$ 11,542	$ 12,029
TSA Security Fee	855	898	888	876	875	892	910	928	947	966	985	1,005
Utility Reimbursements	1,940	1,887	1,990	2,222	2,990	3,089	3,175	3,264	3,356	3,451	3,549	3,651
Other Revenues	1,665	1,490	1,675	3,915	2,364	2,591	2,695	2,803	2,915	3,032	3,153	3,279
Total other operating revenues	$ 13,102	$ 12,990	$ 13,250	$ 16,067	$ 15,239	$ 15,972	$ 16,572	$ 17,196	$ 17,847	$ 18,524	$ 19,229	$ 19,964
Investment Earnings												
Debt Service Reserve Fund	$ 2,407	$ 3,663	$ 4,521	$ 3,889	$ 3,555	$ 4,402	$ 4,565	$ 4,700	$ 4,763	$ 4,695	$ 4,695	$ 4,686
Bond funds	880	1,590	2,830	1,101	806	669	708	742	758	741	740	740
Unrestricted funds	2,514	5,735	6,084	3,701	3,725	3,941	4,170	4,412	4,668	4,939	5,225	5,528
Total investment earnings	$ 5,802	$ 10,988	$ 13,435	$ 8,692	$ 8,086	$ 9,012	$ 9,443	$ 9,854	$ 10,189	$ 10,375	$ 10,660	$ 10,954
Total Revenues	$ 172,078	$ 180,738	$ 191,835	$ 195,016	$ 200,329	$ 217,059	$ 225,697	$ 237,837	$ 247,813	$ 254,210	$ 260,710	$ 266,847

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.
(a) Revenues are stated net of expenses and fees under parking management contract.

Exhibit E-3

REVENUES
Washington Dulles International Airport
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Dulles International	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Airline revenues												
Terminal rents and user fees	$ 67,969	$ 69,198	$ 72,550	$ 79,685	$ 106,944	$ 179,565	$ 183,560	$ 190,807	$ 199,319	$ 201,849	$ 203,502	$ 205,371
Landing and apron fees	46,914	41,318	48,533	51,223	68,927	85,841	93,974	99,244	101,927	102,022	102,994	103,845
International Arrival Building fees	8,850	9,395	9,100	8,445	13,173	19,563	29,124	33,134	33,379	33,892	34,410	34,973
Passenger conveyance fees	16,874	14,777	18,294	16,147	23,241	10,083	7,061	7,434	7,830	7,996	8,128	8,260
Total airline revenues	$ 140,607	$ 134,688	$ 148,477	$ 155,499	$ 212,285	$ 295,052	$ 313,719	$ 330,619	$ 342,455	$ 345,759	$ 349,035	$ 352,448
Concessions												
Landside Concessions												
Net public automobile parking (a)	$ 53,895	$ 48,777	$ 50,009	$ 48,971	$ 47,300	$ 49,018	$ 51,793	$ 55,220	$ 59,034	$ 63,134	$ 67,538	$ 72,266
Rental car	14,485	13,791	14,986	15,221	15,223	15,473	16,035	16,767	17,580	20,155	21,229	22,185
Ground Transportation Fees	1,069	1,389	1,411	3,020	2,550	2,592	2,686	2,809	2,945	3,089	3,241	3,401
Subtotal	$ 69,449	$ 63,956	$ 66,405	$ 67,212	$ 65,073	$ 67,083	$ 70,514	$ 74,796	$ 79,559	$ 86,378	$ 92,008	$ 97,852
In-terminal concessions												
Food & Beverage	$ 5,720	$ 6,318	$ 8,185	$ 8,768	$ 8,577	$ 8,722	$ 9,020	$ 9,402	$ 9,824	$ 10,270	$ 10,739	$ 11,233
Newsstand and Retail	5,868	5,689	6,232	6,566	6,360	6,466	6,692	6,985	7,310	7,652	8,013	8,393
Duty Free	3,133	2,892	3,381	3,873	3,909	3,995	4,159	4,362	4,587	4,824	5,075	5,340
Display Advertising	3,150	3,228	3,641	4,028	4,079	4,160	4,279	4,421	4,574	4,735	4,902	5,078
Other Concessions	5,688	5,904	5,848	8,507	8,614	8,785	9,038	9,337	9,660	9,999	10,354	10,724
Subtotal	$ 23,559	$ 24,033	$ 27,287	$ 31,742	$ 31,540	$ 32,128	$ 33,188	$ 34,507	$ 35,955	$ 37,480	$ 39,083	$ 40,768
Airside Concessions												
Fixed Base Operator	$ 7,603	$ 10,449	$ 11,780	$ 10,289	$ 10,250	$ 10,660	$ 11,086	$ 11,529	$ 11,990	$ 12,470	$ 12,969	$ 13,488
Inflight Kitchen	4,683	4,882	5,476	6,010	5,998	6,216	6,568	7,003	7,487	8,007	8,566	9,166
Subtotal	$ 12,286	$ 15,331	$ 17,256	$ 16,299	$ 16,248	$ 16,876	$ 17,654	$ 18,532	$ 19,477	$ 20,477	$ 21,535	$ 22,654
Total concession revenues	$ 105,294	$ 103,320	$ 110,947	$ 115,253	$ 112,861	$ 116,087	$ 121,356	$ 127,835	$ 134,991	$ 144,335	$ 152,626	$ 161,274
Other Operating Revenues												
Rents	$ 12,276	$ 12,804	$ 14,444	$ 17,066	$ 16,143	$ 17,791	$ 18,354	$ 19,588	$ 20,436	$ 21,111	$ 21,809	$ 22,544
TSA Security Fee	394	405	401	400	394	402	410	418	426	435	444	453
Utility Reimbursements	5,322	5,462	5,299	6,266	6,158	6,398	6,645	6,904	7,172	7,450	7,740	8,043
Other Revenues	4,712	4,304	4,669	8,673	7,904	8,220	8,549	8,891	9,247	9,616	10,000	10,400
Total other operating revenues	$ 22,705	$ 22,976	$ 24,812	$ 32,406	$ 30,598	$ 32,811	$ 33,958	$ 35,801	$ 37,281	$ 38,612	$ 39,993	$ 41,440
Investment Earnings												
Debt Service Reserve Fund	$ 2,557	$ 5,373	$ 6,327	$ 7,392	$ 7,356	$ 12,217	$ 12,054	$ 11,919	$ 11,856	$ 11,924	$ 11,924	$ 11,933
Bond funds	1,324	2,340	3,616	2,023	1,660	2,174	2,135	2,101	2,085	2,102	2,103	2,103
Unrestricted funds	4,655	9,034	9,133	5,773	5,613	5,939	6,283	6,647	7,033	7,441	7,873	8,330
Total investment earnings	$ 8,536	$ 16,747	$ 19,075	$ 15,188	$ 14,629	$ 20,330	$ 20,472	$ 20,667	$ 20,974	$ 21,467	$ 21,900	$ 22,366
Total Revenues	$ 277,141	$ 277,730	$ 303,312	$ 318,346	$ 370,373	$ 464,281	$ 489,505	$ 514,922	$ 535,701	$ 550,173	$ 563,554	$ 577,528

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.
(a) Revenues are stated net of expenses and fees under parking management contract.

Exhibit E-4

SIGNATORY AIRLINE RENTALS, FEES, AND CHARGES
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reagan National												
Terminal A	$80.39	$85.92	$100.00	$109.98	$122.77	$128.83	$134.91	$142.98	$150.33	$152.73	$154.83	$157.24
Terminal B&C	$156.07	$153.09	$162.06	$172.20	$178.90	$190.95	$198.63	$210.70	$221.11	$223.84	$226.39	$227.55
Equipment Charges	$ 1,539,120	$ 1,556,030	$ 1,552,909	$ (520,170)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Landing Fee	$2.26	$2.47	$2.44	$2.48	$2.73	$3.12	$3.23	$3.47	$3.58	$3.64	$3.70	$3.74
Signatory Airline Cost per Enplanement												
Signatory Airline Costs (000)	$ 89,896	$ 91,358	$ 96,417	$ 95,066	$ 108,878	$ 113,768	$ 118,444	$ 126,363	$ 132,072	$ 134,178	$ 136,126	$ 137,531
Signatory Enplanements (000)	8,795	9,121	9,177	8,860	8,567	8,578	8,634	8,700	8,770	8,843	8,917	8,992
Signatory Airline Cost per Enplanement	$10.22	$10.02	$10.51	$10.73	$12.71	$13.26	$13.72	$14.52	$15.06	$15.17	$15.27	$15.29
Present Value (at 3%)	$10.22	$10.02	$10.51	$10.73	$12.34	$12.50	$12.55	$12.90	$12.99	$12.71	$12.41	$12.07
Dulles International												
Concourse A	$48.93	$83.08	$110.02	$131.90	$139.40	$212.37	$220.70	$228.96	$236.88	$240.22	$243.44	$246.62
Concourse B	$64.50	$59.76	$62.45	$49.22	$85.68	$151.20	$157.92	$165.96	$171.42	$173.80	$175.88	$178.10
Concourse C&D	$30.18	$34.32	$33.82	$33.80	$40.98	$104.84	$100.78	$108.07	$111.49	$114.15	$115.89	$117.85
Main Terminal	$130.81	$125.46	$133.65	$155.87	$204.51	$310.80	$321.13	$330.66	$348.24	$351.42	$353.05	$354.99
Z Gates	$173.82	$202.94	$198.93	$144.31	$179.79	$253.26	$269.68	$244.01	$256.78	$257.39	$258.14	$259.99
Airside Operations Building	$14.04	$13.75	$15.81	$8.98	$13.47	$14.34	$16.40	$17.21	$18.00	$18.43	$18.82	$19.36
International Arrivals Building	$4.09	$3.71	$3.25	$3.01	$3.60	$3.74	$7.57	$8.57	$8.12	$7.86	$7.61	$7.37
Concourse C IAB	$2.39	$3.26	$2.67	$1.96	$5.52	$11.62	$10.96	$11.20	$11.16	$10.96	$10.76	$10.59
Passenger Conveyance Charge	$1.25	$1.29	$1.48	$1.36	$2.10	$0.90	$0.62	$0.63	$0.65	$0.64	$0.64	$0.63
Equipment Charges	$ 1,841,700	$ 1,504,899	$ 1,891,269	$ 1,138,266	$ 1,096,361	$ 1,097,210	$ 1,097,316	$ 1,097,305	$ 1,097,372	$ 1,097,227	$ 1,097,210	$ 1,097,259
Landing Fee	$1.99	$2.03	$2.30	$2.14	$3.02	$3.83	$4.19	$4.33	$4.34	$4.23	$4.15	$4.07
Signatory Airline Cost per Enplanement												
Signatory Airline Costs (000)	$ 137,850	$ 130,574	$ 147,150	$ 154,551	$ 196,523	$ 283,889	$ 302,225	$ 318,463	$ 330,029	$ 333,239	$ 336,340	$ 339,581
Signatory Enplanements (000)	13,256	11,286	12,155	11,638	11,092	11,053	11,230	11,512	11,834	12,169	12,518	12,879
Signatory Airline Cost per Enplanement	$10.40	$11.57	$12.11	$13.28	$17.72	$25.68	$26.91	$27.66	$27.89	$27.38	$26.87	$26.37
Present Value (at 3%)	$10.40	$11.57	$12.11	$13.28	$17.20	$24.21	$24.63	$24.58	$24.06	$22.93	$21.85	$20.81
Signatory Airline Cost per Enplanement (Excl IAB)	$9.73	$10.74	$11.36	$12.55	$16.53	$23.91	$24.32	$24.78	$25.07	$24.60	$24.12	$23.65
Present Value (at 3%)	$9.73	$10.74	$11.36	$12.55	$16.05	$22.54	$22.26	$22.02	$21.62	$20.60	$19.61	$18.67

Source: Metropolitan Washington Airports Authority for historical data.

Exhibit F-1

APPLICATION OF REVENUES
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues												
Airline revenues	$ 233,326	$ 229,235	$ 244,419	$ 255,174	$ 318,270	$ 410,362	$ 433,763	$ 458,701	$ 476,310	$ 481,767	$ 487,036	$ 491,897
Concessions	165,748	165,533	180,157	185,835	183,879	192,853	200,994	210,540	220,913	233,638	245,446	257,754
Other Operating Revenues	35,807	35,965	38,062	48,472	45,837	48,783	50,530	52,997	55,128	57,136	59,222	61,404
Investment Earnings	14,338	27,735	32,510	23,880	22,715	29,342	29,915	30,521	31,163	31,842	32,560	33,320
Total Revenues	$ 449,219	$ 458,468	$ 495,148	$ 513,362	$ 570,701	$ 681,340	$ 715,202	$ 752,759	$ 783,514	$ 804,383	$ 824,264	$ 844,375
Application of Revenues												
Operation and Maintenance Expenses	$ 229,470	$ 229,350	$ 253,398	$ 268,866	$ 278,511	$ 315,584	$ 331,307	$ 347,717	$ 363,215	$ 379,495	$ 396,598	$ 414,579
Required Deposits:												
Operation and Maintenance Fund	4,045	2,412	2,676	2,298	389	6,179	2,621	2,735	2,583	2,713	2,851	2,997
Principal and Interest Accounts (a)	164,668	163,355	184,247	197,087	246,896	319,422	330,244	354,907	362,924	365,181	365,303	365,723
Redemption Account	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated Bond Fund	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-
Junior Lien Obligations Fund	-	-	-	-	-	-	-	-	-	-	-	-
Federal Lease Fund	4,505	4,690	4,830	4,975	5,019	5,220	5,428	5,646	5,872	6,106	6,350	6,604
Emergency Repair and Rehabilitation Fund	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Fund	46,531	58,663	49,997	40,136	39,886	34,935	45,602	41,755	48,920	50,888	53,162	54,472
Total Application of Revenues	$ 449,219	$ 458,468	$ 495,148	$ 513,362	$ 570,701	$ 681,340	$ 715,202	$ 752,759	$ 783,514	$ 804,383	$ 824,264	$ 844,375

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.
(a) Annual debt service is used as a proxy for deposits to the Principal and Interest Accounts.

Exhibit F-2

ALLOCATION OF NET REMAINING REVENUES (a)
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical			Estimate	Budget	Projected						
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	$ 449,219	$ 458,468	$ 495,148	$ 513,362	$ 570,701	$ 681,340	$ 715,202	$ 752,759	$ 783,514	$ 804,383	$ 824,264	$ 844,375
Airlines Share of Prior Year NRR	53,981	61,131	74,682	77,989	78,202	74,718	69,324	73,320	73,231	77,973	82,409	86,875
	$ 503,200	$ 519,600	$ 569,830	$ 591,351	$ 648,903	$ 756,058	$ 784,526	$ 826,079	$ 856,745	$ 882,356	$ 906,672	$ 931,250
LESS:												
Operation and Maintenance Expenses	$ 229,470	$ 229,350	$ 253,398	$ 268,866	$ 278,511	$ 315,584	$ 331,307	$ 347,717	$ 363,215	$ 379,495	$ 396,598	$ 414,579
O&M reserve increment	4,045	2,412	2,676	2,298	389	6,179	2,621	2,735	2,583	2,713	2,851	2,997
Annual Debt Service	164,668	163,355	184,247	197,087	246,896	319,422	330,244	354,907	362,924	365,181	365,303	365,723
Subordinate debt service	-	-	-	-	-	-	-	-	-	-	-	-
Federal lease payment	4,505	4,690	4,830	4,975	5,019	5,220	5,428	5,646	5,872	6,106	6,350	6,604
	$ 402,688	$ 399,806	$ 445,151	$ 473,226	$ 530,815	$ 646,405	$ 669,599	$ 711,005	$ 734,594	$ 753,496	$ 771,102	$ 789,902
Net Remaining Revenues	$ 100,512	$ 119,794	$ 124,679	$ 118,125	$ 118,088	$ 109,653	$ 114,926	$ 115,074	$ 122,150	$ 128,860	$ 135,571	$ 141,348
Components of NRR												
Current year General Purpose Fund deposit	$ 46,531	$ 58,663	$ 49,997	$ 40,136	$ 39,886	$ 34,935	$ 45,602	$ 41,755	$ 48,920	$ 50,888	$ 53,162	$ 54,472
Airline Share of prior year NRR	53,981	61,131	74,682	77,989	78,202	74,718	69,324	73,320	73,231	77,973	82,409	86,875
	$ 100,512	$ 119,794	$ 124,679	$ 118,125	$ 118,088	$ 109,653	$ 114,926	$ 115,074	$ 122,150	$ 128,860	$ 135,571	$ 141,348
Allocation of NRR												
Authority share	$ 39,381	$ 45,112	$ 46,689	$ 39,923	$ 43,370	$ 40,330	$ 41,607	$ 41,843	$ 44,178	$ 46,452	$ 48,695	$ 50,416
Airline share	61,131	74,682	77,989	78,202	74,718	69,324	73,320	73,231	77,973	82,409	86,875	90,932
	$ 100,512	$ 119,794	$ 124,679	$ 118,125	$ 118,088	$ 109,653	$ 114,926	$ 115,074	$ 122,150	$ 128,860	$ 135,571	$ 141,348

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.
(a) Net Remaining Revenues (NRR) is defined in the Airline Agreement.

Exhibit G-1

DEBT SERVICE COVERAGE
AND RATE COVENANT REQUIREMENT
Metropolitan Washington Airports Authority
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Airports Authority		Historical			Estimate	Budget	Projected						
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Service Coverage													
Revenues		$ 449,219	$ 458,468	$ 495,148	$ 513,362	$ 570,701	$ 681,340	$ 715,202	$ 752,759	$ 783,514	$ 804,383	$ 824,264	$ 844,375
Transfer from General Purpose Fund		53,981	61,131	74,682	77,989	78,202	74,718	69,324	73,320	73,231	77,973	82,409	86,875
		$ 503,200	$ 519,600	$ 569,830	$ 591,351	$ 648,903	$ 756,058	$ 784,526	$ 826,079	$ 856,745	$ 882,356	$ 906,672	$ 931,250
LESS:													
O&M Expenses		229,470	229,350	253,398	268,866	278,511	315,584	331,307	347,717	363,215	379,495	396,598	414,579
Net Revenues	[A]	$ 273,730	$ 290,250	$ 316,432	$ 322,485	$ 370,392	$ 440,474	$ 453,219	$ 478,362	$ 493,530	$ 502,861	$ 510,074	$ 516,671
Annual Debt Service	[B]	$ 164,668	$ 163,355	$ 184,247	$ 197,087	$ 246,896	$ 319,422	$ 330,244	$ 354,907	$ 362,924	$ 365,181	$ 365,303	$ 365,723
Coverage (All Debt)	[A/B]	1.66	1.78	1.72	1.64	1.50	1.38	1.37	1.35	1.36	1.38	1.40	1.41
Rate Covenant Requirement													
Requirement Section 6.04(a)(i)													
Required Deposits to:													
Principal & Interest Accounts (a)		$ 164,668	$ 163,355	$ 184,247	$ 197,087	$ 246,896	$ 319,422	$ 330,244	$ 354,907	$ 362,924	$ 365,181	$ 365,303	$ 365,723
Redemption Accounts		-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve Fund		-	-	-	-	-	-	-	-	-	-	-	-
Subordinate Bond Funds		-	-	-	-	-	-	-	-	-	-	-	-
Subordinate Reserve Funds		-	-	-	-	-	-	-	-	-	-	-	-
Junior Lien Obligations Fund		-	-	-	-	-	-	-	-	-	-	-	-
Federal Lease Fund		4,505	4,690	4,830	4,975	5,019	5,220	5,428	5,646	5,872	6,106	6,350	6,604
Total Section 6.04(a)(i) Requirement	[C]	$ 169,173	$ 168,044	$ 189,077	$ 202,062	$ 251,915	$ 324,642	$ 335,672	$ 360,553	$ 368,796	$ 371,287	$ 371,653	$ 372,327
Requirement 6.04(a)(ii)													
Annual Debt Service		$ 164,668	$ 163,355	$ 184,247	$ 197,087	$ 246,896	$ 319,422	$ 330,244	$ 354,907	$ 362,924	$ 365,181	$ 365,303	$ 365,723
Coverage Factor		125%	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%
Total Section 6.04(a)(ii) Requirement	[D]	$ 205,834	$ 204,193	$ 230,308	$ 246,359	$ 308,620	$ 399,278	$ 412,805	$ 443,633	$ 453,655	$ 456,477	$ 456,629	$ 457,153
Rate Covenant Requirement (equal to the greater of [C] or [D])	[E]	$ 205,834	$ 204,193	$ 230,308	$ 246,359	$ 308,620	$ 399,278	$ 412,805	$ 443,633	$ 453,655	$ 456,477	$ 456,629	$ 457,153
Result must not be less than zero	[A-E]	$ 67,896	$ 86,057	$ 86,123	$ 76,126	$ 61,772	$ 41,197	$ 40,414	$ 34,728	$ 39,874	$ 46,384	$ 53,445	$ 59,518

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.
(a) Annual debt service is used as a proxy for deposits to the Principal and Interest Accounts.

Exhibit G-2

DEBT SERVICE COVERAGE
Ronald Reagan Washington National Airport
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Reagan National		Historical			Estimate	Budget	Projected						
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues		$ 172,078	$ 180,738	$ 191,835	$ 195,016	$ 200,329	$ 217,059	$ 225,697	$ 237,837	$ 247,813	$ 254,210	$ 260,710	$ 266,847
Transfer from General Purpose Fund		7,601	10,613	17,572	14,014	14,586	11,159	10,257	10,014	10,272	11,213	12,159	13,036
		$ 179,678	$ 191,351	$ 209,408	$ 209,030	$ 214,915	$ 228,218	$ 235,954	$ 247,851	$ 258,085	$ 265,423	$ 272,869	$ 279,882
LESS:													
O&M Expenses		80,677	89,033	101,309	105,040	111,101	118,022	122,742	127,654	132,759	138,071	143,593	149,337
Net Revenues	[A]	$ 99,002	$ 102,318	$ 108,098	$ 103,991	$ 103,814	$ 110,196	$ 113,212	$ 120,197	$ 125,326	$ 127,352	$ 129,276	$ 130,545
Annual Debt Service	[B]	$ 73,259	$ 65,821	$ 75,763	$ 75,481	$ 78,831	$ 85,920	$ 89,683	$ 96,012	$ 99,113	$ 99,095	$ 99,109	$ 99,138
Coverage (All Debt)	[A/B]	1.35	1.55	1.43	1.38	1.32	1.28	1.26	1.25	1.26	1.29	1.30	1.32

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.

Exhibit G-3

DEBT SERVICE COVERAGE
Washington Dulles International Airport
For Fiscal Years ending December 31
(escalated dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Dulles International		Historical			Estimate	Budget	Projected						
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues		$ 277,141	$ 277,730	$ 303,312	$ 318,346	$ 370,373	$ 464,281	$ 489,505	$ 514,922	$ 535,701	$ 550,173	$ 563,554	$ 577,528
Transfer from General Purpose Fund		46,380	50,519	57,110	63,975	63,616	63,559	59,067	63,305	62,959	66,760	70,249	73,840
		$ 323,522	$ 328,249	$ 360,422	$ 382,321	$ 433,988	$ 527,840	$ 548,572	$ 578,227	$ 598,660	$ 616,933	$ 633,803	$ 651,368
LESS:													
O&M Expenses		148,793	140,317	152,089	163,826	167,410	197,562	208,565	220,063	230,456	241,424	253,005	265,242
Net Revenues	[A]	$ 174,729	$ 187,932	$ 208,333	$ 218,495	$ 266,578	$ 330,278	$ 340,007	$ 358,164	$ 368,204	$ 375,509	$ 380,798	$ 386,126
Annual Debt Service	[B]	$ 91,409	$ 97,534	$ 108,483	$ 121,606	$ 168,065	$ 233,502	$ 240,561	$ 258,895	$ 263,811	$ 266,087	$ 266,194	$ 266,585
Coverage (All Debt)	[A/B]	1.91	1.93	1.92	1.80	1.59	1.41	1.41	1.38	1.40	1.41	1.43	1.45

Source: Metropolitan Washington Airports Authority for historical data.
Totals may not add due to rounding.

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Comprehensive Annual Financial Report

Year Ended December 31, 2008

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PricewaterhouseCoopers LLP
1800 Tysons Boulevard
McLean, VA 22102-4261
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Report of Independent Auditors

To the Board of Directors
of the Metropolitan Washington Airports Authority:

In our opinion, the financial statements of the business-type activities and each major fund of the Metropolitan Washington Airports Authority (the "Airports Authority"), which collectively comprise the Airports Authority's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Airports Authority as of December 31, 2008 and December 31, 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Airports Authority's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Notes D and G to the basic financial statements, in 2008 the Airports Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

The Management's Discussion and Analysis (MD&A) on pages B-3 through B-23 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

April 20, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the Metropolitan Washington Airports Authority (the Airports Authority) is to provide an introduction and understanding of the basic financial statements of the Airports Authority for the year ended December 31, 2008 with selected comparative information for the years ended December 31, 2007 and December 31, 2006. This discussion has been prepared by management, is unaudited and should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

Using the Financial Statements

The Airports Authority's financial report includes three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by Governmental Accounting Standards Board (GASB) principles. In 2008, the Airports Authority implemented GASB Statement No. 49*, Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). No prior year restatements were required in the year of implementation for either Statement, however, the Airports Authority expensed $1.9 million of expenditures previously capitalized as construction in progress in relation to GASB 49.

The financial statements presentation, beginning with year ended December 31, 2008, will include for the first time two Enterprise Funds. The Aviation Enterprise Fund encompasses the two Airports, Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International), collectively, the Airports. The Dulles Corridor Enterprise Fund (DCE), which commenced November 1, 2008, encompasses the Dulles Toll Road (DTR) and the Dulles Corridor Metrorail Project (Metrorail Project).

The Statements of Net Assets depict the Airports Authority's financial position as of a point in time, December 31, and include all assets and liabilities of the Airports Authority. The Statements of Net Assets demonstrate that the Airports Authority's assets equal liabilities plus net assets. Net assets represent the residual interest in the Airports Authority's assets after liabilities are deducted. Net assets are displayed in three components: invested in capital assets, net of related debt, restricted and unrestricted.

The Statements of Revenues, Expenses and Changes in Net Assets report total operating revenues, operating expenses, non-operating revenues and expenses, and other changes in net assets as of the end of a fiscal period, normally the year ended December 31. Revenues and expenses are categorized as either operating or non-operating based upon management's policy as established in accordance with definitions set forth by GASB. Significant recurring sources of the Airports Authority's revenues, including Passenger Facility Charges (PFC's), investment income and federal, state and local grants are reported as non-operating revenues. The Airports Authority's interest expense is reported as non-operating expense.

The Statements of Cash Flows present information showing how the Airports Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

The Airports Authority's Activity Highlights

Aviation Enterprise Fund

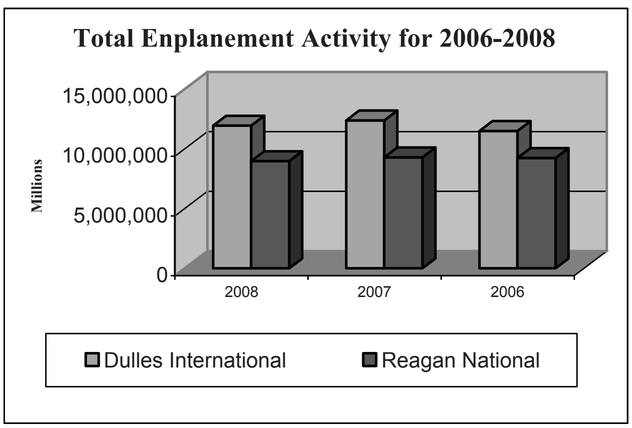
The Airports Authority has activity-based revenues which include non-airline fees such as parking and rental car and airline based fees such as landing fees, international arrival fees and passenger conveyance fees. There have been many factors and events that have negatively affected the air transportation industry in the past year such as the general economic downturn in the latter part of 2008 and the resulting contraction in the economy. In response to this, the Airports Authority has continued its effort to diversify its revenues, increase the carriers using its airports and adhere to the principles of fiscal restraint. After two years of reduced enplanement activity beginning in 2001, the monthly activity levels at Reagan National and Dulles International began rebounding by year-end 2003. In 2008, the U.S. economy experienced uncertainty and instability beginning with the banking crisis and spreading to the major industrial sectors including aviation. This has translated into a severe dislocation of the world credit market and a contraction in the economy with a resulting decrease in air travel. The recently approved American Recovery and Reinvestment Act will hopefully provide some stability but the actual impact to the U.S. economy and specifically the Washington D.C. region is still relatively unknown.

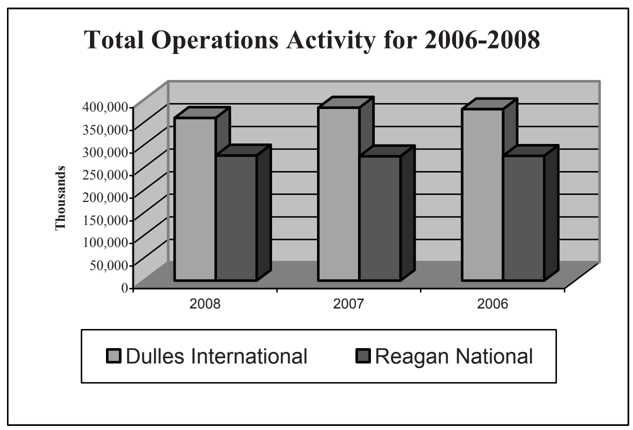
In 2007, Reagan National experienced record passenger levels and reported record high revenues from other sources such as concessions. Enplanements at Reagan National for the 12 months of 2008 were 9.0 million, compared to 9.3 million for the year 2007, resulting in a decrease of 3.4%. General Aviation operations in 2008 were 4,914; a decrease of 358 from 2007.

Dulles International, after experiencing reduced passenger traffic in 2006, was growing rapidly and in 2007 surpassed all previous years and closed the year 2007 with growth in total passengers and increased revenues in all areas. Total enplanements at Dulles International for the 12 months of 2008 were 11.9 million compared to 12.4 million in 2007, resulting in a 3.5% decrease. International enplanements for the 12 months of 2008 were 3.1 million compared to 3.0 million in 2007, a 5.2% increase.

Enplanements and Operations Activity for 2006 to 2008

	2008	2007	2006
Dulles International			
Dulles International (Domestic)	8,742,530	9,313,161	8,797,384
Dulles International (International)	3,115,417	2,960,345	2,594,862
Dulles International (Non-Commercial)	86,914	109,310	105,084
Total Dulles International Enplanements	11,944,861	12,382,816	11,497,330
Reagan National			
Reagan National (Domestic)	8,836,467	9,145,554	9,054,485
Reagan National (Transborder)	141,364	148,523	185,333
Total Reagan National Enplanements	8,977,831	9,294,077	9,239,818
Operations			
Dulles International	360,292	382,943	379,571
Reagan National	277,298	275,433	276,419





The North American aviation industry growth rate was (4.7%) for 2008. Both Airports exceeded this rate by at least 1.2% while experiencing a reduction in passengers. Dulles International's international passenger growth rate was 5.2%. This growth rate far exceeded the North American industry average international growth rate of 2.6%.

Enplanements Growth	MWAA	North America	Difference
Dulles International (Domestic)	(3.5)%	(4.7)%	1.2%
Dulles International (International)	5.2%	2.6%	2.6%
Reagan National	(3.4)%	(4.7)%	1.3%

Dulles Corridor Enterprise Fund

On November 1, 2008, the Virginia Department of Transportation (VDOT) transferred responsibility for the operation and maintenance of the DTR to the Airports Authority for an initial term of 50 years. As part of the agreement with the Commonwealth of Virginia (the Commonwealth), the Airports Authority will construct the

Metrorail Project from the vicinity of West Falls Church to Route 772 in Loudoun County and will make other improvements in the Dulles corridor consistent with VDOT and regional plans.

The DTR is an eight lane (4 lanes in each direction) limited access highway 13.4 miles in length. The DTR has 10 exit and entrance ramps with tolls of 75¢ at the main toll plaza west of the Beltway and 50¢ at other exit and entrance locations.

The DTR's activity for the final two months of 2008, while under the operation of the Airports Authority, was 17,527,707 toll road transactions. This is 259,231 transactions lower than November and December of 2007. On an annual basis, the DTR processed 110.8 million transactions in 2008 dropping 486,700 transactions from 2007. The DTR processed an average of 9.2 million transactions per month in 2008. This is a decrease from 2007 of 40,500 transactions per month or a 0.4% drop in transactions for the year.

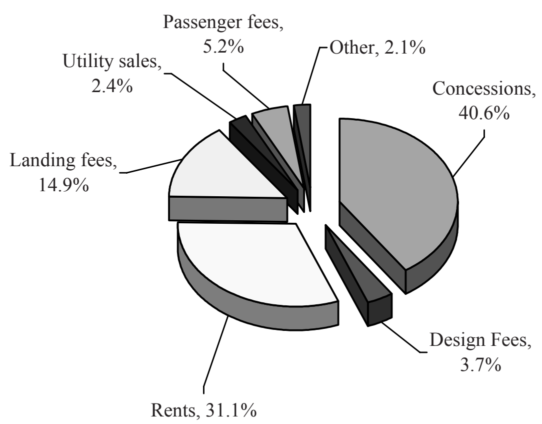
Financial Highlights - Aviation Enterprise Fund

The overall activity results of 2008 reflect the general slowdown experienced this year in the economy. The Airports recorded $550.9 million in operating revenues for 2008. This was a total increase from 2007 of $40.5 million and from 2006 of $79.8 million. The Airports Authority's revenues are primarily derived from rents and charges for the use of the Airport's facilities, including landing fees received from both Signatory and non-Signatory Airlines using the Airports, and concession contracts at the Airports, including off-airport rental car operations. Concessions historically have accounted for a substantial portion of the Airports Authority's revenues. The Airport Use Agreement and Premises Lease (the Agreement) requires the Signatory Airlines to pay actual costs while the majority of concessionaires pay a percentage of revenue or a minimum annual guarantee (MAG) payment.

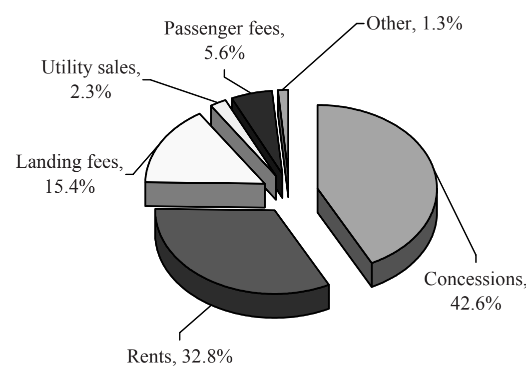
Aviation Enterprise Operating Revenues

Classifications	2008 Revenue	2007 Revenue	Increase (Decrease) from 2007	Percent of Increase (Decrease) from 2007
Concessions	$ 223,710,732	$ 217,486,823	$ 6,223,909	2.86%
Rents	171,331,285	167,301,027	4,030,258	2.41%
Design fees	20,363,189	-	20,363,189	100.00%
Landing fees	82,289,545	78,682,496	3,607,049	4.58%
Utility sales	13,348,545	11,778,736	1,569,809	13.33%
Passenger fees	28,354,142	28,684,113	(329,971)	-1.15%
Other	11,547,405	6,542,935	5,004,470	76.49%
Total	$ 550,944,843	$ 510,476,130	$ 40,468,713	7.93%

2008 Revenues



2007 Revenues



Airline Revenue

In 2008, airline revenues, which consist of landing fees, terminal rents, and passenger fees, increased $4.6 million from 2007, principally related to the increase in some of the rates at the Airports, the addition of new space in Concourse B at Dulles International and some additional Airlines. Landing fees increased $3.6 million to $82.3 million or 4.6%. Rent revenue increased $4.0 million, a 2.4% increase from 2007. Passenger fees, including fees paid by the Transportation Security Administration (TSA) decreased $0.3 million or 1.2%, as a result of the decreased passenger traffic at Dulles International offset by a increase in airline rates. As part of it's emergence from bankruptcy in 2006, United Airlines (United) agreed to reimburse the Airports Authority over a 10-year period for the expenses incurred by the Airports Authority in designing the Tier 2 Concourse and related facilities. In June 2008, the Airports Authority ceased all design work on the Tier 2 Concourse and related facilities. In conjunction with the cessation of the work on Tier 2 Concourse and related facilities, the Airports Authority recognized the $20.4 million as design fees revenue in the Airports Authority's Statement of Revenue, Expenses and Changes in Net Assets.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2008 and 2007:

Other Revenue

In 2008, other revenues increased $5.0 million from 2007 principally related to $1.8 million received for construction right of way and $3.2 million received from the Greenway Toll Road for the construction of an entrance ramp.

Concession Revenue

In 2008, the Airports Authority's concession revenues increased $6.2 million or 2.9% from 2007. Concession revenues account for 40.6% of total operating revenues, down from 2007 by 2.0%. Parking revenues still rank as the Airports Authority largest concession providing $115.1 million in total revenues for the year. This is a decrease of $1.4 million from last year and reflects the general decrease in passenger traffic. Rental car revenue of $35.9 million increased $1.5 million from 2007 supplemented by the new MAG amounts as negotiated in new contracts for both Reagan National and Dulles International in recent years. Ground transportation revenues of $6.4 million increased by $1.6 million primarily at Dulles International and reflect the new taxi contract in place at the Airport. New revenues in 2008 of $0.5 million were earned at the Airports for the new registered traveler program. Other areas of concession revenue such as food & beverage, retail, in-flight caterers, newsstand and retail, duty free and others increased $4.0 million with moderate changes in each area.

Concession revenue at Reagan National increased in total by $1.8 million. Parking revenues decreased $0.6 million from 2007 at Reagan National. The parking garages at Reagan National experienced a slight drop in average occupancy from 87.8% in 2006 to 83.8% in 2007 to 82.9% in 2008. Parking rates were increased in June 2008. Reagan National added a cell phone parking lot in 2006, which offers roughly 30 spaces of "no charge parking" while waiting for passengers arriving at the terminal. Construction on an additional level to Parking Garages A, B and C began in 2008. This additional area will provide approximately 1,424 new public parking spaces. When complete there will be 9,829 parking (including handicap) spaces at Reagan National: 475 hourly, 6,243 daily, 2996 economy, and 115 overflow spaces. In 2008, four new food outlets opened in several venues throughout the Airport. In January 2008, a new full-service restaurant opened in the connector called National Airport Grill, offering a full menu of food and drink items including a full service bar. In July 2008, another location of Einstein Bagel opened in Terminal A. In August 2008, a second location of Mayorga Coffee opened on the north end of National Hall in the Main Terminal and in December 2008, an additional location of Auntie Anne's opened on the South Pier. These four concessions produced $2.2 million in gross sales for 2008. There were no new retail openings in 2008.

Concession revenue at Dulles International increased $4.4 million from 2007. In 2008, parking revenues were $71.1 million, a decrease of $0.8 million from 2007. In 2008, there were 27,433 public parking spaces at Dulles International, an increase of 1,308 spaces from 2007. The increase in public parking spaces was the result of an increase in the cell phone lot due to additional milling, paving and restriping and an increase in the overflow lot when construction returned the lot to public use after occupying the lot in 2007. Public parking is comprised of 1,923 spaces in hourly, 8,325 daily, 830 valet, 12,378 economy, 3,733 in overflow and 224 in the cell phone lot. Overall activity for public parking decreased 7.6% in 2008 compared to 2007. Total exits for 2008 were 3.1 million compared to 3.4 million in 2007. Total parking revenue decreased only 1.2% due to rate increases and changes to the rate structure that went into effect June 1, 2008. Food and beverage revenue increased 6.8% over 2007 to $8.7 million, resulting from the addition of several food and beverage facilities in the expansion of midfield Concourse B. New tenants included Five Guys, Auntie Anne's Pretzels, Greenleaf's Grille and Bananas, Capitol Grounds, and Max & Erma's.

The following table details concession revenues by major category for years ended December 31, 2008 and December 31, 2007:

Concession Revenues

	2008	2007	Increase (Decrease) from 2007	Percent of Increase (Decrease) from 2007
Parking	$ 115,105,856	$ 116,528,833	$ (1,422,977)	-1.22%
Rental cars	35,949,215	34,418,480	1,530,735	4.45%
Food and beverage	15,860,110	14,985,742	874,368	5.83%
Newsstand and retail	11,921,105	11,354,093	567,012	4.99%
Duty free	3,810,294	3,422,389	387,905	11.33%
Display advertising	7,737,054	7,356,054	381,000	5.18%
Inflight caterers	6,872,934	6,242,548	630,386	10.10%
Fixed base operator	12,712,051	11,985,065	726,986	6.07%
Ground transportation	6,368,761	4,784,097	1,584,664	33.12%
All other	7,373,352	6,409,522	963,830	15.04%
Total	$ 223,710,732	$ 217,486,823	$ 6,223,909	2.86%

Operating Expense

Operating expenses for the Aviation Enterprise Fund, for fiscal year ended December 31, 2008 were $555.5 million, an increase of $77.0 million or 16.1% over 2007.

In 2008, the Airports Authority recognized a one-time transaction to record a write off of design costs incurred on the Tier 2 Concourse and related facilities. In 2008, the Airports Authority ceased all design work on the Tier 2 Concourse and related facilities. If the Airports Authority was to proceed with the project in the future, the Tier 2 Concourse and related facilities are likely to be substantially different from what is reflected in the designs and plans developed to date. Consistent with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42), the Airports Authority recorded $66.2 million in impairment losses as period expenses in 2008.

In the spring of 2008, the Airports Authority put in place budget constraints reducing the authorization for the annual budget expenditures to 95.0% of non-personnel expenses for Reagan National, 97.0% of non-personnel expenses for Dulles International and 90.0% of non-personnel expenses for all other offices. In addition, the current alignment of office workforce and workload was reviewed and alternative approaches to fulfilling the requirements of vacant positions were enacted. Overtime was reduced by a minimum of 10.0%, additional capital equipment purchases were curtailed for the parking operations, the use of temporary services were limited and advertising expenses were reviewed to identify reductions for 2008. The Office of Engineering began the development of an energy conservation plan and it was ordered that all future fleet purchases should be hybrid technology.

As a result of these cost containment measures, materials, equipment, supplies, contract services and other is the largest expenditure area, closed the year $19.8 million less than 2007 and $11.2 million higher than

2006. The 2008 expenses reflect the one-time reduction of $7.2 million in previously recorded expenses to be repaid to the Aviation Enterprise Fund from the DCE Fund for costs incurred to-date associated with the pursuit and transfer of the DTR and Metrorail Project.

The Airports Authority continued its process of implementing a new Enterprise Resource Planning (ERP) system and expended $2.0 million towards this system in 2008. According to accounting principles as promulgated in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), the Airports Authority was in the developmental state of the implementation program in 2008 and expensed the costs through the Statements of Revenues, Expenses and Changes in Net Assets. In 2007 the Airports Authority expended $4.4 million for this program and in 2006 expended $2.4 million.

The Airports Authority saw relatively few snow events in the last quarter of 2008 and saw a $1.0 million drop in the cost of snow supplies in 2008. Expenditures for the maintenance of parking lots, buildings and other general areas were reduced 17.3% in the budget constraints and dropped $2.4 million from 2007. In 2007, the Airports Authority sponsored the American Association of Airport Executives (AAAE) convention which cost approximately $675.0 thousand. And the Airports Authority scaled back its advertising program, reducing costs from 2007 by $1.2 million.

In 2008, the Airports Authority implemented GASB 49 and GASB 53. No prior year restatements were required in the year of implementation for GASB 49, however, expenditures residing in the Airports Authority's construction in progress accounts were expensed in 2008. The 2008 expenses of $2.6 million reflect the implementation expenses, as well as other current year pollution remediation work, which were expensed consistent with GASB 49.

The Airports Authority's utility expenditures for 2008 were $25.4 million, an increase of $4.3 million from 2007 and an increase of $5.0 million from 2006. Escalating costs of fuel prices throughout the world increased the cost of utilities purchased by the Airports Authority. The Airports Authority opened additional facilities in 2008 with the completion of the expansion of Concourse B which added to the general overhead utility requirements.

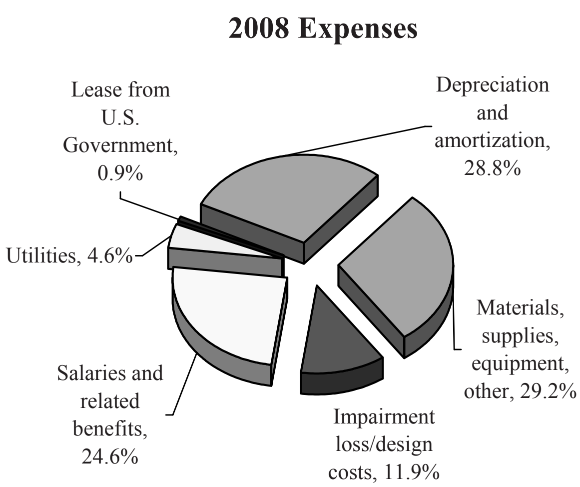
Salaries and related benefits expenses of $136.5 million resulted in an increase of $8.0 million from 2007 and $22.6 million from 2006. Health insurance expenses increased $3.0 million from last year and regular salaries increased $7.6 million from 2007. Overtime was reduced in 2008 by $2.5 million and special program employee expenses were reduced by $1.0 million. The Airports Authority continues its funding of the Other Post-Employment Benefits (OPEB) program and recorded $5.9 million in expenses for 2008, $5.9 million for 2007 and $3.0 million for 2006. The contributions percentages to the Airport Authority's retirement plans were increased to 6.8% in 2008 from 6.6% of eligible earnings in 2007 for the general plan and to 12.4% in 2008 from 11.8% of eligible earnings in 2007 for the police and fire fighter plan.

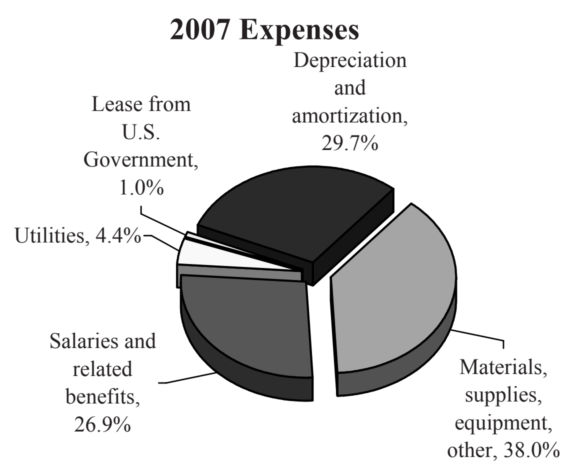
Depreciation and amortization expense in 2008 was $160.3 million. This is an increase of $18.2 million from last year and $27.2 million from 2006. In 2008 the Airports Authority completed and put into service the 12-gate extension of Concourse B and the fourth runway at Dulles International.

Aviation Enterprise Operating Expenses

Expense Classification	2008	2007	Increase (Decrease) from 2007	Percent of Increase (Decrease) from 2007
Materials, equipment, supplies, contract services and other	$ 162,254,215	$ 182,096,091	$ (19,841,876)	(9.58)%
Impairment loss/design costs	66,170,165	-	66,170,165	100.00%
Salaries and related benefits	136,508,033	128,465,267	8,042,766	6.26%
Utilities	25,402,257	21,134,317	4,267,940	20.19%
Lease from U.S. Government	4,958,280	4,830,121	128,159	2.65%
Depreciation and amortization	160,256,762	142,030,354	18,226,408	12.83%
Total	$ 555,549,712	$ 478,556,150	$ 76,993,562	16.09%

The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2008 and 2007:





Changes in Net Assets

The 2008 operating loss was $4.6 million, a decrease of $36.5 million from 2007 and $52.7 million from 2006. The results reflect the decrease in activity at the airports and the reduction in materials, supplies, and services and non-capital project expenses realized from the budget constraints applied during the year.

Non-operating revenues of $38.0 million, primarily investment income, are down from the results of 2007 and 2006 by $17.6 million and $7.1 million, respectively. The continued reduction in interest rates, as seen in 2008, has had a direct effect on investment income.

Non-operating expenses, primarily interest expense, financing charges and realized and unrealized swap losses, were $304.1 million for the year. The unrealized swap losses for the year 2008 were $158.4 million and the realized swap losses for the year were $20.4 million. This is far greater than the swap losses recognized in either 2007 of $24.6 million or 2006 of $14.6 million. During fiscal year 2008 the traditional relationship of London International Bank Offered Rate (LIBOR) and variable municipal bond interest rates moved in opposite directions where LIBOR interest rates were lower and municipal interest rates increased resulting in an increased unrealized loss on the swaps. Interest expenses and finance charges were $125.3 million for 2008 which is an increase from 2007 of $9.8 million and from 2006 of $26.3 million.

For the year ended December 31, 2008, the Airports Authority implemented GASB 53. Before GASB 53, the Airports Authority followed the Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FASB 133), in reporting its derivative transactions. FASB 133 required the swap transactions to be recognized at fair value. According to GASB 53, all of the Airports Authority's forward-starting swap transactions and those swap transactions associated with issued debt should be recognized at fair value on the Statements of Net Assets. As a result, the implementation of GASB 53 had no impact on the reporting of the Airports Authority's swaps.

In 2001, the Airports Authority began a risk management program to assist in managing the interest cost on outstanding and future debt. The Airports Authority's derivatives subject to GASB 53 consist of interest rate swaps used to modify interest rates on outstanding and future debt. Based on the Airports Authority's International Swaps and Derivatives Association Agreement (Swap Agreement), the Airports Authority owes interest calculated at a notional amount multiplied by a fixed rate to the counter parties. In return, the counter parties owe the Airports Authority interest based on the notional amount multiplied by a variable rate equal to 72.0% of LIBOR. Only the net difference in interest payments is actually exchanged with the counter parties. The Airports Authority continues to pay interest to the bondholders at the variable rate provided by the bonds associated with the swap. During the term of the Swap Agreement, the Airports Authority pays, or receives, the difference between the fixed rate on the swaps and 72.0% of LIBOR.

The GASB 53 states that if LIBOR, or a percentage of LIBOR, is employed as a hedge of tax-exempt debt, hedge effectiveness should be evaluated using one of the quantitative methods. The Airports Authority has applied the synthetic instrument method to determine swap effectiveness.

At December 31, 2008, the Airports Authority had eight outstanding Swap Agreements. The 2001 Merrill Lynch Swap Agreement, with an effective date of October 1, 2002, is associated with the Series 2002C Variable Rate Demand Obligations (VRDO). The remaining swaps have effective dates from 2009 to 2011. They are expected to be associated with bonds issued in the future.

In 2008, subsequent to the bankruptcy of Lehman Brothers, the 2001 and 2006 Lehman Brothers Swaps were terminated. The Airports Authority paid Lehman Brothers the calculated value of $10.6 million and $5.9 million, respectively. In 2008, three 2005 Swaps, with an effective date of October 1, 2008, were amended to extend the effective date to January 15, 2009, and increase the fixed-payor rate.

The actual synthetic rate of the 2001 Merrill Lynch Swap was 5.9381% for the reporting period and did not closely correlate to the fixed rate of 4.445%. Therefore, the 2001 Merrill Lynch Swap is considered ineffective and its fair value of $(11.6) million is reported on the Statements of Net Assets. The net change in the 2001 Merrill Lynch Swap from 2007 was a loss of $6.2 million. The GASB 53 requires that if a derivative instrument is found to be ineffective in the first reporting period, evaluation of effectiveness in subsequent reporting periods should not be performed. Therefore, since this derivative is found to be ineffective at the end of December 31, 2008, its first reporting period, then hedge accounting will cease permanently and the changes in the value of this instrument will be reported in the Statements of Revenues, Expenses and Changes in Net Assets as "Unrealized Swap (Loss) Gain."

According to GASB 53, all of the Airports Authority's forward-starting swap transactions should be recognized on the Statements of Net Assets at fair value until the related bonds are issued and hedge accounting can determine if the swaps are effective. In reporting its derivative transactions, the Airports Authority had previously followed FASB 133 where the change in fair value of derivatives were reported on the Statements of Revenues, Expenses and Changes in Net Assets and the value of the derivatives were reported on the Statements of Net Assets. The fair value of the Airports Authority swaps on December 31 2008 and 2007 is $(208.7) million and $(50.3) million respectively. The change in fair value of the Airports Authority's swaps in 2008 is a unrealized loss of $158.4 million.

The following table provides information on the Airports Authority's Swaps as of December 31, 2007, and December 31, 2008.

Trade Date	Effective Date/Termination Date (Final Maturity)	Counterparty	Notional Amount ($millions)	Fixed Rate	Fair Market Value at 12/31/07	Fair Market Value at 12/31/08	Change in Fair Market Value
07/31/2001	8/29/02 - 10/01/21	Merrill Lynch	$66.12	4.460%	$ (5,342,451)	$ (11,587,964)	$ (6,245,513)
		Lehman Brothers			(10,807,736)	Terminated	10,807,736
05/13/2005	1/15/09 - 10/1/31	Wachovia	65	3.966%	(2,315,640)	(14,517,184)	(12,201,544)
		Bank of Montreal	35	4.059%	(1,300,943)	(7,880,152)	(6,579,209)
	1/15/09 - 10/1/36	Bank of Montreal	75	3.911%	(1,860,878)	(17,008,939)	(15,148,061)
06/15/2006	10/1/09 - 10/1/39	JP Morgan Chase	190	4.100%	(10,235,171)	(54,400,169)	(44,164,998)
		Bank of America	110		(5,955,903)	(31,903,537)	(25,947,634)
06/15/2006	10/1/10 - 10/1/40	Wachovia	170	4.112%	(7,512,264)	(46,433,048)	(38,920,784)
		Lehman Brothers			(3,557,340)	Terminated	3,557,340
05/13/2005	10/1/11 - 10/1/39	Wachovia	125	3.862%	(1,409,153)	(24,940,948)	(23,531,795)
			$836.12		$(50,297,479)	$ (208,671,941)	$(158,374,462)

Capital contributions include PFC's, federal and state grants and other capital property acquired. PFC revenue for 2008 was $78.5 million, $4.4 million less than 2007 and $3.0 million less than 2006. This reduction in receipts reflects the general downturn in air travel predicated by the overall general economic conditions in 2008.

Federal and state grants were $52.1 million in 2008, $32.3 million in 2007 and $54.2 million in 2006. In 2008, the Airports Authority received $46.8 million in Airport Improvement Program (AIP) primarily for the construction of the fourth runway at Dulles International.

The change in net assets is an indicator of the overall fiscal condition of the Airports Authority. Net assets declined in 2008 by $140.2 million. This decline includes the effects of certain unusual transactions such as: recognition of United's payment of design costs of $20.4 million, the GASB 42 impairment loss of $66.2 million and the realized and unrealized swap losses of $178.8 million.

The following represents a summary of the Statements of Revenues, Expenses and Changes in Net Assets for the Aviation Enterprise:

	Aviation Enterprise		
	2008	2007	2006
Operating revenues			
Concessions	$ 223,710,732	$ 217,486,823	$ 199,011,305
Rents	171,331,285	167,301,027	156,164,079
Design fees	20,363,189	-	-
Landing fees	82,289,545	78,682,496	73,375,458
Utility sales	13,348,545	11,778,736	11,248,988
Passenger fees	28,354,142	28,684,113	25,474,908
Other	11,547,405	6,542,935	5,893,899
Total operating revenues	550,944,843	510,476,130	471,168,637
Operating expenses			
Material, equipment, supplies contract services, and other	162,254,215	182,096,091	151,009,792
Impairment loss/design costs	66,170,165	-	-
Salaries and related benefits	136,508,033	128,465,267	113,870,907
Utilities	25,402,257	21,134,317	20,359,248
Lease from U.S. Government	4,958,280	4,830,121	4,689,858
Depreciation and amortization	160,256,762	142,030,354	133,106,378
Total operating expenses	555,549,712	478,556,150	423,036,183
Operating income (loss)	(4,604,869)	31,919,980	48,132,454
Non-operating revenues			
Investment income	37,965,692	55,557,746	45,035,158
Total non-operating revenues	37,965,692	55,557,746	45,035,158
Non-operating expenses			
Interest expense	(122,984,332)	(111,534,092)	(96,999,795)
Passenger facility charges, financing costs	(2,330,507)	(3,968,842)	(2,026,385)
Swap payments	(20,436,237)	(1,353,696)	(1,854,177)
Unrealized swap loss	(158,374,462)	(23,223,957)	(12,718,126)
Total non-operating expenses	(304,125,538)	(140,080,587)	(113,598,483)
Loss before capital contributions	(270,764,715)	(52,602,861)	(20,430,871)
Capital contributions	130,592,529	118,674,180	136,960,753
Increase (decrease) in net assets	$ (140,172,186)	$ 66,071,319	$ 116,529,882

Financial Highlights - Dulles Corridor Enterprise Fund

Operating Revenue

On November 1, 2008, the VDOT transferred responsibility for the operation and maintenance of the DTR to the Airports Authority for an initial term of 50 years. As part of its agreement with the Commonwealth, the Airports Authority will construct the Metrorail Project from the vicinity of West Falls Church to Route 772 in Loudoun County and will make other improvements in the Dulles corridor consistent with VDOT and regional plans. These two functions operate as a single Business-Type Activity and are reported in the DCE Fund.

The DTR is an eight lane (4 lanes in each direction) limited access highway 13.4 miles in length. The DTR has 10 exit and entrance ramps with tolls of 75¢ at the main toll plaza west of the Beltway and 50¢ at other exit and entrance locations for 2 axle vehicles. It has 59 collection lanes, 33 toll booths and 8 E-ZPass dedicated only lanes. All toll booths are equipped with Smart Tag (Virginia) and E-ZPass (Virginia to Maine) electronic toll collection systems.

For November and December 2008 the Airports Authority recorded Automated Vehicle Identification (AVI) or electronic toll collections of $7.1 million, cash collections of $3.2 million and violations revenues of $108,800. AVI collections as a percent of total operating revenues were 68.6%.

DCE Operating Revenues	2008
Cash revenues	$ 3,166,176
Automated vehicle identification revenues	7,141,495
Violation revenues	108,827
Total tolls and other	$ 10,416,498

Operating Expenses

The DCE Fund recorded $10.2 million in operating expenses from the date of transfer, November 1, 2008 to the end of the reporting period. Materials, equipment, supplies, contract services and other includes $7.2 million in expenses to be repaid to the Aviation Enterprise Fund from the DCE Fund for costs incurred to-date associated with the pursuit and transfer of the DTR and metro rail project. Operating expenses also include $788,496 in electronic toll collection fees paid to the processor of the AVI transactions. In addition, the Airports Authority has contracted with VDOT to continue to operate the DTR for an extended period. These costs of $1.5 million are included in materials, equipment, supplies, contract services and other for 2008.

Salaries and related benefits reflect an allocation of payroll and benefits costs of Aviation Enterprise Fund employees who expended time on the operations of the DTR and the Metrorail Project. These generally include employees assigned to the Airports Authority-wide functions such as finance, human resources, procurement and engineering.

DCE Operating Expenses	2008
Materials, supplies, equipment, contract services and other	$ 10,028,145
Salaries and related benefits	212,627
Depreciation and amortization	8,204
Total	$ 10,248,976

The DCE Fund closes 2008 with total net assets of $309.4 million. The following represents a summary of the Statements of Revenues, Expenses and Changes in Net Assets of the Dulles Corridor Enterprise Fund:

	Dulles Corridor Enterprise 2008
Operating revenues	
Tolls and other	$ 10,416,498
Total operating revenues	10,416,498
Operating expenses	
Materials, equipment, supplies contract services, and other	10,028,145
Salaries and related benefits	212,627
Depreciation and amortization	8,204
Total operating expenses	10,248,976
Operating income	167,522
Non-operating revenues	
Investment income	26,126
Total non-operating revenues	26,126
Gain before capital contributions	193,648
Capital contributions	309,241,103
Increase in net assets	$ 309,434,751

Changes in Net Assets

Fiscal year 2008 operating income for the two-month period ended December 31, 2008 was $167,500. The operating results reflect a shortened operating period and the one time addition of $7.2 million in expenses to be repaid to the Aviation Enterprise Fund from the DCE Fund for costs incurred to-date associated with the pursuit and transfer of the DTR and Metrorail Project.

With the transfer on November 1, 2008, a number of one-time accounting entries were necessary. The Airports Authority received and recognized at fair value DTR related assets and liabilities transferred from the VDOT on November 1, 2008. These included cash, accounts receivable, liabilities, and personal property. The transfer of these items resulted in the recognition, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB 33), of capital contributions in the amount of $17.3 million. Upon transfer of the DTR, the Airports Authority also received from the Virginia Department of Rail and Public Transportation (VDRPT) a one-time transfer of existing construction in progress for the Metrorail Project. This resulted in capital contributions in the amount of $254.8 million, for a total of capital contributions for the DCE for the year of $272.1 million.

Federal grant revenue received from the Federal Transit Administration (FTA) for 2008 was $37.2 million.

Statements of Net Assets – Aviation Enterprise Fund and Dulles Corridor Enterprise Fund

The Statements of Net Assets present the financial position of the Airports Authority at the end of the fiscal year. The Statements include all assets and liabilities of the Airports Authority. Net assets are the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Airports Authority. A summarized comparison of the Airports Authority's assets, liabilities and net assets on December 31, 2008, 2007, and 2006 is as follows:

	2008	2007	2006
Current assets	$ 662,511,761	$ 849,502,892	$ 810,642,733
Non-current assets			
Capital assets, net	5,307,658,368	4,616,109,321	4,018,568,661
Other non-current assets	347,748,889	441,617,047	353,687,873
Total Assets	6,317,919,018	5,907,229,260	5,182,899,267
Liabilities			
Current liabilities	455,590,321	315,593,920	235,084,309
Non-current liabilities			
Long-term debt outstanding and other restricted	4,690,097,308	4,588,666,516	4,010,917,453
Total Liabilities	5,145,687,629	4,904,260,436	4,246,001,762
Net Assets			
Invested in capital assets, net of debt	695,245,174	555,206,611	598,949,358
Restricted	123,146,061	114,983,454	46,083,312
Unrestricted	353,840,154	332,778,759	291,864,835
Total Net Assets	$ 1,172,231,389	$ 1,002,968,824	$ 936,897,505

Statements of Net Assets

Current assets dropped $187.0 million from 2007 and $148.1 million from 2006. Current assets for the Aviation Enterprise Fund decreased $333.2 million primarily as a result of the decrease in restricted investments of $325.4 million. Of this decrease, $158.4 million is an unrealized loss on the value of the Airports Authority's swaps which are reflected at fair value on the Statements of Net Assets. The remaining drop in investments is caused by continued spending on the Aviation Enterprise Fund Capital Construction Program (CCP). Current assets for the DCE Fund increased $146.2 million. The Airports Authority issued $150.0 million in short term bond anticipation notes of which $91.5 million were unspent as of December 31, 2008. In addition, the DCE Fund had $11.0 million in unspent operating cash and $11.2 million in unspent federal grant proceeds.

Capital assets increased $691.5 million. The Airports Authority received at the transfer of the DTR, $254.8 million in construction in progress from the VDRPT for the Metrorail Project and paid $107.5 million in construction in progress for the Metrorail Project for the period November 1, 2008 through December 31, 2008. The Aviation Enterprise Fund continued its construction program in 2008 recording an increase, net of depreciation, of $329.1 million in capital assets.

Current liabilities increased $140.0 million from 2007 and $220.5 million from 2006. The DCE Fund had $150.0 million in short-term bond anticipation notes outstanding at December 31, 2008 and provided $41.4 million in accounts payable and accrued expenses primarily for the Metrorail Project. The Aviation Enterprise Fund saw a decrease in accounts payable and accrued expenses, restricted and unrestricted of $53.8 million from 2007 in response to reduced spending for both the operational budget and the CCP.

Long-term liabilities increased $101.4 million. Bonds payable increased $161.2 million as a result of the issuance of $250.0 million in Series 2008A Airport System Revenue Bonds less a principal payment on the outstanding bonds of $86.6 million. The Airports Authority reduced other liabilities by $20.4 million with the recognition of deferred revenue as income in the Statements of Revenues, Expense and Change in Net Assets of the design fees United agreed to reimburse the Airports Authority for the expenses incurred by the Aviation Enterprise Fund in designing the Tier 2 Concourse and related facilities. The Airports Authority also paid down its outstanding commercial paper by $42.5 million in 2008. The DCE Fund did not have any long-term debt at the end of the year.

Total net assets which represent the residual interest in the Airports Authority assets after liabilities are deducted increased $169.3 million from 2007 and $235.3 million from 2006. The DCE Fund provided a $309.4 million increase in total net assets for 2008 and the Aviation Enterprise Fund recorded a reduction of $140.2 million in total net assets for 2008.

The account "Invested in Capital Assets, Net of Related Debt" increased $140.0 million from 2007 and $96.3 million from 2006. For the Aviation Enterprise Fund, capital assets, net of depreciation, increased $329.1 million. This was offset by a net increase in debt related to capital expenditures of $466.6 million, resulting in an overall decrease for the Aviation Enterprise Fund of $137.5 million. For the DCE Fund, capital assets increased $362.4 million and were offset by $84.9 million in bond anticipation notes which were spent as of the end of the reporting period.

Total restricted net assets of $123.1 million consist of unspent debt proceeds, including debt service reserve funds, unspent PFC funds, and unspent grant proceeds. This was an overall increase from 2007 of $8.2 million. The Aviation Enterprise Fund's restricted net assets decreased $17.6 million. Restricted assets and restricted liabilities decreased $396.0 million and $378.3 million, respectively. Current restricted investments decreased $325.4 million reflecting the decrease in the value of the Airports Authority's swaps and continued construction spending. Restricted debt related to unspent bond proceeds decreased $340.9 million. A reduction of accounts payable and accrued expenses of $35.4 million also occurred in 2008.

The DCE Fund restricted net assets of $25.8 million had $114.3 million in unspent grant and debt proceeds and $15.7 million in grants receivables at year end. These were offset by $39.6 million in restricted accounts payable and accrued expense and $65.1 million in debt related to unspent debt proceeds.

Total unrestricted net assets at the end of the reporting period for the Airports Authority were $353.8 million. This is an overall increase of $21.1 million from 2007. These net assets may be used to meet any of the Airports Authority's ongoing operational needs for both the Aviation Fund and DCE Fund, subject to approval by the Airports Authority's Board of Directors (Board). Unrestricted net assets for the Aviation Enterprise Fund increased $15.0 million. Current and long term assets decreased $31.1 million from 2007 with a drop in accounts receivables of $20.7 million and a drop in long term investments of $8.7 million. This decrease was offset by larger decreases in accounts payables and accrued expenses of $18.3 million and other liabilities of $27.8 million.

The DCE Fund unrestricted net assets were $6.1 million as of December 31, 2008. This was primarily operational cash derived from the DTR activities and prepaid expenses of $14.8 million offset by unrestricted accounts payable and accrued expenses of $9.3 million.

Capital Financing and Debt Management

<u>*Aviation Enterprise Fund*</u>

During 2008, the Airports Authority issued the Series 2008A Airport System Revenue Bonds which refunded $60.0 million of Series One Commercial Paper (CP) Notes and $161.5 million in Series Two CP Notes and provided $6.1 million in construction funding. The Airports Authority also converted the Series 2003D Airport System Revenue Variable Rate Bonds from the Auction Mode to the Weekly Mode.

In October 2008, the Aviation Enterprise Fund issued $100.0 million in Series One CP Notes and in November 2008 issued $50.0 million in Series One CP Notes. In October 2008, the Airports Authority also issued $28.5 million in Series Two CP Notes and an additional $475,000 in Series Two CP Notes in December.

At December 31, 2008, the Aviation Enterprise Fund had $150.0 million outstanding in Series One CP Notes and $67.5 million outstanding in Series Two CP Notes. The Airports Authority has authorized but not issued $202.5 million CP available for construction needs.

The Airports Authority's Aviation Enterprise Fund's long-term uninsured bonds are rated “AA” by Fitch, “Aa3 ” by Moody's, and “AA-” by Standard & Poor's Rating Services (S&P). Moody's affirmed the Airports Authority's rating with a “Positive” outlook on August 24, 2007. On November 3, 2006, S&P upgraded the rating to “AA-” rating with a “Stable” outlook and affirmed this rating on August 24, 2007. Fitch upgraded the Airports Authority's rating on August 27, 2007, to an “AA” rating with “Stable” outlook.

As of December 31, 2008, the Airports Authority Aviation Enterprise Fund had $4.1 billion outstanding Airport System Revenue Bonds, $217.5 million in outstanding CP Series One and Two, and $432 million in PFC notes (see Note J). Of the $4.1 billion in outstanding Senior Bonds, $3.8 billion is insured and $283.9

million is uninsured. S&P assigned the Airports Authority an overall Debt Derivative Profile rating of "1.5" on a scale of "1" to "4", with "1" representing the lowest risk and "4" representing the highest risk.

The Airports Authority is financing its Aviation Enterprise Fund CCP through a combination of revenues, entitlement, and discretionary grants received from the Federal Aviation Administration (FAA), state grants, PFC's, and revenue bonds. Long-term debt is the principal source of funding for the CCP. The Airports Authority, through its Master Indenture, has agreed to maintain a debt service coverage of not less than 1.25x. Debt service coverage is calculated based on a formula included in the Master Indenture and the Agreement with the Airlines. Historically, the Airports Authority has maintained a coverage ratio significantly higher than its requirement. During 2008 and 2007, the Airports Authority's debt service coverage was 1.57x and 1.72x, respectively.

Dulles Corridor Enterprise Fund

The Airports Authority DCE Fund on November 1, 2008 issued bond anticipation notes for $150.0 million to provide short-term financing for the Metrorail Project. No other debt financings occurred in 2008.

Federal and State Grant Activity – Aviation Enterprise Fund and Dulles Corridor Enterprise Fund

During 2005, the Airports Authority applied for approval to impose and use $146.6 million in PFC's at Reagan National. The PFC Application is funding the 12-gate expansion at Dulles International and projects associated with the fourth runway. FAA approval of the application was received in March 2006. In March 2007, the Airports Authority submitted a PFC application for the International Arrivals Building (IAB) at Dulles International. This application was approved in 2008. On February 9, 2009, the Airports Authority also submitted a request for approval of an Amendment to Application No. 05-05-C-01-IAD, which was originally approved August 15, 2005 and subsequently approved on March 6, 2009. The Airports Authority is proposing a restructuring of the PFC Financing Plan to include $87,685,303 from the Pay-As-You-Go program, $1,398,680,825 in new Bond Capital, and $602,959,785 in financing and interest cost for funding of the AeroTrain at Dulles International. Additionally, $821,301,705 of the interest cost will be paid by the Airlines through Airline Rates and Charges. All other funding remains the same. In 2009, the Airports Authority expects to collect a total of $82.1 million in PFC's, based on estimated enplanement numbers for 2009.

As of December 31, 2008 the Airports Authority has drawn down a total of $110 million out of the $200 million award under the 2006 FAA Letter of Intent (LOI) funding for the fourth runway project at Dulles International. The TSA has allocated an additional $9.0 million to the South Baggage Basement In-Line Screening Explosive Detection System at Dulles International. The additional funding brings the total federal share to $42 million. As of December 31, 2008, the Airports Authority received a total of $3.3 million from TSA as 100% reimbursement for the design phase of the project. The Reagan National In-Line Screening Baggage application and the East and West Baggage In-Line Screening System application at Dulles International to TSA were not funded in Fiscal Year 2009. The application will be resubmitted to TSA for the Fiscal Year 2010 funding opportunity in March 2009 for a total project cost of $365.0 million. The Airports Authority received the fully executed agreement from TSA pertaining to the new National Explosives Detection Canine Team Program (NEDCTP). The agreement with an estimated federal share of $3.0 million will have a project period of five years effective April 1, 2008. The revised Survey, Appraisal Report and Appraisal Review Report were submitted to FAA on December 10, 2008. The subject document was in response to the outstanding requirements by FAA to meet the AIP eligibility for reimbursement of the acquisition cost of the land purchased for the fourth runway at Dulles International.

The FTA has awarded the Final Design Grant for the Metrorail Project in September 2008 with a total cost of $159.0 million. As of December 2008 the Airports Authority drew a total of $37.2 million from the grant. The Full Funding Grant Agreement (FFGA) application was finalized and submitted to FTA on January 23, 2009.

Cash and Investment Management – Aviation Enterprise Fund and Dulles Corridor Enterprise Fund

The Airports Authority's cash and cash equivalents increased $110.7 million to $335.7 million as of December 31, 2008, as a result of the available cash both restricted and unrestricted in the DCE Fund. Cash and cash equivalents with an original maturity of three months or less are considered highly liquid investments. Unrestricted investments decreased by $4.2 million from 2007 and restricted investments decreased by $411.1 million from 2007 primarily as a result of the reduction in fair value of the Airports Authority's outstanding swaps.

The following summary shows the major sources and use of cash:

	2008	2007
Cash received from operations	$ 560,453,406	$ 493,501,754
Cash expended from operations	(358,051,337)	(296,533,078)
Net cash provided by operations	202,402,069	196,968,676
Net cash from noncapital financing activities	15,108,417	1,759,792
Net cash used in capital and related financing activities	(416,124,468)	(164,956,261)
Net cash provided (used) by investing activities	309,352,703	(68,866,260)
Net cash used by capital financing and investing activities	(91,663,348)	(232,062,729)
Net increase(decrease) in cash and cash equivalents	110,738,721	(35,094,053)
Cash and cash equivalents, beginning of year	224,927,684	260,021,737
Cash and cash equivalents, end of year	$ 335,666,405	$ 224,927,684

Cash temporarily idle during 2008 was invested in demand deposits, certificates of deposit, commercial paper, United States Government and agency obligations, mutual funds, repurchase agreements collateralized by the United States Government or agency obligations, and other permitted investments as listed in the Master Indenture for the Airports Authority's outstanding bonds. During 2008, the Airports Authority's Aviation Enterprise Fund operating account average portfolio balance was $272.0 million and the average yield on investments was 3.2%. The capital funds are held by an agent for the Trustee, but managed by the Airports Authority. For 2008, the capital funds had an average portfolio balance of $505.6 million and an average yield of 4.4%. During 2008, the Airports Authority's DCE Fund operating account average portfolio balance was $7.3 million and the average yield on investments was .077%. The capital funds are held by an agent for the Trustee, but the Airports Authority directs the investments. For 2008, the capital funds had an average portfolio balance of $111.9 million and an average yield of .093%.

Certain Airports Authority funds that will be used for bond requirements (see Note F) and capital projects are invested in long-term instruments. An annual cash flow projection for capital projects is developed for all bond proceeds and investments are matched to maximize investment income while ensuring cash is available for capital project expenses. All investments must be made following the investment policy that was adopted by the Airports Authority's Board. An investment committee meets quarterly to review the portfolios for compliance with the investment policy (see Note C).

Capital Construction

During 2008, the Aviation Enterprise expended $452.6 million in its ongoing CCP compared to an amended budget of $672.8 million. The Aviation Enterprise capitalized $617.1 million in projects in 2008, including the fuel settling tank farm, the 12-gate expansion of Concourse B and the fourth runway which opened in November 2008. Projects that are continuing in 2008, and scheduled for completion in 2009, or beyond, include the AeroTrain system, the IAB and the additional decks on the parking garages at Reagan National. Average monthly capital construction spending in 2008 was approximately $37.7 million.

Contacting the Airports Authority's Financial Management

The financial report is designed to provide the Airports Authority's Board, management, investors, creditors and customers with a general view of the Airports Authority's finances and to demonstrate the Airports Authority's accountability for the funds it receives and expends. For additional information about this report, or for additional financial information, please contact Lynn Hampton, Vice President and Chief Financial Officer, at the following address: 1 Aviation Circle, Washington, DC, 20001-6000, or e-mail BondholdersInformation@mwaa.com.

STATEMENTS OF NET ASSETS (continued)

As of December 31, 2008

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
ASSETS			
Current assets			
Unrestricted assets:			
Cash and cash equivalents	$ 26,982,791	$ 11,011,856	$ 37,994,647
Investments	235,399,596	-	235,399,596
Accounts receivables, net	22,541,480	544,287	23,085,767
Inventory	6,796,319	-	6,796,319
Prepaid expenses and other current assets	7,812,490	3,821,244	11,633,734
Total unrestricted assets	299,532,676	15,377,387	314,910,063
Restricted assets:			
Cash and cash equivalents, restricted	170,767,057	114,300,144	285,067,201
Passenger facility charges, restricted cash	12,604,557	-	12,604,557
Passenger facility charges and interest receivable, restricted	5,581,130	1,710	5,582,840
Grants receivable, restricted	23,906,251	15,690,443	39,596,694
Prepaid expenses and other current assets, restricted	-	848,277	848,277
Investments, restricted	3,902,129	-	3,902,129
Total restricted assets	216,761,124	130,840,574	347,601,698
Total current assets	516,293,800	146,217,961	662,511,761
Non-current assets			
Capital assets:			
Land and other non-depreciable assets	121,734,710	-	121,734,710
Construction in progress	1,776,370,046	-	1,776,370,046
Construction in progress, Metrorail project	-	362,322,546	362,322,546
Buildings, systems and equipment	4,508,943,236	166,963	4,509,110,199
Less: accumulated depreciation	(1,461,796,180)	(82,953)	(1,461,879,133)
Capital assets, net	4,945,251,812	362,406,556	5,307,658,368
Long-term investments	71,747,636	-	71,747,636
Long-term investments, restricted	192,315,421	-	192,315,421
Other long-term assets	18,192,128	-	18,192,128
Net pension asset and other post-employment benefits asset	4,755,914	-	4,755,914
Bond issuance costs, net, restricted	60,712,709	25,081	60,737,790
Total non-current assets	5,292,975,620	362,431,637	5,655,407,257
Total assets	$ 5,809,269,420	$ 508,649,598	$ 6,317,919,018

STATEMENTS OF NET ASSETS

As of December 31, 2008

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
LIABILITIES AND NET ASSETS			
Current liabilities			
Payable from unrestricted:			
Accounts payable and accrued expenses	$ 53,560,971	$ 1,863,476	$ 55,424,447
Due to/due from other funds	(7,413,995)	7,413,995	-
Operating lease obligations	341,140	-	341,140
Total unrestricted	46,488,116	9,277,471	55,765,587
Payable from restricted assets:			
Accounts payable and accrued expenses	65,398,716	39,550,490	104,949,206
Accrued interest payable	54,013,642	386,886	54,400,528
Bonds payable	90,475,000	-	90,475,000
Bond anticipation notes	-	150,000,000	150,000,000
Total restricted	209,887,358	189,937,376	399,824,734
Total current liabilities	256,375,474	199,214,847	455,590,321
Non-current liabilities			
Payable from restricted:			
Other liabilities	3,106,529	-	3,106,529
Passenger facility charge bank participation notes	432,000,000	-	432,000,000
Commercial paper notes	217,500,000	-	217,500,000
Bonds payable, net	4,037,490,779	-	4,037,490,779
Total restricted	4,690,097,308	-	4,690,097,308
Total non-current liabilities	4,690,097,308	-	4,690,097,308
Total liabilities	4,946,472,782	199,214,847	5,145,687,629
NET ASSETS			
Invested in capital assets, net of related debt	417,707,634	277,537,540	695,245,174
Restricted:			
Bond/debt funds	45,838,451	(11,245,689)	34,592,762
Passenger facility charges	19,506,449	-	19,506,449
Grants	32,003,866	37,042,984	69,046,850
Total restricted	97,348,766	25,797,295	123,146,061
Unrestricted	347,740,238	6,099,916	353,840,154
Total net assets	862,796,638	309,434,751	1,172,231,389
Total net assets and liabilities	$ 5,809,269,420	$ 508,649,598	$ 6,317,919,018

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET ASSETS (continued)

As of December 31, 2007

	Aviation Enterprise and Total Business-Type Activities
ASSETS	
Current assets	
Unrestricted assets:	
Cash and cash equivalents	$ 36,128,525
Investments	230,873,451
Accounts receivables, net	43,199,310
Inventory	5,033,697
Prepaid expenses and other current assets	6,810,182
Total unrestricted assets	322,045,165
Restricted assets:	
Cash and cash equivalents, restricted	173,596,934
Passenger facility charges, restricted cash	15,202,225
Passenger facility charges receivable, restricted	8,258,296
Grants receivable, restricted	1,096,237
Investments, restricted	329,304,035
Total restricted assets	527,457,727
Total current assets	849,502,892
Non-current assets	
Capital assets:	
Land and other non-depreciable assets	121,534,710
Construction in progress	1,915,881,901
Buildings, systems and equipment	3,908,323,105
Less: accumulated depreciation	(1,329,630,395)
Capital assets, net	4,616,109,321
Long-term investments	80,463,199
Long-term investments, restricted	278,008,136
Other long-term assets	18,333,264
Net pension asset and other post-employment benefits asset	4,509,918
Bond issuance costs, net, restricted	60,302,530
Total non-current assets	5,057,726,368
Total assets	$ 5,907,229,260

STATEMENTS OF NET ASSETS

As of December 31, 2007

	Aviation Enterprise and Total Business-Type Activities
LIABILITIES AND NET ASSETS	
Current liabilities	
Payable from unrestricted:	
Accounts payable and accrued expenses	$ 71,868,458
Operating lease obligations	341,140
Total unrestricted	72,209,598
Payable from restricted assets:	
Accounts payable and accrued expenses	100,843,888
Accrued interest payable	55,970,434
Bonds payable	86,570,000
Total restricted	243,384,322
Total current liabilities	315,593,920
Non-current liabilities	
Payable from unrestricted:	
Deferred revenue	20,363,189
Payable from restricted:	
Passenger facility charge bank participation notes	432,000,000
Commercial paper notes	260,000,000
Bonds payable, net	3,876,303,327
Total restricted	4,568,303,327
Total non-current liabilities	4,588,666,516
Total liabilities	4,904,260,436
NET ASSETS	
Invested in capital assets, net of related debt	555,206,611
Restricted:	
Bond funds	94,274,698
Passenger facility charges	19,612,520
Grants	1,096,236
Total restricted	114,983,454
Unrestricted	332,778,759
Total net assets	1,002,968,824
Total net assets and liabilities	$ 5,907,229,260

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended December 31, 2008

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
OPERATING REVENUES			
Concessions	$ 223,710,732	$ -	$ 223,710,732
Tolls and other	-	10,416,498	10,416,498
Rents	171,331,285	-	171,331,285
Design fees	20,363,189	-	20,363,189
Landing fees	82,289,545	-	82,289,545
Utility sales	13,348,545	-	13,348,545
Passenger fees	28,354,142	-	28,354,142
Other	11,547,405	-	11,547,405
Total operating revenues	550,944,843	10,416,498	561,361,341
OPERATING EXPENSES			
Materials, equipment, supplies, contract services, and other	162,254,215	10,028,145	172,282,360
Impairment loss/design costs	66,170,165	-	66,170,165
Salaries and related benefits	136,508,033	212,627	136,720,660
Utilities	25,402,257	-	25,402,257
Lease from U. S. Government	4,958,280	-	4,958,280
Depreciation and amortization	160,256,762	8,204	160,264,966
Total operating expenses	555,549,712	10,248,976	565,798,688
OPERATING INCOME (LOSS)	(4,604,869)	167,522	(4,437,347)
NON-OPERATING REVENUES (EXPENSES)			
Passenger facility charges, financing costs	(2,330,507)	-	(2,330,507)
Investment income	37,965,692	26,126	37,991,818
Interest expense	(122,984,332)	-	(122,984,332)
Swap payments	(20,436,237)	-	(20,436,237)
Unrealized swap loss	(158,374,462)	-	(158,374,462)
Total non-operating revenues (expenses)	(266,159,846)	26,126	(266,133,720)
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(270,764,715)	193,648	(270,571,067)
CAPITAL CONTRIBUTIONS			
Passenger facility charges	78,455,218	-	78,455,218
Federal and state grants	52,137,311	37,168,479	89,305,790
Other capital property contributed	-	272,072,624	272,072,624
Total capital contributions	130,592,529	309,241,103	439,833,632
NET ASSETS			
Increase (decrease) in net assets	(140,172,186)	309,434,751	169,262,565
Total net assets, beginning of year	1,002,968,824	-	1,002,968,824
Total net assets, end of year	$ 862,796,638	$ 309,434,751	$ 1,172,231,389

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended December 31, 2007

	Aviation Enterprise and Total Business-Type Activities
OPERATING REVENUES	
Concessions	$ 217,486,823
Rents	167,301,027
Landing fees	78,682,496
Utility sales	11,778,736
Passenger fees	28,684,113
Other	6,542,935
Total operating revenues	510,476,130
OPERATING EXPENSES	
Materials, equipment, supplies, contract services, and other	182,096,091
Salaries and related benefits	128,465,267
Utilities	21,134,317
Lease from U. S. Government	4,830,121
Depreciation and amortization	142,030,354
Total operating expenses	478,556,150
OPERATING INCOME	31,919,980
NON-OPERATING REVENUES (EXPENSES)	
Passenger facility charges, financing costs	(3,968,842)
Investment income	55,557,746
Interest expense	(111,534,092)
Swap payments	(1,353,696)
Unrealized swap loss	(23,223,957)
Total non-operating revenues (expenses)	(84,522,841)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(52,602,861)
CAPITAL CONTRIBUTIONS	
Passenger facility charges	82,858,846
Federal and state grants	32,317,161
Other capital property contributed	3,498,173
Total capital contributions	118,674,180
NET ASSETS	
Increase in net assets	66,071,319
Total net assets, beginning of year	936,897,505
Total net assets, end of year	$ 1,002,968,824

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

For the year ended December 31, 2008

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
NET CASH FROM OPERATING ACTIVITIES:			
Operating cash receipts from customers	$ 550,034,022	$ 10,419,384	$ 560,453,406
Cash payments to suppliers for goods and services	(217,889,584)	(2,127,013)	(220,016,597)
Cash payments to employees for services	(137,957,996)	(76,744)	(138,034,740)
NET CASH PROVIDED BY OPERATING ACTIVITIES	194,186,442	8,215,627	202,402,069
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received (provided) from state agency	-	13,740,869	13,740,869
Government grants	1,367,548	-	1,367,548
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,367,548	13,740,869	15,108,417
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of bonds/notes	253,074,886	150,000,000	403,074,886
Principal payments on commercial paper	(42,500,000)	-	(42,500,000)
Principal payments on bonds	(86,570,000)	-	(86,570,000)
Payments for capital expenditures and construction in progress	(512,917,416)	(68,116,851)	(581,034,267)
Proceeds from sale of capital assets	337,261	-	337,261
Payments of bond issuance costs	(3,757,913)	(30,097)	(3,788,010)
Interest paid on bonds and commercial paper	(222,556,489)	-	(222,556,489)
Government grants in aid of construction	27,959,748	21,478,036	49,437,784
Passenger facility charge receipts	81,132,857	-	81,132,857
Passenger facility charge expenses and interest	(13,658,490)	-	(13,658,490)
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(519,455,556)	103,331,088	(416,124,468)
NET CASH FROM INVESTING ACTIVITIES:			
Interest received on investments	38,205,965	24,416	38,230,381
Decrease in short term investments, net	320,875,762	-	320,875,762
Proceeds from long-term investment maturities	493,505,823	-	493,505,823
Purchase of long-term investments	(543,259,263)	-	(543,259,263)
NET CASH PROVIDED BY INVESTING ACTIVITIES	309,328,287	24,416	309,352,703
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,573,279)	125,312,000	110,738,721
CASH AND CASH EQUIVALENTS, Beginning of year	224,927,684	-	224,927,684
CASH AND CASH EQUIVALENTS, End of year	$ 210,354,405	$125,312,000	$ 335,666,405

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended December 31, 2008

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (4,604,869)	$ 167,522	$ (4,437,347)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Impairment loss, design costs	66,170,165	-	66,170,165
Depreciation and amortization	160,256,762	8,204	160,264,966
Decrease in allowance for doubtful accounts	(40,829)	-	(40,829)
Loss on disposal of assets	2,981,105	-	2,981,105
Decrease (increase) in accounts receivable	18,011,863	(538,554)	17,473,309
Increase in inventory	(1,762,622)	-	(1,762,622)
Increase in prepaid expenses and other current assets	(1,002,308)	(1,375,013)	(2,377,321)
Increase in other long-term assets	(104,860)	-	(104,860)
Decrease in long-term liabilities	(20,363,189)	-	(20,363,189)
Increase (decrease) in accounts payable and accrued			-
expenses	(17,940,781)	2,539,473	(15,401,308)
(Decrease) increase in due to/due from other funds	(7,413,995)	7,413,995	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 194,186,442	$ 8,215,627	$ 202,402,069
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Unrealized gain	$ 14,213,721	$ -	$ 14,213,721
Other capital property acquired			
Construction in progress and non-cash working capital transferred from state agency	$ -	$ 258,201,628	$ 258,201,628
Capital construction costs payable	$ 65,398,716	$ 38,968,796	$ 104,367,512
Unrealized loss on swaps	$ (158,374,462)	$ -	$ (158,374,462)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

For the year ended December 31, 2007

	Aviation Enterprise and Total Business-Type Activities
NET CASH FROM OPERATING ACTIVITIES:	
Operating cash receipts from customers	$ 493,501,754
Cash payments to suppliers for goods and services	(170,705,122)
Cash payments to employees for services	(125,827,956)
NET CASH PROVIDED BY OPERATING ACTIVITIES	196,968,676
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	
Government grants	1,759,792
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	1,759,792
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from issuance of bonds	722,216,279
Proceeds from the issuance of commercial paper	60,000,000
Principal payments on bonds	(235,575,000)
Payments for capital expenditures and construction in progress	(654,182,938)
Proceeds from sale of capital assets	170,558
Payments of bond issuance costs	(7,981,001)
Interest paid on bonds and commercial paper	(182,537,019)
Government grants in aid of construction	30,890,405
Passenger facility charge receipts	84,430,990
Borrowing on passenger facility charge bank participation notes	32,000,000
Passenger facility charge expenses, interest, and other	(14,388,535)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(164,956,261)
NET CASH FROM INVESTING ACTIVITIES:	
Interest received on investments	52,011,628
Decrease in short term investments, net	(54,828,848)
Proceeds from long-term investment maturities	404,796,376
Purchase of long-term investments	(470,845,416)
NET CASH USED BY INVESTING ACTIVITIES	(68,866,260)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,094,053)
CASH AND CASH EQUIVALENTS, Beginning of year	260,021,737
CASH AND CASH EQUIVALENTS, End of year	$ 224,927,684

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended December 31, 2007

	Aviation Enterprise and Total Business-Type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 31,919,980
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	142,030,354
Decrease in allowance for doubtful accounts	(178,868)
Gain on sale of assets	12,707,987
Increase in accounts receivable	(18,344,893)
Increase in inventory	(1,396,360)
Increase in prepaid expenses and other current assets	(340,121)
Increase in other long-term assets	(17,271,446)
Increase in long-term liabilities	20,363,189
Increase in accounts payable and accrued expenses	27,478,854
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 196,968,676
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Unrealized gain on investments	$ 22,276,840
Other capital property acquired, Equipment received by tenant and improvements	$ 3,498,173
Capital construction costs payable	$ 100,843,888
Unrealized loss on swaps	$ (23,223,957)

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Metropolitan Washington Airports Authority (the Airports Authority) is an independent interstate agency created by the Commonwealth of Virginia (the Commonwealth) and the District of Columbia with the consent of the United States Congress. The Commonwealth and the District of Columbia enacted essentially identical legislation creating the Airports Authority for the purpose of operating Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International), collectively, the Airports. The Airports Authority is governed by a Board of Directors (the Board) with members from the Commonwealth, the District of Columbia, the State of Maryland, and three members appointed by the President of the United States.

On June 7, 1987, Reagan National's and Dulles International's properties were transferred to the Airports Authority under a long-term lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500. All personal property was transferred to the Airports Authority without condition. Prior to the transfer, the Airports were operated by the Federal Aviation Administration (FAA) of the United States Department of Transportation.

On November 1, 2008, the Virginia Department of Transportation (VDOT) transferred responsibility for the operation and maintenance of the Dulles Toll Road (DTR) to the Airports Authority for an initial term of 50 years. In connection with the transfer, the Airports Authority will construct the Dulles Corridor Metrorail Project (Metrorail Project) and will make other improvements in the Dulles Corridor consistent with VDOT and regional plans. These two functions operate as a single Business-Type Activity and are reported in the Dulles Corridor Enterprise (DCE) Fund (see Notes B and G).

Only the accounts of the Airports Authority are included in the reporting entity. There are no U.S. or state government agency finances that should be considered for inclusion in the Airports Authority's financial reporting entity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. The Airports Authority reports as two Business-Type Activities, as defined by the Governmental Accounting Standards Board (GASB). Business-Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Airports Authority's activities are accounted for similar to those often found in the private sector using the flow of an economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through two enterprise funds with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets.

Revenues from airlines, concessions, rental cars, parking and toll collections are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Airports Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Net Assets

Net assets represent the residual interest in the Aviation Enterprise Fund and the DCE Fund assets after the liabilities are deducted and they consist of three sections: Invested in capital assets, net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt includes capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt attributable to acquisition. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Airports Authority's restricted assets are expendable. All other net assets are unrestricted.

Proprietary Accounting and Financial Reporting

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* (GASB 20), the Airports Authority follows all GASB pronouncements issued on, before, or after November 30, 1989, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins issued on, before, or after November 30, 1989, unless they contradict GASB guidance.

Budgeting Requirements

The Airports Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for both Airports and the DTR. The Airports Authority's annual budget is not prepared in accordance with generally accepted accounting principles (GAAP). In keeping with the requirements of a proprietary fund, budget comparisons have not been included in the financial section of this report.

Revenue Recognition

<u>Aviation Enterprise Fund</u>

Rentals and concession fees are generated from airlines, parking structures and lots, food, rental cars, fixed base operators, and other commercial tenants. Leases with the airlines are based on full cost recovery, through rates and charges as described below. Other leases are for terms from one to 15 years and generally require rentals based on the volume of business, with specified minimum rentals. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized partially based on reported concession revenue and partially based on minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses and Changes in Net Assets.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of aircraft. The scheduled airline fee structure is determined annually based on full cost recovery pursuant to an agreement between the Airports Authority and the Signatory Airlines. Landing fees are recognized as part of operating revenues when airline related facilities are utilized.

Several airlines represent concentrations of revenues for the Airports Authority. At Reagan National, US Airways, Delta Air Lines (Delta), and American Airlines (American) comprise approximately 70.4% of annual airline revenues. At Dulles International, United Airlines (United), Delta and American comprise approximately 63.0% of annual airline revenues. These airlines combined represent approximately 70.1% of the total annual airline revenues for the Airports Authority. Actual airline revenues for 2008 represent approximately 46.0% of the Airports Authority's total operating revenues.

Dulles Corridor Enterprise Fund

Tolls and other revenues represent tolls collected from vehicles on the DTR. The DTR has 10 exit and entrance ramps with tolls of 75¢ at the main toll plaza west of the Beltway and 50¢ at other exit and entrance locations for two-axle vehicles. Tolls and other revenue include Automated Vehicle Identification (AVI) or electronic toll collections, cash collections and violations revenues. Tolls and other revenue are recognized in the period in which the toll road transaction occurred.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, commercial paper (CP), United States Government and agency obligations, mutual funds, and repurchase agreements collateralized by United States Government or agency obligations with an original maturity of three months or less, including restricted assets.

Investments

Investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost which approximates fair value. Fair value equals quoted market prices if available. If a quoted market value is not available fair value is estimated based upon quoted market prices for securities with similar characteristics.

Investments consist of certificates of deposit, commercial paper, United States Government and agency obligations, interest rate swaps, and repurchase agreements collateralized by United States Government or agency obligations, with an original maturity greater than three months.

Swaps

The Airports Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. In 2008, the Airports Authority implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). Whereby, all of the Airports Authority's forward starting swap transactions and those swap transactions associated with issued debt are recognized at fair value on the Statements of Net Assets. As a result, the implementation of GASB 53 had no impact on the reporting of the Airports Authority's swaps. The Airports Authority reports the changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness within the investment revenue classification. The changes in fair values of derivative instruments that are classified as hedging derivative instruments are reported in the Statements of Net Assets as deferred inflows or deferred outflows in investments.

Inventory and Prepaid Items

Inventory consists of spare parts and some bulk items, such as sand and salt stored at the Airports, and is stated at the lower of cost or market value, using the first-in, first-out method. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Personal property, the ownership of which was transferred from the United States Government to the Airports Authority on June 7, 1987 and the ownership of which transferred from the VDOT to the Airports Authority on November 1, 2008, is recorded at fair value at the date of transfer. Assets acquired subsequent to the transfer are stated at historical cost and include the expense of federal grants to construct and improve the facilities of the Airports Authority. The costs for property and facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the completion of the capital project (see Note G). Tenants have funded construction and improvements of airport facilities from their own working capital. Under agreements with the Airports Authority, the property reverts to the Airports Authority upon termination or expiration of the Airport Use Agreement and Premises Lease (the Agreement). Terms range from 15 to 40 years. These assets obtained by the Airports Authority are recorded at fair market value as of date of transfer. Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed as incurred.

Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and corresponding capitalization thresholds are as follows:

		Threshold
Equipment	5-7 years	$10,000
Motor vehicles	3-5 years	10,000
Buildings	20-40 years	25,000
Systems and structures	10-40 years	25,000

Impaired Capital Assets

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42), capital assets that have potential for meeting the definition of impairment are identified and tested for impairment. Permanently impaired capital assets that will continue to be used by the Airports Authority are written down to the measured impaired value. The carrying amount of impaired capital assets that are idle are disclosed in the notes to the financial statements and impaired capital assets that are no longer used by the Airports Authority are reported at the lower of carrying value or fair value.

Intangible Assets

In accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), intangible assets are recognized as capital assets in the Statements of Net Assets if they are identifiable. The amortization of capital assets is determined by legal or contractual provisions. If there are no factors that limit the useful life of an intangible asset, these assets may be considered to have indefinite lives and no amortization of the costs occurs. Intangible assets with indefinite lives are presented in the Statements of Net Assets as a component of "Land and non-depreciable assets."

The Airports Authority is in the practice of amortizing the cost of internally developed software and other assets as required in GASB 51, and identifying certain assets such as easements as having indefinite lives.

Pollution Remediation and Control Obligations

In 2008, the Airports Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). In compliance with GASB 49, the Airports Authority capitalizes pollution remediation outlays only if the outlays are incurred to prepare property for sale in anticipation of a sale, prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated, to perform pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment, or to acquire property, plant and equipment that have a future alternative use other than remediation efforts.

Pollution remediation outlays that do not qualify for capitalization are accrued as liabilities and expensed when a range of expected outlays is reasonably estimable or as an expenditure upon receipt of goods and services (see Note G).

Bond Issuance Costs

Bond issuance costs represent expenses incurred in the process of issuing bonds and are amortized over the life of the related bond issue, using the interest method.

Long-Term Debt Refundings

The Airports Authority periodically refunds its debt. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the old or new debt, whichever is shorter. The amount deferred is reported as a deduction from the new debt liability.

Compensated Absences

The Airports Authority employees are granted paid vacation at rates of 13 to 30 days per year, depending on their length of employment. General employees may accumulate up to a maximum of 30 days or 240 hours. Employees exceeding a specified pay scale, executive type employees, are entitled to accumulate up to 480 hours or 60 days. Upon termination, employees are paid for any unused accumulated vacation. The accumulated vacation is recorded as a liability when earned and is reflected in accrued expenses. The calculation of the liability is based on the pay or salary rates in effect as of the end of the fiscal period, normally the year ended December 31. An additional amount has been accrued for the liability of salary related payments. Such salary related payments include the employer's share of social security, medicare and unemployment taxes and the employer's contributions to the Airports Authority retirement and pension plans.

Balance as of December 31, 2007	$ 6,317,572
Vacation used during the year	(6,898,094)
Vacation earned during the year	7,582,574
Balance as of December 31, 2008	$ 7,002,052

The Airports Authority employees earn 13 days of sick leave per year. Unused sick leave for employees enrolled in the Airports Authority's retirement plan is counted at retirement as additional time worked for calculation of the pension benefit. Liabilities for compensated absences are included in accounts payable and accrued liabilities in the Statements of Net Assets.

Capital Contributions - Passenger Facility Charges (PFC's)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFC's. PFC's may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Airports Authority was granted permission to begin collecting a $3.00 PFC effective November 1, 1993, at Reagan National and January 1, 1994, at Dulles International. The charges, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the Airports Authority. Due to their restricted use, PFC's are categorized as non-operating revenues and are accounted for on the accrual basis. The Airports Authority applied for and received approval in February 2001, to increase the PFC collection from $3.00 to $4.50, effective May 2001.

Capital Contributions - Federal and State Grants

The Airports Authority receives federal and state grants in support of its Capital Construction Program (CCP) and in support of the Metrorail Project. The federal program provides funding for airport development, airport planning and noise compatibility programs from the Airport and Airways Trust Fund in the form of both entitlement and discretionary grants for eligible projects. The Commonwealth also provides discretionary funds for capital programs. Grant revenues are recognized as related expenditures are made.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported as capital contributions in the Statements of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent 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 from those estimates.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the current year's presentation.

B. TRANSFER OF THE DULLES TOLL ROAD AND CONSTRUCTION OF THE DULLES CORRIDOR METRORAIL PROJECT TO DULLES INTERNATIONAL

On November 1, 2008, the VDOT transferred operational and financial control of the DTR from VDOT to the Airports Authority for an initial term of 50 years, upon the terms and conditions set forth by the Master Transfer Agreement dated December 29, 2006, the Permit and Operating Agreement dated December 29, 2006, (collectively, the VDOT Agreements) each entered into by and between VDOT and the Airports Authority. In exchange for the rights to the revenues from operation of the DTR and certain other revenues described in the VDOT Agreements, the Airports Authority agreed to (i) operate and maintain the DTR, (ii) cause the design and construction of the extension of the Metrorail from the West Falls Church station in Fairfax County, along the Dulles corridor to Dulles International and beyond into Loudoun County, the Metrorail Project and (iii) make other improvements in the Dulles corridor consistent with VDOT and regional plans. The Airports Authority is responsible for setting toll rates and collecting tolls following its process for issuing regulations and in consultation with the Dulles Corridor Advisory Committee. Effective upon transfer, the Airports Authority has adopted the existing toll structure established by the Commonwealth and has contracted with VDOT for the interim operation of the DTR. Concurrent with this transfer of responsibility, VDOT contributed to the Airports Authority approximately $272.1 million of capital property consisting of $254.8 million of construction in progress for the Metrorail Extension Project and cash, accounts receivable, current liabilities and personal property related to the DTR having a net fair value of $17.3 million. The Airports Authority accounted for the transfer of these assets and liabilities in accordance with GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. The Airports Authority established a DCE Fund, which accounts for the activity of the DTR and the Metrorail Project separately from the Airports.

Pursuant to the Airline Agreement, the Airports Authority is limited to $10 million of airport revenue that can be used for construction of the Metrorail at Dulles International. Further, the Airline

Agreement prohibits the payment of Metrorail operating and maintenance costs from funds other than the capital fund without written agreement from a majority-in-interest (MII) of the Signatory Airlines at Dulles International. The Airports Authority also has no claim on the DTR revenues to support the activities of the Airports. To this end, the Airports Authority amended the Airport System Revenue Bonds Master Trust Indenture (the Indenture) to treat DTR revenues as "Released Revenues" under the Indenture, thereby excluding the DTR revenues from the revenues and the pledge and lien on the Net Revenues securing the Bonds. The Airports Authority also amended the Agreement with each of the Airlines serving the Airports to exclude the DTR revenues from the definition of "Revenues" under the Agreement.

C. DEPOSITS AND INVESTMENTS

Deposits

The Airports Authority's investment policy as approved by the Board of Directors (Board) requires that deposits in excess of the federally insured amount be held at institutions with a Liquidity, Asset Quality, Capital and Earnings (LACE) Financial Institutions Rating Service of B or above. In the event a financial institution's rating falls below this level, the deposits are reduced to the federally insured amount. The Airports Authority's practice is to sweep all demand deposits at the close of each business day into overnight repurchase agreements.

As of December 31, 2008 and 2007, the Airports Authority had various certificates of deposit in the amount of $5.3 million and $6.3 million, respectively, that were not covered by insurance and were not collateralized with securities held by the pledging financial institutions. These certificates of deposit are held at institutions with a LACE Financial Institutions Rating Service of B or above. These certificates of deposit are part of the Airports Authority's Link Deposit Program whereby a portion of the reserves funds are deposited with banks that have an "outstanding" Community Reinvestment Act rating.

The Airports Authority maintains multiple imprest cash funds in certain departments at each Airport. These amounts are not covered by insurance and are not collateralized. These funds totaled $234,120 and $126,910 as of December 31, 2008 and 2007, respectively. Small deposits in the Airports Authority's flexible spending account as of December 31, 2007, were not covered by insurance and not collateralized. These totaled $23,306.

Investments

The Airports Authority had the following investments in its portfolio as of December 31, 2008:

2008 Investments	Credit Rating[1]	Carrying Value	Weighted Average Maturity (years)	% of Portfolio
Treasury	-	$ 53,432,937	2.1298	7.10%
Fannie Mae	Aaa/AAA	103,728,082	1.4567	13.79%
Freddie Mac	Aaa/AAA	54,594,884	1.1720	7.26%
Farmer Mac	Aaa/AAA	34,645,696	0.6870	4.60%
Farm Credit	Aaa	10,000,000	1.9643	1.33%
Federal Home Loan Bank	Aaa	149,238,988	0.9291	19.83%
Commercial Paper	A-1/P-1	17,500,000	0.0192	2.33%
MBIA Guaranteed Invest Contract[2]	A-/Ba1	36,274,390	30.2290	4.82%
FSA Guaranteed Invest Contract[2]	A+/A3	67,075,427	28.8151	8.91%
Bank of America-Forward Purchase Agreement	A+/A1	7,716,000	9.6193	1.03%
Overnight Repurchase Agreements[3]	A-1/P-1	129,499,060	0.0055	17.21%
Debt Service Reserve Repurchase Agreements:				
Bank of America Repo	A+/A1	16,333,690	16.2944	2.17%
Morgan Stanley Repo	A/A2	72,406,627	29.7017	9.62%
		$ 752,445,781	9.4879	100.00%

1 The ratings in this table are from Moody's and S&P, respectively.

2 Underlying rating of the counterparties.

3 Collateralized by Federal Agency Notes

The Airports Authority had the following investments in its portfolio as of December 31, 2007:

2007 Investments	Credit Rating[1]	Carrying Value	Weighted Average Maturity (years)	% of Portfolio
Treasury	-	$ 34,988,938	0.4994	3.76%
Fannie Mae	Aaa/AAA	219,239,000	0.4040	23.87%
Freddie Mac	Aaa/AAA	135,404,685	0.4282	14.74%
Farmer Mac	Aaa/AAA	15,433,993	0.5782	1.67%
Federal Home Loan Bank	Aaa	215,170,604	0.3264	23.39%
Commercial Paper	A-1/P-1	87,101,353	0.2869	9.53%
MBIA Guaranteed Invest Contract[2]	Aa2/AA	36,274,390	26.4388	3.91%
FSA Guaranteed Invest Contract[2]	Aaa/AAA	67,075,427	27.7700	7.24%
Bank of America-Forward Purchase Agreement	AA2/AA-	7,716,000	5.6740	0.83%
Overnight Repurchase Agreements[3]	A-1/P-1	13,771,189	0.0055	1.49%
Debt Service Reserve Repurchase Agreements:				
Bank of America Repo	AA2/AA-	16,333,690	15.7535	1.76%
Morgan Stanley Repo	Aa3/AA-	72,406,627	28.3592	7.81%
		$ 920,915,896	5.8768	100.00%

1 The ratings in this table are from Moody's and S&P, respectively.

2 Underlying rating of the counterparties.

3 Collateralized by Federal Agency Notes

Credit Risk

Credit Risk is the risk that the Airports Authority will lose money because of the default of the security of the issuer or investment counterparty.

The primary objectives of the Airports Authority's investment policy are the safety of capital, the liquidity of the portfolio and the yield of investments. Bond proceeds (see Note F) may be invested in securities as permitted in the bond indentures, otherwise, assets of the Airports Authority may be invested in United States Treasury securities; short-term obligations of the United States Government agencies; short-term obligations of the Commonwealth, the State of Maryland, and the District of Columbia; certificates of deposit with banks that have a LACE rating of "B" or better, or that are fully insured or collateralized; prime CP rated "A1" and "P1" by Standard & Poor's Rating Services (S&P) and Moody's Investors Service Inc. (Moody's), respectively; prime bankers' acceptance notes; repurchase agreements whose underlying collateral consists of the foregoing; money market or mutual funds or other such securities or obligations that may be approved by the Finance Committee by modification of the Airports Authority's policy.

The table above shows the fair value and the credit quality of the Airports Authority's investment portfolio, by investment type as of December 31, 2008 and 2007.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Airports Authority would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Airports Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Airports Authority's name.

The Airports Authority's investment policy requires securities be insured or registered investments, or securities held by the Airports Authority or its agent in the Airports Authority's name. As of December 31, 2008 and 2007, all the Airports Authority's securities are held by the Airports Authority or its agent in the Airports Authority's name and are fully insured or registered investments.

Repurchase agreements and guaranteed investment contracts are required to be collateralized at 103.0% and require the collateral to be Authorized Investments as described in the Investment Policy and the Master Bond Indenture.

The Airports Authority's forward purchase agreement is collateralized at 100.0% with securities delivered monthly. The collateral is required to be approved Airports Authority investments as described in the Master Bond Indenture.

The fair value of the collateral for overnight repurchase agreements was $129.7 million on December 31, 2008. The fair value of the collateral for the guaranteed investment contracts was $118.9 million on December 31, 2008. The fair value of the collateral for the forward purchase agreements was $7.7 million on December 31, 2008. The fair value of the collateral for the Debt Service Reserve repurchase agreements was $92.5 million as of December 31, 2008. All the collateral for these contracts was held by the Airports Authority's agent in the Airports Authority's name.

Interest Rate Risk

The Airports Authority's investment policy as approved by the Board is designed to maximize investment earnings, while protecting the security of the principal and providing adequate liquidity. The overriding policy for investment decisions is to have funds available as needed for construction and general operating expenses. The Airports Authority's investment committee meets quarterly and determines the investment horizon for each fund based on the current construction or operating needs and the prevailing market conditions. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value. The Airports Authority manages interest rate risk by managing the weighted average maturity of each portfolio type to best meet liquidity needs.

The Bank of America Forward Purchase Agreement pays a variable interest rate of 75.5 basis points over the BMA Municipal Swap Index yield and is reset weekly. The collateral is comprised of Federal Agency notes maturing monthly on the variable rate (Series 2003D Bonds) interest payment date.

Concentration of Credit Risk

The Airports Authority as detailed above is limited to investments allowed by the bond indentures and the authorized Investment Policy. However, the Investment Policy does not limit the aggregation of investments in any one type of security. There are providers of securities in which the Airports Authority has invested individually more than 5.0% of the total portfolio.

In accordance with the provisions of GASB Statement No. 31, *Accounting and Reporting For Certain Investments and For External Investments Pools* (GASB 31), investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. As permitted by GASB 31, investments with an original maturity of less than one year are carried at amortized cost. Fair values are determined through quoted market prices.

The tables below present the Airports Authority's investments in accordance with GASB 31:

	December 31, 2008	
	Cost	Carrying Value
Securities with original maturity 1 year and over	$ 356,006,134	$ 360,135,141
Securities with original maturity less than 1 year	394,194,060	392,310,640
	$ 750,200,194	$ 752,445,781

	December 31, 2007	
	Cost	Carrying Value
Securities with original maturity 1 year and over	$ 289,056,134	$ 289,289,904
Securities with original maturity less than 1 year	637,740,189	631,625,992
	$ 926,796,323	$ 920,915,896

Change in carrying value from December 31, 2007 to December 31, 2008:

Carrying value at December 31, 2008	$ 752,445,781
Add: Proceeds from investments sold in 2008	1,330,987,756
Less: Cost of investments purchased in 2008	(1,148,303,920)
Less: Carrying value at December 31, 2007	(920,915,896)
Change in carrying value of investments	$ 14,213,721

Change in carrying value from December 31, 2006 to December 31, 2007:

Carrying value at December 31, 2007	$ 920,915,896
Add: Proceeds from investments sold in 2007	1,523,983,618
Less: Cost of investments purchased in 2007	(1,619,571,459)
Less: Carrying value at December 31, 2006	(803,051,215)
Change in carrying value of investments	$ 22,276,840

Reconciliation to Comparative Statements of Net Assets

A reconciliation of deposits and investments to the comparative Statements of Net Assets is as follows:

	December 31, 2008	December 31, 2007
Deposits	$ 71,462,478	$ 66,355,696
Money market	216,794,869	199,602,392
Certificates of Deposit	7,000,000	7,000,000
Securities	752,445,781	920,915,896
Swaps	(208,671,941)	(50,297,479)
	$ 839,031,187	$ 1,143,576,505
Cash and cash equivalents	37,994,647	$ 36,128,525
Cash and cash equivalents, restricted	285,067,201	173,596,934
Passenger facility charges, restricted cash	12,604,557	15,202,225
Investments, restricted	3,902,129	329,304,035
Investments	235,399,596	230,873,451
Long-term investments	71,747,636	80,463,199
Long-term investments, restricted	192,315,421	278,008,136
	$ 839,031,187	$ 1,143,576,505

D. INTEREST RATE SWAPS

For the year ended December 31, 2008, the Airports Authority implemented GASB 53. The Airports Authority's derivatives to which GASB 53 is applicable consist of interest rate swaps used to modify interest rates on outstanding and future debt. Based on the Airports Authority's International Swaps and Derivatives Association Agreement (Swap Agreement), the Airports Authority owes interest calculated at a notional amount multiplied by a fixed rate, to the counter parties. In return, the counterparties owe the Airports Authority interest based on the notional amount multiplied by a variable rate equal to 72 percent of London International Bank Offered Rate (LIBOR). Only the net difference in interest payments is actually exchanged with the counter parties. The Airports Authority continues to pay interest to the bondholders at the variable rate provided by the bonds associated with the swap. During the term of the Swap Agreement, the Airports Authority pays or receives the difference between the fixed rate on the Swaps and 72.0% of LIBOR.

Hedging Derivative Instruments

In 2001, the Airports Authority began a risk management program to assist in managing the interest cost on outstanding and future debt. During the year ended December 31, 2001, the Airports Authority entered into two forward-starting interest rate Swap Agreements (collectively, the 2001 Swaps) to modify interest rates on future outstanding debt. In October 2002, the 2001 Swaps were used to hedge $241.8 million of the Series 2002C Bonds. Based on the 2001 Swaps, the Airports Authority contracted to pay interest calculated at a fixed rate of 4.46% and 4.45% to the counterparties to the 2001 Swaps-- Lehman Brothers and Merrill Lynch. In return, the counterparties owed the Airports Authority interest based on the notional amount multiplied by a variable rate equal to 72.0% of LIBOR. In 2008, subsequent to the bankruptcy of Lehman Brothers, the 2001 Swap with Lehman Brothers was terminated. The Airports Authority paid Lehman Brothers the calculated value of $10.6 million.
The 2001 Swap with Merrill Lynch, with a notional amount of $66,120,000, was evaluated in 2008 to determine its effectiveness in hedging the Airports Authority interest rates on its debt. The Airports Authority is paid interest based on the notional amount multiplied by a variable rate equal to 72.0% of LIBOR. The GASB 53 states that if LIBOR, or a percentage of LIBOR, is employed as a hedge of tax-

exempt debt, hedge effectiveness should be evaluated using one of the quantitative methods. The Airports Authority has applied the synthetic instrument method to determine swap effectiveness.

The 2001 Swaps actual synthetic rate was 5.1989% for the reporting period 2008 and was 133.6% of the fixed rate of 4.445%. Therefore, the 2001 Swaps are considered ineffective and the fair value of the 2001 Swaps of ($11.6) million is reported on the Statements of Net Assets. The net change in the fair value of the 2001 Swaps from 2007 was a loss of $6.2 million. Further, GASB 53 requires that if a derivative instrument is found to be ineffective in the first reporting period, evaluation of effectiveness in subsequent reporting periods should not be performed. Since this derivative is found to be ineffective at the end of the first reporting period, hedge accounting will cease permanently and the changes in the value of this instrument will be reported in the Statements of Revenues, Expenses and Changes in Net Assets as unrealized swap loss/gain.

Investment Derivative Instruments

At December 31, 2008, the Airports Authority had six outstanding Swap Agreements serving as Investment Derivative Instruments. These Swap Agreements are future-starting swaps and are reported as investment derivative instruments with the changes in the fair values reported within investment income on the Statements of Revenues, Expenses and Changes in Net Assets. When the underlying bonds are issued, the swaps will be evaluated for effectiveness.

On May 13, 2005, the Airports Authority entered into four forward floating-to-fixed interest rate Swap Agreements (collectively, the 2005 Swaps) with Wachovia Bank, N.A. and Bank of Montreal. Two of the 2005 Swaps had an effective date of October 1, 2006 and notional amounts of $65.0 million (Wachovia) and $35.0 million (Bank of Montreal). These were amended on August 30, 2006, to provide a hedge against rising interest rates for a portion of the financings the Airports Authority expected to undertake in 2008. The two remaining 2005 Swaps were amended effective October 1, 2007. The start date for the $75.0 million 2005 Swap with the Bank of Montreal was extended to October 1, 2008. The start date for the $125.0 million 2005 Swap with Wachovia was extended to October 1, 2011. In conjunction with this amendment, the Airports Authority monetized the then unrealized increase in the market value of this swap in September 2007, which resulted in the recognition of a realized gain of $2.1 million. In 2008, three of the 2005 Swap Agreements with notional amounts of $65.0 million (Wachovia Bank, N.A.), $35.0 million (Bank of Montreal), and $75.0 million (Bank of Montreal) scheduled to become effective October 1, 2008, were amended to extend the effective date to July 15, 2009, and increase the fixed-payor rate to 3.966%, 4.059%, and 3.911%, respectively. In return, the counterparties owe the Airports Authority interest based on the notional amount multiplied by a variable rate equal to 72.0% of LIBOR.

On July 11, 2006, the Airports Authority entered into forward floating-to-fixed interest rate Swap Agreements (collectively, the 2006 Swaps) with Bear Sterns Companies, Inc., Lehman Brothers, Wachovia Bank, and Bank of America to provide protection against rising interest rates for a portion of the financings the Airports Authority expects to undertake in 2009 and 2010 to fund ongoing capital needs. The 2006 Swaps that have an effective date of October 1, 2009, have notional amounts of $190.0 million and $110.0 million with Bear Sterns and Bank of America, respectively. Based on the 2006 Swaps, the Airports Authority owes interest calculated at a fixed rate of 4.099% to the counterparties of the Bears Stearns and Bank America. The 2006 Swaps that have an effective date of October 1, 2010, have notional amounts of $170.0 million and $80.0 million with Wachovia Bank and

Lehman Brothers, respectively. Based on the 2006 Swaps, the Airports Authority owes interest calculated at a fixed rate of 4.112% to Wachovia Bank, the counterparty of the 2006 Swaps. In return, the counterparties owe the Airports Authority interest based on the notional amount multiplied by a variable rate equal to 72.0% of LIBOR.

In 2008, subsequent to the bankruptcy of Lehman Brothers, the 2006 Swap with Lehman Brothers, with an effective date of October 1, 2010, was terminated. The Airports Authority paid Lehman Brothers the calculated value of $5.9 million.

As of the year ended December 31, 2008, all of the Airports Authority's forward-starting interest rate Swaps are recognized on the Statements of Net Assets in investments at fair value. The fair value of the Airports Authority Swaps on December 31, 2008 and 2007 is $(208.7) million and $(50.3) million, respectively. The change in fair value of the Airports Authority's Swaps in 2008 is a loss of $158.4 million. Changes in the fair value of the Airports Authority's Swaps are recorded as unrealized gains or losses on the Statements of Revenue, Expenses and Changes in Net Assets. In addition, net interest payments to the counterparties are recorded in the financial statements. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted.

The fair value of the Airports Authority's Swaps as of December 31, 2008, and 2007 are as follows:

	Notional Amount	Maturity	Value as of 12/31/2008	Value as of 12/31/2007	Change in value
Hedging Derivative Instruments					
2001					
Lehman (Terminated in 2008)	$ -		$ -	$ (10,807,736)	$ 10,807,736
Merrill Lynch	66,120,000	2021	(11,587,964)	(5,342,451)	(6,245,513)
Total Live Swaps	66,120,000		(11,587,964)	(16,150,187)	4,562,223
Investment Derivative Instruments					
July 2009					
Wachovia	65,000,000	2031	(14,517,184)	(2,315,640)	(12,201,544)
Bank of Montreal	35,000,000	2031	(7,880,152)	(1,300,943)	(6,579,209)
Bank of Montreal	75,000,000	2036	(17,008,939)	(1,860,878)	(15,148,061)
Total	175,000,000		(39,406,275)	(5,477,461)	(33,928,814)
October 2009					
J.P. Morgan Chase	190,000,000	2039	(54,400,169)	(10,235,171)	(44,164,998)
Bank of America	110,000,000	2039	(31,903,537)	(5,955,903)	(25,947,634)
Total	300,000,000		(86,303,706)	(16,191,074)	(70,112,632)
October 2010					
Wachovia	170,000,000	2040	(46,433,048)	(7,512,264)	(38,920,784)
Lehman (Terminated in 2008)	-		-	(3,557,340)	3,557,340
Total	170,000,000		(46,433,048)	(11,069,604)	(35,363,444)
October 2011					
Wachovia	125,000,000	2039	(24,940,948)	(1,409,153)	(23,531,795)
Total	125,000,000		(24,940,948)	(1,409,153)	(23,531,795)
Total Forward Settling	770,000,000		(197,083,977)	(34,147,292)	(162,936,685)
Grand Total	$836,120,000		$ (208,671,941)	$ (50,297,479)	$ (158,374,462)

Risks

Credit Risk – Each of the Airports Authority's Swaps is held with a counterparty as indicated in the following table. The credit ratings for each of the counterparties are as follows:

Counterparty	Credit Ratings[1]	Notional Amount
Merrill Lynch	A1/A/A+	$ 66,120,000
Wachovia	Aa1/AA+/AA	360,000,000
Bank of Montreal	Aa1/A+/AA-	110,000,000
JP Morgan Chase	Aa1/AA-/AA-	190,000,000
Bank of America	Aa2/A+/A+	110,000,000
		$ 836,120,000

[1] The ratings in this table are from Moody's, S&P and Fitch, respectively

Although the Airports Authority executes swaps with various counterparties, three contracts, comprising approximately 43.0% of the net exposure to credit risk, are held with one counterparty. That counterparty is rated Aa1, AA+, AA from Moody's, S&P and Fitch, respectively.

The Airports Authority's Swaps do not require the Airports Authority to post collateral for any reason. The counterparties to the Swaps are required to post collateral if their credit ratings fall below Aa3/AA- but only if the Swaps are positive in the Airports Authority's favor. As of December 31, 2008, all outstanding swap values are in the counterparties favor so no collateral has been posted.

The Airports Authority does not enter into any master netting agreements.

Interest Rate Risk - The Airports Authority is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, received-variable interest rate swaps, as LIBOR decreases, the Airports Authority's net payment on the swap increases.

Basis Risk - The Airports Authority is exposed to basis risk on its pay-fixed interest rate swap because the variable-rate payments received by the Airports Authority on these hedging derivative instruments are based on a rate or index other than the interest rates the Airports Authority pays on its hedged variable-rate debt on which the interest rate resets every week. As of December 31, 2008, the weighted average interest rate on the Airports Authority's hedged variable-rate debt is 3.9682%, and 72% of LIBOR on December 31, 2008 was 0.3141%.

Termination Risk - The Airports Authority or its counterparties may terminate a swap if the other party fails to perform under the terms of the contract. In addition, the Airports Authority is exposed to termination risk on its swaps with October 2009 effective dates. In accordance with the agreement with the counterparties to extend the effective date of these swaps to July 2009, the Airports Authority will be required to terminate the swaps rather than attaching them to a debt obligation. These swaps will be terminated per a formula that approximates the then fair market value of the swaps.

E. ACCOUNTS RECEIVABLE

Trade accounts receivable consists of the following:

	December 31,	
	2008	2007
Trade accounts receivable	$ 24,033,741	$ 44,188,113
Less: allowance for doubtful accounts	(947,974)	(988,803)
	$ 23,085,767	$ 43,199,310

In 2008, Frontier Airlines, Gemini Air Cargo, MN Airlines (dba Sun Country Airlines) and ATA Holdings, Inc. filed for bankruptcy. The Airports Authority's accounts receivable for this pre-petition debt totaled $168,660. The Airports Authority has sufficient reserves to cover these potentially uncollectable receivables. In addition, Maxjet, who filed for bankruptcy in 2007, still remains in bankruptcy. As of December 31, 2007, the Airports Authority's pre-petition debt for this airline was $141,953. This amount was collected in full during 2008.

The Airports Authority's accounts receivables are 62.3% trade receivables due from concessionaires and airlines. The remaining 37.7% are notes and other receivables such as interest receivable. The allowance for doubtful accounts is specific to the Aviation Enterprise Fund.

F. RESTRICTED ASSETS

The Master Indenture securing the Revenue Bonds of the Airports Authority, requires segregation of certain assets into restricted accounts. The Airports Authority has also included PFC assets in restricted assets. Restricted assets consist of the following:

	December 31,	
	2008	2007
Construction	$ 205,045,601	$ 425,887,269
Debt service reserve accounts	400,987,362	328,305,615
Fair value of swaps	(208,671,941)	(50,297,479)
Interest accounts	53,254,984	54,345,763
Sinking fund accounts	23,776,457	22,667,937
DTR extraordinary maintenance and repair fund	7,740,565	-
Passenger facility charge accounts	12,604,557	15,202,225
Passenger facility charges and grant receivables	45,179,534	9,354,533
Bond issuance costs	60,737,790	60,302,530
	$ 600,654,909	$ 865,768,393

The construction accounts include the funds available for the design and construction of capital improvements for the Airports and for the Metrorail Project. The debt service reserve accounts contain the maximum amount of required principal payments for the bonds scheduled to come due in one year. The debt service reserve accounts are revalued each year in October. Any amounts in excess of the debt service requirements are transferred to the applicable construction fund or taken into the revenue funds of the Airports Authority if the construction funds have been expended. If the debt service reserve is undervalued, the Airports Authority transfers funds into the accounts. The debt service reserve accounts were over funded by $6.8 million as of December 31, 2008 and $2.9 million as of December 31, 2007. The interest account contains the interest amounts required for the semi-annual interest payments. The sinking fund accounts represent the principal for the annual October bond payments. The PFC and grant receivables represent amounts collectable as of December 31, 2008 and 2007. The bond issuance costs are costs incurred and paid by bond funds to complete the bond deal. They are amortized over the life of the related bond issue.

G. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2008 and 2007 are as follows:

	Beginning Balance January 1, 2008	Transfers and Additions	Transfers and Deletions	Ending Balance December 31, 2008
Capital assets not being depreciated:				
Construction in progress	$1,915,881,901	$ 290,681,788	$(430,193,643)	$ 1,776,370,046
Construction in progress, Metrorail project	-	362,322,546	-	362,322,546
Land and other non-depreciable assets	121,534,710	200,000	-	121,734,710
Total capital assets not being depreciated	2,037,416,611	653,204,334	(430,193,643)	2,260,427,302
Other capital assets:				
Equipment	59,460,093	8,229,458	(3,021,012)	64,668,539
Motor vehicles	92,275,530	704,243	(2,603,487)	90,376,286
Buildings	2,315,713,763	222,577,655	(22,482,600)	2,515,808,818
Systems and structures	1,440,873,719	397,382,837	-	1,838,256,556
Total other capital assets	3,908,323,105	628,894,193	(28,107,099)	4,509,110,199
Less accumulated depreciation:				
A/D equipment	43,617,182	4,764,315	(2,876,222)	45,505,275
A/D motor vehicles	75,458,102	3,215,918	(2,604,762)	76,069,258
A/D buildings	588,730,005	71,107,861	(19,182,494)	640,655,372
A/D systems and structures	621,825,106	77,824,122	-	699,649,228
Total accumulated depreciation	1,329,630,395	156,912,216	(24,663,478)	1,461,879,133
Other capital assets, net	2,578,692,710	471,981,977	(3,443,621)	3,047,231,066
Totals	$4,616,109,321	$1,125,186,311	$(433,637,264)	$ 5,307,658,368

	Beginning Balance January 1, 2007	Transfers and Additions	Transfers and Deletions	Ending Balance December 31, 2007
Capital assets not being depreciated				
Construction in progress	$1,389,283,792	$ 736,046,481	$ (209,448,372)	$ 1,915,881,901
Land and other non-depreciable assets	118,144,707	3,390,003	-	121,534,710
Total capital assets not being depreciated	1,507,428,499	739,436,484	(209,448,372)	2,037,416,611
Other capital assets				
Equipment	52,482,671	9,037,417	(2,059,995)	59,460,093
Motor vehicles	89,677,779	2,701,208	(103,457)	92,275,530
Buildings	2,282,922,260	47,073,837	(14,282,334)	2,315,713,763
Systems and structures	1,280,266,050	160,607,669	-	1,440,873,719
Total other capital assets	3,705,348,760	219,420,131	(16,445,786)	3,908,323,105
Less accumulated depreciation:				
A/D equipment	41,793,631	3,825,832	(2,002,281)	43,617,182
A/D motor vehicles	72,308,759	3,273,681	(124,338)	75,458,102
A/D buildings	524,406,317	65,764,309	(1,440,621)	588,730,005
A/D systems & structures	555,699,891	66,125,215	-	621,825,106
Total accumulated depreciation	1,194,208,598	138,989,037	(3,567,240)	1,329,630,395
Other capital assets, net	2,511,140,162	80,431,094	(12,878,546)	2,578,692,710
Totals	$4,018,568,661	$ 819,867,578	$ (222,326,918)	$ 4,616,109,321

For the year ended December 31, 2008, interest costs of $87.2 million less interest earned of $11.8 million were capitalized as part of the cost of construction in progress. For the year ended December 31, 2007 interest costs of $87.8 million less interest earned of $20.1 million were capitalized as part of the cost of construction in progress. Depreciation expense for the years ended December 31, 2008 and 2007 was $156.9 million and $139.0 million, respectively.

As of December 31, 2008, the Airports Authority's construction in progress account includes only costs expended on work for projects that are in an active status. Other capital assets, buildings includes an Automated People Mover Maintenance Facility that was completed in 2006, but not put into service as of the end of 2008. This asset for $36.9 million is available to the train operator for fit-out but is not in use for its intended purpose and is therefore idle as of December 31, 2008. No depreciation expense has been recognized for this asset during the years ended December 31, 2008 and 2007.

The Airports Authority Aviation Enterprise Fund initiated its CCP in 1988 to expand, modernize and maintain the Airports. Under the CCP, the Airports Authority has constructed and will continue to construct many of the principal elements of the Reagan National and Dulles International Master Plans. Major projects completed under the Master plan at Reagan National include, among others, two new main terminals connected to a Metrorail station, three parking garages and an airport traffic control tower. Major capital projects completed under the CCP at Dulles International include, among others, expansion and rehabilitation of the Main Terminal, construction of Concourse A and B, the International Arrivals Building (IAB), runway and road improvements, two daily parking garages and an air traffic control tower.

In 2000, the Airports Authority approved an expansion of the CCP for Dulles International referred to as the Washington Dulles Development (d^2) program expected to be completed in 2006. In the aftermath of the events of September 11, 2001 the Airports Authority reexamined the CCP program and revised the expected completion date to 2011 and delayed the start dates of several projects and deferred some other projects. However, due to the growth in passenger enplanements at Dulles International in recent years the CCP program has been rescheduled to 2016 and an additional $2.1 billion of projects were added. In total, the CCP program was expected to cost $7.1 billion.

The Airports Authority's approved capital budget for the 2008-2016 CCP is $4.8 billion. The projects currently in the program at Dulles International include the AeroTrain system to replace the existing mobile lounges which will move passengers between the Main Terminal and Concourses A, B and C, completion of the construction of the IAB expansion, site preparation for the fifth runway, preservation of the historic air traffic control tower in the Main Terminal, concourse modifications to support the Airbus A380 aircraft and Main Terminal restroom upgrades. At Reagan National, projects include a consolidated communications center, runway and taxiway area improvements, replacement of the parking revenue control system, additional decks on Garages A, B, and C, and Terminal B/D restroom upgrades.

With the transfer of the DTR from the VDOT, the Airports Authority committed to constructing the Metrorail Project. This is a 23-mile extension of the existing metrorail system from the East Falls Church station to Dulles International west to Ashburn in Loudoun County, Virginia. This system will be operated by the Washington Metropolitan Area Transit Authority (WMATA) and serve Tyson's Corner, the Reston Herndon area, and provide a one-seat ride from Dulles International to downtown Washington, D.C.

Phase 1 of the Metrorail Project will extend 11.7 miles from near East Falls Church to Wiehle Avenue in Reston. It includes 5 new stations and improvements to the existing WMATA Service and Inspection Yard at the West Falls Church station. Construction began in March 2009. Utility relocation activities began in spring 2008. The total project cost is budgeted at $2.8 billion.

Design plans and costs in the Airports Authority's construction program are evaluated on a periodic basis and should it be determined that the projects will not go forward or the designs are no longer usable, the associated costs will be written off.

In 2008, the Airports Authority recognized a one-time transaction to write off design costs incurred on the Tier 2 Concourse and related facilities. In 2008 the Airports Authority ceased all design work on the Tier 2 Concourse and related facilities. If the Airports Authority were to proceed with the project in the future, the Tier 2 Concourse and related facilities are likely to be substantially different from what is reflected in the designs and plans developed to date. Consistent with GASB 42, in 2008, the Airports Authority recorded $66.2 million in impairment loss, which is included in transfers and deletions in the preceding 2008 table summarizing the changes in capital assets for the year.

Pollution Remediation Obligations

In 2008, the Airports Authority implemented GASB 49. Prior year financial statements were not restated since there were no material previously unrecorded liabilities; however, the Airports Authority expensed $1.9 million of expenditures previously capitalized as construction in progress. As of

December 31, 2008 and 2007, the Airports Authority had one site which requires further evaluation of potential contamination.

Due to the burning of waste containing hazardous material at a former fire training area in 1989, Dulles International is subject to Resource Conservation and Recovery Act (RCRA) corrective action regulatory requirements. RCRA corrective action activities are being conducted under the direction of Environmental Protection Agency (EPA) Region 3 with assistance from the Virginia Department of Environmental Quality. On March 19, 2007, the EPA requested the Airports Authority to submit a workplan to address Phase I Environmental Indicator Information Needs. The Airports Authority submitted a workplan on April 30, 2007 and implemented the workplan in May of 2007, subsequently submitting reports of investigation in August, October and November of that year. On November 27, 2007, the Airports Authority submitted a workplan for additional investigations. The EPA is reviewing that workplan. Thus far, only one investigated area has contained contamination that requires further evaluation for the environmental indicators. Acetone has been found in groundwater north of the Shop 2 maintenance complex. Further evaluation of the concentration of acetone is needed to determine necessary pollution remediation efforts, if any. At present, it is unknown what additional studies and/or site work, if any, will be required. Therefore, no liabilities have been established as of December 31, 2008.

H. ACCOUNTS PAYABLE

The accounts payable and accrued expenses balance as of December 31, 2008, is 65.4% payable from restricted funds and 34.6% payable from the general operating fund. The restricted fund payables are primarily trade accounts payable related to the Airports Authority's ongoing construction program. Building construction costs payable are $101.2 million as of December 31, 2008 and $118.5 million as of December 31, 2007. The unrestricted accounts payables and accrued expenses are 19.1% accrued salaries and benefits, 49.5% payables to vendors, 21.9% deferred revenue and expenses, with the remaining 9.4% reserves for insurance claims.

For the year ended December 31, 2008, the Aviation Enterprise financial statements reflect the one-time reduction of $7.2 million in previously recorded expenses for costs incurred in connection with the transfer of the Dulles Toll Road to the Airports Authority and the reduction of $200,000 in operating expense, primarily payroll, both which are to be repaid from the Dulles Corridor Enterprise Fund. At year ended December 31, 2008, the entire $7.4 million is due to the Aviation Enterprise from the Dulles Corridor Enterprise. It is expected that the funds will be repaid in 2009.

I. PENSION PLANS AND DEFERRED COMPENSATION PLAN

The Airports Authority participates in two United States Government pension plans: the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). Each is considered a cost-sharing multiple employer public employee retirement system. Employees hired before December 31, 1983 are members of the CSRS unless they elected to transfer to FERS either before December 31, 1987 or during the special enrollment period from July 1, 1998 through December 31, 1998. In addition, the Airports Authority maintains single employer-defined benefit pension plans that cover all of its police and fire employees and its regular employees hired on or after June 7, 1987, excluding employees working less than 20 hours a week and other temporary employees.

Government Pension Plans

Under the CSRS, employees contribute 7.0% of their base pay (7.5% for firefighters) and the Airports Authority matches the employees' contributions. Retirement benefits are based on length of service and the average of the employee's three highest years of base pay. Employees can retire at age 55 with 30 years of service; age 60 with 20 years of service; or age 62 with five years of service. Firefighters can retire at age 50 with 20 years of firefighting service. Retirement annuities range from 7.5% of the average high three-year base pay to a maximum of 80.0% depending on years of service. Effective April 1, 1987, the CSRS added a Thrift Savings Plan. CSRS participants can contribute a percentage of their salary on a tax-deferred basis up to the statutory limit of $15,500 in 2008. There are 42 regular employees and 5 police and firefighter employees currently enrolled in CSRS as of December 31, 2008.

The FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan. The Basic Benefit Plan employees' deduction ranges from 0.8% of base pay for regular employees to 1.3% for firefighters. The Airports Authority contributes from 10.7% for regular employees to 23.3% for firefighters. There are 42 regular employees and 23 police and firefighter employees currently enrolled in the FERS as of December 31, 2008.

Employees retiring under the FERS are entitled to annual maximum retirement benefits equal to 1.1% of the employee's highest three-year average salary for every year of service. Regular employees are eligible for retirement when they have 10 years of service and have reached the minimum retirement age (ranging from 55 to 57 years old), based on a birth date. Firefighters can retire at age 50 with 20 years of firefighting service or at any age with 25 years of service. These employees are entitled to an annual retirement benefit of 1.7% of the employee's highest three-year average salary for every year of service up to 20 years and 1.0% for years of service over 20. FERS participants enrolled in the Thrift Savings Plan can now contribute up to 15.0% of their salary on a tax-deferred basis.

The Airports Authority's base payroll for employees covered by the CSRS and the FERS for the year ended December 31, 2008 was $9.2 million. The Airports Authority's total base payroll for all employees was $90.0 million in 2008. Employee contributions for these federal pension plans were $336,959 for 2008, $352,401 for 2007, and $408,849 for 2006.

The employer contributions for these plans were $1.1 million for 2008, $1.1 million for 2007, and $1.2 million for 2006. These contributions represent 100.0% of required contributions for each of the respective years.

The Airports Authority Pension Plans

Effective January 1, 1989, the Airports Authority established a retirement benefits program for employees hired on or after June 7, 1987, which provides income in the event of retirement or death where a surviving spouse remains. Employee coverage and service credit was retroactive to June 7, 1987. The program includes the Airports Authority General Employee Retirement Plan (covering regular employees) and the Airports Authority Retirement Plan for Police Officers and Firefighters (the Plans), both single employer defined benefit plans. Any amendment to these plans must be approved by the Airports Authority's Board. As of December 31, 2008, the number of employees participating in the Plans was:

Current participants	Regular	Police/Fire	Total
Vested	639	206	845
Non-vested	342	121	463
Retirees/disabled employees currently receiving benefits	156	11	167
Terminated vested participants	188	58	246
Total	1,325	396	1,721

The Airports Authority contributed 6.8% to the Regular Plan and 12.4% to the Police and Fire Plan in 2008. The Airports Authority's base payroll in 2008 for the Regular Plan was approximately $60.5 million and $20.2 million for the Police and Fire Plan. The Airports Authority's base payroll in 2007 for the Regular Plan was approximately $52.5 million and $17.4 million for the Police and Fire Plan. In 2008, the Airports Authority contributed $4.1 million to the Regular Plan and $2.5 million to the Police and Fire Plan. In 2007, the Airports Authority contributed $3.5 million to the Regular Plan and $2.1 million to the Police and Fire Plan. Employees do not contribute to the Regular Plan.

The Plans provide retirement benefits as well as death benefits. Regular employees who retire at or after age 60 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.2% of final-average salary up to covered compensation and 1.6% of final-average salary which is above covered compensation for each year of credited service (maximum 30 years).

Final-average salary is the average of the employee's highest consecutive 78 pay periods in the most recent 260 pay periods, while covered compensation is the 35-year average of the Social Security Wage Bases ending with the year in which the participant attains Social Security normal retirement age. A pre-retirement surviving spouse benefit is payable in the event of death, equal to 50.0% of the benefit which would have been payable had the participant retired, provided the participant had at least five years of service. Benefits can be received as early as age 55 with five years of service with a 5.0% reduction for each year the participant is younger than age 60. Benefits are also adjusted to the lesser of one-half of the CPI or 4.0%.

The benefits to police officers and firefighters become payable at age 55 with five years of service or at any age with 25 years of service. Benefits are not reduced if retirement is at or after age 50. The benefit is 2.0% of the final average earnings for service up to 25 years, and 1.0% of the final average earnings for service between 25 and 30 years. Withdrawal, death, and cost of living benefits are similar to those available to regular employees. Police officers and firefighters are required to contribute 1.5% of base pay per year of participation, which is accumulated with a 5.0% interest rate and returned when a benefit is forfeited.

The Airports Authority contributes the remaining amounts necessary to fund the Plans using the entry age normal actuarial method in addition to an amount to amortize any unfunded liability.

Contributions Required and Made

The Airports Authority's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Employer contributions are determined in accordance with the plan provisions and approved by the Airports Authority's Board. Level percentages of payroll employer contribution rates are determined using the entry age actuarial funding method shown in dollars in the following table. Unfunded actuarial accrued liabilities are being amortized over a period of 30 years on an open basis.

Annual Pension Cost and Net Pension Obligation

The Airports Authority's pension obligation (asset) for its General Employees and Police and Firefighters pension plans as of December 31, 2008, 2007, 2006 and for the years then ended, which are based on the then latest actuarial valuations available, are as follows:

	2008	
	General Employees	Police and Firefighters
Annual required contribution	$ 4,117,347	$ 2,508,523
Interest on net pension obligation (asset)	(126,206)	(39,219)
Adjustment to annual required contribution	132,539	41,187
Annual pension cost	4,123,680	2,510,491
Contributions made	4,117,347	2,508,523
Change in net pension obligation (asset)	6,333	1,968
Net pension obligation (asset) beginning of year	(1,682,741)	(522,917)
Net pension obligation (asset) end of year	$ (1,676,408)	$ (520,949)

	2007	
	General Employees	Police and Firefighters
Annual required contribution	$ 3,433,086	$ 2,084,003
Interest on net pension obligation (asset)	(123,248)	(39,367)
Adjustment to annual required contribution	129,433	41,343
Annual pension cost	3,439,271	2,085,979
Contributions made	3,508,663	2,050,272
Change in net pension obligation (asset)	(69,392)	35,707
Net pension obligation (asset) beginning of year	(1,613,349)	(558,624)
Net pension obligation (asset) end of year	$ (1,682,741)	$ (522,917)

	2006 General Employees	2006 Police and Firefighters
Annual required contribution	$ 3,204,841	$ 1,821,394
Interest on net pension obligation (asset)	(138,467)	(4,229)
Adjustment to annual required contribution	145,417	4,441
Annual pension cost	3,211,791	1,821,606
Contributions made	2,978,907	1,803,848
Change in net pension obligation (asset)	232,884	17,758
Net pension obligation (asset) beginning of year	(1,846,233)	(576,382)
Net pension obligation (asset) end of year	$ (1,613,349)	$ (558,624)

Three year trend information is as follows:

	General Employees Retirement Plan			Police Officers and Firefighters Plan		
Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (Assets)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (Assets)
2006	$3,211,791	92.70%	($1,613,349)	$1,821,606	99.00%	($558,624)
2007	$3,439,271	102.00%	($1,682,741)	$2,085,979	98.30%	($522,917)
2008	$4,123,680	99.80%	($1,676,408)	$2,510,491	99.90%	($520,949)

Funding Status

The actuarial accrued liability (AAL) was determined from the then most recently available actuarial valuation of the Plans. Significant actuarial assumptions used in determining the AAL include: (a) a rate of return on the investment of the present and future assets of 7.5% per year compounded annually, (b) projected salary increases ranging from 5.5% to 9.5% based on years of service and anticipated inflation, (c) post-retirement benefit increases of 1.75% per year, (d) for inflation rate, CPI increases of 3.5% per year (e) amortization method of percentage of projected payroll, and (f) amortization period of 30 years, open. The actuarial value of assets is determined using fair market values with changes smoothed over a five-year period. A copy of the actuarial valuations, plan financial statements and plan documents may be obtained by written request to: MWAA, Benefits Department, 1 Aviation Circle, Washington, DC 20001-6000.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General Employees Retirement Plan						
12/31/2001	$ 44,776,250	$ 33,126,203	$ (11,650,047)	135.20%	$ 37,458,710	(31.10)%
12/31/2002	48,332,275	37,975,594	(10,356,681)	127.30%	39,377,221	(26.30)%
12/31/2003	53,164,834	43,202,420	(9,962,414)	123.10%	41,524,933	(24.00)%
12/31/2004	58,126,517	46,229,931	(11,896,586)	125.70%	43,199,684	(27.50)%
12/31/2005	64,087,361	53,833,003	(10,254,358)	119.00%	48,218,773	(21.30)%
12/31/2006	72,341,671	62,195,419	(10,146,252)	116.30%	52,985,414	(19.10)%
12/31/2007	82,372,511	68,958,757	(13,413,754)	119.50%	54,751,207	(24.50)%

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Officers and Firefighters Retirement Plan						
12/31/2001	$ 19,772,489	$ 16,145,289	$ (3,627,200)	122.50%	$ 9,705,378	(37.40)%
12/31/2002	21,744,019	19,020,653	(2,723,366)	114.30%	11,487,047	(23.70)%
12/31/2003	24,294,170	21,873,198	(2,420,972)	111.10%	12,679,387	(19.10)%
12/31/2004	27,168,047	24,474,697	(2,693,350)	111.00%	14,298,016	(18.80)%
12/31/2005	30,730,808	28,546,385	(2,184,423)	107.70%	15,462,439	(14.10)%
12/31/2006	35,464,226	34,134,852	(1,329,374)	103.90%	17,799,707	(7.50)%
12/31/2007	41,245,955	39,293,637	(1,952,318)	105.00%	18,799,993	(10.40)%

Annual Pension Percentage of ARC

	General Employees Retirement Plan			Police Officers and Firefighters Retirement Plan		
Calendar Year	Annual Required Contribution	Actual Contribution	Percentage Contribution	Annual Required Contribution	Actual Contribution	Percentage Contribution
2002	$ 2,084,956	$ 2,410,730	115.60%	$ 1,280,205	$ 1,356,150	105.90%
2003	2,593,255	2,370,976	91.40%	1,577,901	1,443,352	91.50%
2004	2,755,413	2,678,873	97.20%	1,723,233	1,684,069	97.70%
2005	2,525,154	3,030,185	119.70%	1,654,845	1,950,353	117.80%
2006	3,233,610	3,037,634	93.90%	1,939,938	1,890,618	97.50%
2007	3,463,046	3,508,663	101.30%	2,050,272	2,050,272	100.00%
2008	4,117,347	4,117,347	100.00%	2,508,523	2,508,523	100.00%

Expressing the actuarial value of assets available for benefits as a percentage of the AAL provides an indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement plan. Trends in assets in excess of AAL and annual covered payroll are both affected by inflation. Expressing the AAL in excess of assets as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the lower this percentage, the stronger the retirement plan.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, the size or composition of the population covered by the Plan, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the AAL as a factor.

All assets of the Airports Authority pension plans are held in trust at the Bank of New York Mellon. The assets were transferred to the Bank of New York Mellon on July 2, 2007 from Manufacturers and Traders Trust Company (M&T).

The contribution rates for any given year for the Airports Authority General Plan and Police and Firefighter Plan are calculated based on the actuarial valuation done for the year two years prior to the current year. That is, the contribution rates for the 2008 year were calculated using the actuarial valuation done for year ended December 31, 2006. For this reason, the Airports Authority contribution rates will not see the activity in the current financial markets reflected in the rates for years 2008 or 2009. The contribution rate for the calendar year 2010 will incorporate the changes that took place in the current market in 2008 and any corresponding economic assumptions.

Deferred Compensation Plan

Effective July 2, 1989, the Airports Authority offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is available to employees at termination, retirement, death, or an unforeseeable emergency.

Effective July 17, 2008, the Airports Authority changed its trust agent for the Deferred Compensation Plan to the Vantage Trust Company. Prior to this date the assets were held in trust by M&T.

Investments are managed for participants by the International City/County Management Association Retirement Corporation (ICMA-RC) under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

Money Purchase Pension Plan

Effective December 18, 2007, the Airports Authority established a Money Purchase Pension Plan (MPPP) in accordance with Internal Revenue Code 401 (a) (17). The MPPP is available to all full-time employees. Under the terms of the MPPP, the Airports Authority makes contributions on behalf of eligible employees. The amount of contributions made on behalf of eligible employees depends on whether the employee’s pension benefit under the Airports Authority’s General Employees Retirement Plan or the Airports Authority’s Retirement Plan for Police Officers and Firefighters is limited due to compensation limitations imposed by section 401 (a) (17). Eligible employees may not defer a portion of their salary into the MPPP. The Airports Authority serves as trustee of the MPPP. The Airports Authority has entered into an agreement with the ICMA-RC to act as an investment advisor to the

MPPP and to provide record keeping services. In 2008, the Airports Authority paid $34,136 into the MPPP. In 2007, the Airports Authority paid $44,113 into the MPPP.

J. POSTEMPLOYMENT BENEFITS

The Airports Authority Plans

In addition to pension benefits, the Airports Authority provides post employment benefits of health, dental and life insurance. The Airports Authority's Retired Employees Healthcare Plan (the Healthcare Plan) is a single-employer defined benefit healthcare, dental and life insurance plan administered by the Airports Authority. The Healthcare Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses.

The Airports Authority's Board initially provided the benefits package to meet requirements of the federal enabling legislation which created the Airports Authority in 1987. Through the budget approval process, the Airports Authority has continued to provide these benefits of insurance to retired employees under the Airports Authority's group plans for health, dental and life insurance. The Airports Authority can establish and amend benefit provisions of the Healthcare Plan. As of December 31, 2008, 339 retired employees were receiving life insurance benefits and 337 retired employees were receiving health insurance benefits under these Airports Authority programs.

In accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43) and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), the Airports Authority created in February 2005 an Employee Welfare Benefits Trust. This Trust provides a funding mechanism for retiree health, dental and life insurance coverage and other post employment benefits other than pensions. The Airports Authority began funding the trust and fully implemented GASB 43 and GASB 45 in 2005.

The contribution requirements of the Plan's members and the Airports Authority for the health and dental insurance are established and may be amended by the management of the Airports Authority. The required contribution is based upon projected pay-as-you-go financing requirements and funding for future benefits. The Airports Authority pays 80.0% of the total health insurance premiums costs with the remainder paid by the retired employee. For the years ended December 31, 2008 and December 31, 2007 the Airports Authority's health insurance costs for retired employees totaled $3.3 million and $3.2 million, respectively.

Plan participants contributed $633,330 for fiscal year 2008 and $626,215 for fiscal year 2007, or 20.0% of the total premiums, through their required monthly contributions:

Monthly Contributions for Retirees Under 65 for 2008

Provider Choices	Retiree Only	Retiree Plus Spouse	Retiree Plus Child(ren)	Family
Aetna - HMO	$86.00	$178.00	$160.00	$252.00
Aetna – PPO	$93.00	$194.00	$176.00	$276.00
Kaiser Permanente Select HMO	$74.00	$153.00	$140.00	$221.00
MetLife Dental	$11.00	$23.00	$23.00	$43.00

Monthly Contributions for Retirees Over 65 for 2008

Provider Choices	Retiree Only	One > 65 One < 65	Two Party Medicare	Family Medicare
Aetna - HMO	$68.00	$194.00	$135.00	$241.00
Aetna – PPO	$75.00	$216.00	$148.00	$268.00
Kaiser HMO	$51.00	$134.00	$103.00	$185.00
MetLife Dental	$11.00	$23.00	$23.00	$43.00

The Airports Authority offers two retiree life insurance options. Under option 1, the Airports Authority pays 100.0% of the retired employee's basic and supplemental life insurance cost. Basic life insurance coverage is reduced to 25.0% of the employee's life insurance in force at the time of retirement. Supplemental life insurance is a multiple of the basic life insurance (1 to 5 times) that the employee had selected prior to retirement. Supplemental life insurance is reduced at a rate of 2.0% each month so that at the end of 50 months, no supplemental life insurance coverage remains in force.

Option 2 is available to employees who retire from the Airports Authority on or after May 1, 2007. Under option 2, basic life insurance is reduced to 25.0% of the retired employee's basic life insurance in force at the time of retirement. The Airports Authority pays 100.0% of the cost of the basic life insurance. The amount of supplemental life insurance in force remains at the amount the retired employee had at the time of retirement. The amount of supplemental life insurance is reduced by 50.0% at age 70 and another 50.0% at age 75. Retirees pay the entire cost of supplemental life insurance under this option.

Of the 340 retired employees, 40 had supplemental insurance coverage as of December 31, 2008. For the year ended December 31, 2008, the life insurance costs for retired employees totaled $158,489. Of the 326 retired employees, 54 had supplemental insurance coverage as of December 31, 2007. For the year ended December 31, 2007, the life insurance costs for retired employees totaled $210,025.

Annual Other Post Employment Cost and Obligation

The Airports Authority's obligations (assets) for its post employment benefit plans as of December 31, 2008, 2007, 2006 and for the years then ended, which are based on the then latest actuarial valuations available, are as follows:

2008	Medical and Dental	Life Insurance
Annual required contribution	$ 7,980,000	$ 746,600
Interest on net OPEB obligation (asset)	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	7,980,000	746,600
Contributions made	8,262,070	718,827
Change in net OPEB obligation (asset)	(282,070)	27,773
Net OPEB obligation (asset) beginning of year	(2,210,000)	(94,260)
Net OPEB obligation (asset) end of year	$ (2,492,070)	$ (66,487)

2007	Medical and Dental	Life Insurance
Annual required contribution	$ 7,904,439	$ 754,384
Interest on net OPEB obligation (asset)	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	7,904,439	754,384
Contributions made	7,754,439	753,962
Change in net OPEB obligation (asset)	150,000	422
Net OPEB obligation (asset) beginning of year	(2,360,000)	(94,682)
Net OPEB obligation (asset) end of year	$ (2,210,000)	$ (94,260)

2006	Medical and Dental	Life Insurance
Annual required contribution	$ 7,400,000	$ 709,500
Interest on net OPEB obligation (asset)	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	7,400,000	709,500
Contributions made	7,400,000	631,182
Change in net OPEB obligation (asset)	-	78,318
Net OPEB obligation (asset) beginning of year	(2,360,000)	(173,000)
Net OPEB obligation (asset) end of year	$ (2,360,000)	$ (94,682)

Funding Status

The Airports Authority began funding the Plan in 2005 and, in addition to funding insurance costs for retired employees (see above), contributed $5.4 million, $5.2 million and $6.5 million for the years ended December 31, 2008, 2007, and 2006, respectively, to the Trust for medical and dental insurance. The Airports Authority also contributed approximately $570,000, $550,000 and $544,000 for the years ended December 31, 2008, 2007, and 2006, respectively, to the Trust for life insurance.

Schedule of Funding Progress for Medical Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2005	-	$65,790,000	$65,790,000	0.00%	$58,820,000	111.90%
01/01/2006	$6,500,000	$76,080,000	$69,580,000	8.50%	$64,100,000	108.60%
01/01/2007	$13,090,000	$81,930,000	$68,840,000	15.97%	$69,770,000	98.67%
01/01/2008	$19,450,000	$85,170,000	$65,720,000	22.83%	$68,620,000	95.80%

Schedule of Funding Progress for Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2005	-	$5,380,500	$5,380,500	0.00%	$59,739,100	9.00%
01/01/2006	$554,100	$5,941,900	$5,387,800	9.30%	$64,148,900	8.40%
01/01/2007	$1,152,000	$6,722,000	$5,570,000	17.20%	$69,770,800	7.90%
01/01/2008	$1,711,700	$6,822,000	$5,110,300	25.10%	$68,616,300	7.50%

Annual Percentage of ARC – Medical Insurance

Calendar Year	Annual Required Contribution	Actual Contribution	Percentage Contribution
2005	$6,390,000	$8,750,000	136.90%
2006	$7,400,000	$7,400,000	100.00%
2007	$7,904,439	$7,754,439	98.10%
2008	$7,980,000	$8,262,070	103.50%

Annual Percentage of ARC – Life Insurance

Calendar Year	Annual Required Contribution	Actual Contribution	Percentage Contribution
2005	$680,000	$853,000	125.40%
2006	$709,500	$631,182	89.00%
2007	$754,384	$753,962	99.90%
2008	$746,600	$718,827	96.30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 AAL for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and 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 AAL and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial value of future assets will be determined using fair market values.

In the January 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11.0% initially, reduced by decrements to an ultimate rate of 5.0% after seven years. The Life Insurance rate includes a 3.5% inflation assumption. The initial unfunded AAL is being amortized as a level dollar amount over a period of 30 years. A copy of the actuarial valuation and plan document may be obtained by written request to: Metropolitan Washington Airports Authority, Benefits Department, 1 Aviation Circle, Washington, DC 20001-6000. There are no separate stand alone financial reports issued.

K. CAPITAL DEBT

Commercial Paper Notes

The Airports Authority's Board adopted Resolution No. 00-1 on April 2, 2000, allowing the issuance of $250.0 million in CP Notes. The principal amount was to pay or provide for certain capital improvements at the airports or refunding other forms of indebtedness principal and interest thereof. On May 2, 2001, the Airports Authority Board adopted Resolution No. 01-6 allowing the issuance of CP Notes not to exceed $500.0 million. The Airports Authority currently has in place credit facilities allowing it to draw up to $420.0 million in CP Notes at any given time.

Series One CP Notes are authorized pursuant to the Amended and Restated Eleventh Supplemental Indenture dated as of November 1, 2004 and further amended on March 1, 2005 between the Airports Authority and the Trustee. The Series One CP Notes are structured as Short-term/Demand Obligations under the Indenture and collateralized by certain pledged funds including Net Revenues on parity with the Bonds. They are further collateralized by an irrevocable direct pay letter of credit issued by JP Morgan Chase Bank, which expires in March 2011. The Airports Authority's obligation to repay amounts drawn under such letter of credit is collateralized by a promissory note issued by the Airports Authority to JP Morgan Chase Bank and is collateralized by and payable from Net Revenues and other pledged funds on a parity with the Series One CP Notes and the Bonds. As of December 31, 2008 $150.0 million of the Series One CP Notes were outstanding. They were issued in October and November 2008. The proceeds are being used to provide interim financing for authorized projects at Reagan National and Dulles International airports. The weighted average interest rate on the Series One CP Notes was 1.5%.

Series Two CP Notes are authorized pursuant to the Twenty-second Supplemental Indenture dated as of January 1, 2005, between the Airports Authority and the Trustee. The Series Two CP Notes are structured as Short-term/Demand Obligations under the Indenture and are collateralized by certain pledged funds including Net Revenues on parity with the Bonds. They are further collateralized by an irrevocable direct pay letter of credit issued on a several but not joint basis by WestLB AG acting through its New York Branch, individually and as an agent, and Landesbank Baden-Wurttemberg, acting through its New York Branch (collectively, the Banks), which expires in December 2015, but allows the Banks under certain circumstances to terminate the facility every five years beginning on January 12, 2010. The Airports Authority's obligation to repay amounts drawn under such letter of credit is collateralized by a promissory note issued by the Airports Authority to the Banks and is collateralized by and payable from Net Revenues and other pledged funds on parity with the Series Two CP Notes and the Bonds. As of December 31, 2008, the Airports Authority has $67.5 million in Series Two CP Notes outstanding. The proceeds are used to provide interim financing for authorized projects at Reagan National and Dulles International. The weighted average interest rate on the Series Two CP Notes at December 31, 2008 was 2.0% on sub-series A and 2.5% on sub-series C.

All of the Airports Authority's CP Notes are rated "P-1" short-term by Moody's, "A-1+" short-term by S&P, and "F1+" short term by Fitch.

Changes in Commercial Paper Notes Balances

	Series One	Series Two	Total
Balance as of December 31, 2007	$ 60,000,000	$ 200,000,000	$ 260,000,000
Commercial Paper Notes Refunded	(60,000,000)	(161,500,000)	(221,500,000)
Commercial Paper Notes Issued	150,000,000	29,000,000	179,000,000
Balance as of December 31, 2008	$ 150,000,000	$ 67,500,000	$ 217,500,000

PFC Bank Participation Notes

The Airports Authority issued Flexible Term PFC Revenue Notes (bank participation notes) of $495.9 million to finance PFC approved projects. The bank participation notes have various maturity dates and interest rates that vary from 0.95% to 1.70%. The bank participation notes required the Airports Authority to maintain a reserve account. The reserve account at December 31, 2008 and December 31, 2007, was $3.6 million and $5.7 million, respectively, and is included in PFC's, restricted cash on the Statements of Net Assets. The bank participation notes are backed by a Bank of America, N.A. letter of credit that expires on November 16, 2010. Bank participation notes outstanding at December 31, 2008 and 2007 were $432.0 million. Total interest cost for the years ended December 31, 2008 and December 31, 2007 were $11.5 million and $17.0 million, respectively.

Changes in PFC Bank Participation Notes

Balance as of December 31, 2007	$ 432,000,000
PFC Bank Participation Notes Issued	-
PFC Bank Participation Notes Refunded	-
Balance as of December 31, 2008	$ 432,000,000

Bond Anticipation Notes

On November 1, 2008, the Airports Authority received the proceeds of $150.0 million for a Bond Anticipation Note with the Bank of America. The proceeds will be used to fund the ongoing Metrorail Project. The notes are due to expire on November 1, 2009.

Bonds Payable

A Master Indenture was created in 1990 for the Airports Authority. The Master Indenture was amended effective September 1, 2001, to in part, change the definition of Annual Debt Service to accommodate the issuance of secured commercial paper, to permit the Airports Authority to release certain revenues from the definition of revenues, and to expand the list of permitted investments to include new, safe investment vehicles designed to increase the return on the Airports Authority investments. Under this amended Master Indenture, all bonds are collateralized by a pledge of Net Revenues of the Airports Authority which is "senior" to the "subordinated" pledge given by the Airports Authority in connection with the issuance of its bonds prior to 1990.

Bonds Payable

The Airports Authority's long-term bonds issued and outstanding as of December 31, 2008 and 2007 were as follows:

Airport System Senior Debt	Issue Date	Interest Rates	Maturing On October 1	Amount	Outstanding at December 31, 2008	Outstanding at December 31, 2007
Series 1998A Revenue Bonds	06/15/1998					
Serial				$ -		
					$ -	$ 495,000
Series 1998B Revenue & Refunding Bonds	06/15/1998					
Serial		4.600%-5.500%	2009-2014	$ 65,980,000		
Term		5.000%	2018	56,040,000		
Term		5.000%	2028	85,660,000		
					$ 207,680,000	$ 216,865,000
Series 1999A Revenue Refunding Bonds	04/15/1999					
Serial		4.400%-4.500%	2009-2010	$ 3,200,000		
Term		5.250%	2012	3,510,000		
Term		5.250%	2014	3,885,000		
Term		5.250%	2016	4,300,000		
Serial		5.000%	2017-2019	7,320,000		
Term		5.000%	2027	66,180,000		
					$ 88,395,000	$ 89,895,000
Series 2001A Revenue Bonds	04/01/2001					
Serial		4.200%-5.200%	2009-2022	$117,000,000		
Term		5.500%	2027	67,190,000		
Term		5.000%	2031	67,820,000		
					$ 252,010,000	$ 257,630,000
Series 2001B Revenue Bonds	04/01/2001					
Serial		4.000%-4.750%	2009-2017	$ 3,235,000		
Term		5.000%	2021	1,920,000		
Term		5.000%	2026	3,005,000		
Term		5.000%	2031	3,830,000		
					$ 11,990,000	$ 12,280,000
Series 2002A Revenue Bonds	06/04/2002					
Serial		4.125%-5.750%	2008-2022	$ 86,405,000		
Term		5.125%	2026	38,780,000		
Term		5.250%	2032	75,075,000		
					$ 200,260,000	$ 204,330,000
Series 2002B Revenue Bonds	06/04/2002					
Serial		4.000%-4.300%	2009-2012	$ 2,450,000		
					$ 2,450,000	$ 3,005,000
Series 2002C Refunding Bonds	08/28/2002					
Term		Variable	2009-2021	$ 206,460,000		
					$ 206,460,000	$ 217,730,000

Bonds Payable (continued)

Airport System Senior Debt	Issue Date	Interest Rates	Maturing On October 1	Amount	Outstanding at December 31, 2008	2007
Series 2002D Refunding Bonds	08/28/2002					
Serial		3.500%-5.375%	2009-2020	$ 34,095,000		
Term		5.000%	2023	12,270,000		
Term		5.000%	2032	49,685,000		
					$ 96,050,000	$ 98,185,000
Series 2003A						
Revenue & Refunding Bonds	10/01/2003					
Serial		3.375%-5.500%	2009-2025	$ 91,210,000		
Term		5.125%	2029	34,935,000		
Term		5.000%	2033	42,590,000		
					$ 168,735,000	$ 172,185,000
Series 2003B Refunding Bonds	10/01/2003					
Serial		3.100%-5.250%	2009-2019	$ 34,230,000		
					$ 34,230,000	$ 36,705,000
Series 2003C						
Revenue & Refunding Bonds	10/01/2003					
Serial		4.150%-5.390%	2009-2015	$ 17,105,000		
Term		5.740%	2019	12,935,000		
Term		6.000%	2023	12,880,000		
					$ 42,920,000	$ 44,965,000
Series 2003D Revenue Bonds	10/01/2003					
Term		Variable	2009-2033	$ 138,175,000		
					$ 138,175,000	$ 140,775,000
Series 2004A Refunding Bonds	08/26/2004					
Term		3.750%	2014	$ 60,000		
Serial		4.50%-5.000%	2015-2022	13,510,000		
					$ 13,570,000	$ 13,580,000
Series 2004B Revenue Bonds	05/18/2004					
Serial		5.000%	2027	$ 25,000,000		
Serial		5.050%	2028	7,330,000		
Term		5.000%	2034	217,670,000		
					$ 250,000,000	$ 250,000,000
Series 2004C-1 Refunding Bonds	07/07/2004					
Serial		5.000%	2020-2021	$ 56,900,000		
					$ 56,900,000	$ 71,175,000
Series 2004C-2 Revenue Bonds	08/12/2004					
Term		5.000%	2022	$ 32,700,000		
Serial		5.000%	2023-2024	66,690,000		
					$ 99,390,000	$ 99,485,000

Bonds Payable (continued)

Airport System Senior Debt	Issue Date	Interest Rates	Maturing On October 1	Amount	Outstanding at December 31, 2008	Outstanding at December 31, 2007
Series 2004D Refunding Bonds	08/26/2004					
Serial		4.100%-5.250%	2009-2019	$ 217,120,000		
					$ 217,120,000	$ 217,570,000
Series 2005A Revenue Bonds	04/12/2005					
Serial		3.500%-5.250%	2009-2020	$ 126,335,000		
Term		4.750%	2035	22,290,000		
Term		5.000%	2035	149,740,000		
					$ 298,365,000	$ 305,920,000
Series 2005B Refunding Bonds	04/12/2005					
Serial		3.500%-5.250%	2011-2020	$ 19,775,000		
					$ 19,775,000	$ 19,775,000
Series 2005C Revenue Bonds	04/12/2005					
Serial		5.590%	2025	$ 8,315,000		
Serial		5.690%	2030	9,350,000		
Serial		5.730%	2035	12,335,000		
					$ 30,000,000	$ 30,000,000
Series 2005D Revenue Bonds	10/12/2005					
Serial		5.000%	2009-2010	$ 2,595,000		
Serial		5.000%	2021-2023	7,650,000		
					$ 10,245,000	$ 11,450,000
Series 2006A Revenue Bonds	01/25/2006					
Serial		4.750%	2030	$ 12,500,000		
Term		5.000%	2032	126,555,000		
Term		5.000%	2035	160,945,000		
					$ 300,000,000	$ 300,000,000
Series 2006B Revenue Bonds	12/06/2006					
Serial		4.550%	2031	$ 59,020,000		
Serial		5.000%	2032	61,710,000		
Term		5.000%	2036	279,270,000		
					$ 400,000,000	$ 400,000,000
Series 2006C Refunding Bonds	12/06/2006					
Serial		3.750%-5.000%	2009-2026	$ 26,270,000		
Term		4.375%	2032	11,595,000		
					$ 37,865,000	$ 37,865,000
Series 2007A Refunding Bonds	07/03/2007					
Serial		4.750%-5.000%	2009-2023	$ 157,505,000		
					$ 157,505,000	$ 164,460,000

Bonds Payable (continued)

Airport System Senior Debt	Issue Date	Interest Rates	Maturing On October 1	Amount	Outstanding at December 31, 2008	Outstanding at December 31, 2007
Series 2007B Revenue Bonds	09/27/2007					
Serial		4.000%-5.000%	2009-2027	$ 428,930,000		
Serial		4.750%	2032	1,150,000		
Term		5.000%	2032	67,225,000		
Term		5.000%	2035	22,360,000		
					$ 519,665,000	$ 530,000,000
Series 2008A Revenue Bonds	06/24/2008	4.100%-5.750%	2012-2029	$ 250,000,000		
					$ 250,000,000	$ -
					$ 4,109,755,000	$ 3,946,325,000
Plus unamortized discount/premium, net					$ 18,210,779	$ 16,548,327
					$ 4,127,965,779	$ 3,962,873,327

* Portions of Series 1998A and 2002B Revenue Bonds were refunded on December 6, 2006, with fixed rate debt.

Changes in Bonds Payable Balances

Balance as of December 31, 2007			$ 3,962,873,327
Bonds issued			
Series 2008A	Revenue Bonds	$ 250,000,000	
			250,000,000
Principal payments			(86,570,000)
Change in unamortized discount/premium, net			1,662,452
Balance as of December 31, 2008			$ 4,127,965,779
Balance as of December 31, 2008 - short-term			90,475,000
Balance as of December 31, 2008 - long-term			4,037,490,779
			$ 4,127,965,779

Recent Bond Issues

On July 3, 2007, the Airports Authority received the proceeds of $164.5 million from the Series 2007A Airport System Revenue Refunding Bonds. These proceeds together with other available funds (the Debt Service Interest Account and the Debt Service Principal Account of the refunded Bonds) were used to refund all of the Airports Authority's outstanding Series 1997B Airport System Revenue Bonds. The outstanding bonds maturing 2007 through 2023 of the Series 1997B Bonds of $169.4 million were refunded on October 1, 2007. The Airports Authority's present value savings of this refunding was $6.9 million. The Airports Authority will realize cash flow savings of $10.1 million with this transaction. The refunded Series 1997B Bonds were scheduled to mature on October 1, 2007 through 2023 and were subject to optional redemption on October 1, 2007. The Bonds were redeemed at a price of 101.0% plus accrued interest.

On September 27, 2007, the Airports Authority issued Series 2007B Airport System Revenue Bonds for $530.0 million. The proceeds from these bonds will be used to finance capital improvements at Reagan National and Dulles International.

In 2008, the Airports Authority converted $140.8 million of the Series 2003D Airport System Revenue Variable Rate Bonds from the Auction Mode to the Weekly Mode. Of the Subseries 2003D-1 Bonds, $70.5 million were converted and of the Subseries 2003D-2 Bonds, $70.3 million were converted.

During 2008, the Airports Authority issued the Series 2008A Airport System Revenue Bonds for $250.0 million which refunded $60.0 million of Series One CP Notes and $161.5 million in Series Two CP Notes and provided $6.1 million in construction funding.

The Airports Authority reviews each bond sale to determine if there is value in providing investors municipal bond insurance. Insurance is provided in part by Financial Guaranty Insurance Company (FGIC), Municipal Bond Investors Assurance Corporation (MBIA), Financial Security Assurance (FSA), and XL Capital Assurance (XL).

The following table details the Airports Authority's outstanding debt noting insured and uninsured bonds.

Bond Series	Principal Outstanding	Uninsured Bonds	Insured Bonds	Insurance Provider
1998B	$ 207,680,000	$ -	$ 207,680,000	MBIA
1999A	88,395,000	-	88,395,000	FGIC
2001A	252,010,000	-	252,010,000	MBIA
2001B	11,990,000	-	11,990,000	MBIA
2002A	200,260,000	-	200,260,000	FGIC
2002B	2,450,000	-	2,450,000	FGIC
2002C	206,460,000	-	206,460,000	FSA
2002D	96,050,000	-	96,050,000	FSA
2003A	168,735,000	-	168,735,000	FGIC
2003B	34,230,000	2,535,000	31,695,000	FGIC
2003C	42,920,000	-	42,920,000	FGIC
2003D	138,175,000	-	138,175,000	XL
2004A	13,570,000	-	13,570,000	MBIA
2004B	250,000,000	-	250,000,000	FSA
2004C-1	56,900,000	-	56,900,000	FSA
2004C-2	99,390,000	-	99,390,000	FSA
2004D	217,120,000	20,570,000	196,550,000	MBIA
2005A	298,365,000	-	298,365,000	MBIA
2005B	19,775,000	-	19,775,000	MBIA
2005C	30,000,000	-	30,000,000	MBIA
2005D	10,245,000	-	10,245,000	Ambac
2006A	300,000,000	-	300,000,000	FSA
2006B	400,000,000	-	400,000,000	FGIC
2006C	37,865,000	-	37,865,000	FGIC
2007A	157,505,000	-	157,505,000	Ambac
2007B	519,665,000	10,795,000	508,870,000	Ambac
2008A	250,000,000	250,000,000	-	N/A
	$ 4,109,755,000	$ 283,900,000	$ 3,825,855,000	

The following is a summary of the maturities and sinking fund requirements, not including any unamortized discount or premium. Scheduled principal payments on long term bonds are due annually on October 1.

Year Ending December 31	Principal	Interest	Total Debt Service
2009	$ 90,475,000	$ 204,600,605	$ 295,075,605
2010	94,830,000	200,344,725	295,174,725
2011	99,735,000	195,782,783	295,517,783
2012	114,015,000	191,093,899	305,108,899
2013	119,850,000	185,532,257	305,382,257
2014-2018	697,740,000	831,628,317	1,529,368,317
2019-2023	805,685,000	641,877,837	1,447,562,837
2024-2028	673,495,000	450,664,361	1,124,159,361
2029-2033	967,965,000	265,406,561	1,233,371,561
Thereafter	445,965,000	38,453,018	484,418,018
	$4,109,755,000	$3,205,384,363	$7,315,139,363

Total interest costs for the years ended December 31, 2008 and 2007 were $201.8 million and $180.4 million, respectively. The current portion of the Airports Authority's bond payable, in the amount of $90.5 million, is due on October 1, 2009.

Special Facility Revenue Bonds

In March 1991, the Airports Authority issued $14.2 million of Special Facility Revenue Bonds on behalf of Caterair International Corporation (Caterair). The bonds were issued to finance the construction of an In-flight Kitchen Facility at Reagan National.

The Special Facility Revenue Bonds and related costs are payable only with funds from Caterair. Since these bonds do not represent a claim on the Airports Authority's assets, nor do they require the Airports Authority to incur future obligations, they have not been recorded in the Airports Authority's financial statements.

Arbitrage - Rebate Liability

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Airports Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Airports Authority had an estimated liability on December 31, 2008 of $3.1 million and no estimated liability on December 31, 2007.

L. AIRPORT USE AGREEMENT AND PREMISES LEASE

In February 1990, the Airports Authority entered into a long-term agreement with the major Airlines serving the Airports. The Agreement is for a term of 25 years, subject to cancellation rights by the Airports Authority after 15 years, and annually thereafter, at the option of the Airports Authority. The Agreement provides for the calculation of annual rates and charges, with rate adjustments at midyear, or any time revenues fall 5% or more below projections. The Agreement also provides for an annual "settlement" whereby the rates and charges are recalculated using audited financial data to determine any airline over/underpayment. For the year ended December 31, 2008, the settlement resulted in a credit to the Airlines of $3.4 million which was reflected as an increase in accounts payable and accrued expenses. For the year ended December 31, 2007, the settlement resulted in a charge to the Airlines of $1.2 million which was reflected as a reduction in accounts payable and accrued expenses.

Rates and charges are established to provide net revenues of at least 125.0% of debt service. Net remaining revenues (NRR) are defined as revenues less all operating and maintenance expenses, debt service, specified reserves, and other requirements. Subsequent to the final determination, NRR is allocated between the Airports Authority and the Airlines in accordance with the Agreement which shares NRR approximately 50/50 between the Airports Authority and the Airlines. The Airports Authority's share of NRR is reflected in the Airports Authority's Capital Fund as a reservation of retained earnings in the subsequent year, and is available for repair and rehabilitation projects or any other lawful purpose. The Airlines' share of NRR is recorded prospectively and reduces the subsequent year's rates and charges. All calculations are done in accordance with the Agreement.

In addition, the Agreement establishes an index amount at each Airport. When the transfer amount to the airlines reaches this level, the amount over the plateau is allocated 75.0% to the Airlines and 25.0% to the Airports Authority. For the years ended December 31, 2008 and 2007, at Dulles International, the transfer amount exceeded the plateau amount by $45.2 and $46.7 million, respectively. For the year ended December 31, 2008, at Reagan National, the transfer amount did not exceed the plateau amount by $2.4 and exceeded the plateau amount for the year ended December 31, 2007 by $2.5 million. These amounts were allocated accordingly and are included in the Airlines' and the Airports Authority's share. For the years ended December 31, 2008 and 2007, the Airlines' share of NRR was $72.4 and $78.0 million, respectively, and the Airports Authority's share was $37.9 and $46.7 million, respectively.

M. NET ASSETS

Net assets consists of the following:

Invested in Capital Assets Net of Related Debt consists of the following:

	2008 Aviation Enterprise	2008 DCE Enterprise	2008 Total Business-Type Activities
Long-term assets			
Land and other non-depreciable assets	$ 121,734,710	$ -	$ 121,734,710
Construction in progress	1,776,370,046	-	1,776,370,046
Construction in progress, Metrorail project	-	362,322,546	362,322,546
Buildings, systems and equipment	4,508,943,236	166,963	4,509,110,199
Less: accumulated depreciation	(1,461,796,180)	(82,953)	(1,461,879,133)
Total capital assets	4,945,251,812	362,406,556	5,307,658,368
Less: related liabilities			
Other liabilities	3,106,529	-	3,106,529
Current portion bonds payable	90,475,000	-	90,475,000
Bank participation notes/bond anticipation notes	432,000,000	84,869,016	516,869,016
Commercial paper notes	217,500,000	-	217,500,000
Bonds payable, net	3,784,462,649	-	3,784,462,649
Total liabilities	4,527,544,178	84,869,016	4,612,413,194
Invested in capital assets,net of related debt	$ 417,707,634	$277,537,540	$ 695,245,174

Restricted assets consists of the following:

	2008 Aviation Enterprise	2008 DCE Enterprise	2008 Total Business-Type Activities
Restricted assets			
Cash and cash equivalents, restricted	$ 170,767,057	$114,300,144	$ 285,067,201
Passenger facility charges, restricted	12,604,557	-	12,604,557
Accounts receivables, passenger facility charges and other, restricted	5,581,130	1,710	5,582,840
Grants receivable, restricted	23,906,251	15,690,443	39,596,694
Long-term investments, restricted	192,315,421	-	192,315,421
Bond issuance costs	60,712,709	25,081	60,737,790
Prepaid expenses and other current assets, restricted	-	848,277	848,277
Investments, restricted	3,902,129	-	3,902,129
Total assets	469,789,254	130,865,655	600,654,909
Less: liabilities payable from restricted assets			
Accounts payable and accrued expenses	65,398,716	39,550,490	104,949,206
Debt related to unspent bond proceeds	253,028,130	65,130,984	318,159,114
Accrued interest payable	54,013,642	386,886	54,400,528
Total liabilities	372,440,488	105,068,360	477,508,848
Restricted net assets	$ 97,348,766	$ 25,797,295	$ 123,146,061

Unrestricted assets consists of the following:

	2008 Aviation Enterprise	2008 DCE Enterprise	2008 Total Business-Type Activities
Current assets			
Cash and cash equivalents	$ 26,982,791	$ 11,011,856	$ 37,994,647
Investments	235,399,596	-	235,399,596
Accounts receivables, net	22,541,480	544,287	23,085,767
Inventory	6,796,319	-	6,796,319
Prepaid expenses and other current assets	7,812,490	3,821,244	11,633,734
Total current assets	299,532,676	15,377,387	314,910,063
Long-term assets			
Long-term investments	71,747,636	-	71,747,636
Net pension assets and other post-employment benefits asset	4,755,914	-	4,755,914
Other long-term assets	18,192,128	-	18,192,128
Total unrestricted assets	394,228,354	15,377,387	409,605,741
Less: current liabilities			
Accounts payable and accrued expenses	53,560,971	1,863,476	55,424,447
Due to/due from other funds	(7,413,995)	7,413,995	-
Operating lease obligations	341,140	-	341,140
Total current liabilities	46,488,116	9,277,471	55,765,587
Unrestricted net assets	$ 347,740,238	$ 6,099,916	$ 353,840,154

Invested in Capital Assets Net of Related Debt consists of the following:

	2007 Aviation Enterprise and Total Business-Type Activities
Long-term assets	
Land and other non-depreciable assets	$ 121,534,710
Construction in progress	1,915,881,901
Buildings, systems and equipment	3,908,323,105
Less: accumulated depreciation	(1,329,630,395)
Total capital assets	4,616,109,321
Less: related liabilities	
Current portion bonds payable	86,570,000
Bank participation notes/bond anticipation notes	432,000,000
Commercial paper notes	260,000,000
Bonds payable, net	3,282,332,710
Total liabilities	4,060,902,710
Invested in capital assets,net of related debt	$ 555,206,611

	2007 Aviation Enterprise and Total Business-Type Activities
Restricted assets consists of the following:	
Restricted assets	
Cash and cash equivalents, restricted	$ 173,596,934
Passenger facility charges, restricted	15,202,225
Accounts receivables, passenger facility charges and other, restricted	8,258,295
Grants receivable, restricted	1,096,237
Long-term investments, restricted	278,008,136
Bond issuance costs	60,302,530
Investments, restricted	329,304,035
Total assets	865,768,392
Less: liabilities from restricted assets	
Accounts payable and accrued expenses	100,843,888
Debt related to unspent bond proceeds	593,970,617
Accrued interest payable	55,970,434
Total liabilities	750,784,939
Restricted net assets	$ 114,983,453
Unrestricted assets consists of the following:	
Current assets	
Cash and cash equivalents	$ 36,128,525
Investments	230,873,451
Accounts receivables, net	43,199,310
Inventory	5,033,697
Prepaid expenses and other current assets	6,810,182
Total current assets	322,045,165
Long-term assets	
Long-term investments	80,463,199
Net pension assets and other post-employment benefits assets	4,509,918
Other long-term assets	18,333,264
Total unrestricted assets	425,351,546
Less: current liabilities	
Accounts payable and accrued expenses	71,868,458
Operating lease obligations	341,140
Total current liabilities	72,209,598
Less: deferred revenue	20,363,189
Total liabilities payable from unrestricted assets	92,572,787
Unrestricted net assets	$ 332,778,759

N. LEASE COMMITMENTS

Property Held for Lease

The Airports Authority has entered into various operating leases with tenants for the use of space at the Airports Authority's facilities including buildings, terminals, and customer service areas. The lease terms include a minimum fixed fee as well as contingent fees based on the tenants' volume of business. All the leases provide for a periodic review and redetermination of the rental amounts. Minimum future rentals scheduled to be received on operating leases that have initial or remaining non-cancelable terms in excess of one year are:

Year ending December 31,	
2009	$ 342,933,436
2010	375,091,688
2011	362,839,972
2012	371,508,369
2013	403,715,851
2014 and thereafter	1,919,524,424
Total minimum future rentals	$ 3,775,613,740

The above amounts do not include contingent rentals and fees in excess of minimums, which amounted to $13.3 million for the year ended December 31, 2008. The portion of property associated with minimum rentals derived from operating leases was capitalized prior to June 7, 1987, and ownership was retained by the United States Government. Use of this property is provided to the Airports Authority under its operating lease with the United States Government. Accordingly, the cost of this property is not reflected in the financial statements of the Airports Authority.

On December 15, 2003, the operating period of the lease of land and provision for services to the Stephen F. Udvar-Hazy Center (the Center) began. The lease agreement grants the Smithsonian Institute the right to occupy, develop, operate, control and use the Center premises located on land at Dulles International and obtain services from the Airports Authority for police, fire, emergency, and ambulance needs. This lease expires in 2054. The operating period was preceded by a construction period. Commencing with the operating period the Smithsonian Institute will pay the Airports Authority for the services provided. The lease provides for periodic reconciliation payments and updated payments for services provided.

Property Leased from Others

On June 7, 1987, the United States Government transferred Reagan National's and Dulles International's real properties to the Airports Authority under a 50-year lease, with extensions negotiable. The lease was amended effective June 17, 2003, to extend the term from 50 to 80 years, with an expiration date of June 6, 2067. Upon expiration of the lease, the Airports and facilities, including improvements, will be returned to the United States Government. The lease requires annual rental payments of $3.0 million, with subsequent annual rental payments adjusted for inflation. The Airports Authority invests the monthly lease payments in repurchase agreements or certificates of deposit and makes semi-annual payments, including interest, to the United States Government. The 2008 payment to the United States Government, including the interest was $4,973,788.

Minimum future rentals scheduled to be paid on the operating leases in effect on December 31, 2008, as calculated in 2008 dollars are:

Year ending December 31,	
2009	$ 4,958,280
2010	4,958,280
2011	4,958,280
2012	4,958,280
2013	4,958,280
2014 and thereafter	267,747,136
Total minimum future rentals	$292,538,536

Total rental expense for the years ended December 31, 2008 and 2007 were $5.0 million and $4.8 million, respectively.

O. OTHER COMMITMENTS AND CONTINGENCIES

At December 31, 2008, the Airports Authority Aviation Enterprise Fund had outstanding commitments for capital expenditures in connection with its CCP in the amount of $360.2 million. However, services have not been provided as of December 31, 2008, and accordingly no liability has been recorded in the accompanying financial statements. In connection with the CCP and Capital, Operating and Maintenance Investment Programs (COMIP), and normal operations of Reagan National and Dulles International, the Airports Authority recognizes the need to address environmental concerns and currently oversees a number of ongoing environmental projects. Management has estimated that the cost to continuously monitor and inspect these environmental concerns ranges between $20.0 million and $25.0 million, of which a portion is expected to be funded by the FAA. The Airports Authority has budgeted and expects to fund any remaining costs principally through the CCP.

At December 31, 2008, the Airports Authority DCE Fund had $249.1 million in outstanding commitments for capital expenditures associated with its Metrorail Project. However, services have not been provided as of December 31, 2008, and accordingly no liability has been recorded in the accompanying financial statements.

P. GOVERNMENT GRANTS

The Airports Authority receives, on a cost-reimbursement basis, grants from the United States government and the Commonwealth for certain operating and capital construction programs. As a recipient of federal and state financial assistance, the Airports Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to these programs. Total federal and state grant expenditures for years ended December 31, 2008 and 2007 were $90.6 million and $33.9 million, respectively. All grant expenditures are subject to financial and compliance audits by the grantors as well as during the Airports Authority’s annual Office of Management and Budget (OMB) A-133 Single Audit process. The Airports Authority estimates that no material disallowances will result from any such audits.

In fiscal years 2008 and 2007, the Airports Authority received federal and state grants for operating and capital programs as summarized below:

Operating Programs

	2008	2007
Law Enforcement Officer Reimbursement Program	$ 1,278,646	$ 1,289,520
Reagan National Explosives Detection Canine Team Program	600,500	500,695
State Homeland Security Program	-	554,781
Disaster Relief and Emergency Assistance	22,377	15,703
Homeland Security Grant Program	1,281	853,885
Drug Seizure Program (ICE)	75,052	34,195
Drug Seizure Program (DEA)	132,902	219,325
Arlington County Grant	14,254	15,356
Contract Baggage Handler Demonstration Program	309,263	247,218
Drug Seizure Program (Drug Funds)	614	15,682
Bureau of Justice (Bulletproof Vest Partnership Program)	983	924
In-line Baggage EDS Project	2,844,568	1,389,297

The Law Enforcement Officer Reimbursement Program offsets expenses incurred by the Airports Authority's Public Safety personnel serving a support role to the Transportation Security Administration (TSA). Explosives detection funds are used to offset the expense of training and caring for canines used in explosives detection. Funds received from the Homeland Security Grant Program allow the Airports Authority to procure equipment and participate in training programs to prepare for and more effectively respond to events which may threaten public safety. The Drug Enforcement Agency (DEA) Drug Seizures Program, and the U.S. Customs Drug Seizures Program are collaborative efforts between the Agencies and the Airports Authority's police department wherein both entities share in the proceeds from the sale of confiscated items. The Airports Authority's proceeds may only be used for certain types of expenses defined by the DEA and Customs. The Airports Authority also participated in a pilot program with the TSA designed to improve the effectiveness of the TSA's baggage screening process.

Capital Program

	2008	2007
Federal grants for construction	$ 84,155,512	$ 26,739,300
State grants for construction	1,358,333	2,000,020

The Airports Authority Aviation Enterprise Fund receives federal and state grants in support of its CCP. The federal programs, primarily through the FAA's Airport Improvement Program (AIP), provide funding for airport development, airport planning and noise compatibility programs from the Airports and Airways Trust Funds in the form of entitlement and discretionary grants for eligible projects. The Commonwealth also provides discretionary funds for capital programs.

The DCE Fund receives federal and state grants in support of its Metrorail Project. The federal program is primarily through the FTA and the state program is funded by the Commonwealth.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported as capital contributions in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

Q. LITIGATION

The Airports Authority was a defendant in two suits arising from the September 11, 2001, terrorist hijacking and crash of an airplane into the Pentagon. All of September 11, 2001 lawsuits that had been brought against the Airports Authority have now been dismissed. Four other suits arising from Flight 77 remained pending. Settlements in those cases were reached by the parties and approved by the district court. All settlements in cases arising from Flight 77, have been made without any recourse against or contribution by the Airports Authority.

Legal counsel has advised that, while a number of claims in the normal course of business are outstanding, there were no matters outstanding which could have a material adverse effect on the financial statements of the Airports Authority.

R. PASSENGER FACILITY CHARGES

As described in Note A, PFC's are collected in accordance with the FAA regulations allowing airports to impose a $4.50 PFC. For the years ended December 31, 2008 and 2007, the Airports Authority earned PFC's of $35.0 million and $36.8 million for Reagan National, respectively, and $43.4 million and $46.0 million for Dulles International, respectively. In accordance with the regulations, based on the approval date from the FAA and continuing through the PFC collection period, the Airports Authority's share of entitlement grants will be reduced 75.0%.

S. RISK MANAGEMENT

The Airports Authority is exposed to a variety of risks or losses related to operations (i.e., injuries to employees, injuries to members of the public or damage to their property, and damage to the Airports Authority's property). Since 2002, the Airports Authority has maintained accruals to finance its self-insured risk of loss. The Airports Authority purchases commercial insurance for claims in excess of amounts provided by these accounts.

All offices within the Airports Authority are covered under these accounts. The accruals are determined by the Risk Management Department based on insurance claim practices and actuarial estimates for prior and current-year claims. The overall accrual for losses was $5.2 million and $5.3 million as of December 31, 2008 and 2007, respectively, and is included in accounts payable and accrued expenses in the Statements of Net Assets. This is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus* (GASB 30), which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claim liability accounts in fiscal years 2008 and 2007 and 2006 were:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2006	$4,114,449	$2,563,518	$2,199,034	$4,478,933
2007	4,478,933	2,475,680	1,682,027	5,272,586
2008	5,272,586	2,624,925	2,682,772	5,214,739

Settlements did not exceed insurance coverages for the past three years.

T. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Short Term Investments

The carrying amount approximates the fair value because of the short maturity of those instruments (see Note B).

Long-Term Investments

For securities held as long-term investments, fair value equals quoted market prices, if available. If a quoted market price is not available, fair value is estimated based upon quoted market prices for securities with similar characteristics (see Note C).

Long-Term Debt

The fair value of the Airports Authority's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Airports Authority for debt of the same remaining maturities. The carrying value of the Airports Authority's Bonds payable and CP Notes payable as of December 31, 2008, is $4.3 billion with an estimated market value of $3.7 billion.

Interest Rate SWAP

The fair value of interest rate swaps is the estimated amount that the Airports Authority would pay (or receive) to terminate the Swap Agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties (see Note D).

U. SUBSEQUENT EVENTS

Aviation Enterprise Fund

On January 15, 2009, the Airports Authority issued $70.0 million of Series One CP Notes.

On January 7, 2009, the Board of the Airports Authority issued Resolution No. 09-2 authorizing the issuance of a Series of Airport System Revenue Bonds in an amount not to exceed $300,000,000 to finance or refinance certain capital improvements at Reagan National and Dulles International with the proceeds from tax-exempt bonds. On March 4, 2009, the Board of the Airports Authority issued Resolution No. 09-10 increasing the authorization of the issuance of the bonds by $100,000,000 for a total of $400,000,000.

On April 1, 2009, the Airports Authority closed on Series 2009A Airport System Revenue Variable Rated Bonds in the amount of $163,175,000. A majority of the proceeds will be used to refund the Authority's outstanding CP.

On April 1, 2009, the Airports Authority closed on Series 2009B Airport System Revenue Bonds in the amount of $236,825,000. The majority of this series will be used to finance the Airports Authority's ongoing CCP for the airports. In connection with the issue of the Series 2009B Airport System Revenue Bonds, on April 1, 2009, the Airports Authority terminated three outstanding Swaps with a total notional amount of $175.0 million for a total termination payout of $35.0 million: Bank of Montreal with a notional amount of $35.0 million, Bank of Montreal with a notional amount of $75.0 million and Wachovia with a notional amount of $65.0 million. Bond proceeds from the Series 2009B were used to fund this payout.

Dulles Corridor Enterprise Fund

On January 23, 2009, the Airports Authority submitted the Full Funding Grant Agreement (FFGA) to the FTA for the Metrorail Project. On March 10, 2009, the FTA approved the FFGA for $900.0 million. On that same day, the Airports Authority signed a Notice to Proceed with construction of the Metrorail Project.

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DEFINITIONS
AND
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX C

DEFINITIONS
AND
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS

The following are definitions of certain terms used in the Official Statement (except as otherwise set forth therein), a summary of certain provisions of the Indenture.

"Account" shall mean any account or subaccount created in any Fund created under the Master Indenture or under a Supplemental Indenture.

"Accreted Value" shall mean (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bonds or Original Issue Discount Bonds.

"Acts" shall mean, collectively, Chapter 598 of the Acts of Virginia General Assembly of 1985, as amended), and the District of Columbia Regional Airports Authority Act of 1985 (D.C. Law 6-67), as amended.

"Airport Consultant" shall mean a firm or firms of national recognition experienced in the field of planning the development, operation and management of airports and aviation facilities, selected and employed by the Airports Authority from time to time.

"Airports" shall mean Ronald Reagan Washington National Airport, located in Arlington County, Virginia, Washington Dulles International Airport, located in Fairfax County and Loudoun County, Virginia, and any other airport over which the Airports Authority assumes ownership or operating responsibility and that the Airports Authority designates as a part of the Airports under the Master Indenture; provided, however, that the requirements set forth in the Master Indenture for the issuance of additional Bonds shall be satisfied on the date designated by the Airports Authority for inclusion of such designated airport, assuming the issuance of additional Bonds in an amount equal to the aggregate principal of any indebtedness then outstanding, issued or incurred or otherwise payable from the revenues of such airport if such indebtedness is intended to be secured on a parity basis with the Bonds by the pledge of Net Revenues under the Master Indenture (including revenues of such designated airport).

"Airports Authority" shall mean the Metropolitan Washington Airports Authority, a public body politic and corporate created by the Commonwealth of Virginia and the District of Columbia with the consent of the Congress of the United States of America.

"Annual Debt Service" shall mean the amount of payments required to be made for principal of and interest on all Bonds, including mandatory sinking fund redemptions and Regularly Scheduled Hedge Payments to be made by the Airports Authority, and Airports Authority payments pursuant to Reimbursement Agreements with Credit Providers to reimburse such Credit Providers for debt service payments made, and to pay credit enhancement or liquidity support fees, in each case to the extent secured by the Indenture, scheduled to come due within a specified Fiscal Year, computed as follows:

(a) In determining the amount of principal to be funded in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds (other than Short-Term/Demand Obligations) in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; and in determining the amount of interest to be funded in each year, interest payable at a fixed rate shall (except to the extent any other subsection of this definition applies) be assumed to be made at such fixed rate and on the required funding dates.

(b) Except for any historical period for which the actual rate or rates are determinable and except as otherwise provided in the Master Indenture, Bonds that bear interest at a variable rate shall be deemed to bear interest at a fixed annual rate equal to (i) the average of the daily rates of such indebtedness during the 365 consecutive days (or any lesser period such indebtedness has been Outstanding) next preceding the date of computation; or (ii) with respect to any Bonds bearing interest at a variable rate which are being issued on the date of computation, the initial rate of such indebtedness upon such issuance.

(c) Any Bonds that bear interest at a variable rate and with respect to which there exists a Hedge Facility that obligates the Airports Authority to pay a fixed interest rate or a different variable interest rate shall (for the period during which such Hedge Facility is reasonably expected to remain in effect) be deemed to bear interest at the effective fixed annual rate or different variable rate thereon as a result 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 Airports Authority to pay a floating rate, Annual Debt Service shall (for the period during which such Hedge Facility is reasonably expected to remain in effect) be deemed to include the interest payable on such Bonds, less the fixed amounts received by the Airports Authority under the Hedge Facility, plus the amount of the floating payments (using the convention described in (b) above) to be made by the Airports Authority under the Hedge Facility.

(d) If all or any portion of an Outstanding Series of Bonds constitute Balloon Maturities, unissued Program Bonds or Short-Term/Demand Obligations, then, for purposes of determining Annual Debt Service, each maturity that constitutes a Balloon Maturity, unissued Program Bonds or Short-Term/Demand Obligations shall, unless otherwise provided in the Supplemental Indenture pursuant to which such Bonds are authorized or unless provision (e) of this definition then applies to such maturity, 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 Balloon Maturity, unissued Program Bonds or Short-Term/Demand Obligations were issued, and extending not later than 30 years from the date such Balloon Maturity, unissued Program Bonds or 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 of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index designated by an Authority Representative, 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 Balloon Maturities, unissued Program Bonds or Short-Term/Demand Obligations, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable, and with respect to that portion of a Series that constitutes Balloon Maturities, all funding requirements of principal and interest becoming due in any year other than the stated maturity of the balloon indebtedness shall be treated as described in (a) above or such other provision of this definition as shall be applicable.

(e) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (d) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date, and provision (d) above shall not apply thereto, unless there is delivered to the entity making the calculation of Annual Debt Service a certificate of an Authority Representative stating (i) that the Airports Authority intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that the debt capacity of the Airports Authority is sufficient 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 Annual Debt Service; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (d) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

(f) In any computation relating to the issuance of additional Bonds or the rate covenant required by the Master Indenture, there shall be excluded from the computation of Annual Debt Service principal of and interest on indebtedness for which funds are, or are reasonably expected to be, available for and which are irrevocably committed to make such payments, including without limitation any such funds in an escrow account or any such funds constituting capitalized interest held in any fund or account created by the Indenture.

"Authenticating Agent" shall mean the Trustee.

"Authority Facilities" shall have the same definition as such term has from time to time in the Acts.

"Authority Representative" shall mean the Chairman or the Vice Chairman of the Board of Directors, the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Vice President and General Counsel, the Vice President for Finance and Chief Financial Officer, or the Manager of Treasury of the Airports Authority, or other representative of the Airports Authority designated as authorized to give directions to the Trustee under the Thirty-third Supplemental Indenture.

"Balloon Maturities" shall mean, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series, which matures on such date or within such Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date. Commercial paper, bond anticipation notes or other Short-Term/Demand Obligations shall not be Balloon Maturities.

"Bond" or **"Bonds"** shall mean, for purposes of this summary, any bonds or any other evidences of indebtedness for borrowed money issued from time to time pursuant to the Master Indenture and the Supplemental Indentures. The term "Bond" or "Bonds" shall include notes, bond anticipation notes, commercial paper and other Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, and other securities, contracts or obligations incurred through lease, installment purchase or other agreements or certificates of participation therein, in each case to the extent secured by the Indenture; provided that Hedge Termination Payments to be made by the Airports Authority shall not be secured by the Indenture on a parity with the Bonds. The terms "Bond" and "Bonds" shall not include Subordinated Bonds or Junior Lien Obligations.

"Bond Authorizing Resolution" shall mean the resolution adopted by the Airports Authority on June 3, 2009, authorizing the issuance of the Series 2009C Bonds under the Indenture, authorizing the execution and delivery on behalf of the Airports Authority of the Thirty-third Supplemental Indenture and other related agreements and approving, or duly delegating the authority to approve on behalf of the Airports Authority, the terms and details of the Series 2009C Bonds.

"Bond Counsel" shall mean an attorney or firm or firms of attorneys of national recognition, selected or employed by the Airports Authority and acceptable to the Trustee, experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Bond Fund" shall mean the Metropolitan Washington Airports Authority Bond Fund created pursuant to the Master Indenture.

"Bond Payment Date" shall mean each April 1 and October 1, commencing October 1, 2009, and each redemption date.

"Book-Entry System" shall mean the system maintained by the Securities Depository as described in the Thirty-third Supplemental Indenture.

"Business Day" shall mean a day of the week other than Saturday, Sunday or a day which shall be, in the Commonwealth of Virginia, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

"Capital Appreciation Bonds" shall mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including applicable Treasury Regulations, rulings and procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Construction Fund" shall mean the Metropolitan Washington Airports Authority Construction Fund created pursuant to the Master Indenture.

"Corporate Trust Office" shall mean the office of the Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in Baltimore, Maryland.

"Cost" when used with respect to Authority Facilities, shall have the same definition as such term has in the Acts.

"Credit Facility" or **"Credit Facilities"** shall mean, with respect to a Series of Bonds, the letter of credit, line of credit, municipal bond insurance, surety policy, or other form of credit enhancement and/or liquidity support, if any, for such Series of Bonds, provided for in the applicable Supplemental Indenture, including any alternate Credit Facility with respect to such Series of Bonds delivered in accordance with provisions of the Supplemental Indenture providing for the issuance of such Series of Bonds.

"Credit Provider" shall mean, with respect to a Series of Bonds, the provider of a Credit Facility, including municipal bond insurance, letter of credit, or liquidity support, if any, for such Series of Bonds specified in the applicable Supplemental Indenture.

"Debt Service on PFC Eligible Bonds" shall mean the debt service on the PFC Eligible Bonds, including the payment of principal, premium, if any, and/or interest due on such PFC Eligible Bonds.

"Debt Service Reserve Fund" shall mean the Metropolitan Washington Airports Authority Debt Service Reserve Fund created pursuant to the Master Indenture.

"Designated Passenger Facility Charges" shall mean revenues received by the Airports Authority from the passenger facility charge imposed by the Airports Authority at Washington Dulles International Airport, located in Fairfax County and Loudoun County, Virginia, pursuant to 49 U.S.C. § 40117, in accordance with Title 14, Code of Federal Regulations, Part 158 (the "**FAA Regulations**"), as approved by the Federal Aviation Administration by letters dated August 17, 2005, May 8, 2008, September 4, 2008, and March 6, 2009, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues at Washington Dulles International Airport, as provided in the FAA Regulations. Designated Passenger Facility Charges shall also include such additional charges as provided for in any written notice from an Authority Representative to the Trustee, provided however, to date, such term does not include any other passenger facility charges collected by the Airports Authority at either Reagan National Airport or Dulles International Airport.

"DTC" shall mean The Depository Trust Company, New York, New York.

"Emergency Repair and Rehabilitation Fund" shall mean the Metropolitan Washington Airports Authority Emergency Repair and Rehabilitation Fund created pursuant to the Master Indenture.

"Event of Default" shall mean any one or more of the events set forth in the Master Indenture.

"Escrow Agent" shall mean The Bank of New York Mellon, New York, New York.

"Escrow Deposit Agreement" shall mean the escrow deposit agreement dated as of July 1, 2009 among the Airports Authority, the Escrow Agent and U.S. Bank National Association relating to the PFC Notes.

"Exempt Facilities" shall mean airports and functionally related and subordinate facilities within the meaning of and qualifying under Section 142 of the Code.

"Federal Lease" shall mean the Agreement and Deed of Lease, dated March 2, 1987, between the United States of America, acting through the Secretary of Transportation, and the Airports Authority, as the same may be amended or supplemented.

"Federal Lease Fund" shall mean the Metropolitan Washington Airports Authority Federal Lease Fund created pursuant to the Master Indenture.

"Fiscal Year" shall mean the fiscal year of the Airports Authority ending as of December 31 of each year or such other date as may be designated from time to time in writing by the Airports Authority to the Trustee.

"Fitch" shall mean Fitch Ratings, Inc. and its successors, if any, and if such corporation shall no longer perform the functions of a securities rating agency, "Fitch" shall mean any other nationally recognized Rating Agency designated by an Authority Representative.

"Fund" shall mean any fund created under the Master Indenture or under a Supplemental Indenture.

"General Purpose Fund" shall mean the Metropolitan Washington Airports Authority General Purpose Fund created pursuant to the Master Indenture.

"Government Certificates" shall mean (in the case of governmental obligations) evidences of ownership of proportionate interest in future interest or principal payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interest must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Government Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated. "Government Certificates" shall also mean any other type of security or obligation 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, or are otherwise acceptable to, each of the Rating Agencies.

"Government Obligations" shall mean direct and general obligations of, or obligations the timely payment of principal and interest on which are unconditionally guaranteed by, the United States of America.

"Hedge Facility" shall mean 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 payable with respect to any Bonds, and which (a) is designated in writing to the Trustee by an Authority Representative as a Hedge Facility to relate to all or part of one or more Series of Bonds; (b) is with a Qualified Hedge Provider or an entity that has been a Qualified Hedge Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service or Maximum Annual Debt Service is being made; and (c) has a term not greater than the term of the designated Bonds or a specified date for mandatory tender or redemption of such designated Bonds.

"Hedge Termination Payment" shall mean an amount payable by the Airports Authority or a Qualified Hedge Provider, in accordance with a Hedge Facility, to compensate the other party to the Hedge Facility for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Hedge Facility.

"Holder" or "Bondholder" shall mean the registered owner of any Bond; provided that with respect to any Series of Bonds which is insured by a bond insurance policy, the term "Holder" or "Bondholder" for purposes of all consents, directions, and notices provided for in the Indenture and any applicable Supplemental Indenture, shall mean the issuer of such bond insurance policy as long as such policy issuer has not defaulted under its policy; provided further that unless it is actually the beneficial owner of the Bonds in respect of which consent is requested, the policy issuer shall not have the power to act on behalf of the registered owners of any Bonds to consent to changes that (a) extend the stated maturity of or time for paying the interest on such Bonds, (b) reduce the principal amount of, purchase price for, or redemption premium or rate of interest payable on such Bonds, or (c) result in a privilege or priority of any Bond over any other Bond. A Qualified Hedge Provider shall only be considered a Bondholder to the extent specified in a Supplemental Indenture.

"Indenture" shall mean the Master Indenture as amended, supplemented, and restated from time to time in accordance with its terms.

"Interest Account" shall mean the Account of that name in the Bond Fund created pursuant to the Master Indenture.

"Junior Lien Indenture" shall mean the indenture or other documents of the Airports Authority providing for the issuance of and securing Junior Lien Obligations.

"Junior Lien Obligations" shall mean the Airports Authority's bonds, or other indebtedness or obligations subordinate to the Bonds and the Subordinated Bonds, but such term shall not include the Federal Lease or Special Facility Bonds. The term "Junior Lien Obligations" shall include notes, bond anticipation notes, commercial paper and other Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments, and other securities, contracts or obligations incurred through lease, installment purchase or other agreements or certificates of participation therein, in each case to the extent secured by a Junior Lien Indenture.

"Junior Lien Obligations Fund" shall mean the Metropolitan Washington Airports Authority Junior Lien Obligations Fund created pursuant to the Master Indenture for the purpose of providing all deposits and payments required by any Junior Lien Indenture, including reserves for debt service on Junior Lien Obligations.

"Master Indenture" shall mean the Master Indenture of Trust dated as of February 1, 1990, as amended and restated by the Amended and Restated Master Indenture of Trust dated as of September 1, 2001, as supplemented and amended, between the Authority and the Trustee.

"Maximum Annual Debt Service" shall mean the maximum Annual Debt Service with respect to any specified indebtedness for any Fiscal Year during the term of such indebtedness.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "Moody's" shall mean any other nationally recognized rating agency designated by an Authority Representative.

"Net Revenues" shall mean Revenues, plus transfers, if any, from the General Purpose Fund to the Revenue Fund, after provision is made for the payment of Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" shall mean for any period, all expenses of the Airports Authority paid or accrued for the operation, maintenance, administration, and ordinary current repairs of the Airports. Operation and Maintenance Expenses shall not include: (a) the principal of, premium, if any, or interest payable on any Bonds, Subordinated Bonds and Junior Lien Obligations; (b) any allowance for amortization or depreciation of the Airports; (c) any other expense for which (or to the extent to which) the Airports Authority is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) rentals payable under the Federal Lease; and (f) any expense paid with amounts from the Emergency Repair and Rehabilitation Fund.

"Operation and Maintenance Fund" shall mean the Metropolitan Washington Airports Authority Operation and Maintenance Fund created pursuant to the Master Indenture.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Original Issue Discount Bonds" shall mean Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Bonds by the Supplemental Indenture under which such Bonds are issued.

"Outstanding" when used with reference to a Series of Bonds, shall mean, as of any date of determination, all Bonds of such Series theretofore authenticated and delivered except: (a) Bonds of such Series theretofore cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds of such Series which are deemed paid and no longer Outstanding as provided in the Master Indenture; (c) Bonds of such Series in lieu of which other Bonds of such Series have been issued pursuant to the provisions of the Master Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Bond is held by a bona fide purchaser; (d) after any tender date as may be provided for in the applicable Supplemental Indenture, any Bond of such Series held by a Bondholder who has given a tender notice or was required to tender such Bond in accordance with the provisions of the applicable Supplemental Indenture and which was not so tendered and for which sufficient funds for the payment of the purchase price of which have been deposited with the Trustee or the Paying Agent, if any, or any tender agent appointed under such Supplemental Indenture; and (e) for purposes of any consent or other action to be taken under the Indenture by the Holders of a specified percentage of principal amount of Bonds of a Series or all Series, Bonds held by or for the account of the Airports Authority.

"Participant" shall mean one of the entities which deposit securities, directly or indirectly, in the Book-Entry System of the Securities Depository.

"Paying Agent" shall mean, for all purposes of the Indenture with respect to the Series 2009C Bonds, the Trustee or such other paying agent appointed by the Trustee.

"Payment of a Series of Bonds" shall mean payment in full of all principal of, premium, if any, and interest on a Series of Bonds.

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Airports Authority's money:

(a) Government Obligations and Government Certificates.

(b) Obligations issued or guaranteed by any of the following:

(i) Federal Home Loan Bank System;
(ii) Export-Import Bank of the United States;
(iii) Federal Financing Bank;
(iv) Government National Mortgage Association;
(v) Farmers Home Administration;
(vi) Federal Home Loan Mortgage Corporation;
(vii) Federal Housing Administration;
(viii) Private Export Funding Corp;
(ix) Federal National Mortgage Association; and
(x) Federal Farm Credit Bank;

or any indebtedness issued or guaranteed by any instrumentality or agency of the United States of America.

(c) Pre-refunded municipal obligations rated at the time of purchase in the highest rating category by, or otherwise acceptable to, the Rating Agencies and meeting the following conditions:

(i) such obligations are (A) not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal, and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any state of the United States of America or the District of Columbia (a "State"), to the payment of which the full faith and credit of such State is pledged and that at the time of purchase are rated in either of the two highest rating categories by, or are otherwise acceptable to, the Rating Agencies.

(e) Direct and general short-term obligations of any State, to the payment of which the full faith and credit of such State is pledged and that at the time of purchase are rated in the highest rating category by, or are otherwise acceptable to, the Rating Agencies.

(f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated AAA-m by Standard & Poor's issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits or interests must be (i) continuously and fully insured by FDIC, (ii) if they have a maturity of one year or less, with or issued by banks that at the time of purchase are rated in one of the two highest short term rating categories by, or are otherwise acceptable to, the Rating Agencies, (iii) if they have a maturity longer than one year, with or issued by banks that at the time of purchase are rated in one of the two highest rating categories by, or are otherwise acceptable to, the Rating Agencies, or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depositary, as custodian for the institution issuing the deposits or interests. Such third party should have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral is to be free from all other third party liens.

(g) Eurodollar time deposits issued by a bank with a deposit rating at the time of purchase in one of the top two short-term deposit rating categories by, or otherwise acceptable to, the Rating Agencies.

(h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by, or is otherwise acceptable to, the Rating Agencies.

(i) Repurchase agreements, (i) the maturities of which are 30 days or less or (ii) the maturities of which are longer than 30 days and not longer than one year provided the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated at the time of purchase investment grade by, or otherwise acceptable to, the Rating Agencies. The repurchase agreement should be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(A) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates;

(B) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(C) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(j) Prime commercial paper of a corporation, finance company or banking institution at the time of purchase rated in the highest short-term rating category by, or otherwise acceptable to, the Rating Agencies.

(k) Public housing bonds issued by public agencies. Such bonds must be: fully secured by a pledge of annual contributions under a contract with the United States of America; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or state or public agency or municipality obligations at the time of purchase rated in the highest credit rating category by, or otherwise acceptable to, the Rating Agencies.

(l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that at the time of purchase has been rated in the highest rating category by, or is otherwise acceptable to, the Rating Agencies.

(m) Money market accounts of any state or federal bank, or bank whose holding parent company is rated at the time of purchase in one of the top two short-term or long-term rating categories by, or is otherwise acceptable to, the Rating Agencies.

(n) Investment agreements, the issuer of which is at the time of purchase rated in one of the two highest rating categories by, or is otherwise acceptable to, the Rating Agencies.

(o) Any debt or fixed income security, the issuer of which is rated at the time of purchase in the highest rating category by, or is otherwise acceptable to, the Rating Agencies.

(p) Investment agreements or guaranteed investment contracts that are 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 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

(q) Any other type of investment consistent with Airports Authority policy in which an Authority Representative directs the Trustee to invest and there is delivered to the Trustee a certificate of an Authority Representative stating that each of the Rating Agencies has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any of the Bonds.

"PFC Eligible Bonds" shall mean any Bonds designated in writing to the Trustee by an Authority Representative from time to time secured by the Master Indenture and issued for the purpose of financing or refinancing the Cost of Authority Facilities which are eligible for funding from passenger facility charges under the FAA Regulations.

"PFC Notes" shall mean the Airports Authority's Flexible Term PFC Revenue Notes, consisting of the Series A Notes, currently outstanding in the aggregate principal amount of $222,000,000, the Series B Notes, currently outstanding in the aggregate principal amount of $100,000,000, the Series C Notes, currently outstanding in the aggregate principal amount of $50,000,000 and the Series D Notes, currently outstanding in the aggregate principal amount of $60,000,000.

"Principal Account" shall mean the Account of that name in the Bond Fund created pursuant to the Master Indenture.

"Program" shall mean a financing program identified in a Supplemental Indenture, including but not limited to a bond anticipation note or commercial paper program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Airports Authority and the items required under the Master Indenture have been filed with the Trustee, (b) wherein the Airports Authority has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an authorized amount, and (c) the authorized amount of which has met the additional bonds test set forth in the Master Indenture and the Outstanding amount of which may vary from time to time, but not exceed the authorized amount.

"Qualified Costs of Facilities" shall mean the Costs of Exempt Facilities which (a) will be charged to the Airports' capital account for federal income tax purposes or which would be so chargeable either with a proper election under the Code or but for a proper election to deduct such amount, and (b) were incurred and paid, or are to be incurred or paid, after the date on which the Airports Authority adopted a resolution or took some other official action toward the issuance of obligations to finance such Costs.

"Qualified Hedge Provider" shall mean 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 shall be acceptable to the Rating Agencies) of the "notional amount" as defined in the Hedge Facility, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

"Rating Agency" or **"Rating Agencies"** shall mean Moody's or Standard & Poor's or Fitch or all of them and, if any such credit rating agency is no longer issuing applicable credit ratings, any other nationally recognized successor rating agency designated by the Airports Authority with the approval of the Trustee; provided that any such rating agency shall, at the time in question, be maintaining a rating on such Series of Bonds at the request of the Airports Authority.

"Rebate Amount" shall mean the amount, if any, determined pursuant to Section 148(f) of the Code to be paid to the United States of America with respect to the Series 2009C Bonds, as described in the Thirty-third Supplemental Indenture.

"Record Date" shall mean shall mean the fifteenth (15th) day (regardless of whether a Business Day) of the calendar month immediately preceding a Bond Payment Date.

"Redemption Account" shall mean the Account of that name in the Bond Fund created pursuant to the Master Indenture.

"Register" shall mean, with respect to the Series 2009C Bonds, the registration books of the Airports Authority kept to evidence the registration and registration of transfer of the Series 2009C Bonds.

"Registrar" shall mean the keeper of the Register, which shall be the Trustee.

"Regularly Scheduled Hedge Payments" shall mean 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.

"Reimbursement Agreement" shall mean, with respect to a Series of Bonds, any agreement or agreements in each case between a Credit Provider or Credit Providers and the Airports Authority under or pursuant to which a Credit Facility for such Series of Bonds is issued, and any agreement that replaces such original agreement that sets forth the obligations of the Airports Authority to such Credit Provider or Credit Providers and the obligations of such Credit Provider or Credit Providers to the Airports Authority.

"Released Revenues" shall mean Revenues of the Airports Authority in respect of which the Trustee has received the following:

(a) a request of an Authority Representative describing such Revenues and requesting that such Revenues be excluded from the pledge and lien of the Master Indenture on Net Revenues;

(b) either (i) an Airport Consultant's certificate to the effect that, based upon reasonable assumptions, projected Net Revenues after the Revenues covered by the Authority Representative's request are excluded, calculated in accordance with the additional Bonds test set forth in the Master Indenture for each of the three full Fiscal Years following the Fiscal Year in which such certificate is delivered, will not be less than the larger of (A) the amounts needed for making the required deposits to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund, and the Emergency Repair and Rehabilitation Fund or (B) an amount not less than 150% of the average Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such Revenues (disregarding any Bonds that have been or will be paid or discharged); or

(ii) an Authority Representative's certificate to the effect that Net Revenues in the two most recently completed Fiscal Years, after the Revenues covered by the Authority Representative's request are excluded, were not less than the larger of (A) the amounts needed for making the required deposits to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund, and the Emergency Repair and Rehabilitation Fund or (B) 135% of (1) average Annual Debt Service on all Bonds Outstanding in each such Fiscal Year (disregarding any Bonds that have been paid or discharged), plus (2) average Annual

Debt Service with respect to any additional Bonds issued since the completion of such Fiscal Year or proposed to be issued at the time such certificate is delivered;

(c) an Opinion of Bond Counsel to the effect that (i) the conditions set forth in the Master Indenture to the release of such Revenues have been met and (ii) the exclusion of such Revenues from the pledge and lien of the Master Indenture 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;

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

(e) evidence that notice of the proposed Released Revenues was given to all current Credit Providers in respect of any Bonds at least 15 days prior to the proposed effective date of the release of such Revenues.

Upon the Trustee's receipt of such documents, the Revenues described in the Authority Representative's request shall be excluded from the pledge and lien of the Indenture, and the Trustee shall take all reasonable steps requested by the Authority Representative to evidence or confirm the release of such pledge and lien on the Released Revenues.

"Revenue Fund" shall mean the Metropolitan Washington Airports Authority Revenue Fund created pursuant to the Master Indenture.

"Revenues" shall mean all revenues of the Airports Authority received or accrued except (a) interest income on, and any profit realized from, the investment of moneys in any fund or account to the extent that such income or profit is not transferred to, or retained in, the Revenue Fund or the Bond Fund; (b) interest income on, and any profit realized from, the investment of moneys in any fund or account funded from the proceeds of Special Facility Bonds; (c) amounts received by the Airports Authority from, or in connection with, Special Facilities, unless such funds are treated as Revenues by the Airports Authority; (d) the proceeds of any passenger facility charge or similar charge levied by, or on behalf of, the Airports Authority, unless such funds are treated as Revenues by the Airports Authority; (e) grants-in-aid, donations, and/or bequests; (f) insurance proceeds which are not deemed to be revenues in accordance with generally accepted accounting principles; (g) the proceeds of any condemnation awards; (h) the proceeds of any sale of land, buildings or equipment; and (i) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or which are restricted as to their use. Unless otherwise provided in a Supplemental Indenture, there shall also be excluded from the term "Revenues" (a) any Hedge Termination Payments received by the Airports Authority and (b) any Released Revenues in respect of which the Airports Authority has filed with the Trustee the request of Authority Representative, Airport Consultant's or Authority Representative's certificate, Opinion of Bond Counsel and the other documents contemplated in the definition of the term "Released Revenues."

"Securities Depository" shall mean DTC, or its nominees and the successors and assigns of such nominee, or any successor appointed under the Thirty-third Supplemental Indenture.

"Series 2009C Bonds" shall mean the Airports Authority's $314,435,000 principal amount of Airport System Revenue Bonds, Series 2009C, authorized to be issued pursuant to the Master Indenture and the Thirty-third Supplemental Indenture.

"Series 2009C Cost of Issuance Account" shall mean the account established for the Series 2009C Bonds in the Construction Fund, as set forth in the Thirty-third Supplemental Indenture.

"Series 2009C Debt Service Reserve Requirement" shall mean, with respect to the Series 2009C Bonds, an amount equal to the least of (i) one hundred twenty-five percent of the average Annual Debt Service on the Series 2009C Bonds as of the issuance date of the Series 2009C Bonds, (ii) ten percent of the original par amount of the Series 2009C Bonds, or (iii) the Maximum Annual Debt Service on the Series 2009C Bonds.

"Series 2009C Interest Account" shall mean the account established for the Series 2009C Bonds in the Bond Fund, as set forth in the Thirty-third Supplemental Indenture.

"Series 2009C Paying Agent" shall mean, with respect to the Series 2009C Bonds, the Trustee or such other paying agent appointed by the Trustee.

"Series 2009C Principal Account" shall mean the account established for the Series 2009C Bonds in the Bond Fund, as set forth in the Thirty-third Supplemental Indenture.

"Series 2009C Redemption Account" shall mean the account established for the Series 2009C Bonds in the Bond Fund, as set forth in the Thirty-third Supplemental Indenture.

"Series 2009C Reserve Account" shall mean the account established for the Series 2009C Bonds in the Debt Service Reserve Fund, as set forth in the Thirty-third Supplemental Indenture.

"Series of Bonds" or **"Bonds of a Series"** or **"Series"** shall mean a series of Bonds issued pursuant to the Master Indenture and a Supplemental Indenture.

"Short-Term/Demand Obligations" shall mean each Series of Bonds issued pursuant to the Master Indenture, the payment of principal of which is either (a) payable on demand by or at the option of the Holder at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Annual Debt Service, or (b) 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 (i) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper, auction Bond or other similar Program, or (ii) through the issuance of long-term Bonds pursuant to a bond anticipation note or similar Program.

"Sinking Fund Redemption Date" shall mean, with respect to Series 2009C Bonds, the respective dates specified in the Thirty-third Supplemental Indenture.

"Special Facility" shall mean any facility, improvement, structure, equipment or assets acquired or constructed on any land or in or on any structure or building at the Airports, the cost of construction and acquisition of which are paid for (a) by the obligor under a Special Facility Agreement, or (b) from the proceeds of Special Facility Bonds, or (c) both.

"Special Facility Agreement" shall mean an agreement entered into by the Airports Authority and one or more other parties, relating to the design, construction, and/or financing of any facility, improvement, structure, equipment, or assets acquired or constructed on any land or in or on any structure or building at the Airports, all or a portion of the payments under which (a) are intended to be excluded from Revenues and (b) may be pledged to the payment of revenue bonds, notes, or other obligations of the Airports Authority other than Bonds, Subordinated Bonds, or Junior Lien Obligations.

"Special Facility Bonds" shall mean any revenue bonds, notes, or other obligations of the Airports Authority other than Bonds, Subordinated Bonds or Junior Lien Obligations, issued to finance any facility, improvement, structure, equipment or assets acquired or constructed on any land or in or on any structure or building at the Airports, the payment of principal of, premium, if any, and interest on which are payable from and secured by the proceeds thereof and rentals, payments, and other charges payable by the obligor under a Special Facility Agreement.

"Standard & Poor's" or **"S&P"** shall mean Standard & Poor's Ratings Group, a corporation organized and existing under the laws of the State of New York, and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Standard & Poor's shall mean any other nationally recognized securities rating agency designated by an Authority Representative.

"Subordinated Bond Funds" shall mean the bond funds created pursuant to the Subordinated Indenture with respect to each series of Subordinated Bonds, held by the Subordinated Indenture Trustee, in which amounts are held to pay debt service on such series of Subordinated Bonds.

"Subordinated Bond" or **"Subordinated Bonds"** shall mean the Airports Authority's general airport subordinated revenue bonds or other obligations secured by the Subordinated Indenture. The term "Subordinated Bond" or "Subordinated Bonds" shall include notes, bond anticipation notes, commercial paper and other Short-Term/Demand Obligations, Regularly Scheduled Hedge Payments, Hedge Termination Payments, and other securities, contracts or obligations incurred through lease, installment purchase or other agreements or certificates of participation therein, in each case to the extent secured by the Subordinated Indenture.

"Subordinated Indenture" shall mean the Master Indenture of Trust relating to the Subordinated Bonds, dated as of March 1, 1988, between the Airports Authority and the Subordinated Indenture Trustee, as supplemented and amended.

"Subordinated Indenture Trustee" shall mean The National Bank of Washington, or its successor as trustee, under the Subordinated Indenture.

"Subordinated Reserve Funds" shall mean the debt service reserve funds created pursuant to the Subordinated Indenture with respect to certain series of Subordinated Bonds, held by the trustee under the Subordinated Indenture.

"Supplemental Indenture" shall mean an indenture supplementing or modifying the provisions of the Master Indenture entered into by the Airports Authority and the Trustee in accordance with the Master Indenture.

"Thirty-fifth Supplemental Indenture" shall mean the Thirty-fifth Supplemental Indenture of Trust between the Airports Authority and the Trustee, which supplements the Master Indenture.

"Thirty-third Supplemental Indenture" shall mean the Thirty-third Supplemental Indenture of Trust dated as of July 1, 2009, between the Airports Authority and the Trustee relating to the Series 2009C Bonds which supplements the Master Indenture.

"Trustee" shall mean Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), and any successor to its duties under the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following, in addition to certain information provided under the heading "INTRODUCTION" and "THE SERIES 2009C BONDS" in Part I of this Official Statement, and "THE BONDS" in Part II of this Official Statement is a summary of certain provisions of the Master Indenture and the Thirty-third Supplemental Indenture. This summary does not purport to be complete or definitive and reference is made to the Master Indenture and the Thirty-third Supplemental Indenture for a complete recital of the terms of such documents. During the offering period for the Series 2009C Bonds, copies of the Master Indenture and the Thirty-third Supplemental Indenture may be obtained from the Airports Authority.

General

The Master Indenture and the Thirty-third Supplemental Indenture constitute an assignment by the Airports Authority to the Trustee, in trust, to secure payment of the Bonds, of the Airports Authority's interest in Net Revenues and sets forth the conditions of such assignments. The Master Indenture and the Thirty-third Supplemental Indenture also provide for the issuance of the Series 2009C Bonds, define the terms thereof and determine the duties of the Trustee and the rights of the Bondholders.

Security for Bonds, Including Series 2009C Bonds

The Series 2009C Bonds are issued pursuant to and secured by the Master Indenture and the Thirty-third Supplemental Indenture. All Bonds, including the Series 2009C Bonds, issued under the Master Indenture and at any time Outstanding shall be equally and ratably secured with all other Outstanding Bonds with the same right, lien and preference with respect to Net Revenues, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds. All Bonds of a particular Series shall in all respects be equally and ratably secured and shall have the same right, lien and preference established for the benefit of such Series of Bonds under the Master Indenture, including, without limitation, rights in any related Series Account in the Construction Fund, the Bond Fund or the Debt Service Reserve Fund. No mortgage, lien or security interest in the Airports or operating property of the Airports Authority has been pledged to secure the Bonds.

Use of Passenger Facility Charges to Pay Debt Service

The Airports Authority created the "PFC Fund" pursuant to the Master Indenture and the Thirty-fifth Supplemental Indenture and established therein the "PFC Debt Service Account" and the "PFC Project Account," respectively, which shall be held by the Airports Authority. Pursuant to the Thirty-fifth Supplemental Indenture, amounts credited to the PFC Debt Service Account are irrevocably committed through December 31, 2016 to the payment of Debt Service on PFC Eligible Bonds.

To the extent received by the Airports Authority and not otherwise required to be applied as Revenues by the Master Indenture, all Designated Passenger Facility Charges, upon their receipt from time to time by the Airports Authority, shall be set aside and immediately deposited to the credit of the accounts in the PFC Fund, in the order of priority, as follows:

(a) First, if available, there shall be credited to the PFC Debt Service Account, in each of the Fiscal Years 2009 through 2016, inclusive, the greater of (i) the amount set forth in the Thirty-fifth Supplemental Indenture, which is $35,000,000 annually in Fiscal Years 2009 through 2010, reflecting Designated Passenger Facility Charges first received in each Fiscal Year, or (ii) 50% of the total amount of Designated Passenger Facility Charges received by the Airports Authority in such Fiscal Year.

(b) Second, to the PFC Project Account, all Designated Passenger Facility Charges so received by the Airports Authority in each Fiscal Year and not otherwise applied pursuant to paragraph (a) above.

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PFC Debt Service Account. Amounts credited to the PFC Debt Service Account are irrevocably committed through December 31, 2016 to the payment of Debt Service on PFC Eligible Bonds.

If in any Fiscal Year the full amount of moneys on deposit in the PFC Debt Service Account is not reasonably expected to be needed to pay Debt Service on PFC Eligible Bonds, at the direction of an Authority Representative, the expected balance may be transferred to the PFC Project Account. Any amounts remaining in the PFC Debt Service Account on December 31, 2016, shall be credited to the PFC Project Account.

PFC Project Account. Amounts credited to the PFC Project Account may be applied by the Airports Authority to any lawful purpose relating to the Airports as the Authority Representative may from time to time determine, including transfer to the PFC Debt Service Account to pay Debt Service on PFC Eligible Bonds not otherwise paid pursuant to preceding paragraph. Any amounts transferred to the PFC Debt Service Account shall be deemed irrevocably committed to pay Debt Service on PFC Eligible Bonds.

No Pledge of Certain Revenues

In addition to certain other revenues of the Airports Authority not pledged under the Master Indenture, revenues of the Dulles Corridor Enterprise Fund established by Resolution No. 07-16 of the Airports Authority are not pledged to the payment of the Airports Authority's obligations under the Master Indenture or the Thirty-third Supplemental Indenture.

Revenues and Funds

Creation of Funds and Accounts. Pursuant to the Master Indenture and the Thirty-third Supplemental Indenture, the following Funds, Accounts, and Subaccounts are established:

(a) Construction Fund, to be held by a custodian and bailee for the Trustee, which shall contain, with respect to the Series 2009C Bonds, the Series 2009C Cost of Issuance Account.

(b) Revenue Fund, to be held by the Airports Authority.

(c) Operation and Maintenance Fund, to be held by the Airports Authority.

(d) Bond Fund, to be held by the Trustee, which shall contain the following Accounts with respect to the Series 2009C Bonds:

(i) Series 2009C Interest Account;

(ii) Series 2009C Principal Account; and

(iii) Series 2009C Redemption Account.

(e) Debt Service Reserve Fund, to be held by the Trustee, which shall contain the Series 2009C Reserve Account with respect to the Series 2009C Bonds.

(f) Junior Lien Obligation Fund, to be held by the Airports Authority.

(g) Emergency Repair and Rehabilitation Fund, to be held by the Airports Authority.

(h) Federal Lease Fund, to be held by the Airports Authority.

(i) General Purpose Fund, to be held by the Airports Authority.

Amounts in the Revenue Fund are not pledged to secure Holders of the Bonds. Amounts in the Operation and Maintenance Fund are required to be used by the Airports Authority to pay Operation and Maintenance Expenses and are not pledged to secure Holders of the Bonds. Amounts in the Emergency Repair and Rehabilitation Fund may be used by the Airports Authority to pay the costs of emergency repairs and replacements to the Airports and are not pledged to secure Holders of the Bonds. Amounts in the General Purpose Fund will be available for use by the Airports Authority for any lawful purpose and are not pledged to secure Holders of the Bonds.

Application of Series 2009C Bond Proceeds. There will be deposited or paid to (a) the Series 2009C Reserve Account in the Debt Service Reserve Fund an amount equal to the Series 2009C Reserve Requirement, (b) to the Escrow Agent an amount to reimburse the Bank (as defined in the Escrow Deposit Agreement) for payment of principal and interest on maturing PFC Notes in accordance with the Escrow Deposit Agreement, and (c) the balance of the proceeds of the Series 2009C Bonds shall be delivered for deposit in the Series 2009C Cost of Issuance Account moneys to pay costs associated with the issuance of the Series 2009C Bonds.

Flow of Funds

The Indenture provides that on the first Business Day of each month (a) amounts in the Revenue Fund, excluding any transfers from the General Purpose Fund during the current Fiscal Year, and (b) one-twelfth (1/12) of the amount of any transfers from the General Purpose Fund for the current Fiscal Year, shall be withdrawn from the Revenue Fund and deposited or transferred as set forth under the heading, "THE BONDS--Security and Source of Payment for the Bonds--Flow of Funds" in Part II of this Official Statement.

Required Deposits

Moneys are required to be deposited with respect to the Series 2009C Bonds as described below. The Supplemental Indenture setting forth the terms of any additional Series of Bonds may require deposits to the applicable debt service and debt service reserve accounts and subaccounts with respect to such Series of Bonds, and, if such Series of Bonds is subject to mandatory purchase at the option of the Bondholder, will require deposits to a purchase fund for such Series of Bonds.

Debt Service Deposits. So long as any Series 2009C Bonds are Outstanding, the Thirty-third Supplemental Indenture requires that payments be made to the Trustee for the purposes of debt service payments on Series 2009C Bonds in the following manner:

(a) Interest Account. Beginning on August 1, 2009, and on the first (1st) Business Day of each month thereafter, an amount equal to one-half (1/2) of the interest payment due on the first (1st) Business Day of October, 2009, and thereafter beginning on the first (1st) Business Day of October, 2009, and on the first (1st) Business Day of each month thereafter, an amount equal to one-sixth (1/6) of the next interest payment due after such date with respect to the Series 2009C Bonds shall be deposited to the Series 2009C Interest Account, provided the Airports Authority shall be entitled to a credit immediately before each Bond Payment Date for interest earned on the monthly deposits made by the Airports Authority.

(b) Principal Account. Beginning on October 1, 2009, and on the first (1st) Business Day of each month thereafter, an amount equal to one-twelfth (1/12) of the next principal payment due after such date with respect to the Series 2009C Bonds, whether at maturity or upon mandatory sinking fund payment, shall be deposited to the Series 2009C Principal Account.

Debt Service Reserve Fund Deposit. The Debt Service Reserve Fund contains separate Accounts for each individual Series of Bonds and moneys deposited in each such Account secure only the related Series of Bonds.

Beginning on the first (1st) Business Day of each month after a withdrawal from the Series 2009C Reserve Account to pay interest on the immediately preceding Bond Payment Date, and on the first (1st) Business Day of each month thereafter except April and October, an amount equal to one-fifth (1/5) of any deficiency resulting from such payment shall be deposited to the Series 2009C Reserve Account; (b) beginning on the first (1st) Business Day of each month after a withdrawal from the Series 2009C Reserve Account to pay principal on the immediately preceding Bond Payment Date, and on the first (1st) Business Day of each month thereafter except each October, an amount equal to one-eleventh (1/11) of any deficiency resulting from a payment on the immediately preceding Bond Payment Date shall be deposited in the Series 2009C Reserve Account; and (c) beginning on the first (1st) Business Day of each month except January, an amount equal to one-eleventh (1/11) of the amount necessary to cure any deficiency in the Series 2009C Reserve Account determined by the valuation pursuant to Section 514(b) of the Master Indenture as of the beginning of the current Fiscal Year resulting from a change in market valuation of assets shall be deposited to the Series 2009C Reserve Account. See "THE SERIES 2009C BONDS--Security and Source of Payment--Debt Service Reserve Fund" in Part I of this Official Statement.

To the extent not needed to maintain the balance therein equal to the Series 2009C Debt Service Reserve Requirement, earnings on investments of the Series 2009C Reserve Account in the Debt Service Reserve Fund shall be transferred after each Bond Payment Date to the Revenue Fund.

Subject to the requirements of Section 506 of the Master Indenture and upon instructions from the Authority Representative, the Trustee may substitute a Credit Facility in lieu of cash or investments, or cash and investments in lieu of Credit Facility in order to satisfy the Series 2009C Debt Service Reserve Requirement.

Sinking Fund Deposits. The Trustee shall deposit payments made by the Airports Authority with respect to sinking fund requirements in the Series 2009C Redemption Account.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any applicable sinking fund redemption date, the Airports Authority may (a) cause to be paid to the Trustee for deposit in the Series 2009C Redemption Account such amounts, or direct the Trustee to use moneys provided by the Airports Authority or moneys in the applicable sinking fund account in such amount, as the Airports Authority may determine, accompanied by a certificate signed by and Authority Representative directing the Trustee to apply such amount to the purchase of the applicable Series 2009C Bonds, and the Trustee shall use all reasonable efforts to expend such funds as nearly as may be practicable in the purchase of such Series 2009C Bonds, at a price not exceeding the principal amount thereof plus accrued interest to such sinking fund redemption date; or (b) receive a credit against its sinking fund redemption obligation for the Series 2009C Bonds which prior to such date have been purchased by the Airports Authority and presented to the Trustee for cancellation or redeemed (otherwise than through the operation of the sinking fund), and canceled by the Trustee, and, in either case, not theretofore applied as a credit against any sinking fund redemption obligation. See "THE SERIES 2009C BONDS--Redemption of the Series 2009C Bonds--Mandatory Sinking Fund Redemption" in Part I of this Official Statement.

Computation and Payment of Rebate Amount

Except with respect to earnings on Funds and Accounts that qualify for an exemption provided by the Code, the Airports Authority will compute and pay any Rebate Amount required by the Code with respect to the Series 2009C Bonds.

No payment shall be made if the Airports Authority delivers to the Trustee an Opinion of Bond Counsel to the effect that such payment is not required under the Code to prevent the Series 2009C Bonds from being "arbitrage bonds" within the meaning of Section 148 of the Code.

Investment of Moneys

Moneys in all Funds and Accounts shall be invested as soon as practicable upon receipt in Permitted Investments, as directed by the Airports Authority or as selected by the Trustee in the absence of direction by the Airports Authority; provided that the maturity date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event later than) dates on which moneys in the Funds and Accounts for which the investments were made will be required for the purposes thereof and provided further that in the absence of direction from the Airports Authority the Trustee shall select Permitted Investments in accordance with prudent investment standards.

Additional Bonds

The Airports Authority has issued, and expects to issue in the future, additional Bonds. Under the Indenture, the Airports Authority is permitted to issue one or more Series of additional Bonds on a parity with the outstanding Bonds, if:

The Airports Authority has provided to the Trustee the following evidence indicating that, as of the date of issuance of such additional Bonds, the Airports Authority is in compliance with the rate covenant established by the Indenture (the "Rate Covenant") (discussed under "Rate Covenant" below) as evidenced by: (a) the Airports Authority's most recent audited financial statements, and the Airports Authority's unaudited statements for the period, if any, from the date of such audited statements through the most recently completed Fiscal Year quarter, and (b) if applicable, evidence of compliance with the Indenture's requirement of remedial action (discussed under "Rate Covenant" below); and either

(i) an Airport Consultant has provided to the Trustee a certificate stating that, based upon reasonable assumptions, projected Net Revenues will be sufficient to satisfy the Rate Covenant (disregarding any Bonds that have been or will be paid or discharged immediately after the issuance of the additional Bonds proposed to be issued) for each of the next three full Fiscal Years following issuance of the additional Bonds, or each full Fiscal Year from issuance of the additional Bonds through two full Fiscal Years following completion of the Projects financed by the additional Bonds proposed to be issued, whichever is later; provided that, if Maximum Annual Debt Service with respect to all Bonds to be Outstanding following the issuance of the proposed additional Bonds in any Fiscal Year is greater than 110% of Annual Debt Service for such Bonds in any of the test years, then the last Fiscal Year of the test must use such Maximum Annual Debt Service; provided further, that if capitalized interest on any Bonds and proposed additional Bonds is to be applied in the last Fiscal Year of the period described in this sentence, the Airport Consultant shall extend the test through the first full Fiscal Year for which there is no longer capitalized interest, or

(ii) an Authority Representative has provided to the Trustee a certificate stating that Net Revenues in the most recently completed Fiscal Year were not less than the larger of (1) the amounts needed for making the required deposits to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund, and the Emergency Repair and Rehabilitation Fund or (2) 125% of (a) Annual Debt Service on Bonds Outstanding in such Fiscal Year (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of such additional Bonds proposed to be issued), plus (b) Maximum Annual Debt Service with respect to such additional Bonds proposed to be issued.

With respect to additional Bonds proposed to be issued to refund Outstanding Bonds, the Airports Authority may issue such refunding Bonds if the test described above is met, or if the Airports Authority has provided to the Trustee evidence that (a) the aggregate Annual Debt Service in each Fiscal Year with respect to all Bonds to be Outstanding after issuance of such refunding Bonds will be less than the aggregate Annual Debt Service in each such Fiscal Year through the last Fiscal Year in which Bonds are Outstanding prior to the issuance of such refunding Bonds, and (b) the Maximum Annual Debt Service with respect to all Bonds to be Outstanding after issuance of such refunding Bonds will not exceed the Maximum Annual Debt Service with respect to all Bonds outstanding immediately prior to such issuance.

The issuance of the Series 2009C Bonds will be in compliance with paragraph (i) above.

General Covenants of the Airports Authority

The covenants set forth below apply to the Series 2009C Bonds and to any other Series of Bonds issued under the Master Indenture.

Payment of Principal and Interest. The Airports Authority has covenanted to promptly pay or cause to be paid from Net Revenues (except to the extent payable from bond proceeds or other limited sources of payment specified in the Master Indenture) the principal of, premium, if any, and interest on each Bond, as and when due.

Pledge of Net Revenues. As security for the payment of the principal of, and interest and any premium on, the Bonds, the Airports Authority has granted to the Trustee a pledge of and lien on Net Revenues, as and when received by the Airports Authority, from and after the date of the Master Indenture without any physical delivery thereof or further act.

The Airports Authority has covenanted and agreed that it will not create any pledge, lien or encumbrance upon, or permit any pledge, lien or encumbrance to be created on, Revenues or Net Revenues except for a pledge, lien or encumbrance subordinate to the pledge and lien granted by the Master Indenture for the benefit of the Bonds and the pledge and lien granted by the Subordinated Indenture for the benefit of the Subordinated Bonds. The Airports Authority has previously issued Subordinated Bonds secured by a pledge of Net Revenues that is subordinated to the pledge of Net Revenues securing the Bonds as to moneys that have not been transferred by the Trustee to the Subordinated Indenture Trustee. See "AUTHORITY INDEBTEDNES --Subordinated Bonds" in Part I of this Official Statement.

In addition to Bonds issued under the Master Indenture, the Airports Authority may issue, at any time and from time to time, in one or more series (a) Special Facility Bonds, (b) other bonds, notes or other obligations payable solely from and secured solely by revenues other than Revenues and Net Revenues, and (c) bonds, notes or other obligations payable from Net Revenues on a basis subordinate to the Bonds (including the Series 2009C Bonds) and the Subordinated Bonds.

Management of Airports. The Airports Authority has covenanted not to take, or allow any person to take, any action which would cause the Federal Aviation Administration (the "FAA"), or any successor to the powers and authority of the FAA to suspend or revoke the Airports' operating certificates. The Airports Authority will comply with all valid acts, including the Acts, rules, regulations, orders and directives of any governmental, legislative, executive, administrative or judicial body applicable to the Airports and with the Federal Lease, unless the same shall be contested in good faith, all to the end that the Airports will remain in operation at all times.

Operation and Maintenance of Airports. The Airports Authority has covenanted that it will operate and maintain the Airports as a revenue producing enterprise in accordance with the Federal Lease and the Acts. The Airports Authority will make such repairs to the Airports as shall be necessary or appropriate in the prudent management thereof. The Airports Authority has covenanted that it will operate and maintain the Airports in a manner which will entitle it at all times to charge and collect fees, charges and rentals in accordance with airport use agreements, if any, or as otherwise permitted by law, and shall take all reasonable measures permitted by law to enforce prompt payment to it of such fees, charges and rentals when and as due.

Insurance. The Airports Authority has covenanted that it will at all times (a) carry insurance, or cause insurance to be carried, with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airports as are customarily insured, and against loss or damage from such causes as are customarily insured against, by enterprises engaged in a similar type of business, or (b) have adopted and maintain a risk financing plan for property and casualty losses in accordance with the Federal Lease.

Financial Records and Statements. The Airports Authority has covenanted to have an annual audit made by independent certified public accountants of recognized standing and shall within 120 days after the end of each of its Fiscal Years furnish to the Trustee copies of the balance sheet of the Airports Authority as of the end of such Fiscal Year and complete audited financial statements of the Airports Authority for such Fiscal Year, all in reasonable detail.

Rate Covenant

Pursuant to the Indenture, the Airports Authority has covenanted that it will take all lawful measures to fix and adjust from time to time the fees and other charges for the use of the Airports, including services rendered by the Airports Authority, pursuant to airport use agreements or otherwise, calculated to be at least sufficient to produce Net Revenues to provide for the larger of either:

(a) The amounts needed for making the required deposits in each Fiscal Year to the Principal Accounts, the Interest Accounts, and the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Bond Funds, the Subordinated Reserve Funds, the Junior Lien Obligations Fund, the Federal Lease Fund and the Emergency Repair and Rehabilitation Fund; or

(b) An amount not less than 125% of the Annual Debt Service with respect to Bonds for such Fiscal Year.

Provided that any computation required above shall exclude from Net Revenues any capital gain resulting from any sales or revaluation of Permitted Investments.

The Airports Authority has covenanted that if, upon the receipt of the audit report for a Fiscal Year, the Net Revenues in such Fiscal Year are less than the amount specified above, the Airports Authority will require the Airport Consultant to make recommendations as to the revision of the Airports Authority's schedule of rentals, rates, fees and charges, and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Airports Authority, on the basis of such recommendations and other available information, will take all lawful measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports as may be necessary to produce the specified amount of Net Revenues in the Fiscal Year following the Fiscal Year covered by such audit report.

In the event that Net Revenues for any Fiscal Year are less than the amount specified above, but the Airports Authority has promptly taken in the next Fiscal Year all available lawful measures to review the schedule of rentals, rates, fees and charges for the use of the Airports to comply with these remedial requirements, there will be no Event of Default under the Indenture; provided, however, that if, after the Airports Authority has complied with these remedial requirements, Net Revenues are not sufficient to provide for the specified amount in the Fiscal Year in which such adjustments are required to be made (as evidenced by the audit report for such Fiscal Year), such failure will be an Event of Default under the Indenture.

Tax Covenants

The Airports Authority has covenanted to comply with certain tax covenants with respect to the tax exemption of the Series 2009C Bonds, including, among other matters, the use, expenditure and investment of proceeds and the rebate of certain "arbitrage profit" to the United States Treasury. See "TAX MATTERS" in Part I of this Official Statement.

The Airports Authority has also covenanted not to cause an amount less than 95% of the proceeds of the Series 2009C Bonds and investment income therefrom to be expended for Qualified Costs of Facilities, and agrees to make or to direct the Trustee to make any transfers necessary to satisfy such covenant.

Default and Remedies

Events of Default. The Master Indenture provides that an Event of Default with respect to one Series of Bonds shall not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds. Each of the following is defined as an "Event of Default" with respect to each Series of Bonds under the Master Indenture:

(a) If payment by the Airports Authority in respect of any installment of interest on any Bond of such Series shall not be made in full when the same becomes due and payable;

(b) If payment by the Airports Authority in respect of the principal of any Bond of such Series shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;

(c) If payment of the purchase price of any Bond of such Series tendered for optional or mandatory tender for purchase, if provided for in the Supplemental Indenture providing for the issuance of such Series, shall not be paid in full as and when due in accordance therewith;

(d) If the Airports Authority shall fail to observe or perform any covenant or agreement on its part under the Master Indenture (other than the Rate Covenant) for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Airports Authority by the Trustee, or to the Airports Authority and the Trustee by the Holders of at least 25% in aggregate principal amount of Bonds of a Series then Outstanding. If the breach of covenant or agreement is one which cannot be completely remedied within 60 days after written notice has been given, it shall not be an Event of Default with respect to such Series as long as the Airports Authority has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;

(e) If the Airports Authority is required under the Rate Covenant to take measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports and Net Revenues in the Fiscal Year in which such adjustments are made are less than the amount specified in the Rate Covenant contained in the Master Indenture (See "THE BONDS--Security and Source of Payment for the Bonds--Rate Covenant") in Part II of this Official Statement; and

(f) If the Airports Authority shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition, answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Airports Authority or of any substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

No Acceleration or Cross Default. There shall be no rights of acceleration with respect to any Bonds, including the Series 2009C Bonds. An Event of Default with respect to one Series of Bonds shall not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds.

Remedies and Enforcement of Remedies. The Master Indenture provides that upon the occurrence and continuance of any Event of Default with respect to a Series of Bonds, the Trustee may, or, upon the written request of the Holders of not less than 25% in an aggregate principal amount of such Series of Bonds, together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Master Indenture and under the Acts and such Bonds by such suits, actions, injunction, mandamus or other proceedings, as the Trustee, being advised by counsel, shall deem expedient.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of a Series of Bonds, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (a) to prevent any impairment of the security under the Master Indenture by any acts or omissions to act which may be unlawful or in violation thereof, or (b) to preserve or protect the interests of the Holders of such Series of Bonds, provided that such request is in accordance with law and the provisions of the Master Indenture, and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Bonds of each Series not making such request.

The remedies provided for in the Master Indenture with respect to reaching Funds or Accounts thereunder shall be limited to the Funds or Accounts thereunder pledged to the applicable Series of Bonds with respect to which an Event of Default exists.

Application of Revenues and Other Moneys After Default. The Master Indenture provides that during the continuance of an Event of Default with respect to any Series of Bonds, all moneys held and received by the Trustee with respect to such Series of Bonds pursuant to any right given or action taken under the provisions of the Master Indenture shall, after payment of the costs and expenses of the proceedings which resulted in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be applied according to the accrued debt service deposits or payments with respect to each such Series as follows:

(a) Unless the principal amounts of all such Outstanding Bonds shall have become due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal amounts of any Bonds which shall have become due (other than Bonds of such Series previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture), whether at maturity or by proceedings for redemption or otherwise or upon the tender of any Bond pursuant to the terms of the Supplemental Indenture providing for the issuance of such Bonds, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds of such Series due on any date, then to the payment thereof ratably, according to the principal amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become due and payable, to the payment of the principal amounts and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied by the Trustee as described in (a) and (b) above, such moneys shall be applied on the date fixed by the Trustee and, upon such date, interest on the principal amounts to be paid on such dates shall cease to accrue if so paid.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Bondholders or any Credit Provider under the Master Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or existing at law or in equity or by statute (including the Acts) on or after the date of the Master Indenture.

Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Bonds of any Series may be enforced by the Trustee without the possession of any of the Bonds of such Series or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the applicable Series of Bonds. Subject to the provisions of the Master Indenture, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds of such Series.

Control of Proceedings. If an Event of Default with respect to a Series of Bonds shall have occurred and be continuing, the Master Indenture provides that the Holders of a majority in aggregate principal amount of Bonds of such Series then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such Series of Bonds in connection with the enforcement of the terms and conditions thereof, provided that such direction is in accordance with law and the provisions of the Master Indenture (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Bondholders of each Series of Bonds not joining in such direction, and provided further, that nothing in this section shall impair the right of the Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders.

If an Event of Default with respect to all Series of Bonds shall have occurred and be continuing, the Holders of a majority in aggregate principal amount of all Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to Net Revenues or other assets securing all Bonds in connection with the enforcement of the terms and conditions of the Master Indenture, provided that such direction is in accordance with law and the provisions of the Master Indenture (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of Bondholders not joining in such direction and provided further that nothing shall impair the right of the Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders.

Individual Bondholder Action Restricted. No Holder of any Bond of any Series shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust thereunder or for any remedy thereunder unless:

(i) an Event of Default has occurred (A) under paragraph (a), (b) or (c) of "Events of Default" of which the Trustee is deemed to have notice, or (B) under paragraph (d), (e) or (f) of "Events of Default" of which the Trustee has actual knowledge or as to which the Trustee has been notified in writing;

(ii) the Holders of at least 25% in aggregate principal amount of the applicable Series of Bonds then Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Master Indenture or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Trustee indemnity as provided in the Master Indenture;

(iv) the Trustee shall have failed or refused to exercise the powers granted under the Master Indenture or to institute such action, suit or proceeding in its own name for a period of 60 days after receipt by it of such request and offer of indemnity; and

(v) during such 60-day period, no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a majority in aggregate principal amount of the applicable Series of Bonds then Outstanding as provided in the Master Indenture.

No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Master Indenture or to enforce any right thereunder except in the manner provided therein and for the equal benefit of the Holders of all Bonds Outstanding of all affected Series.

Nothing contained in the Master Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Master Indenture on the moneys, funds and properties pledged under the Master Indenture for the equal and ratable benefit of all Holders of Bonds of such Series.

Waiver of Event of Default. No delay or omission of the Trustee, of any Holder of Bonds or, if provided by Supplemental Indenture, any Credit Provider to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by the Master Indenture to the Trustee, the Holders of Bonds and, if provided by Supplemental Indenture, any Credit Provider may be exercised from time to time and as often as may be deemed expedient by them.

The Trustee with the consent of the Credit Providers, if provided by Supplemental Indenture (provided, however, that such Credit Provider's consent may be required only in connection with an Event of Default on a Series of Bonds with respect to which such Credit Provider is providing a Credit Facility) may waive any Event of Default with respect to the Bonds, which, in the Trustee's opinion, shall have been remedied at any time, regardless of whether any suit, action or proceeding has been instituted before the entry of final judgment or decree in any suit, action or proceeding instituted by the Trustee under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

Notwithstanding anything contained in the Master Indenture to the contrary, the Trustee, upon the written request of the applicable Credit Provider, if any, or Holders of at least a majority of the aggregate principal amount of Bonds of a Series then Outstanding, with respect to an Event of Default affecting only such Series (or a majority of the aggregate principal amount of all Bonds then Outstanding, with respect to an Event of Default affecting all Series of Bonds) shall waive any Event of Default under the Master Indenture and its consequences, provided, however, that, a default in the payment of the principal amount of, premium, if any, or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds of such Series at the time Outstanding to which an Event of Default applies and the consent of the Credit Provider, if any.

In case of any waiver by the Trustee of an Event of Default under the Master Indenture, the Airports Authority, the Trustee, the Credit Provider, if any, and the Bondholders shall be restored to their former positions and rights under the Master Indenture, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to any one for waiving or refraining any Event of Default in accordance with the Master Indenture.

The Trustee

Trustee Not Required to Take Action Unless Indemnified. Except as expressly required in the Master Indenture, the Trustee shall not be required to institute any proceeding in which it may be a defendant or to take any action to enforce its rights and expose it to liability, or be deemed liable for failure to take such action, unless and until the Trustee shall have been indemnified against all reasonable costs, liability and damages.

Right to Deal in Bonds and Take Other Actions. The Trustee may in good faith buy, sell or hold and deal in any Bonds of any Series, including the Series 2009C Bonds, as if it were not such Trustee and may commence or join any action which a Holder is entitled to take with like effect as if the Trustee were not the Trustee.

Trustee's Fees and Expenses. If the Airports Authority fails to properly pay any reasonable fees, costs or expenses of the Trustee incurred in the performance of its duties, the Trustee may reimburse itself from any surplus moneys on hand in any Fund or Account held by it except any amounts in the Bond Fund.

Removal and Resignation of Trustee. The Trustee may resign at any time. Written notice of such resignation shall be given to the Airports Authority and such resignation shall take effect upon the appointment and qualification of a successor Trustee. In addition, the Trustee may be removed at any time by the Airports Authority but only for cause by Supplemental Indenture so long as (a) no Event of Default shall have occurred and be continuing, and (b) the Airports Authority determines, in such Supplemental Indenture, that the removal of the Trustee shall not have an adverse effect upon the rights or interests of the Bondholders. In the event of the resignation or removal of the Trustee or in the event of the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the Airports Authority shall be entitled to appoint a successor Trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders. The Airports Authority and the Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplemental Indentures for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Indenture;

(b) To correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising thereunder which shall not materially adversely affect the interests of the Holders;

(c) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon them;

(d) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(e) To preserve the excludability of interest on the Bonds from gross income for purposes of federal income taxes or to change the tax covenants set forth in the Master Indenture or any Supplemental Indenture pursuant to an Opinion of Bond Counsel that such action will not adversely affect such excludability;

(f) To provide for the issuance of a Series of Bonds under the Master Indenture;

(g) To remove the Trustee in accordance with the Master Indenture; and

(h) To add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to a Series of Bonds.

(i) To accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate bond anticipation notes, commercial paper, auction Bonds, Hedge Facilities, Short-Term/Demand Obligations and other variable rate or adjustable rate Bonds, Capital Appreciation Bonds, Original Issue Discount Bonds and other discounted or compound interest Bonds or other forms of indebtedness which the Airports Authority from time to time deems appropriate to incur;

(j) To accommodate the use of a Credit Facility for specific Bonds or a specific Series of Bonds; and

(k) To comply with the requirements of the Code as are necessary, in the Opinion of Bond Counsel, to prevent the federal income taxation of the interest on any of the Bonds, including, without limitation, the segregation of Revenues into different funds.

Supplemental Indentures Requiring Consent of Bondholders. The Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding may consent to or approve, from time to time, which consent to or approval shall be in writing and shall not be withheld unreasonably, the execution by the Airports Authority and the Trustee of such Supplemental Indentures as shall be deemed necessary and desirable by the Airports Authority for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture; provided, that if any Supplemental Indenture modifying, altering, amending, adding to or rescinding any of the terms and provisions of the Indenture contains provisions which affect the rights and interests of less than all Series of Bonds and the section of the Master Indenture relating to Supplemental Indentures not requiring consent of Holders is inapplicable, then such Supplemental Indenture shall require the consent only of the Holders of a majority in Outstanding principal amount of the Series of Bonds so affected; and provided further, that nothing shall permit or be construed as permitting a Supplemental Indenture that would:

(a) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond, without the consent of the Holder of such Bond;

(b) prefer or give a priority to any Bond over any other Bond, without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(c) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Indenture, without the consent of the Holders of all Bonds then Outstanding.

If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of a Supplemental Indenture as provided in the Master Indenture, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or to the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Airports Authority from executing the same or from taking any action pursuant to the provisions thereof.

Satisfaction and Discharge

If payment of all principal of, premium, if any, and interest on a Series of Bonds in accordance with the terms of such Bonds is made, or is provided for as described below, and if all other sums payable by the Airports Authority under the Master Indenture with respect to such Series of Bonds shall be paid or provided for then the liens, estates and security interests granted thereby shall cease with respect to such Series of Bonds, provided that the rebate provisions, if any, of the related Supplemental Indenture shall survive so long as there is any amount due to the federal government pursuant to such Supplemental Indenture.

Payment of a Series of Bonds, including the Series 2009C Bonds, may be provided for by the deposit with the Trustee of moneys, noncallable Government Obligations, noncallable Government Certificates or pre-refunded municipal obligations (as described in paragraph (c) of the definition of Permitted Investments in the Master Indenture) or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, noncallable Government Certificates, or pre-refunded municipal obligations, if any, shall be sufficient and available to pay, when due, the principal of, whether at maturity or upon fixed redemption dates, premium, if any, and interest on such Bonds. The moneys, Government Obligations, noncallable Government Certificates and pre-refunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or redemption price of, including premium, if any, and interest on such Bonds as the same shall mature or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee as to the dates upon which any such bonds are to be redeemed prior to their respective maturities.

If payment of any of the Series 2009C Bonds is so provided for, the Trustee shall mail a notice so stating to each Holder of such Series 2009C Bonds.

Bonds, the payment of which has been provided for, shall no longer be deemed Outstanding under the Master Indenture. The obligation of the Airports Authority in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, Government Certificates, and pre-refunded municipal obligations deposited with the Trustee to provide for the payment of such a series of Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond with respect to which an Opinion of Bond Counsel has been rendered that such interest is excluded from gross income for federal income tax purpose is made subject to federal income taxes. The Trustee shall receive and may rely upon an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Non-Presentment of Series 2009C Bonds

If any Series 2009C Bond is not presented for payment of principal of, premium, if any, and interest on the Series 2009C Bonds within two (2) years after delivery of such funds to the Trustee and absent knowledge by the Trustee of any continuing Event of Default, the moneys shall, upon request by the Airports Authority, be paid to the Airports Authority free of any trust or lien and thereafter the Holder of such Series 2009C Bond shall look only to the General Purpose Fund of the Airports Authority and then only to the extent of the amounts so received by the Airports Authority without interest thereon. Prior to the transfer of any moneys, the Trustee shall give notice of such transfer to each affected Holder and publish such notice in a newspaper of general circulation in the Washington, D.C. metropolitan area. The Trustee shall have no further responsibility with respect to such moneys or payment of principal of, premium, if any, and interest on the Series 2009C Bonds.

Governing Law

The Master Indenture, the Thirty-third Supplemental Indenture and the Series 2009C Bonds shall be governed and construed in accordance with the laws of the Commonwealth of Virginia.

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SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENT AND PREMISES LEASE

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The following is a summary of certain provisions of the Airport Use Agreement and Premises Lease (the "Airline Agreement"), to which reference is made for a complete statement of its provisions and contents. The Airline Agreement signed by each of the Signatory Airlines is substantially identical except for provisions relating to the Premises and assigned Aircraft Parking Positions for each Signatory Airline. The Airline Agreement governs both Airports. An airline may become a Signatory Airline at one or both of the Airports.

DEFINITIONS

Certain words and terms used in this summary are defined in the Airline Agreement and have the same meanings in this summary, except as defined otherwise in this Official Statement. Some, but not all, of the definitions in the Airline Agreement are set forth below. Certain of these definitions have been abbreviated or modified for purposes of this summary.

"**Additional Projects**" shall mean capital expenditures for construction, acquisitions, and improvements related to the Airports, other than small capital items includable as O&M Expenses in accordance with Airports Authority policy and other than those Projects included in the Capital Development Program.

"**Airfield Net Requirement**" shall mean at each Airport the Total Requirement attributable to the Airfield Cost Center, less (i) Aircraft Parking Position Charges and Dulles International Jet Apron Fees, if any; (ii) direct utility or other reimbursements attributable or allocable to the Airfield Cost Center; and (iii) Transfers, if any, allocable to the Airfield Cost Center.

"**Airline Supported Area**" shall mean for each Airport the Airfield, Terminal and Equipment Cost Centers at that Airport and at Dulles International shall also include the International Arrivals Building ("IAB"), the Airside Operations Building ("AOB"), and the Passenger Conveyance System Cost Centers.

"**Bonds**" shall mean Senior Bonds, Subordinated Bonds, and other Indebtedness.

"**Capital Development Program**" shall mean the construction, acquisition and improvements to the Airports, as more particularly described in Exhibits N-1 and D-1 attached to the Airline Agreements, including the Dulles International Stage II Development Plan.

"**Capital Charges**" shall mean (i) Debt Service, (ii) Depreciation Requirements and (iii) Amortization Requirements.

"**Common Use Premises**" shall mean those areas at the Airport which two or more Scheduled Air Carriers are authorized to use, as shown on Exhibits N-B and D-B attached to the Airline Agreement. For purposes of calculating rentals, fees, and charges under the Airline Agreement, such common Use Premises shall be deemed Rentable Space; provided, however, no leasehold interests shall accrue to or be acquired by any authorized user thereof.

"**Cost Centers**" shall mean those areas of functional activities established by the Airports Authority at each Airport, as set forth in Exhibits N-E and D-E attached to the Airline Agreement, and as may be amended by the Airports Authority.

“**Debt Service**” shall mean, as of any date of calculation for any Rate Period, the amounts required pursuant to the terms of any Indenture to be collected during said period for the payment of Bonds, plus fees and amounts payable to providers of any form of credit enhancement used in connection with Bonds.

“**Debt Service Coverage**” shall mean, as of any date of calculation for any period, an amount equal to twenty-five percent (25%) of the portion of Debt Service attributable to Senior Bonds or Subordinated Bonds, plus such other amounts as may be established by any financing agreement or arrangements with respect to Other Indebtedness.

“**Dulles International Stage II Development** (or “**Dulles Stage II**”)” shall mean specific Projects identified as such in Exhibit D-1 to the Airline Agreement, which Projects shall generally include the initial New Midfield Concourse(s), Passenger Conveyances, and other related improvements at Dulles International.

“**Equipment**” shall mean that equipment and devices owned by the Airports Authority and leased to the Airline, which may include but shall not be limited to, baggage make-up and baggage claim conveyors and devices, loading bridges, 400 Hz, and preconditioned air units.

“**Extraordinary Coverage Protection Payments**” shall mean those payments, if any, required by the Signatory Airlines if Revenues plus Transfers less Operating and Maintenance Expenses at each Airport are projected to be less than one hundred twenty-five percent (125%) of the sum of Debt Service on Senior Bonds and Debt Service on Subordinated Bonds at each Airport.

“**Federal Lease**” shall mean the Agreement and Deed of Lease, dated March 2, 1987, between the United States of America, acting through the Secretary of Transportation, and the Airports Authority, as the same may be amended or supplemented.

“**Fiscal Year**” shall mean the annual accounting period for the Airports Authority for its general accounting purposes which, at the time of entering into the Airline Agreement, is the period of twelve consecutive months beginning with the first day of October of any year.

“**Indenture**” shall mean the Senior Indenture, Subordinated Indenture, or Other Indenture, including amendments, supplements, and successors thereto.

“**Majority-in-Interest**” shall mean, at each Airport, for the Airfield Cost Center, fifty percent (50%) in number of all Signatory Airlines and Signatory Cargo Carriers at such Airport which together landed more than sixty percent (60%) of Signatory Airlines’ and Signatory Cargo Carriers” landed weight at that Airport during the most recent six (6) full month period for which the statistics are available, and for the Airline Supported Areas (excluding the Airfield Cost Center), fifty percent (50%) in number of Signatory Airlines at such Airport which together were obligated to pay more than sixty percent (60%) of the sum of Terminal Rentals, Common Use Charges, IAB Charges, AOB Rentals, Passenger Conveyance Charges, and Equipment Charges at such Airport during the most recent six (6) full month period for which statistics are available.

“**Operation and Maintenance Expenses**” or “O&M Expenses” shall mean for any period all expenses of the Airports Authority paid or accrued for the operation, maintenance, administration, and ordinary current repairs of the Airports. Operations and Maintenance Expenses shall not include (i) the principal of, premium, if any, or interest payable on any Bonds; (ii) any allowance for amortization or depreciation of the Airports; (iii) any other expense for which (or to the extent to which) the Airports Authority is or will be paid or reimbursed from or through any source that is not included or includable as

Revenues; (iv) any extraordinary items arising from the early extinguishment of debt; (v) rentals payable under the Federal Lease; and (vi) any expense paid with amounts from the Emergency R&R Fund.

"**Original Cost Estimate**" shall mean for one or more or all of the Projects in the Capital Development Program (as the context shall determine) the amount specified for such Project in Exhibits N-1 and D-1 to the Airline Agreement.

"**Passenger Conveyances**" shall mean the Dulles International mobile lounges, buses, or other ground transportation devices, including any underground people mover systems provided by the Airports Authority at Dulles International for the movement of passengers and other persons (i) between aircraft, on the one hand, and the Dulles International Main Terminal or the IAB, on the other, (ii) between and among the Existing or New Midfield Concourse and the Dulles International Main Terminal, and (iii) between and among the Dulles International Main Terminal and IAB at Dulles International.

"**Permanent Premises**" shall mean those Premises designated as such in Exhibits N-B and D-B to the Airline Agreement.

"**Plateau Amount**" shall mean, at Reagan National, the amount of eight million dollars ($8,000,000) in Fiscal Year 1990, and at Dulles International the amount of twelve million dollars ($12,000,000) in Fiscal Year 1990. Both amounts shall be subject to annual escalation in accordance with changes in the U.S. Implicit Price Deflator Index. The base date for such adjustment shall be the index for October 1, 1989.

"**Premises**" shall mean areas at the Airports, whether Permanent Premises or Temporary Airline Premises, leased by the Airline pursuant to Article 6 of the Airline Agreement. Premises shall include Exclusive, Preferential, and Joint Use Premises.

"**Revenues**" shall mean all revenues of the Airports Authority received or accrued except (i) interest income on, and any profit realized from, the investment of moneys in any fund or account to the extent that such income or profit is not transferred to, or retained in, the Revenue Fund or the Bond Fund created by the Senior Indenture or the Bond Funds created by the Subordinated Indenture; (ii) interest income on, and any profit realized from, the investment of moneys in any fund or account funded from the proceeds of Special Facility Bonds; (iii) amounts received by the Airports Authority from, or in connection with, Special Facilities, unless such funds are treated as Revenues by the Airports Authority; (iv) the proceeds of any passenger facility charge or similar charge levied by, or on behalf of, the Airports Authority, unless such funds are treated as Revenues by the Airports Authority; (v) grants-in-aid, donations, and/or bequests; (vi) insurance proceeds which are not deemed to be revenues in accordance with generally accepted accounting principles; (vii) the proceeds of any condemnation awards; (viii) the proceeds of any sale of land, buildings or equipment; and (ix) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or which are restricted as to their use.

"**Senior Bonds**" shall mean any bonds or other financing instrument or obligation issued pursuant to the Senior Indenture.

"**Senior Indenture**" shall mean the Master Indenture of Trust dated as of February 1, 1990, securing the Airports Authority's Airport System Revenue Bonds, as such may be amended or supplemented.

"**Special Facility**" shall mean any facility, improvement, structure, equipment, or assets acquired or constructed on any land or in or on any structure or building at the Airports, the cost of construction and acquisition of which are paid for (i) by the obligor under the Special Facility Agreement, or (ii) from the proceeds of Special Facility Bonds, or (iii) both.

"**Sub-Center(s)**" shall mean either a Terminal or Equipment Sub-Center.

"**Subordinated Bonds**" shall mean any bonds or other financing instrument or obligation issued pursuant to the Subordinated Indenture.

"**Subordinated Indenture**" shall mean the Master Indenture of Trust dated March 1, 1988, securing the Airports Authority's General Airport Subordinated Revenue Bonds, as such may be supplemented or amended.

"**Temporary Airline Premises**" or "**TAP**" shall mean areas of the Airports that are temporarily occupied by the Airline pursuant to Article 5 of the Airline Agreement during the course of the Capital Development Program.

"**Terminal Sub-Centers**" shall mean those individual facilities at each Airport that are included in the Terminal Cost Center at that Airport, and described in Exhibits N-E and D-E of the Airline Agreement. At Reagan National, Terminal Sub-Centers shall mean the Main Terminal (which shall also include the Existing North Terminal), the Interim Hangar 11 Terminal, and the New North Terminal. At Dulles International, Terminal Sub-Centers shall mean the Dulles International Main Terminal, the existing Midfield Concourses, and the New Midfield Concourses.

"**Terminal Sub-Center Net Requirement**" shall mean, for each Terminal Sub-Center at each Airport, the Total Requirement attributable or allocable to each such Terminal Sub-Center, less direct utility or other reimbursements attributable or allocable to said Terminal Sub-Center.

"**Total Requirement**" shall mean, with respect to any Direct Cost Center or Terminal or Equipment Sub-Center, that portion of the sum of (i) O&M Expenses; (ii) required deposits under the Senior Indenture to maintain the O&M Reserve; (iii) Capital Charges; (iv) Debt Service Coverage; (v) required deposits to any Debt Service Reserve Fund; (vi) Federal Lease payment; (vii) Dulles Rate Credit Amortization Requirements (at Dulles International only); (viii) required deposits to the Emergency R&R Fund; and (ix) Extraordinary Coverage Protection Payments, if any, properly attributable or allocable to each said Direct Cost Center or Sub-Center.

"**Transfers**" shall mean the amounts to be transferred by the Airports Authority to reduce Signatory Airline rentals, fees, and charges as set forth in Section 9.05 of the Airline Agreement.

TERM

With the exception of certain surviving agreements, all prior agreements between the Airports Authority and the Airlines expired on December 31, 1989. The Airline Agreement for each Signatory Airline becomes effective as of January 1, 1990, provided that the Airline had executed the Airline Agreement by February 28, 1990. If executed after February 28, 1990, the Airline Agreement is effective for that Signatory Airline upon execution by such Signatory Airline and the Airports Authority. The Airline Agreement expires on September 30, 2014 unless the Airports Authority exercises its unilateral right, exercisable on December 31, 2004, or on September 30 of any year thereafter on 180 days notice to the Signatory Airlines. In addition, each Signatory Airline may terminate its Airline Agreement commencing in Fiscal Year 2005, in the event that the Airports Authority proceeds to issue Bonds for a project after an MII disapproval of the project the estimated cost of which exceeds $25,000,000. After such MII disapproval the Airports Authority must defer the Bond issue for such project for one year. Thereafter, the Airports Authority may proceed with the project, but if the MII approval has still not been obtained each Signatory Airline has the right for 60 days from notification by the Airports Authority of its intent to proceed with the project to terminate the Agreement upon 180 days notice to the Airports Authority. (See "Additional Projects").

COST CENTERS

The Airline Agreement divides each of the Airports into areas (the "Cost Centers") which are described both in terms of geographic location and function. The Airline Agreement establishes separate Cost Centers for Reagan National and Dulles International. The Cost Centers at each Airport are divided into two groups: the Direct Cost Centers (Airfield, Terminal, Equipment, Ground Transportation, Aviation and Non-Aviation, and, at Dulles International only, International Arrivals Building ("IAB"), Airside Operations Buildings ("AOB"), Cargo and Passenger Conveyance System) and the Indirect Cost Centers (Maintenance, Public Safety, Systems and Services, and Administrative). In addition, there are Sub-Centers created with the Terminal and Equipment Cost Centers. The Direct Cost Centers and Sub-Centers are used to account for both costs and revenues. The Indirect Cost Centers primarily serve to accumulate certain costs which are in turn allocated to the Direct Cost Centers and Sub-Centers.

The Signatory Airlines pay rentals, fees and charges based on their lease of Premises in, and usage of, those Direct Centers and Sub-Centers which are within the Airline Supported Areas. The Airline Supported Areas at Reagan National are the Airfield, Terminal and Equipment Cost Centers. At Dulles International they are the Airfield, Terminal, Equipment, AOB, IAB and Passenger Conveyance System Cost Centers. The Total Requirement for each of the Direct Cost Centers and Sub-Centers in the Airline Supported Areas is determined by allocating to it Operation and Maintenance Expenses, deposits into certain funds and reserves required under any Indenture, allocation of the Total Requirements of the Indirect Cost Centers, Capital Charges (including Debt Service), Debt Service Coverage, Federal Lease payments, and Extraordinary Coverage Protection Payments, if any. The Cost Centers at Dulles International also have certain additional amortization requirements allocated to them.

REVENUE-SHARING; CALCULATION OF TRANSFERS

The Airports Authority and the Signatory Airlines have agreed to share in the Net Remaining Revenue of the Airports each Fiscal Year. The Airports Authority's share of Net Remaining Revenue is deposited into the Airports Authority Capital Fund. The Signatory Airlines' share of Net Remaining Revenue ("Transfers") is deposited into an Airline Transfer Account in the Revenue Fund and used to reduce rentals, fees and charges in the following Fiscal Year. This reduction is accomplished by allocating Transfers to the various Cost Centers and Sub-Centers in the Airlines Supported Areas.

At the end of each Fiscal Year, the amount of Net Remaining Revenue for each Airport is determined by taking total Revenues (plus Transfers, if any, from the previous Fiscal Year) and subtracting from that amount various costs and expenses, including O&M Expenses, Debt Service, Federal Lease payments, various reserve and fund deposit requirements, but excluding Debt Service Coverage. The amount of Net Remaining Revenue so determined for each Airport is allocated between the Airports Authority and Signatory Airlines as follows:

(1) an amount equal to 100% of the depreciation on certain assets and equipment is allocated to the Airports Authority;

(2) an amount equal to 100% of the Debt Service Coverage on Subordinated Bonds included in the calculation of rentals, fees, and charges and collected from the Signatory Airlines, and 100% of the Debt Service Coverage on Bonds issued to fund Equipment, is allocated to the Signatory Airlines;

(3) the remainder is allocated 50% to the Airports Authority, 50% to the Signatory Airlines until the Airports Authority's share reaches the Plateau Amount ($8,000,000 at Reagan National, and $12,000,000 at Dulles International, in each case stated in 1990 dollars and escalated for inflation thereafter)

(4) the remainder in any Fiscal Year in which the Plateau Amount is reached, is allocated 75% to the Signatory Airlines, 25% to the Airports Authority at the Airport at which the Plateau Amount has been reached.

AIRLINE RENTALS, FEES AND CHARGES

Terminal Rentals for Premises are charged to each of the Signatory Airlines on a square footage basis. The Terminal Sub-Center Net Requirement for the Signatory Airlines' share of each Terminal Sub-Center is determined. This amount is reduced by Transfers allocable to such Sub- Center to determine the adjusted requirement. An average Signatory Airline rental rate per square foot is determined for each Terminal Sub-Center by dividing the adjusted requirement so determined by total square footage of Signatory Airlines' Premises in that Sub-Center. This average rental rate is then weighted for the various types of Signatory Airline rentable space within each Terminal Sub- Center.

Landing Fees are charged to the Signatory Airlines on the basis of landed weight of aircraft. The Airfield Net Requirement for each Airport is determined by subtracting Transfers and certain other Revenues allocable to the Airfield from the Total Requirement of the Airfield. The Landing Fee rate is calculated by dividing each Airport's Airfield Net Requirement by the total landed weight of aircraft of all air transportation companies and general aviation operating at that Airport. Each Signatory Airline pays Landing Fees which are determined as the product of the appropriate Airport's Landing Fee rate and such Signatory Airline's total landed weight. Each Signatory Airline also pays Common Use Charges (or, if the Signatory Airline is a commuter airline and its number of Enplaning Passengers is below a certain threshold, Low Volume Common Use Fees), Equipment Charges, Passenger Security Reimbursements, and, at Dulles International, International Arrivals Building Charges, Airside Operations Buildings Rentals, Passenger Conveyance Charges and, commencing January 1, 1992, Ramp Area Charges.

COMMITMENT TO PAY AIRPORT FEES AND CHARGES

The Airports Authority shall include in the calculation of rentals, fees and charges Extraordinary Coverage Protection Payments if and to the extent necessary to ensure that total Revenues of each Airport, plus Transfers from the previous year, less Operation and Maintenance Expenses at that Airport, are at least equal to 125% of the Debt Service on Senior Bonds and Subordinated Bonds at that Airport.

MAJORITY-IN-INTEREST APPROVAL PROCEDURES

The Airports Authority shall initiate the Majority-in-Interest approval process by delivering the request for approval to the Signatory Airlines at the appropriate Airport for the appropriate cost center. The request will be deemed to have been approved unless the Airports Authority receives, within thirty (30) days, written notice of disapproval from the Signatory Airlines representing a Majority-in-Interest at such Airport for such cost center.

BILLING OF AIRPORT FEES AND CHARGES

Approximately sixty days prior to the end of each Fiscal Year, the Airports Authority is required to notify the Signatory Airlines of the estimated rates for rentals, fees and charges for the next ensuing Fiscal Year. Such rates are based on estimates of the activity at each Airport and on the estimated costs of operating each Airport. Terminal Rentals, Common Use Charges, Equipment Charges, Passenger Conveyance Charges, Aircraft Parking Position Charges, Passenger Security Reimbursement and Air side Operations Building Rentals are due and payable in advance, without demand or invoice, on the first calendar day of each month. Payment for Landing Fees, Low Volume Common Use Fees, Dulles International Jet Apron Fees, and International Arrivals Building Charges for each month are due and payable on the tenth calendar day of the next month without demand or invoice.

Payment for all other fees and charges under the Airline Agreement are due within twenty days of the date of the Airports Authority's invoice for such fees and charges. The Airports Authority is required to make an annual adjustment to Signatory Airlines' rentals, fees and charges, effective on the first day of each Fiscal Year. The Airports Authority is authorized, but not required, to make a mid-year adjustment to the Signatory Airlines' rentals, fees and charges if warranted by revised estimates of activity and costs, and the impact of the prior Fiscal Year audits, at the Airports. The Airports Authority may also adjust Signatory Airlines' rentals, fees, and charges at any time under certain circumstances, including when it is projected that total rentals, fees and charges at their current rates would vary by more than five percent from the total rentals, fees and charges that would be payable if rates were based on more current financial and activity data then available. The rental, fees and charges payable by the Signatory Airlines may also be recalculated and increased as appropriate as Projects in the Capital Development Program are completed and as their costs become allocable to the Airline Supported Areas.

GRANT OF RIGHTS;
OBLIGATIONS OF AIRPORTS AUTHORITY AND SIGNATORY AIRLINES

Each Signatory Airline is granted the right to operate its air transportation business at each Airport at which it is Signatory Airline and to perform all operations and functions incidental, necessary or proper thereto. The Airports Authority has agreed not to grant to any airline any rates or terms and conditions at the Airports more favorable to such airline than those granted or available to a Signatory Airline, unless the more favorable rates and conditions are offered to the Signatory Airlines. This grant includes the right to use, subject to certain restrictions, the Signatory Airline's leased Premises and Equipment, the Common Use Premises and certain other support facilities at the Airports. Each of the Signatory Airlines and the Airports Authority have certain specified obligations with respect to the maintenance and operation of the Airports. The Airports Authority has certain specified insurance obligations with respect to the Airports, and each Signatory Airline has certain public liability and property insurance obligations.

LEASE OF PREMISES;
ACCOMMODATION PROVISIONS

Premises at each Airport are leased to the Signatory Airlines on an exclusive, joint or preferential use basis. Initially, the Airports Authority will lease Temporary Airline Premises to the Signatory Airlines. As the Capital Development Program is completed, the Airports Authority will begin to lease Permanent Premises to the Signatory Airlines. The Airports Authority will have the right to periodically reallocate space in the Terminal area in accordance with a utilization study conducted by the Airports Authority. In addition, the Airports Authority has the right to require accommodation by a Signatory Airline of another airline on the Signatory Airline's Premises in order to meet the needs of expanding airlines and new entrants.

SUBLEASE AND ASSIGNMENT

All subleases and assignments of leased Premises, and handling agreements, must be approved by the Airports Authority. No sublease, voluntary assignment or handling agreement relieves a Signatory Airline from primary liability for the payment of rentals, fees and charges.

NO ABATEMENT OR SUSPENSION OF PAYMENTS

The Airline Agreement provides that the Signatory Airlines shall not abate, suspend, postpone, set-off or discontinue any payments of Airport rentals, fees and charges which they are obligated to pay thereunder if such abatement would interfere with the Airports Authority's ability to meet the rate covenant or any additional bonds test under the Indenture.

CAPITAL DEVELOPMENT PROGRAM

The Airline Agreement contains as exhibits thereto a list of those Projects which are a part of the Capital Development Program approved by the Signatory Airlines. Subject to the provisions with respect to the Dulles International Stage II Development Plan, the Airports Authority must issue Bonds to fund the Capital Development Program and, to the extent Bond proceeds are available, has covenanted to build the Projects of the Capital Development Program. So long as the cost of the Capital Development Program does not exceed the Original Cost Estimate, adjusted for inflation and airline approved scope changes, plus an agreed upon contingency (25% at Reagan National; 20% at Dulles International), no further Signatory Airline approvals are required. If the cost exceeds that amount, certain cost control measures apply, and, under certain circumstances, Signatory Airline approvals may be required.

DULLES INTERNATIONAL STAGE II DEVELOPMENT PLAN

The Airports Authority may undertake the construction of the Dulles International Stage II Development Plan if (1) the cost of the New Midfield Concourse(s) is to be financed as a Special Facility, (2) if Signatory Airlines at Dulles International accounting for at least 50% of Dulles International Enplaning Passengers during the most recent 12-month period have agreed to lease at least 66.67% of the airline leasable premises in the New Midfield Concourse(s) or (3) if approved by a Majority-in-Interest of Signatory Airlines at Dulles International. If none of these conditions applies, design of Dulles International Stage II may nevertheless commence once there are at least 8,000,000 Enplaning Passengers at Dulles International in the most recent 12-month period; construction may commence once there are at least 9,500,000 Enplaning Passengers at Dulles International in such period. In any event, design and construction may commence on

January 1, 2000. Under certain circumstances, certain cost control measures also apply to the Dulles International Stage II Development Plan.

ADDITIONAL PROJECTS

The Airports Authority may build projects at the Airports in addition to the Capital Development Program ("Additional Projects") from funds in the Airports Authority Capital Fund or from the proceeds of Bonds. Except as described in the following sentence, Additional Projects are not subject to Signatory Airline approval. Additional Projects which are in Airline Supported Areas and which are to be funded from the proceeds of Bonds may be undertaken by the Airports Authority only if: (1) such projects fall within certain specified types of projects (e.g., safety projects, replacement of airport capacity projects, government required projects, fully Federal funded Airfield projects); or (2) such projects have been approved by a Majority-in-Interest of the Signatory Airlines; or (3) during Fiscal Years 1995 through 1999, Bonds issued for such projects, together with Bonds previously issued for Additional Projects in Airline Supported Areas, do not exceed $100,000,000 (unescalated) at each Airport; (4) during Fiscal Years 2000 through 2004, any such project in excess of $25,000,000 (unescalated) which has been disapproved by a Majority-in-Interest has been deferred for one year; (5) during Fiscal Years 2005 through 2014, any such project in excess of $25,000,000 (escalated from 2001) which has been disapproved by a Majority-in-Interest has been deferred for one year; if Bonds are thereafter to be issued for any such project each Signatory Airline will have a 60 day option to terminate its Airline Agreement upon 180 days written notice to the Airports Authority.

DULLES TOLL ROAD AND RAIL SYSTEM TO DULLES AIRPORT

The Airline Agreement provides, that unless and until additional costs are agreed upon in writing by the Majority-in-Interest of the Signatory Airlines at Dulles for the Airport Cost Center, the aggregate of all capital costs of any Rail System to Dulles which the Authority may pay from Revenues is $10,000,000, and that all such costs are to be allocated to the Dulles ground transportation cost center. Further, the agreement provides that no operation and maintenance costs associated with any Rail System to Dulles may be paid from Revenues (other than from the Authority's share of Net Remaining Revenues in the Authority's Capital Fund), unless otherwise agreed to in writing by the Majority-in-Interest of Signatory Airlines at Dulles for the Airport Cost Center.

The Airline Agreement also provides (i) that each Airline disclaims any right to share in the revenue of the Dulles Toll Road, (ii) that any expenditure by the Authority of Dulles Toll Road revenue, or other funds not constituting Revenues, to operate, maintain and improve the Dulles Toll Road and to design and construct the Rail System to Dulles will not be a Project or an Additional Project within the Airline Supported Areas, will not require any approval by the Airline, and may not be recovered through rentals, fees and charges of an Airline, and (iii) that no Airline will be responsible to the Authority or to any holder of Dulles Toll Road Revenue Bonds for the payment of principal and interest on any such bonds.

DEFAULT BY SIGNATORY AIRLINES

The following, among others, are defined as Events of Default: (1) the failure of a Signatory Airline to pay any rentals, fees or charges when due or after the expiration of any applicable grace period; (2) the dissolution, receivership, insolvency or bankruptcy of a Signatory Airline; (3) the discontinuance by a Signatory Airline of its air transportation business at the Airports; (4) the failure by a Signatory Airline to cure its default in the performance of any material covenant or provision in the Airline Agreement upon thirty days of receipt of notice of such failure or, if impossible to cure within such time, the failure to diligently pursue steps to cure within a reasonable period of time; (5) the failure of a Signatory Airline to cease any unauthorized business, practice, or act within thirty days of receipt of notice from the Airports Authority to do so; or (6) the taking of any appropriate judicial or governmental action which substantially limits or prohibits a Signatory Airline's operations at the Airports for a period of thirty days.

SUBORDINATION TO INDENTURE

The Airline Agreement and all rights granted to the Signatory Airlines under it are expressly subordinated and subject to the lien and provisions of the pledges made by the Airports Authority in any prior Indenture, or any Indenture executed by the Airports Authority after the Airline Agreement, to issue Bonds.

TERMINATION

The Airports Authority may terminate a Signatory Airline's Agreement upon the happening of certain Events of Default, and the expiration of any cure period as described in the Airline Agreement. So long as Bonds are outstanding, a Signatory Airline has no right to terminate its Airline Agreement other than as described under "Term" and "Additional Projects" above.

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2009C Bonds, payments of principal, premium, if any, and interest on the Series 2009C Bonds to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2009C Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based on information furnished by DTC.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2009C Bonds. The Series 2009C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009C Bond will be issued for the Series 2009C Bonds in the aggregate principal amount of each maturity, and will be deposited with 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, cleaning corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2009C Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for such Series 2009C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009C Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. 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 2009C 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 2009C Bonds, except in the event that use of the book- entry system for the Series 2009C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009C 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 the Series 2009C 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 2009C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009C 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.

So long as a book-entry system is used for determining beneficial ownership of the Series 2009C Bonds, the Trustee is to send redemption notice to DTC or to Cede & Co., as partnership nominee for DTC. Any failure of DTC to advise any Participant, or of any Direct Participant or Indirect Participant to notify the actual purchaser of each Series 2009C Bond, or any such notice of its content or effect does not affect the validity of the redemption of the Series 2009C Bonds called for redemption or any other action premised on that notice. In the event of a call for optional redemption, the Airports Authority's notification to DTC initiates DTC's standard call; and if a partial call, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2009C Bonds to be redeemed, and each such Participant then selects by lot the ownership interest in such Series 2009C Bonds to be redeemed. When DTC and its Participants allocate the call, the Beneficial Owners of the book-entry interests called are to be notified by the broker or other organization responsible for maintaining the records of those interests and subsequently credited by that organization with the process once the Series 2009C Bonds are redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2009C BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2009C BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009C 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 Airports Authority 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 2009C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009C 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 Airports Authority or the Trustee 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 Participant and not of

DTC, the Trustee, or the Airports Authority, subject to any statutory or regulatory requirement as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Airports Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009C Bonds at any time by giving reasonable notice to the Airports Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009C Bond certificates are required to be printed and delivered. The Airports Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009C Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2009C Bonds, as partnership nominee for DTC, references herein to Bondholders or registered owners of the Series 2009C Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2009C Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes.

NEITHER THE AIRPORTS AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC. CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009C BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009C BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2009C BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2009C BONDS; OR (vi) ANY OTHER MATTER.

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

Hogan & Hartson LLP
Washington, D.C.
and
Lewis, Munday, Harrell and Chambliss
Washington, D.C.

Metropolitan Washington Airports Authority
Airport System Revenue Bonds
Series 2009C – $314,435,000

We have acted as Bond Counsel to the Metropolitan Washington Airports Authority (the "Airports Authority") in connection with the issuance of its Airport System Revenue Bonds, Series 2009C, in the aggregate principal amount of $314,435,000 (the "Series 2009C Bonds"). The Series 2009C Bonds are authorized and issued pursuant to Resolution No. 09-20, adopted by the Board of Directors of the Airports Authority (the "Board of Directors") on June 3, 2009, (the "Resolution"), and as supplemented by a Pricing Certificate dated June 16, 2009 (the "Pricing Certificate"), executed by the Chairman of the Board of Directors and the Chairman of the Finance Committee of the Board of Directors (the Resolution and the Pricing Certificate together, the "Authorizing Resolution"), and are issued under and secured by the Amended and Restated Master Indenture of Trust dated as of September 1, 2001, as supplemented and amended (the "Master Indenture"), between the Airports Authority and Manufacturers and Traders Trust Company (successor to Allfirst Bank), as trustee (the "Trustee"), as supplemented by the Thirty-third Supplemental Indenture of Trust dated as of July 1, 2009 (the "Thirty-third Supplemental Indenture"), between the Airports Authority and the Trustee (the Master Indenture and the Thirty-third Supplemental Indenture, together, the "Indenture"). *All capitalized terms used and not defined herein shall have the same meanings set forth in the Indenture.*

The Series 2009C Bonds are being issued as fully registered bonds, dated the date of delivery, and are being issued in denominations of $5,000 each or any integral multiple thereof. The Series 2009C Bonds mature, bear interest, are payable and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Indenture. The Series 2009C Bonds do not constitute a debt or financial obligation, nor a pledge of the faith and credit or taxing power, of the District of Columbia or the Commonwealth of Virginia or any political subdivision thereof. The Airports Authority has no taxing power.

In our capacity as Bond Counsel, we have examined Va. Code Ann. § 5.1-152 *et seq.* (2001) (codifying Chapter 598 of the Acts of Virginia General Assembly of 1985, as amended) and the District of Columbia Regional Airports Authority Act of 1985, as amended, codified at D.C. Code. Ann. § 9-901 *et seq.* (2001) (together the "Acts"), the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500 as re-enacted in Public Law 99-591, and as amended by Section 7(c)(i) of Public Law 102-225, Title VII of Public Law 102-240, and Title IX of Public Law 104-264 (the "Federal Act"), a form of the Series 2009C Bonds, and such other documents, records of the Airports Authority and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including original counterparts or certified copies of the Authorizing Resolution, the Indenture, a certified transcript of the record of proceedings of the Board of Directors preliminary to and in the authorization of the Series 2009C Bonds, and certificates of the Airports Authority (including specifically a tax certificate and the Pricing Certificate) and others delivered in connection with the issuance of the Series 2009C Bonds. As to questions of fact material to our opinion, we have relied upon representations of the Airports Authority and other parties contained in the Indenture, such certified proceedings, reports, certificates and other instruments, without undertaking to verify the same by independent investigation. We have assumed the genuineness of all 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.

We have not been engaged and have not undertaken to consider the adequacy of the Net Revenues or other financial resources of the Airports Authority, its ability to provide for payment of the Series 2009C Bonds, or the accuracy, completeness, or sufficiency of the Official Statement dated June 16, 2009, or other offering material relating to the Series 2009C Bonds, and we express no opinion herein relating to such matters.

Based upon, subject to and limited by the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Airports Authority validly exists as a public body politic and corporate under the Acts, with the power under the Acts to execute and deliver the Indenture and to issue the Series 2009C Bonds.

2. The Series 2009C Bonds have been duly authorized, executed and delivered by the Airports Authority and are valid and binding limited obligations of the Airports Authority, payable solely from the Net Revenues and other sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the Airports Authority and, assuming due authorization, execution and delivery by the Trustee of the Thirty-third Supplemental Indenture, constitutes a valid and binding obligation of the Airports Authority, enforceable against the Airports Authority.

4. Pursuant to the Acts, the Indenture creates a lien on the Net Revenues of the Airports Authority for the benefit of the Series 2009C Bonds, on a parity with the lien thereon of Bonds heretofore or hereafter issued by the Airports Authority under the Indenture.

5. The interest on the Series 2009C Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2009C Bonds are held by a person who is a "substantial user" of the facilities financed or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item or included in a corporation's adjusted current

earnings for purposes of the federal alternative minimum tax. The opinion set forth in the first sentence of this paragraph assumes compliance by the Airports Authority with certain requirements of the Code, that must be met subsequent to the issuance of the Series 2009C Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Airports Authority has covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2009C Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2009C Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2009C Bonds.

6. The interest on the Series 2009C Bonds is exempt from all income taxation by the Commonwealth of Virginia and from all taxation by the District of Columbia, except estate, inheritance and gift taxes. We express no opinion herein regarding other Commonwealth of Virginia, District of Columbia, or other state or local tax consequences arising with respect to the Series 2009C Bonds.

It is to be understood that the rights of the owners of the Series 2009C Bonds and the enforceability of the Series 2009C Bonds and the Indenture 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 Commonwealth of Virginia and its governmental bodies of the police power inherent in the sovereignty of the Commonwealth of Virginia, 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 Indenture 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 Airports Authority to pay the principal of, premium, if any, and interest on, the Series 2009C Bonds from the Net Revenues of the Airports Authority.

This opinion is issued as of the date hereof, and we assume no obligation to (i) monitor or advise you or any other person of any changes in the foregoing subsequent to the delivery hereof; (ii) update, revise, supplement or withdraw this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, regulation, or governmental agency guidance, or the interpretation of any of the foregoing, that may hereafter occur, or for any other reason whatsoever; or (iii) review any legal matters incident to the authorization, issuance, and validity of the Series 2009C Bonds, the exemption from federal or state income tax of the Series 2009C Bonds, or the purposes to which the proceeds of the Series 2009C Bonds are to be applied, after the date hereof.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

FORM OF CONTINUING DISCLOSURE AGREEMENT, AS AMENDED

NOTICE OF AMENDMENT TO CONTINUING DISCLOSURE AGREEMENT

and

AMENDMENT TO CONTINUING DISCLOSURE AGREEMENT

DATED: June 1, 2009

This **NOTICE OF AMENDMENT TO CONTINUING DISCLOSURE AGREEMENT** is provided to you pursuant to Section 12 of the Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of June 1, 2002 executed and delivered by the Metropolitan Washington Airports Authority (the "Issuer") and Digital Assurance Certification, L.L.C. (the "Disclosure Dissemination Agent"). As provided in Section 12 of the Disclosure Agreement, the Disclosure Agreement will be amended as provided below as of June 1, 2009 unless you provide written objection to us within 10 days of the dated date stated above.

AMENDMENT TO CONTINUING DISCLOSURE AGREEMENT

The Disclosure Agreement is amended as follows:

1. *Amendments to Section 1. Definitions.*

(a) The following definition shall be added:

"Effective Date" means July 1, 2009, or such later date as the Securities and Exchange Commission shall state as the effective date for the amendments to the Rule pursuant to Release No. 34-59062 (Dec. 5, 2008).

(b) The first two sentences of the term "National Repository" are amended to read:

"National Repository" means, prior to the Effective Date, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, and thereafter the MSRB. Prior to the Effective Date, the list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories.

2. *Date Amendments to take Effect.*

The amendments to the Disclosure Agreement provided in this notice shall take effect June 1, 2009.

The Disclosure Dissemination Agent has caused this Amendment to Continuing Disclosure Agreement to be executed, on the date first written above, by an officer duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:
Name: Paula Stuart
Title: Chief Executive Officer

This Continuing Disclosure Agreement (the "**Disclosure Agreement**"), dated as of June 1, 2002, is executed and delivered by Metropolitan Washington Airports Authority (the "**Issuer**"), and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "**Disclosure Dissemination Agent**" or "**DAC**") for the benefit of the Holders and Underwriters (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "**Rule**").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"**Annual Report**" means an Annual Report of the Issuer, as described in and consistent with Section 3 of this Disclosure Agreement.

"**Annual Filing Date**" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

"**Annual Financial Information**" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"**Audited Financial Statements**" means the financial statements (if any) of the Issuer, for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"**Bonds**" means the bonds as listed on the attached **Exhibit A**, as supplemented from time to time by the Issuer.

"**Certification**" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"**Disclosure Representative**" means the Chief Financial Officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"**Disclosure Dissemination Agent**" or "**DAC**" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"**Holder**" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"**Information**" means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event notices, and the Voluntary Reports.

"**Issue**" means the Bonds offered in the corresponding Official Statement listed in **Exhibit A**.

"**Notice Event**" means an event listed in Sections 4(a) of this Disclosure Agreement.

"**MSRB**" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"**National Repository**" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
Email: nrmsir@dpcdata.com

2. Interactive Data
Attn: Repository
100 Williams Street
New York, New York 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax for secondary market information)
(212) 771-7391 (fax for primary market information)
Email: NRMSIR@FTID.com

3. Bloomberg Municipal Repositories
P.O. Box 840
Princeton, New Jersey 08542-0840
(609) 279-3225 (phone)
(609) 279-5962 (fax)
Email: Munis@Bloomberg.com

4. Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, New York 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
Email: nrmsir_repository@sandp.com

"**Obligated Person**" has the meaning provided in the Rule, including the Issuer and each person identified as such for an Issue in **Exhibit A** or in any Annual Report. The term shall include, unless otherwise provided by the Rule, each airline or other entity using the airport facilities of the Issuer 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 Revenues (as defined in the Master Trust Indenture pursuant to which the Bonds are issued) of the Issuer for each of the two prior fiscal years of the Issuer.

"**Official Statement**" means that Official Statement prepared by the Issuer in connection with each respective issue of Bonds, as listed on **Exhibit A**.

"**Repository**" means the MSRB, each National Repository and the State Depository (if any).

"**State Depository**" means any public or private depository or entity designated by the Commonwealth of Virginia, as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository.

"**Underwriters**" means the underwriters of any Issue , as listed in **Exhibit A**.

"**Voluntary Report**" means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The 150th day after the end of each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2002 and each anniversary thereof is the Annual Filing Date. The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than one (1) business day prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of an Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which shall be by facsimile and e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than one (1) business day prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB and the State Depository (if any) in substantially the form attached as **Exhibit B**.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB and the State Depository (if any) in substantially the form attached as **Exhibit B**.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

(i) determine the name and address of each Repository each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);

(iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB and the State Depository (if any) together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated below:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);

2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);

3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);

4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);

5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);

6. "Adverse tax opinions or events affecting the tax-exempt status of the security," pursuant to Sections 4(c) and 4(a)(6);

7. "Modifications to rights of securities holders," pursuant to Sections 4(c) and 4(a)(7);

8. "Bond calls," pursuant to Sections 4(c) and 4(a)(8);

9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);

10. "Release, substitution, or sale of property securing repayment of the securities," pursuant to Sections 4(c) and 4(a)(10);

11. "Ratings changes," pursuant to Sections 4(c) and 4(a)(11);

12. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of **Exhibit B** to this Disclosure Agreement; and

13. “Other material event notice (specify),” pursuant to Section 7 of this Disclosure Agreement, together with the summary description provided by the Disclosure Representative.

(v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including information of the types provided in the Official Statement under the headings for each Issue described in **Exhibit A**.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles will be included in each Annual Report or otherwise provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an Obligated Person, which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of Bondholders;

8. Bond calls;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds; and

11. Rating changes on the Bonds.

(a) The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. No such notice shall be deemed an official notice unless given or authorized by the Disclosure Representative; and no such notice of Notice Events described in (a)(8) above need be given any earlier than notice, if any, of the underlying event is given to the Holders of Bonds under the Master Indenture.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and the MSRB.

SECTION 5. <u>CUSIP Numbers</u>. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. <u>Additional Disclosure Obligations</u>. The failure by the Disclosure Dissemination Agent to advise the Issuer that state and federal laws, including securities laws and disclosure obligations thereunder, may apply to the Issuer shall not constitute a breach by the Disclosure Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. <u>Voluntary Reports</u>.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "**Voluntary Report**").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual

Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to an issue of Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds of such issue, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities for compliance with disclosure requirements pursuant to the Rule performed by the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders and Underwriters of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. If the Issuer fails to comply with any provision of this Disclosure Agreement, any Holder or Underwriter may take action in the Circuit Court of Arlington, Virginia to seek specific performance by court order to compel the Issuer to comply with its obligations under this Disclosure Agreement; provided that any Holder or Underwriter seeking to require compliance with this Disclosure Agreement shall first provide to the Disclosure Representative at least 30 days' prior written notice of the Issuer's failure, giving reasonable details of such failure, following which notice the Issuer shall have 30 days to comply. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default with respect to any Bonds or under any other document relating to any Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a

Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

THE ISSUER AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING (IF THE ISSUER IS FIRST GIVEN THE REASONABLE OPPORTUNITY TO DEFEND THE DISCLOSURE DISSEMINATION AGENT AGAINST THE SAME USING COUNSEL REASONABLY ACCEPTABLE TO DAC,) THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR ITS FAILURE TO COMPLY WITH THE TERMS OF THIS DISCLOSURE AGREEMENT OR THE TERMS OF ITS ENGAGEMENT LETTER WITH THE ISSUER, DATED AS OF JUNE 1, 2002, AS THE SAME MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 20 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the Commonwealth of Virginia (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By:____
Name:______________________________________
Title:_______________________________________

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY, as Issuer

By:____
Norman M. Glasgow, Jr.
Chairman

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Metropolitan Washington Airports Authority
Obligated Person(s):	None
Name of Bond Issue:	Airport System Revenue Bonds, Series 2009C
Date of Issuance:	July 2, 2009
Date of Official Statement:	June 16, 2009
Underwriter(s):	Piper Jaffray & Co., et al.

CUSIP Number:	592646 J95	CUSIP Number:	592646 M42
CUSIP Number:	592646 K28	CUSIP Number:	592646 M59
CUSIP Number:	592646 K36	CUSIP Number:	592646 M67
CUSIP Number:	592646 K44	CUSIP Number:	592646 M75
CUSIP Number:	592646 K51	CUSIP Number:	592646 M83
CUSIP Number:	592646 K69	CUSIP Number:	592646 N33
CUSIP Number:	592646 K77	CUSIP Number:	592646 N41
CUSIP Number:	592646 K85	CUSIP Number:	592646 N58
CUSIP Number:	592646 K93	CUSIP Number:	592646 N66
CUSIP Number:	592646 L27	CUSIP Number:	592646 N74
CUSIP Number:	592646 L35	CUSIP Number:	592646 N82
CUSIP Number:	592646 L43	CUSIP Number:	592646 N90
CUSIP Number:	592646 L50	CUSIP Number:	592646 P23
CUSIP Number:	592646 L68	CUSIP Number:	592646 P31
CUSIP Number:	592646 L76	CUSIP Number:	592646 P49
CUSIP Number:	592646 L84	CUSIP Number:	592646 P56
CUSIP Number:	592646 L92	CUSIP Number:	592646 P64
CUSIP Number:	592646 M26	CUSIP Number:	592646 P72
CUSIP Number:	592646 M34		

Content of Annual Reports: Each Annual Report shall contain financial information or operating data with respect to the Issuer and the Airports (“**Annual Financial Information**”), including information substantially similar to the types set forth in the Official Statement under the following captions or in the following appendices: "AIRPORTS AUTHORITY FINANCIAL INFORMATION" in Part I of the Official Statement and "THE AIR TRADE AREA AND AIRPORTS ACTIVITY — Airports Activity," "Historical Activity," and "Recent Enplanement Activity" in Part II of the Official Statement and in Appendices A and B to the Official Statement. Annual Financial Information may but is not required to, include Audited Financial Statements and may be provided by delivery of the Issuer's Comprehensive Annual Financial Report or in any other format deemed convenient by the Issuer.

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Issuer ________________________

Name of Bond Issue: ________________________

Date of Issuance: ________________________

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of _______________________, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated: _____________________________

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

____

cc: Issuer

EXHIBIT C

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

____

Number of pages of attached material event notice: _____

Description of Material Events Notice (Check One):

1. ___Principal and interest payment delinquencies
2. ___Non-Payment related defaults
3. ___Unscheduled draws on debt service reserves reflecting financial difficulties
4. ___Unscheduled draws on credit enhancements reflecting financial difficulties
5. ___Substitution of credit or liquidity providers, or their failure to perform
6. ___Adverse tax opinions or events affecting the tax-exempt status of the security
7. ___Modifications to rights of securities holders
8. ___Bond calls
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the securities
11. ___Rating changes
12. ___Failure to provide annual financial information as required
13. ___Other material event notice (specify) ______________________

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

____

Name: ______________________ Title: ______________________

Employer: ____

Address: ____

City, State, Zip Code: ______________________________________

Voice Telephone Number: ____________________________________

Please print the material event notice attached to this cover sheet in 10-point type or larger, The cover sheet and notice may be faxed to the MSRB at (703) 683-1930 or sent to CDINet, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. Contact the MSRB at (703) 797-6600 with questions regarding this form or the dissemination of this notice.

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY • AIRPORT SYSTEM REVENUE BONDS, SERIES 2009C

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Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. BV-COC-960893
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