NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the respective opinions of Bond Counsel to be delivered upon the issuance of the Series 2007G1-G2 Bonds, under existing law and assuming compliance by the City and County of Denver, Colorado (the "City"), 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 2007G1-G2 Bonds, with which the City has certified, represented and covenanted its compliance, interest on the Series 2007G1-G2 Bonds is excluded from gross income for federal income tax purposes and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, subject to certain exceptions, corporations. Also, in the respective opinions of Bond Counsel to be delivered upon the issuance of the Series 2007G1-G2 Bonds, under existing law and to the extent interest on the Series 2007G1-G2 Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado. See "TAX MATTERS" for a more detailed discussion.

CITY AND COUNTY OF DENVER, COLORADO

FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION

AIRPORT SYSTEM REVENUE BONDS, SERIES 2007G1-G2

$74,200,000 **SUBSERIES 2007G1** **CUSIP® NO. 249181 5V6*** **(NON-AMT)**	**$74,300,000** **SUBSERIES 2007G2** **CUSIP® NO. 249181 5W4*** **(NON-AMT)**

Dated: Date of Delivery **Price: 100%** **Due: November 15, 2025**

The Series 2007G1-G2 Bonds are being issued by authority of the City's home rule charter and ordinances adopted pursuant thereto for the purpose of current refunding, redeeming and defeasing outstanding Airport System revenue bonds and paying costs of issuing the Series 2007G1-G2 Bonds as described herein. Capitalized terms used on this cover page are defined herein.

The Series 2007G1-G2 Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as partnership nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series 2007G1-G2 Bonds. Beneficial Ownership Interests in the Series 2007G1-G2 Bonds, in non-certificated book-entry only form, may be purchased in authorized denominations by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2007G1-G2 Bonds by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The Series 2007G1-G2 Bonds will be dated and mature on the dates set forth above, subject to tender for purchase and redemption prior to maturity as described herein.

Each Subseries will be issued initially in denominations of $100,000 and whole multiples thereof (with certain exceptions) and will bear interest at a Weekly Rate as described herein, unless and until such Subseries is converted, at the election of the City and subject to the conditions described herein, to a Semiannual Rate, a Term Rate, a Flexible Rate, an Auction Rate or a Fixed Rate. The interest rates for the Series 2007G1-G2 Bonds, except when bearing interest at an Auction Rate, will be determined by Bear, Stearns & Co. Inc., as the initial Remarketing Agent for the Subseries 2007G1 Bonds, and by UBS Securities LLC, as the initial Remarketing Agent for the Subseries 2007G2 Bonds.

The Series 2007G1-G2 Bonds are special obligations of the City, for and on behalf of its Department of Aviation, payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts as described herein. None of the properties of the Airport System is subject to any mortgage or other lien for the benefit of the Owners or Beneficial Owners of the Series 2007G1-G2 Bonds, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2007G1-G2 Bonds. The Series 2007G1-G2 Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State.

The scheduled payment of principal of and interest on the Series 2007G1-G2 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2007G1-G2 Bonds by ASSURED GUARANTY CORP.

ASSURED GUARANTY®

The City is required to maintain a Liquidity Facility with respect to Series 2007G1-G2 Bonds that bear interest at a Variable Rate or a Flexible Rate, with certain exceptions. The Liquidity Facility is to provide for the payment of the purchase price of Series 2007G1-G2 Bonds that are tendered or deemed tendered for purchase but not remarketed by the Remarketing Agent as described herein. The initial Liquidity Facility for both Subseries of the Series 2007G1-G2 Bonds will be a Standby Bond Purchase Agreement to be entered into among the City, the Paying Agent and

Morgan Stanley Bank

The Standby Bond Purchase Agreement has an initial stated expiration date of November 13, 2014, subject to extension or earlier termination under certain circumstances as provided therein, and also may be replaced by a Substitute Liquidity Facility for either or both Subseries of the Series 2007G1-G2 Bonds, all as described herein.

This Official Statement describes the Series 2007G1-G2 Bonds only while bearing interest at a Variable Rate or a Flexible Rate. Series 2007G1-G2 Bonds converted to an Auction Rate or a Fixed Rate are not required to be secured by a Liquidity Facility. Accordingly, if any of the Series 2007G1-G2 Bonds are converted to an Auction Rate or a Fixed Rate, it is likely that a reoffering document will be prepared in connection with such conversion.

The purchase and ownership of Beneficial Ownership Interests in the Series 2007G1-G2 Bonds involve investment risk. Prospective purchasers are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed under "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Purchasers of Beneficial Ownership Interests in the Series 2007G1-G2 Bonds will be deemed to have consented to certain proposed amendments to the City's General Bond Ordinance as discussed herein.

The Series 2007G1-G2 Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by Hogan & Hartson LLP, Denver, Colorado, Bond Counsel, and Bookhardt & O'Toole, Denver, Colorado, Bond Counsel. Certain legal matters will be passed upon for the City by David R. Fine, Esq., City Attorney, and Peck, Shaffer & Williams LLP, Denver, Colorado, Special Counsel to the City; and for the Underwriters by Sherman & Howard L.L.C., Denver, Colorado, and Greenberg Traurig, LLP, Denver, Colorado. It is expected that delivery of the Series 2007G1-G2 Bonds will be made through the facilities of DTC on or about November 14, 2007.

BEAR, STEARNS & CO. INC. **UBS INVESTMENT BANK**

Dated: November 5, 2007

* None of the City, the Department or the Underwriters takes any responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the purchasers of the Series 2007G1-G2 Bonds.

This Official Statement does not constitute an offer to sell the Series 2007G1-G2 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized by the City, the Financial Consultants or the Underwriters to give any information or to make any representation other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

The information contained in this Official Statement has been obtained from the City and other sources that are deemed 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 a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and this Official Statement is not to be construed as the promise or guarantee of the Underwriters.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered 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 provisions or sections of this Official Statement. The offering of the Series 2007G1-G2 Bonds is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Series 2007G1-G2 Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

Neither the Securities and Exchange Commission nor any state securities regulatory authority has approved or disapproved of the Series 2007G1-G2 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

Assured Guaranty Corp. makes no representation regarding the Series 2007G1-G2 Bonds or the advisability of investing in the Series 2007G1-G2 Bonds. In addition, Assured Guaranty Corp. makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Corp. supplied by Assured Guaranty Corp. and presented under the heading "BOND INSURANCE" and "APPENDIX I – SPECIMEN BOND INSURANCE POLICY."

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: MERITOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

* * *

SELECTED CITY OFFICIALS AND CONSULTANTS

Mayor

John W. Hickenlooper

City Council

Michael B. Hancock, President

Carol Boigon	Douglas D. Linkhart
Charles V. Brown, Jr.	Paul Lopez
Jeanne Faatz	Carla Madison
Rick Garcia	Judy H. Montero
Marcia M. Johnson	Chris Nevitt
Peggy A. Lehmann	Jeanne Robb

Auditor

Dennis J. Gallagher

Cabinet Officials

Kim M. Bailey..........................Manager of the Department of Parks and Recreation
David R. Fine, Esq....................City Attorney
Alvin J. LaCabe, Jr. ....Manager of the Department of Public Safety
Peter J. Park..............................Manager of Community Planning and Development
Kevin Patterson ....Manager of the Department of General Services
Claude Pumilia ....Manager of the Department of Revenue/Chief Financial Officer/*Ex-Officio* Treasurer
Nancy J. Severson ....Manager of the Department of Environmental Health
Guillermo "Bill" V. Vidal.........Deputy Mayor, Manager of the Department of Public Works
Turner West..............................Manager of the Department of Aviation
Roxane White...........................Manager of the Department of Human Services

Clerk and Recorder, *Ex-Officio* Clerk

Stephanie Y. O'Malley

Department of Aviation

Cheryl Cohen-Vader ....Chief Deputy Manager of Aviation
Stan Koniz, CPA.......................Deputy Manager of Aviation/Business and Technologies
Patrick Heck.............................Deputy Manager of Aviation/Revenue Management and Business Development
Sally Covington ....Deputy Manager of Aviation/Public Relations and Marketing
John Kinney..............................Deputy Manager of Aviation/Operations
Ruth Rodriguez.........................Deputy Manager of Aviation/Maintenance and Engineering
Helen Raabe, Esq......................Director of Airport Legal Services/Assistant City Attorney

Airport Consultant

Jacobs Consultancy Inc.
Burlingame, California

Financial Consultants

DEPFA First Albany Securities LLC
New York, New York

Estrada Hinojosa & Company, Inc.
Dallas, Texas

Bond Counsel

Hogan & Hartson LLP
Denver, Colorado

Bookhardt & O'Toole
Denver, Colorado

Special Counsel

Peck, Shaffer & Williams LLP
Denver, Colorado

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DENVER INTERNATIONAL AIRPORT

OFFICIAL STATEMENT

RELATING TO

CITY AND COUNTY OF DENVER, COLORADO

FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION

AIRPORT SYSTEM REVENUE BONDS, SERIES 2007G1-G2

$74,200,000	**$74,300,000**
SUBSERIES 2007G1	**SUBSERIES 2007G2**
(NON-AMT)	**(NON-AMT)**

INTRODUCTION

The Issuer

This Official Statement, which includes the cover page, prefatory information and the appendices, furnishes information in connection with the issuance and sale by the City and County of Denver, Colorado (the "City"), for and on behalf of its Department of Aviation (the "Department"), of its Airport System Revenue Bonds, Series 2007G1-G2, consisting of the following Subseries: $74,200,000 Airport System Revenue Bonds, Subseries 2007G1 (the "Subseries 2007G1 Bonds"), and $74,300,000 Airport System Revenue Bonds, Subseries 2007G2 (the "Subseries 2007G2 Bonds"), referred to herein collectively as the "Series 2007G1-G2 Bonds" and separately as a "Subseries." Reference herein to a Subseries means the Series 2007G1-G2 Bonds of such Subseries.

Unless otherwise defined herein, capitalized terms used herein are defined in "APPENDIX C – GLOSSARY OF TERMS."

The Airport System; The Senior Bond Ordinance

The City is a political subdivision of the State of Colorado (the "State"). The Denver Municipal Airport System (the "Airport System") is owned by the City and the power to operate, maintain and control the Airport System is vested in the Department. The City by ordinance has designated the Department as an "enterprise" within the meaning of the State constitution, with the authority to issue its own revenue bonds or other financial obligations in the name of the City. Denver International Airport (the "Airport") is the primary asset of the Airport System.

The Series 2007G1-G2 Bonds are being issued by authority of the City's home rule charter (the "City Charter"), the State's Supplemental Public Securities Act and the General Bond Ordinance approved by the Denver City Council (the "City Council") on November 29, 1984, as amended and supplemented (the "General Bond Ordinance"), and the Series 2007G1-G2 Airport System Supplemental Bond Ordinance to be approved by the City Council prior to the delivery of the Series 2007G1-G2 Bonds. The General Bond Ordinance, the Series 2007G1-G2 Supplemental Ordinance and any Supplemental Ordinances adopted by the City Council after the adoption of the Series 2007G1-G2 Supplemental Ordinance are referred to herein collectively as the "Senior Bond Ordinance." The covenants and undertakings of the City with respect to the Series 2007G1-G2 Bonds are covenants and undertakings of the City, for and on behalf of the Department. Certain amendments to the Senior Bond Ordinance have been proposed by the City which have not been adopted by the City Council (the "Proposed Amendments"). See "Consent to Proposed Amendments to the Senior Bond Ordinance" below, "THE SERIES 2007G1-G2 BONDS – Authorization – Proposed Amendments to the Senior Bond Ordinance," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" and "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Denver International Airport

General. The Airport is the primary air carrier airport for the Denver air service region. According to statistics compiled by Airports Council International, the Airport was ranked as the 5th busiest airport in the nation and the 10th busiest airport in the world based on total passengers in 2006. See "THE AIRPORT SYSTEM," "DENVER INTERNATIONAL AIRPORT" and "AVIATION ACTIVITY AND AIRLINES."

Passenger and Revenue Growth. Currently, 29 passenger airlines provide scheduled service at the Airport, including the seven largest U.S. passenger airlines, five foreign flag passenger airlines and regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines provide service at the Airport. In 2006, the Airport served approximately 23.7 million enplaned passengers (passengers embarking on airplanes), the highest number in the history of the Airport and the former Stapleton International Airport ("Stapleton"). Approximately 56.0% of the passengers enplaned in 2006 were passengers originating their travel at the Airport and 44.0% were passengers making connecting flights at the Airport.

The Airport has generally had steady growth in both passenger traffic and revenues since it opened in 1995, however, in 2001 and 2002, the Airport, like all major airports in the United States, experienced significant declines in passenger traffic and associated revenues as a result of the terrorist events of September 11, 2001, economic conditions and other factors. The Airport began recovering in 2003, with enplaned passengers at the Airport increasing 5.2% over 2002. The number of enplaned passengers at the Airport continued to increase by 12.7% in 2004, 2.6% in 2005 and 9.0% in 2006, compared to the previous years. During the first three months of 2007, enplaned passengers at the Airport increased by 4.7% as compared to the same period in 2006. In 2006, the rentals, fees and charges received from airlines operating at the Airport under use and lease agreements and other agreements with the City constituted approximately 53.7% of the Gross Revenues of the Airport System.

In 2006, non-airline revenues, including concession, car rental, parking and other revenues at the Airport, constituted approximately 39.0% of the Gross Revenues of the Airport System. Non-airline revenues of the Airport System also recovered from the downturns experienced in 2001 and 2002, increasing 2.2% in 2003, 12.1% in 2004, 11.5% in 2005 and 12.2% in 2006, compared to the previous years, largely as the result of increases in passenger traffic.

The cost per enplaned passenger at the Airport also improved commensurately, declining from $15.20 in 2002 to $14.51 in 2003, $13.05 in 2004, $12.90 in 2005 and $11.41 in 2006.

Future aviation activity and enplaned passenger traffic at the Airport will depend on many local, regional, national and international factors, including, economic and political conditions, aviation security concerns, the financial health of the airline industry and individual airlines, airline service and routes, airline competition and airfares, airline consolidation and alliances, availability and price of aviation and other fuel and capacity of the national air traffic control system and of the Airport.

For further information regarding passenger growth at the Airport and revenue growth of the Airport System, see generally "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "AVIATION ACTIVITY AND AIRLINES," "FINANCIAL INFORMATION – Historical Operations – Management's Discussion and Analysis of Financial Performance – Passenger Facility Charges," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Key Factors Affecting Future Airline Traffic – FINANCIAL ANALYSIS – Nonairline Revenue."

Major Air Carriers Operating at the Airport. The principal air carrier operating at the Airport is United Airlines ("United"), one of the largest airlines in the world. The Airport is a primary connecting hub in United's route system both in terms of passengers and flight operations. Under a Use and Lease Agreement with the City (the "United Use and Lease Agreement"), United currently leases 43 of the existing 95 full service jet gates at the Airport, as well as the 16-gate regional jet facility on Concourse B. In 2006, United, together with its low-fare Ted unit and its United Express commuter affiliates (collectively, the "United Group"), accounted for approximately 56.4% of passenger enplanements at the Airport, as well as approximately 59.3% of the airline rentals, fees and charges component of the Airport System's operating revenues and approximately 31.8% of the Airport System's Gross Revenues (as defined in the Senior Bond Ordinance). Also, after over three years in bankruptcy reorganization proceedings under Chapter 11 of the U.S. Bankruptcy Code (the "Bankruptcy Code") during which United continued operations, UAL Corporation ("UAL") and 27 of its subsidiaries, including United, emerged from bankruptcy in February 2006.

Frontier Airlines ("Frontier") has the second largest market share at the Airport, which serves as Frontier's only hub. Frontier currently leases 15 full service jet gates at the Airport on Concourse A under a Use and Lease Agreement with the City, uses six additional full service jet gates on Concourse A (a related amendment to its Use and Lease Agreement to add these gates is pending with the City) and uses one common use international gate on Concourse A on a subordinated basis. Frontier has also requested a lease for two gates on Concourse C; however, it is expected that Frontier will use the gates on a per-use or shared use basis. In 2006, Frontier, together with its Frontier JetExpress commuter affiliate (together, the "Frontier Group"), accounted for approximately 20.7% of passenger enplanements at the Airport, as well as approximately 13.0% of the airline rentals, fees and charges component of the Airport System's operating revenues and approximately 6.9% of the Airport System's Gross Revenues. Frontier has announced its intention to expand its hubbing operations at the Airport by, among other things, introducing and expanding Lynx Aviation ("Lynx"), a new Frontier subsidiary, which is expected to add routes to underserved markets in Colorado and elsewhere in the Rocky Mountain region. It is expected that Lynx will have ten Bombardier Q400 turboprop aircraft (74 seat capacity) in operation at the Airport by January 2008.

Southwest Airlines ("Southwest") commenced service at the Airport in January 2006. Southwest accounted for 3.3% of passenger enplanements at the Airport in 2006 and for 4.8% of passenger enplanements at the Airport in the first three months of 2007 (which exceeded the passenger enplanements of any airline other than United and Frontier serving the Airport during that three month period).

Except for the United Group and the Frontier Group, no airline has accounted for more than 5% of either passenger enplanements at the Airport, the airline rentals, fees and charges component of the Airport System's operating revenues or the Airport System's Gross Revenues; however, as noted above Southwest has been accounting for an increasing share of passenger enplanements at the Airport.

For further information regarding the major air carriers operating at the Airport and the fare and service competition initiated by Southwest at the Airport see "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "AVIATION ACTIVITY AND AIRLINES – Airline Information – *United – Frontier – Southwest* – Aviation Activity," "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement," "AIRLINE BANKRUPTCY MATTERS," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS AND RATIONALE FOR FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Hub for United and Frontier Airlines."

Airport Capital Program; The 2007 Project. The City has a Capital Program for the Airport System that represents the City's current expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities in 2007 and in the six-year period from 2008 through 2013. A portion of the costs of the Concourse B Commuter Facility Project and the West/Terminal Parking Project, each as described in "DENVER INTERNATIONAL AIRPORT – Terminal Complex," was initially financed with the proceeds of Airport System Subordinate Commercial Paper Notes, Series A (the "Tax-Exempt Commercial Paper Notes") and available Airport System moneys. The six-year capital program developed for the Airport for the years 2008 through 2013 (the "2008-2013 Capital Program") is described in "CAPITAL PROGRAM." The Airport System's capital needs between 2007 and 2013 are estimated to cost $1.2 billion and are expected to be financed with a combination of Airport System Revenue Bonds, Commercial Paper Notes, installment purchase agreements, federal grants and Airport System moneys.

Certain capital projects for the Airport (the "2007 Project") are being funded in part with the net proceeds of the recently issued Airport System Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), Airport System Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), Airport System Revenue Bonds, Series 2007D (the "Series 2007D Bonds"), Airport System Revenue Bonds, Series 2007D2 (the "Series 2007D2 Bonds"), and Airport System Revenue Bonds, Series 2007E (the "Series 2007E Bonds"), as described below in "Plan of Financing." The 2007 Project includes the Concourse B Commuter Facility Project and the West/Terminal Parking Project (including refunding the then-outstanding Tax-Exempt Commercial Paper Notes and reimbursing available Airport System moneys spent on such projects), improvements to the Airport baggage systems to increase the efficiency of airline operations and the Concourse C Expansion Project in the 2008-2013 Capital Program as described under "CAPITAL PROGRAM."

The Series 2007G1-G2 Bonds

Purpose. The proceeds of the Series 2007G1-G2 Bonds, together with other available Airport System moneys, will be used to current refund, redeem and defease certain of the outstanding Airport System Revenue Bonds, Series 1997E (the "Series 1997E Bonds"), and to pay the costs of issuing the Series 2007G1-G2 Bonds. See "Plan of Financing" below, "APPLICATION OF PROCEEDS" and "FINANCIAL INFORMATION – Senior Bonds – Plan of Financing."

Concurrently with the issuance of the Series 2007G1-G2 Bonds, the City also plans to issue its Airport System Revenue Bonds, Series 2007F1-F4, in the aggregate principal amount of $208,025,000 (the "Series 2007F1-F4 Bonds"), in order to provide funds, together with other available Airport System moneys, to current refund, redeem and defease certain other of the outstanding Series 1997E Bonds. See "SECURITY AND SOURCES OF PAYMENT – Additional Parity Bonds," "FINANCIAL INFORMATION – Senior Bonds – Plan of Financing" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Additional Parity Bonds."

General Provisions. Each Subseries will be dated the date of issuance thereof (the "Issue Date"), will be issued in the principal amount and will mature on the date set forth on the cover page hereof, subject to tender for purchase and redemption prior to maturity as provided in "THE SERIES 2007G1-G2 BONDS – Tenders – Redemption Prior to Maturity." Each Subseries will be issued in denominations of $100,000 and integral multiples thereof, except that one Series 2007G1-G2 Bond of each Subseries may be a greater denomination as necessary to aggregate the total principal amount of such Subseries then outstanding ("Authorized Denominations" while the Series 2007G1-G2 Bonds are in a Weekly Rate Period).

Book-Entry Only System. The Series 2007G1-G2 Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as partnership nominee of The Depository Trust Company, New York, New York ("DTC"), which will serve as securities depository for the Series 2007G1-G2 Bonds. Ownership interests in the Series 2007G1-G2 Bonds ("Beneficial Ownership Interests"), in non-certificated book-entry only form, may be purchased in Authorized Denominations by or through participants in the DTC system ("DTC Participants"). Such Beneficial Ownership Interests will be recorded in the name of the purchasers thereof ("Beneficial Owners") on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest, the receipt of notices and other communications, transfers and various other matters with respect to the

Series 2007G1-G2 Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2007G1-G2 BONDS – General Provisions" and "APPENDIX F – DTC BOOK-ENTRY SYSTEM."

Interest Rates. The provisions of the Series 2007G1-G2 Supplemental Ordinance regarding the determination of interest, tenders and liquidity facilities apply independently to each Subseries.

Each Subseries will bear interest from time to time in one of several interest rate modes (each a "Rate Period"), with interest to be determined on a weekly basis (the "Weekly Rate Period" or the "Weekly Rate"), a semiannual basis (the "Semiannual Rate Period" or the "Semiannual Rate") or a term basis (the "Term Rate Period" or the "Term Rate"), referred to herein collectively as the "Variable Rate Periods" or the "Variable Rates," a flexible basis (the "Flexible Rate Period" or the "Flexible Rate"), an auction basis (the "Auction Rate Period" or the "Auction Rate") or a fixed basis (the "Fixed Rate Period" or the "Fixed Rate"). The City may elect periodically to change Rate Periods or the duration of the Term Rate Period with respect to either Subseries, although no conversion from the Fixed Rate Period is permitted. A Subseries to be converted is subject to mandatory tender for purchase on the date of such conversion (the "Conversion Date") as described herein. See "THE SERIES 2007G1-G2 BONDS – Interest Rates – Rate Periods – Conversion to a Different Rate Period – Tenders."

Each Subseries will bear interest initially at a Weekly Rate to be determined as described herein, with a maximum rate (other than with respect to Bank Bonds as defined herein) equal to the lesser of 12% or the maximum rate allowed by law (the "Maximum Rate").

The interest rates for each Subseries of the Series 2007G1-G2 Bonds, except when bearing interest at an Auction Rate, will be determined by a remarketing agent for such Subseries (each the "Remarketing Agent" and collectively the "Remarketing Agents")). Initially, Bear, Stearns & Co. Inc. will serve as the Remarketing Agent for the Subseries 2007G1 Bonds and UBS Securities LLC will serve as the Remarketing Agent for the Subseries 2007G2 Bonds, pursuant to separate remarketing agreements with the City (each a "Remarketing Agreement" and collectively the "Remarketing Agreements"). As used in this Official Statement, the term "Remarketing Agent" refers to the Remarketing Agent for the applicable Subseries of the Series 2007G1-G2 Bonds. See "THE SERIES 2007G1-G2 BONDS – Interest Rates – Rate Periods."

Tender for Purchase. Under certain circumstances, the Series 2007G1-G2 Bonds are subject to mandatory tender for purchase prior to maturity, and during any period that a Subseries bears interest at a Variable Rate, the Series 2007G1-G2 Bonds of such Subseries also are subject to tender for purchase at the option of the registered owners thereof (the "Owners") as described herein. See "*Liquidity Facility*" below and "THE SERIES 2007G1-G2 BONDS – Tenders."

Liquidity Facility. The City is required to maintain a liquidity facility (the "Liquidity Facility") with respect to a Subseries that bears interest at a Variable Rate or a Flexible Rate, with certain exceptions. The Liquidity Facility is to provide for the payment of the purchase price of the Series 2007G1-G2 Bonds of such Subseries that are tendered or deemed tendered for purchase ("Tendered Series 2007G1-G2 Bonds") but not remarketed by the Remarketing Agent as described herein. See "THE LIQUIDITY FACILITY" and "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE."

The initial Liquidity Facility for both Subseries will be a Standby Bond Purchase Agreement (the "Standby Bond Purchase Agreement") to be entered into among the City, Zions First National Bank, Denver, Colorado, as paying agent for the Series 2007G1-G2 Bonds (the "Paying Agent"), and Morgan Stanley Bank (the "Bank"). The Standby Bond Purchase Agreement has an initial expiration date of November 13, 2014, subject to extension or earlier termination under certain circumstances as provided therein. See "THE LIQUIDITY FACILITY – The Standby Bond Purchase Agreement."

The Standby Bond Purchase Agreement may be replaced as to either or both Subseries with a different Liquidity Facility (a "Substitute Liquidity Facility") as described herein. In addition, a Liquidity Facility is not required with respect to a Subseries bearing interest at a Variable Rate or a Flexible Rate under certain circumstances, or with respect to a Subseries bearing interest at an Auction Rate or a Fixed Rate. A Subseries will be subject to mandatory tender for purchase prior to the expiration or termination of the related Liquidity Facility. See "THE LIQUIDITY FACILITY – Substitute Liquidity Facilities – Liquidity Facility Not Required in Certain Circumstances" and "THE SERIES 2007G1-G2 BONDS – Tenders – *Mandatory Tenders*."

As used in this Official Statement, the term "Liquidity Facility" refers to the Liquidity Facility then in effect with respect to the applicable Subseries of the Series 2007G1-G2 Bonds.

Certain information relating to the Bank has been furnished by the Bank for use in this Official Statement and is set forth in "THE LIQUIDITY FACILITY – The Bank."

This Official Statement describes the Series 2007G1-G2 Bonds only while bearing interest at a Variable Rate or a Flexible Rate. If a Subseries is converted to an Auction Rate or a Fixed Rate, it is likely that a reoffering document will be prepared in connection with such conversion.

Security and Sources of Payment. The Series 2007G1-G2 Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a pledge of Net Revenues (as defined herein) of the Airport System and certain Airport System funds and accounts held under the Senior Bond Ordinance, on a parity with all other bonds that may be issued and outstanding from time to time under the Senior Bond Ordinance, referred to herein collectively as the "Senior Bonds." The aggregate principal amount of Senior Bonds currently outstanding is approximately $4.1 billion, and the aggregate principal amount of Senior Bonds expected to be outstanding upon issuance of the Series 2007G1-G2 Bonds and the Series 2007F1-F4 Bonds is approximately $4.1 billion. See "FINANCIAL INFORMATION – Senior Bonds – *Outstanding Senior Bonds*." None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the registered owners (the "Owners") or Beneficial Owners of the Series 2007G1-G2 Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2007G1-G2 Bonds. The Series 2007G1-G2 Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State. See "SECURITY AND SOURCES OF PAYMENT – Pledge of Net Revenues."

Bond Insurance. The scheduled payment of principal of and interest on the Series 2007G1-G2 Bonds when due will be guaranteed under a financial guaranty insurance policy (the "Bond Insurance Policy") to be issued concurrently with the delivery of the Series 2007G1-G2 Bonds by Assured Guaranty Corp. (the "Bond Insurer" or "Assured Guaranty"). See "BOND INSURANCE" and "APPENDIX I – SPECIMEN BOND INSURANCE POLICY."

The Bond Insurer will have the right to consent to amendments to the Senior Bond Ordinance affecting the Series 2007G1-G2 Bonds, and the right to consent to or direct various actions under the Senior Bond Ordinance, such as the acceleration of the payment of the Series 2007G1-G2 Bonds in the event of a default.

Further Information. For further information regarding the Series 2007G1-G2 Bonds, the Bond Insurance Policy and the Bond Insurer, see generally "THE SERIES 2007G1-G2 BONDS," "BOND INSURANCE," "THE LIQUIDITY FACILITY," "FINANCIAL INFORMATION – Senior Bonds," "APPENDIX C – GLOSSARY OF TERMS," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE," "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE," and "APPENDIX I – SPECIMEN BOND INSURANCE POLICY"

Plan of Financing

DEPFA First Albany Securities LLC (formerly First Albany Capital Inc.) and Estrada Hinojosa & Company, Inc. (the "Financial Consultants") have prepared the plan of financing (the "Plan of Financing") in connection with the recently issued Series 2007A Bonds, Series 2007B Bonds, Airport System Revenue Bonds, Series 2007C (the "Series 2007C Bonds"), Series 2007D Bonds, Series 2007D2 Bonds and Series 2007E Bonds, the issuance of the Series 2007G1-G2 Bonds and the issuance of the Series 2007F1-F4 Bonds concurrently with the Series 2007G1-G2 Bonds (collectively, the "Series 2007 Bonds"). See "APPLICATION OF PROCEEDS," "FINANCIAL INFORMATION – Senior Bonds – Plan of Financing."

Report of the Airport Consultant

Jacobs Consultancy Inc. (the "Airport Consultant") has been retained by the City as its Airport Consultant and in such capacity prepared the Report of the Airport Consultant dated July 25, 2007 (the "Report of the Airport Consultant"), included herein as "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT." The Report of the Airport Consultant was undertaken to estimate the ability of the Airport System to generate sufficient Net Revenues and Other Available Funds (as defined herein) to meet the requirements of the Rate Maintenance Covenant (as defined herein) of the Senior Bond Ordinance in each year of the forecast period encompassing calendar years (each a "Fiscal Year") 2007 through 2013.

The Report of the Airport Consultant presents certain airline traffic and financial forecasts for the Forecast Period, including the assumptions upon which the forecasts are based, and also incorporates certain elements of the Plan of Financing. The Report of the Airport Consultant was prepared in connection with, but prior to, the marketing of the Series 2007 Bonds, and by necessity makes various assumptions in connection therewith, including the number of and designation of the several series of the Series 2007 Bonds, as well as principal amounts, maturities, interest rates and Debt Service Requirements thereof. For example, the Series 2007D Bonds, the Series 2007D2 Bonds and the Series 2007E Bonds are referred to therein as the Series 2007D-E Bonds, and the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds are referred to therein as the Series 2007F Bonds. The Report of the Airport Consultant has not been revised to reflect the actual series of Series 2007 Bonds issued or the principal amounts, maturities, interest rates and Debt Service Requirements thereof as described in this Official Statement. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein. See also "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Forward Looking Statements; Report of the Airport Consultant," "CAPITAL PROGRAM," "AVIATION ACTIVITY AND AIRLINES – Airline Information," "FINANCIAL INFORMATION" and "REPORT OF THE AIRPORT CONSULTANT."

Consent to Proposed Amendments to the Senior Bond Ordinance

Purchasers of Beneficial Ownership Interests in the Series 2007G1-G2 Bonds will be deemed to have consented to the Proposed Amendments to the Senior Bond Ordinance proposed by the City as discussed in "THE SERIES 2007G1-G2 BONDS – Proposed Amendments to the Senior Bond Ordinance." The Proposed Amendments are set forth in "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Continuing Disclosure

The Senior Bond Ordinance requires the City to prepare and mail to Owners of Senior Bonds requesting such information certain financial reports and an annual audit related to the Airport System prepared in accordance with U.S. generally accepted accounting principles, a copy of which is also required to be filed with certain nationally recognized municipal securities information repositories. In addition, although Rule 15c2-12 adopted by the Securities and Exchange Commission under the

Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), which prohibits underwriters from purchasing or selling certain municipal securities unless the issuers of those securities agree to provide continuing disclosure information for the benefit of the owners of those securities, does not apply to the Series 2007G1-G2 Bonds as initially issued, the City will nevertheless deliver a Continuing Disclosure Undertaking in which it will agree to provide or cause to be provided annually certain additional financial information and operating data concerning the Airport System and other obligated persons and to provide notice of certain enumerated events, if determined to be material. See "CONTINUING DISCLOSURE UNDERTAKING" and "APPENDIX G – FORM OF CONTINUING DISCLOSURE UNDERTAKING" for a description of the annual information and the notices of material events to be provided and other terms of the Continuing Disclosure Undertaking.

The City has delivered continuing disclosure undertakings in connection with the issuance of various series of its outstanding Senior Bonds, and has continually complied with the requirements set forth in Rule 15c2-12 and its previous continuing disclosure undertakings.

Additional Information

Brief descriptions of the Series 2007G1-G2 Bonds, the City, the Department, the Airport, the Airport System, the Senior Bond Ordinance and certain other documents are included in this Official Statement and the appendices hereto. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2007G1-G2 Bonds, a copy of the Senior Bond Ordinance may be obtained from the City and the Department.

Inquiries regarding information about the Airport System contained in this Official Statement may be directed to Stan Koniz, Deputy Manager of Aviation/Business and Technologies, at (303) 342-2200. Inquiries regarding other City financial matters contained in this Official Statement may be directed to R.O. Gibson, Director of Financial Management, Department of Revenue, at (720) 865-7116.

Investment Considerations

The purchase and ownership of Beneficial Ownership Interests in the Series 2007G1-G2 Bonds involve investment risk. Prospective purchasers are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed under "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Forward Looking Statements

This Official Statement, including particularly the Report of the Airport Consultant, contains statements relating to future results that are "forward looking statements" as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," "assume" 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. See "FORWARD LOOKING STATEMENTS," "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Forward Looking Statements; Report of the Airport Consultant," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

Miscellaneous

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from officers, employees and records of the City and the Department and from other sources believed to be reliable. The information herein 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 City, the Department or the Airport System since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement is not to be construed as a contract or agreement between the City, for and on behalf of the Department, or the Underwriters and the purchasers, Owners or Beneficial Owners of any of the Series 2007G1-G2 Bonds.

APPLICATION OF PROCEEDS

The proceeds of the Series 2007G1-G2 Bonds, together with other available Airport System moneys, will be used to (1) current refund, redeem and defease certain of the outstanding Series 1997E Bonds, in the aggregate principal amount of $147,460,000, and (2) pay the costs of issuing the Series 2007G1-G2 Bonds. See also “FINANCIAL INFORMATION – Senior Bonds – Plan of Financing.”

A portion of the net proceeds of the Series 2007G1-G2 Bonds, together with other available Airport System moneys, will be deposited to an irrevocable escrow account (the “Series 1997E Escrow Account”) and utilized, together with any earnings on such deposits, to current refund, redeem and defease certain of the outstanding Series 1997E Bonds in accordance with the schedule set forth in the Series 1997E Escrow Agreement to be entered into by and between the City and Zions First National Bank, Denver, Colorado, as escrow agent.

The following table presents the estimated sources and uses of funds in connection with the issuance of the Series 2007G1-G2 Bonds.

Sources	
Principal amount of Series 2007G1-G2 Bonds	$148,500,000
Transfer from Series 1997E Bond Account	3,933,219
Transfer from Bond Reserve Fund	1,485,916
Total sources	$153,919,135
Uses	
Deposit to Series 1997E Escrow Account	$152,867,819
Payment of costs of issuance[1]	1,051,316
Total uses	$153,919,135

[1] Includes Underwriters’ discount, the initial costs of the Bond Insurance Policy and the Standby Bond Purchase Agreement, legal fees and other costs of issuance for the Series 2007G1-G2 Bonds. See also “BOND INSURANCE,” “THE STANDBY BOND PURCHASE AGREEMENT” and “UNDERWRITING.”

THE SERIES 2007G1-G2 BONDS

The following is a summary of certain provisions of the Series 2007G1-G2 Bonds during such time as the Series 2007G1-G2 Bonds are subject to the DTC book-entry system and bear interest at a Variable Rate or at a Flexible Rate. Reference is hereby made to the Senior Bond Ordinance in its entirety for the detailed provisions pertaining to the Series 2007G1-G2 Bonds, including provisions applicable upon discontinuance of participation in the DTC book-entry system or conversion to an Auction Rate or a Fixed Rate. See also "APPENDIX C – GLOSSARY OF TERMS," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" and "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE" for a summary of certain provisions of the Senior Bond Ordinance and the Proposed Amendments, including, without limitation, certain covenants of the City, the rights and remedies of the Owners of the Series 2007G1-G2 Bonds upon an Event of Default under the Senior Bond Ordinance, provisions relating to amendments of the Senior Bond Ordinance and procedures for defeasance of the Series 2007G1-G2 Bonds.

Unless otherwise specified herein, reference in the following summary to the Series 2007G1-G2 Bonds means each Subseries of the Series 2007G1-G2 Bonds, and references to documents and defined terms means such documents and defined terms as they relate to each Subseries of the Series 2007G1-G2 Bonds.

Authorization

Pursuant to the home rule article of the Colorado Constitution, the State's Supplemental Public Securities Act and the City Charter, the City, for and on behalf of the Department, may issue bonds payable solely from Net Revenues to defray the cost of acquiring, improving and equipping municipal airport facilities. Such revenue bonds constitute special obligations, do not evidence a debt or indebtedness of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, charter or statutory provision or limitation and may be issued without prior voter approval.

Pursuant to the City Charter, the City by ordinance has designated the Department as an "enterprise" within the meaning of the Colorado Constitution. The Department is owned by the City, and the Manager of the Department of Aviation (the "Manager") is the governing body of the Department. See "THE AIRPORT SYSTEM – Management." The Department has the authority to issue its own bonds or other financial obligations in the name of the City payable solely from revenues of the Airport System, as authorized by ordinance after approval and authorization by the Manager. The assets of the Airport System are owned by the City and operated by the Department as a self-sustaining business activity. The Department is not authorized to levy any taxes in connection with the Airport System.

The Series 2007G1-G2 Bonds will be issued pursuant to the Senior Bond Ordinance and, if adopted, the Proposed Amendments. See "Proposed Amendments to the Senior Bond Ordinance" below, "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" and "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

General Provisions

Each Subseries of the Series 2007G1-G2 Bonds will be issued in the aggregate principal amount and will mature on the date set forth on the cover page hereof, and will be subject to tender for purchase and redemption prior to maturity as described in "Tenders – Redemption Prior to Maturity" below.

The authorized denominations for the Series 2007G1-G2 Bonds are as follows: (1) while in a Weekly Rate Period, $100,000 or whole multiples thereof (except that any one Series 2007G1-G2 Bond of a Subseries may be a greater denomination as necessary to aggregate the total principal amount of such Subseries then outstanding); (2) while in a Flexible Rate Period, $100,000 or multiples of $1,000 in excess of $100,000; (3) while in a Term Rate Period, a Semiannual Rate Period or a Fixed Rate Period, $5,000 or whole multiples thereof; and (4) while in an Auction Rate Period, $25,000 or whole multiples thereof (provided that one Series 2007G1-G2 Bond of each Subseries may be a greater denomination as necessary to aggregate the total principal amount of such Subseries then outstanding).

DTC Book-Entry System

The Series 2007G1-G2 Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2007G1-G2 Bonds. Beneficial Ownership Interests in the Series 2007G1-G2 Bonds, in non-certificated book-entry only form, may be purchased in Authorized Denominations by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired. Transfers of Beneficial Ownership Interests will be effected by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the registered owners of the Series 2007G1-G2 Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see "APPENDIX F – DTC BOOK-ENTRY SYSTEM."

Principal, premium, if any, and interest payments with respect to the Series 2007G1-G2 Bonds will be made by the Paying Agent to Cede & Co., as the Owner of the Series 2007G1-G2 Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in "APPENDIX F – DTC BOOK-ENTRY SYSTEM."

None of the City, the Department, the Underwriters, the Paying Agent or the Registrar for the Series 2007G1-G2 Bonds (initially Zions First National Bank, Denver, Colorado) has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2007G1-G2 Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2007G1-G2 Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2007G1-G2 Bonds or (5) any other related matter.

Interest Rates

The provisions of the Series 2007G1-G2 Supplemental Ordinance regarding the determination of interest on the Series 2007G1-G2 Bonds apply independently to each Subseries.

Each Subseries will bear interest from time to time at a Weekly Rate (being the initial Rate Period), a Semiannual Rate, a Term Rate, a Flexible Rate, an Auction Rate or a Fixed Rate and at interest rates to be determined, except when bearing interest at an Auction Rate, by the Remarketing Agent in the manner described in "Rate Periods" below. Each Subseries may bear interest for a different Rate Period; however, (1) all Series 2007G1-G2 Bonds within a Subseries (except for Tendered Series 2007G1-G2 Bonds purchased with moneys paid under the related Liquidity Facility, referred to herein as "Bank Bonds") are required to bear interest for the same Variable Rate Period (and have a Term Rate Period of the same duration) or bear interest at an Auction Rate or a Fixed Rate, as applicable, and (2) each Series 2007G1-G2 Bond of a Subseries in a Flexible Rate Period may have an interest rate and duration of Flexible Rate Period that is different from any other Series 2007G1-G2 Bonds of that Subseries. The City may elect periodically to change Rate Periods or the duration of the Term Rate Period with respect to a Subseries. No conversion from the Fixed Rate Period is permitted. Series 2007G1-G2 Bonds to be converted to a different Rate Period are subject to mandatory tender for purchase on the Conversion Date. See "Rate Periods," "Conversion to a Different Rate Period" and "Tenders – *Mandatory Tenders*" below.

This Official Statement describes the Series 2007G1-G2 Bonds only while bearing interest at a Variable Rate or a Flexible Rate. If a Subseries is converted to an Auction Rate or a Fixed Rate, it is likely that a reoffering document will be prepared in connection with such conversion.

Interest on Series 2007G1-G2 Bonds bearing interest at a Weekly Rate, a Semiannual Rate, a Flexible Rate or a Term Rate for a Term Rate Period of one year or less is to be calculated on the basis of a 365- or 366-day year, as appropriate, for the actual number of days actually elapsed, and interest on Series 2007G1-G2 Bonds bearing interest at a Term Rate with a Term Rate Period of more than one year is to be calculated on the basis of a 360-day year of twelve 30-day months.

The dates on which interest on the Series 2007G1-G2 Bonds is payable (the "Interest Payment Dates") during either a Variable Rate Period or a Flexible Rate Period are as follows: (1) while in a Weekly Rate Period, the first Business Day of each calendar month following a month in which interest at the Weekly Rate has accrued; (2) while in a Semiannual Rate Period or a Term Rate Period, the date designated as the first Interest Payment Date and the 15th day of each May and November thereafter; and (3) while in a Flexible Rate Period, the Business Day next following the last day of each Flexible Rate Period applicable thereto. Except with respect to a Flexible Rate Period, in no event may more than one Interest Payment Date occur in any one calendar month. The first Interest Payment Date for the Series 2007G1-G2 Bonds is the first Business Day of December 2007. If any payment in respect of Series 2007G1-G2 Bonds is due on a day that is not a Business Day, such payment may be made, and will not accrue additional interest if made, on the next succeeding Business Day. The Interest Payment Dates for Bank Bonds will be those specified in the related Liquidity Facility.

Rate Periods

Variable Rate Periods. The Series 2007G1-G2 Bonds may bear interest for Variable Rate Periods selected from time to time by the City. The rate of interest for Series 2007G1-G2 Bonds in a Variable Rate Period is required to be determined by the Remarketing Agent as the lesser of: (1) the minimum rate of interest that, in the judgment of the Remarketing Agent, would cause such Series 2007G1-G2 Bonds to have a market value equal to the principal amount thereof, plus accrued interest, taking into account prevailing market conditions as of the date of determination; or (2) the Maximum Rate. In the event that the Remarketing Agent is unable or fails to determine or notify the Paying Agent of the Variable Rate for any Variable Rate Period, the interest rate for such Series 2007G1-G2 Bonds is to automatically, without notice or mandatory tender, convert to a Weekly Rate Period. Until the interest rate is again determined by the Remarketing Agent and notification thereof is delivered to the Paying Agent, the interest rate will be equal to (1) 110% of the Prime Commercial Paper A-1/P-1 (30 days) rate shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of *The Bond Buyer* published on the day on which such Weekly Rate is to be determined, or (2) if such published rate is no longer available, the rate established by the Treasurer, but in no event in excess of the Maximum Rate.

Weekly Rate. Weekly Rate Periods (other than the initial Weekly Rate Period, which commences on the date of issuance of the Series 2007G1-G2 Bonds), are to commence on a Wednesday and end on Tuesday of the following week. In the case of a conversion to a Weekly Rate Period from a different Variable Rate Period or a Flexible Rate Period, the date of conversion to the Weekly Rate Period is to be the last Interest Payment Date in respect of the immediately preceding Rate Period and the Weekly Rate Period starting on that date is to end on Tuesday of the following week, and in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion is to end on the last day immediately preceding the Conversion Date to the new Rate Period. The Weekly Rate for each Weekly Rate Period is to be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each Weekly Rate is to be determined by the Remarketing Agent no later than the Business Day immediately preceding the commencement date of the Weekly Rate Period to which it relates, with notice thereof to be given by the Paying Agent by first class mail to each Owner of the related Series 2007G1-G2 Bonds by monthly statement within seven Business Days after each Interest Payment Date on which interest at a Weekly Rate is to be paid. The initial Weekly Rate for each Subseries of the Series 2007G1-G2 Bonds is to be determined by the Remarketing Agent as nearly as practicable in the manner described above prior to the issuance and delivery of the Series 2007G1-G2 Bonds.

Semiannual Rate. Semiannual Rate Periods are to commence on the date of conversion to a Semiannual Rate Period and on each Interest Payment Date thereafter, and end on the day preceding either the commencement date of the following Semiannual Rate Period or the Conversion Date on which a different type of Rate Period is to become effective. The first Semiannual Rate Period that succeeds a Flexible Rate Period, a Weekly Rate Period, an Auction Rate Period or a Term Rate Period may be from one to five months shorter than the succeeding Semiannual Rate Periods. The Semiannual Rate for each Semiannual Rate Period is to be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each Semiannual Rate is to be determined by the Remarketing Agent no later than the Business Day immediately preceding the commencement date of the Semiannual Rate Period to which it relates, and notice thereof is to be given by the Paying Agent by first class mail to each Owner of the related Series 2007G1-G2 Bonds promptly after such Semiannual Rate is determined.

Term Rate. Term Rate Periods are to commence on the date of conversion to a Term Rate Period (the "Term Rate Conversion Date") and on any Interest Payment Date which is, except as otherwise described in this paragraph, at least 12 months thereafter, and end on the day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different Rate Period is to become effective. Each Term Rate Period is to be followed by another Term Rate Period of the same duration. The first Term Rate Period which succeeds a Flexible Rate Period, a Weekly Rate Period, an Auction Rate Period or a Semiannual Rate Period, or a Term Rate Period of a different duration, may be of from one to five months shorter or longer than the succeeding Term Rate Periods. The Term Rate for each Term Rate Period is to be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each Term Rate is to be determined by the Remarketing Agent not later than the Business Day immediately preceding the commencement date of the Term Rate Period to which it relates, with notice thereof given by the Paying Agent by first class mail to each Owner of the related Series 2007G1-G2 Bonds promptly after such Term Rate is determined.

Flexible Rate Periods. Series 2007G1-G2 Bonds in a Flexible Rate Period may bear interest for Flexible Rate Periods selected from time to time by the Remarketing Agent. The Remarketing Agent is to determine the Flexible Rate and the Flexible Rate Period for each related Series 2007G1-G2 Bond at a rate and for a period which it deems advisable in order to minimize the expected interest cost on such Series 2007G1-G2 Bonds, net of remarketing costs, over the longest period for which a Flexible Rate Period may be established on the date of determination, taking into account prevailing market conditions as of the date of determination. The Flexible Rate for each Series 2007G1-G2 Bond is to be the lesser of (1) the minimum rate of interest which, in the judgment of the Remarketing Agent, would cause such Series 2007G1-G2 Bond to have a market value equal to the principal amount thereof, plus accrued interest, if any, taking into account prevailing market conditions as of the date of determination, or (2) the Maximum Rate. Each Flexible Rate Period (1) may not exceed the lesser of 270 days or 5 days fewer than the maximum number of days of interest for which the Paying Agent may request funds in accordance with the related Liquidity Facility or, if the Remarketing Agent has received notice of any conversion to a Variable Rate, an Auction Rate or a Fixed Rate, the remaining number of days prior to the Conversion Date, and (2) is to commence on either a Flexible Rate Conversion Date or the last day of the immediately preceding Flexible Rate Period and end on a Business Day.

The Remarketing Agent is to notify the Paying Agent, and the Paying Agent is to notify the Treasurer, the Bond Insurer and the provider of the related Liquidity Facility (the "Liquidity Facility Provider"), of each Flexible Rate and Flexible Rate Period so determined by the Remarketing Agent. If the Remarketing Agent fails for any reason to determine or notify the Paying Agent of the Flexible Rate and the Flexible Rate Period for any related Series 2007G1-G2 Bond, such Series 2007G1-G2 Bond will be deemed to be in a Flexible Rate Period equal in duration to the Weekly Rate Period, with the Flexible Rate to be equal to the Weekly Rate determined on such day in the manner described above with respect to related Series 2007G1-G2 Bonds in a Weekly Rate Period. Such Series 2007G1-G2 Bonds are thereafter to be in Flexible Rate Periods established as described above unless converted to a different Rate Period.

No provision is made in the Series 2007G1-G2 Supplemental Ordinance for notification to the Owners of the determination of each Flexible Rate and Flexible Rate Period.

Auction Rate Periods and Fixed Rate Periods. For a description of the Series 2007G1-G2 Bonds bearing interest at an Auction Rate or a Fixed Rate, see the Series 2007G1-G2 Supplemental Ordinance. Series 2007G1-G2 Bonds converted to an Auction Rate or a Fixed Rate are not required to be secured by a Liquidity Facility and are not subject to optional tender for purchase.

Determinations of Interest Rates and Rate Periods Conclusive and Binding. All determinations of interest rates and Rate Periods by the Remarketing Agent will be conclusive and binding upon the City, the Paying Agent, the related Liquidity Facility Provider, the Bond Insurer and the Owners of the related Series 2007G1-G2 Bonds.

Bank Bonds. Bank Bonds will bear interest at the rates calculated in the manner and payable on the dates set forth in the related Liquidity Facility. Bank Bonds may be remarketed when and as provided in the related Liquidity Facility and the Series 2007G1-G2 Supplemental Ordinance, and if remarketed will no longer bear interest as Bank Bonds. See "THE LIQUIDITY FACILITY – The Standby Bond Purchase Agreement."

Conversion to a Different Rate Period

Conversion Between a Variable Rate and a Flexible Rate or Between Variable Rates. The City may from time to time convert a Subseries between a Variable Rate and a Flexible Rate or to a different Variable Rate. On the Conversion Date, the Subseries to be converted is subject to mandatory tender for purchase as described in "Tenders – *Mandatory Tenders*" below.

The Conversion Date from a Flexible Rate Period to a Variable Rate Period or between Variable Rate Periods is to be a day that is both (1) the Conversion Date required with respect to the Rate Period to which such Subseries is to be converted, and (2) the last Interest Payment Date on which interest is payable for any Flexible Rate Periods theretofore established as described in "Rate Periods – *Flexible Rate*" for the Subseries to be converted. The Conversion Date from a Variable Rate Period to a Flexible Rate Period is to be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; except that in the case of a conversion from a Term Rate Period, the Conversion Date is to be the last Interest Payment Date for that Term Rate Period.

Conversions are subject to a number of conditions, including the requirement that there be provided to the Paying Agent and the Remarketing Agent a Favorable Opinion of Bond Counsel to the effect that the proposed conversion will not adversely affect the validity of such Subseries or any exclusion from gross income for federal income tax purposes to which interest on the Series 2007G1-G2 Bonds of that Subseries would otherwise be entitled. In the event that the conditions for a conversion are not satisfied, the new Rate Period will not take effect and such Subseries will remain in the Rate Period currently in effect.

Not fewer than 15 days prior to the proposed Conversion Date (30 days in the case of conversion to a Term Rate or to a Term Rate Period of a different duration) with respect to a Subseries, the Paying Agent is to mail (by first class mail) a written notice of the conversion to the related Owners, as prepared and delivered by the City to the Paying Agent, which notice is to state (1) the proposed Conversion Date, (2) the Rate Period to which the conversion is to be made, (3) in the case of conversion to a Term Rate Period or to a Term Rate Period of a different duration, the duration of the new Term Rate Period, (4) in the case of a conversion to a Semiannual or Term Rate Period, the first Interest Payment Date following such conversion (which is to be the 15th day of the first May or November after the proposed Conversion Date) and any difference between the duration of the first Semiannual or Term Rate Period commencing on such Conversion Date and subsequent Semiannual or Term Rate Periods occurring prior to the next Conversion Date, (5) that the Series 2007G1-G2 Bonds to be converted will be subject to mandatory tender for purchase on the Conversion Date, (6) the time at which such Series 2007G1-G2 Bonds are to be tendered for purchase and the address to which such Series 2007G1-G2 Bonds are to be delivered, and (7) a description of the consequences of the failure to obtain the Favorable Opinion of Bond Counsel.

Conversion to or from an Auction Rate or to a Fixed Rate. The City also may from time to time convert the interest rate on a Subseries from a Variable Rate or a Flexible Rate to an Auction Rate, from an Auction Rate to a Variable Rate or a Flexible Rate, or from a Variable Rate, a Flexible Rate or an Auction Rate to a Fixed Rate. No conversion from a Fixed Rate is permitted. A Subseries converted to an Auction Rate or a Fixed Rate is not required to be secured by a Liquidity Facility and is not subject to optional tender for purchase.

The Conversion Date from a Variable Rate Period to an Auction Rate Period is to be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; however, if the conversion is from a Term Rate Period, the Auction Rate Conversion Date is to be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced. The Conversion Date from a Flexible Rate Period to an Auction Rate Period is to be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Subseries to be converted. The Conversion Date to a Fixed Rate Period is to be (1) the last regularly scheduled Interest Payment Date in respect of a Subseries bearing interest at a Flexible Rate, (2) a regularly scheduled Interest Payment Date in respect of a Subseries bearing interest at a Weekly Rate or a Semiannual Rate or (3) a regularly scheduled Interest Payment Date in respect to a Subseries bearing interest in a Term Rate Period.

Any conversion to an Auction Rate or a Fixed Rate is subject to certain conditions as set forth in the Series 2007G1-G2 Supplemental Ordinance. For a further description of the conversion of a Subseries to or from an Auction Rate or to a Fixed Rate, see the Series 2007G1-G2 Supplemental Ordinance.

Rating Agency Confirmation Required for Conversion in Certain Circumstances. Prior to any conversion of a Subseries to a Rate Period in which interest is or may be payable for an Interest Period exceeding 30 days, there is to be delivered to the City, the Remarketing Agent, the Bond Insurer and the Paying Agent written evidence from each rating agency then maintaining a rating on such Subseries that the ratings on such Subseries following the conversion will not be withdrawn or reduced below the rating category (or corresponding short term or long term rating category, if applicable) in which such Subseries were rated immediately prior to such conversion.

Tenders

Optional Tenders During Variable Rate Periods. The Beneficial Owners of Series 2007G1-G2 Bonds bearing interest at a Variable Rate may elect to have their Series 2007G1-G2 Bonds (or portions thereof in amounts equal to the smallest denomination then authorized or whole multiples of such smallest denomination) purchased at a Purchase Price equal to 100% of the principal amount of such Series 2007G1-G2 Bonds (or portions), plus, in the case of Series 2007G1-G2 Bonds bearing interest at a Weekly Rate, accrued interest to the purchase date, as follows:

(1) Series 2007G1-G2 Bonds bearing interest at a Weekly Rate may be tendered for purchase, at the applicable Purchase Price payable in immediately available funds, on any Business Day prior to conversion from a Weekly Rate Period to a different Rate Period upon delivery of an irrevocable written notice of tender in accordance with the procedures established by the Securities Depository, not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the purchase date.

(2) Series 2007G1-G2 Bonds bearing interest at a Semiannual Rate or a Term Rate may be tendered for purchase on the commencement date of the succeeding Rate Period for such

Series 2007G1-G2 Bonds, at the Purchase Price payable in immediately available funds (or clearinghouse funds if the Series 2007G1-G2 Bonds are bearing interest at a Term Rate for a Term Rate Period of more than one year), upon delivery of an irrevocable written notice of tender in accordance with the procedures established by the Securities Depository, not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than ten days prior to the purchase date.

Each irrevocable written notice of tender (1) is to be delivered in accordance with the procedures established by the Securities Depository, and is to be in form satisfactory to the Remarketing Agent and the Paying Agent; (2) is to state (a) the principal amount of the Series 2007G1-G2 Bond to which such irrevocable written notice relates, (b) that the Owner demands purchase of such Series 2007G1-G2 Bond or a specified portion thereof in an amount equal to the lowest denomination then authorized or a whole multiple of such lowest denomination, (c) the date on which such Series 2007G1-G2 Bond or portion is to be purchased and (d) payment instructions with respect to the Purchase Price; and (3) is to automatically constitute (a) an irrevocable offer to sell the Series 2007G1-G2 Bond (or portion thereof) to which the notice relates on the purchase date at the Purchase Price, (b) an irrevocable authorization and instruction to the Paying Agent to effect transfer of such Series 2007G1-G2 Bond (or portion thereof) upon payment of the Purchase Price to the Remarketing Agent on the purchase date, (c) an irrevocable authorization and instruction to the Paying Agent to effect the exchange of the Series 2007G1-G2 Bond to be purchased in whole or in part for other Series 2007G1-G2 Bonds in an equal aggregate principal amount so as to facilitate the sale of such Series 2007G1-G2 Bond (or portion thereof to be purchased) and (d) an acknowledgment that such Owner will have no further rights with respect to such Series 2007G1-G2 Bond (or portion thereof) upon payment of the Purchase Price thereof to the Remarketing Agent on the purchase date, except for the right of such Owner to receive such Purchase Price upon surrender of such Series 2007G1-G2 Bond to the Paying Agent and that after the purchase date such Owner will hold any undelivered certificate as agent for the Paying Agent. The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing is to be conclusive and binding upon the Owner of the Series 2007G1-G2 Bonds to which the notice relates.

At or before the close of business in New York City on the date set for purchase of the Tendered Series 2007G1-G2 Bonds, and upon receipt by the Paying Agent of (1) 100% of the aggregate Purchase Price of such Tendered Series 2007G1-G2 Bonds and (2) the Tendered Series 2007G1-G2 Bonds by the times specified in the Series 2007G1-G2 Supplemental Ordinance, the Paying Agent is to pay the Purchase Price of such Tendered Series 2007G1-G2 Bonds to the Owners thereof. Such payments are to be made in immediately available funds (or by wire transfer), unless the Tendered Series 2007G1-G2 Bonds to be purchased bear interest at a Term Rate for a Term Rate Period of more than one year, in which event such payments are to be made in clearinghouse funds. ***If funds available for the purchase of all Tendered Series 2007G1-G2 Bonds of a Subseries on any purchase date are insufficient, such Tendered Series 2007G1-G2 Bonds are not to be purchased and the Paying Agent is required to return all Tendered Series 2007G1-G2 Bonds of such Subseries to the Owners thereof and return all moneys received for the purchase of such Tendered Series 2007G1-G2 Bonds to the persons providing such moneys.***

No Optional Tenders During Flexible Rate Periods. Series 2007G1-G2 Bonds bearing interest at a Flexible Rate are not subject to optional tender.

Mandatory Tenders. The Series 2007G1-G2 Bonds (or all Series 2007G1-G2 Bonds of a Subseries, as the case may be) are required to be tendered by the Owners to the Paying Agent for purchase at a Purchase Price equal to the principal amount thereof (plus accrued interest to the purchase date in the case of clauses (1), (3), (4) or (5) below or in the case of Series 2007G1-G2 Bonds bearing a Weekly Rate which are tendered pursuant to clause (2) below), upon the occurrence of the following events:

(1) on the day succeeding the last day of each Flexible Rate Period applicable to a Series 2007G1-G2 Bond;

(2) upon conversion of a Subseries to another Variable Rate Period, a Term Rate Period of a different duration, a Flexible Rate Period, an Auction Rate Period or to a Fixed Rate;

(3) on the 5th day immediately preceding the day on which the related Liquidity Facility expires in accordance with its terms and is not replaced with a Substitute Liquidity Facility that is effective on or before such termination date;

(4) on the Business Day following the day on which the Paying Agent receives from the Liquidity Facility Provider, in accordance with the related Liquidity Facility, notice that an event of default under such Liquidity Facility has occurred; or

(5) on any other day (or if such day is not a Business Day, on the Business Day immediately following any other day) on which the Series 2007G1-G2 Bonds are otherwise required to be purchased pursuant to the related Liquidity Facility.

The Paying Agent is required to give notice to the Owners of the Series 2007G1-G2 Bonds subject to mandatory tender, electronically or by telephone (promptly confirmed in writing), or if none of the foregoing is practicable, by first class mail, not later than 15 days prior to the mandatory tender date (or the Business Day preceding the purchase date in the case of clauses (4) or (5) above).

Payment of the Purchase Price of the Series 2007G1-G2 Bonds to be purchased upon mandatory tender is to be made by the Paying Agent in immediately available funds; except that in the case of the mandatory tender of a Subseries pursuant to clause (2) above that bears interest at a Term Rate for a Term Rate Period of more than one year in duration, payment is to be made in clearinghouse funds. ***If funds available for the purchase of all Tendered Series 2007G1-G2 Bonds of a Subseries on any purchase date are insufficient, the Tendered Series 2007G1-G2 Bonds of such Subseries are not to be purchased and the Paying Agent is required to return all such Tendered Series 2007G1-G2 Bonds to the Owners thereof and return all moneys received for the purchase of such Tendered Series 2007G1-G2 Bonds to the persons providing such moneys***.

Failure to Deliver Series 2007G1-G2 Bonds for Purchase. Interest on any Series 2007G1-G2 Bond that is not delivered to the Paying Agent on the tender date will cease to accrue to the Owner thereof on the purchase date. Such Series 2007G1-G2 Bond will be deemed to have been purchased on the date fixed for the purchase thereof, and ownership of such Series 2007G1-G2 Bond (or portion thereof subject to tender) is to be transferred to the purchaser thereof. Any Owner of a Series 2007G1-G2 Bond who fails to deliver such Series 2007G1-G2 Bond for purchase will not be entitled to the benefits of the Senior Bond Ordinance except for the payment of the Purchase Price upon surrender of such Series 2007G1-G2 Bond from moneys held by the Paying Agent for such payment.

Bank Bonds and City Bonds Not Subject to Tender. Bank Bonds and Series 2007G1-G2 Bonds purchased by the City with amounts or in respect of which reimbursements have been made by the City to the related Liquidity Facility Provider as provided in the Series 2007G1-G2 Supplemental Ordinance ("City Bonds") are not subject to the tender provisions of the Series 2007G1-G2 Supplemental Ordinance.

Remarketing and Purchase. The Remarketing Agent is required to use its best efforts to remarket the Tendered Series 2007G1-G2 Bonds on any optional or mandatory tender date, however, the Remarketing Agent is not required to purchase any Tendered Series 2007G1-G2 Bonds so remarketed. The Purchase Price of Tendered Series 2007G1-G2 Bonds is to be paid from (1) moneys derived from the remarketing of such Tendered Series 2007G1-G2 Bonds, (2) if such remarketing proceeds are insufficient, from moneys requested for the purchase of such Tendered Series 2007G1-G2 Bonds under the related Liquidity Facility and (3) to the extent moneys described in clauses (1) and (2) are not sufficient therefor, Net Revenues of the Airport System and certain funds and accounts as provided in the Senior Bond Ordinance.

Resale of Bank Bonds and City Bonds. Bank Bonds may be sold as provided in the related Liquidity Facility. The Remarketing Agent is to offer for sale and use its best efforts to sell related City Bonds at a price equal to the principal amount thereof, plus accrued interest thereon, unless requested not to do so by the Treasurer. City Bonds will cease to be deemed City Bonds upon the sale and delivery thereof to a third party and payment to the City of the principal of and interest accrued thereon. No City Bond is to be remarketed unless (1) the Paying Agent and the Remarketing Agent have received a Favorable Opinion of Bond Counsel, (2) the related Liquidity Facility will thereafter be in effect and (3) the related Liquidity Facility Provider consents thereto.

Summary of Certain Provisions Applicable to Variable Rate Periods and Flexible Rate Periods

The following table provides a brief summary of various provisions of the Series 2007G1-G2 Bonds that bear interest either at a Variable Rate or a Flexible Rate. All times shown are New York City time. While the Series 2007G1-G2 Bonds are in the DTC book-entry system, references to the "Owner" in the following table are to DTC or its nominee. ***Each Beneficial Owner of a Series 2007G1-G2 Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described in the table.*** See "APPENDIX F – DTC BOOK-ENTRY SYSTEM."

	WEEKLY RATE	**SEMIANNUAL RATE**	**TERM RATE**	**FLEXIBLE RATES**
Interest Payment Dates[1]	First Business Day of each calendar month.	Date designated in notice of conversion and each May 15 and November 15 thereafter.	Date designated in notice of conversion and each May 15 and November 15 thereafter.	First Business Day following the last day of the Flexible Rate Period.
Interest Rate Determination	Tuesday or next Business Day preceding effective date of interest rate.	Business Day preceding effective date of interest rate.	Business Day preceding effective date of interest rate.	By the first day of the Flexible Rate Period.
Effective Date of Interest Rate	Wednesday following rate determination date; effective through Tuesday of following week.[2]	Semiannual Rate Conversion Date and on any Interest Payment Date thereafter.[3]	Term Rate Conversion Date and on any Interest Payment Date which is at least 12 months thereafter.[3]	Flexible Rate Conversion Date and first day of each Flexible Rate Period thereafter.
Written Notice from Paying Agent to Owners of a Rate Period Change	Mailed at least 15 days prior to effective date.	Mailed at least 15 days prior to effective date.	Mailed at least 30 days prior to effective date.	Mailed at least 15 days prior to effective date.
Optional Tender Dates; Notice of Optional Tender	Any Business Day prior to conversion. Notice to the Paying Agent not later than 5:00 p.m. on a Business Day not fewer than 7 days prior to the purchase date.	First day of succeeding Rate Period. Notice to the Paying Agent not later than 5:00 p.m. on a Business Day not fewer than 10 days prior to the purchase date.	First day of succeeding Rate Period. Notice to the Paying Agent not later than 5:00 p.m. on a Business Day not fewer than 10 days prior to the purchase date.	None.
Mandatory Tender Date Upon Conversion of Rate Period or End of Flexible Rate Period	Conversion Date.	Conversion Date.	Conversion Date.	Conversion Date or last day of Flexible Rate Period.
Delivery of and Payment for Tendered Series 2007G1-G2 Bonds	Bonds to the Paying Agent by noon on designated purchase date; payment by close of business on same day.	Bonds to the Paying Agent by 5:00 p.m. on the 2nd Business Day prior to the purchase date; payment by close of business on the purchase date.	Bonds to the Paying Agent by 5:00 p.m. on the 2nd Business Day prior to the purchase date; payment by close of business on the purchase date.	Bonds to the Paying Agent by close of business in New York City on the purchase date.

[1] Except with respect to a Flexible Rate Period, in no event may more than one Interest Payment Date for a Subseries occur in any calendar month.

[2] The length of the period, the day of commencement and the last day of the period may vary in the event of a conversion to or from a Weekly Rate.

[3] The first Rate Period for a Subseries bearing interest at a Term Rate may be shorter or longer than the succeeding periods, and the first Rate Period for a Subseries bearing interest at a Semiannual Rate may be shorter than the succeeding periods.

Redemption Prior to Maturity

Optional Redemption. The Series 2007G1-G2 Bonds are subject to redemption by the City, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, on the following dates: (i) if the Series 2007G1-G2 Bonds are in a Weekly Rate Period, a Semiannual Rate Period or a Flexible Rate Period, on any Interest Payment Date; (ii) if the Series 2007G1-G2 Bonds are in a Term Rate Period of three years or less, on the Interest Payment Date immediately following the last day of such Term Rate Period; and (iii) if the Series 2007G1-G2 Bonds are in a Term Rate Period in excess of three years, on and after the dates specified in the Series 2007G1-G2 Supplemental Ordinance or a substitute schedule determined by the City if the Paying Agent is provided a Favorable Opinion of Bond Counsel to the effect that such substitution is authorized or permitted by the laws of the State and the Senior Bond Ordinance and will not adversely affect the exclusion of interest on such Series 2007G1-G2 Bonds from gross income for federal income tax purposes.

Mandatory Sinking Fund Redemption. Series 2007G1-G2 Bonds bearing interest at a Variable Rate or a Flexible Rate are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to such redemption date, on November 15 in the years and in the principal amounts set forth below:

Date	Subseries	
(November 15)	2007G1	2007G2
2021	$ 2,500,000	$ 2,500,000
2022	18,500,000	18,600,000
2023	18,600,000	18,500,000
2024	16,100,000	16,100,000
2025*	18,500,000	18,600,000

* Maturity, not a sinking fund redemption.

The City has the option of reducing the principal amount of a Subseries to be redeemed on the mandatory sinking fund redemption date by any amount (equal to the smallest denomination then authorized pursuant to the Series 2007G1-G2 Supplemental Ordinance or whole multiples of such smallest denomination) up to the principal amount of such Subseries of the Series 2007G1-G2 Bonds that have been redeemed prior to or will be redeemed on such redemption date under any other provision of the Series 2007G1-G2 Supplemental Ordinance or that otherwise have been delivered to the Registrar for cancellation (and that have not previously been applied to reduce the principal amount of such Subseries of the Series 2007G1-G2 Bonds subject to mandatory sinking fund redemption). The City may exercise such option by delivering to the Paying Agent, on or before the 45th day preceding such redemption date, a written notice stating the amount of such reduction.

Redemption of Bank Bonds. The Series 2007G1-G2 Supplemental Ordinance provides that the City is to redeem the outstanding Bank Bonds as provided in the related Liquidity Facility. The Standby Bond Purchase Agreement provides that Bank Bonds are to be redeemed prior to any other Series 2007G1-G2 Bonds of the related Subseries.

Notice of Redemption. Notice of the prior redemption of any Series 2007G1-G2 Bonds is to be given by or at the direction of the Treasurer in the name of the City: (1) by publication of such notice at least once, not more than 30 days nor less than 15 days (not more than 60 days nor less than 30 days if such Series 2007G1-G2 Bonds bear interest at a Semiannual Rate or Term Rate) prior to the redemption date in a financial newspaper published in New York, New York, as the Treasurer may determine; and (2) by sending a copy of such notice by first-class mail or by telegram, telex, telecopy, overnight delivery or other telecommunication device capable of creating a written notice, not more than 30 days nor less than 15 days (not more than 60 days nor less than 30 days if such Series 2007G1-G2 Bonds bear interest at a Semiannual Rate or Term Rate) prior to the redemption date to (a) the Underwriters, or any successor thereof known to the Treasurer, (b) the Paying Agent, the Registrar, the Bond Insurer and the related Liquidity Facility Provider or any successors thereof known to the Treasurer and (c) to any Owner of any such Series 2007G1-G2 Bonds at the address appearing on the registration books or records in the custody of the Registrar. The actual receipt by any Owner of notice of redemption is not a condition precedent to such redemption, if the notice has in fact been duly given, and failure to receive such notice will not affect the validity of the proceedings for such redemption or the cessation of interest on the Redemption Date. In addition, neither the failure to give such notice of redemption nor any defect therein in respect of any Series 2007G1-G2 Bond will affect the validity of any proceedings for redemption of any other Series 2007G1-G2 Bond.

In addition to the notice provided above, the Treasurer is required to provide further notice of redemption to DTC (or its nominee), to one or more national information services that disseminate notices of redemption of obligations similar to the Series 2007G1-G2 Bonds, to any rating agency that is then maintaining a rating on the Series 2007G1-G2 Bonds and to *The Bond Buyer*, but failure to give such further notice or any defect therein will not affect the validity of any proceedings for redemption if the notice described in the previous paragraph has been given.

If at the time any notice for the redemption of any Series 2007G1-G2 Bonds is required to be given, moneys sufficient to redeem all of such Series 2007G1-G2 Bonds have not been deposited as required, the notice is to state that redemption is conditional upon the required deposit of such moneys.

If, on the Redemption Date, the Paying Agent holds sufficient moneys for the redemption of all the Series 2007G1-G2 Bonds to be redeemed at the applicable redemption price, and if notice of redemption has been duly given, then from and after the Redemption Date, any such redeemed Series 2007G1-G2 Bonds will cease to bear interest and will no longer be entitled to any benefits of the Senior Bond Ordinance except the right to receive payment of such redemption price

A certificate by the Treasurer that notice has been given as required by the Series 2007G1-G2 Supplemental Ordinance will be conclusive against all parties; and no Owner may object thereto or may object to the cessation of interest on the redemption date on the ground that such Owner failed to actually receive such notice.

Redemption of Beneficial Ownership Interests. The Registrar will be required to send notice of redemption of the Series 2007G1-G2 Bonds only to Cede & Co. (or subsequent nominee of DTC) as the registered owner thereof. Receipt of such notice initiates DTC's standard call. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as described in "APPENDIX F – DTC BOOK-ENTRY SYSTEM." DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests, and for remitting the Redemption Price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2007G1-G2 Bonds properly called for redemption or any other action premised on that notice.

Effect of Failure to Give or Receive Notices

While the Series 2007G1-G2 Bonds bear interest at a Variable Rate or a Flexible Rate, except for notices by the Treasurer to the Paying Agent, the Remarketing Agent, the related Liquidity Facility Provider and the Bond Insurer in connection with the conversion of such Series 2007G1-G2 Bonds between Variable Rate Periods, from a Variable Rate to a Flexible Rate or from a Variable Rate or a Flexible Rate to a Fixed Rate, the failure of any person to give any notice, or the failure of any Owner of any such Series 2007G1-G2 Bonds or any other person to receive any notice provided for in the Series 2007G1-G2 Supplemental Ordinance, will not affect the event to which such notice relates nor result in any liability by the City, the Paying Agent or the Remarketing Agent to any Owner of Series 2007G1-G2 Bonds to whom such notice was to have been given.

SECURITY AND SOURCES OF PAYMENT

Pledge of Net Revenues

The Series 2007G1-G2 Bonds are special obligations of the City, for and on behalf of the Department, payable solely from the Net Revenues on a parity with all other outstanding Senior Bonds. The Series 2007G1-G2 Bonds also are payable under certain circumstances from the Bond Reserve Fund as discussed in "Bond Reserve Fund" below, and from funds made available under the Bond Insurance Policy as discussed in "BOND INSURANCE." The City has irrevocably pledged the Net Revenues and funds on deposit in the Bond Fund, the Bond Reserve Fund and the Project Fund (which are only on deposit in the Project Fund until such funds are spent on the 2007 Project) to the payment of the Senior Bonds. See also "APPLICATION OF PROCEEDS" and "CAPITAL PROGRAM." The Series 2007G1-G2 Bonds do not constitute general obligations of the City, the State or any other political subdivision or agency of the State, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2007G1-G2 Bonds. None of the properties of the Airport System has been pledged or mortgaged to secure payment of the Series 2007G1-G2 Bonds.

"Net Revenues" is defined in the Senior Bond Ordinance to mean Gross Revenues of the Airport System remaining after the deduction of Operation and Maintenance Expenses. "Gross Revenues" generally constitutes any income and revenue lawfully derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, whether resulting from an Improvement Project or otherwise, and includes primarily the rentals, rates, fees, and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof. Gross Revenues do not include, among other things, any passenger taxes or other passenger charges, including passenger facility charges ("PFCs"), imposed for the use of the Airport System, except to the extent included as Gross Revenues by the terms of any Supplemental Ordinance. No Supplemental Ordinance has included revenue from any passenger taxes or charges, including PFCs, in the definition of Gross Revenues. "Operation and Maintenance Expenses" means, generally, all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System. For a further description of the application of revenues under the Senior Bond Ordinance and the complete definitions of Gross Revenues and Operation and Maintenance Expenses, see "APPENDIX C – GLOSSARY OF TERMS" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE."

PFC Debt Service Account

The City has, pursuant to the Senior Bond Ordinance, created the PFC Fund within the Airport System Fund and, within the PFC Fund, the PFC Debt Service Account and the PFC Project Account. In addition, pursuant to a Supplemental Ordinance (the "PFC Supplemental Ordinance") approved by the City Council, the City has agreed to deposit a portion of the PFC revenues (generally two-thirds of the PFC received by the City from time to time) in the PFC Debt Service Account and has irrevocably committed a maximum amount of PFCs, to the extent credited to the PFC Debt Service Account, to the payment of Debt Service Requirements on Senior Bonds through December 31, 2013, as further discussed in "FINANCIAL INFORMATION – Passenger Facility Charges – *PFC Debt Service Account; Irrevocable Commitment of Certain PFCs.*"

Bond Insurance

The scheduled payment of principal of and interest on the Series 2007G1-G2 Bonds when due will be guaranteed under the Bond Insurance Policy to be issued concurrently with the delivery of the Series 2007G1-G2 Bonds by the Bond Insurer. See "BOND INSURANCE" and "APPENDIX I – SPECIMEN BOND INSURANCE POLICY."

Rate Maintenance Covenant

The City has covenanted in the Senior Bond Ordinance (the "Rate Maintenance Covenant") to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each Fiscal Year the Gross Revenues, together with Other Available Funds (consisting of transfers from the Capital Fund to the Revenue Fund), will be at least sufficient to provide for the payment of Operation and Maintenance Expenses and for the larger of either (1) the amounts needed for making the required cash deposits to the credit of the several subaccounts of the Bond Fund (except the Redemption Account) and to the credit of the Bond Reserve Fund, the Subordinate Bond Fund and the Operation and Maintenance Reserve Account, or (2) an amount equal to not less than 125% of the aggregate Debt Service Requirements for the Fiscal Year. See "Historical Debt Service Coverage" below and "FINANCIAL INFORMATION – Capital Fund."

If Gross Revenues in any Fiscal Year, together with Other Available Funds, are less than the amounts specified above, upon receipt of the audit report for the Fiscal Year, the Manager is to direct the Airport Consultant to make recommendations as to the revision of the schedule of rentals, rates, fees and charges. Upon receiving these recommendations or giving reasonable opportunity for them to be made, the Manager, on the basis of the recommendations and other available information, is to revise the schedule of rentals, rates, fees and charges for the use of the Airport as may be necessary to produce the required Gross Revenues. The Senior Bond Ordinance provides that if the Manager complies with this requirement, no Event of Default under the Senior Bond Ordinance will be deemed to have occurred even though the Gross Revenues, together with Other Available Funds, are not actually sufficient to provide funds in the amount required for such Fiscal Year.

If the City anticipates that it will not be able to meet the Rate Maintenance Covenant, the City also has the option, in addition to or in lieu of the foregoing, to reduce Operation and Maintenance Expenses or Debt Service Requirements, including irrevocably committing additional amounts to pay Debt Service Requirements. Increasing rentals, rates, fees and charges for the use of the Airport or reducing Operating and Maintenance Expenses would be subject to contractual, statutory and regulatory restrictions as discussed in "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Regulations and Restrictions Affecting the Airport," and could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport less attractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport. However, the Use and Lease Agreements that have been executed between the City and various airlines operating at the Airport (the "Signatory Airlines") acknowledge the existence of the Rate Maintenance Covenant and require such Signatory Airlines to pay any such increased rentals, rates, fees and charges. See also "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements" and "AIRLINE BANKRUPTCY MATTERS – Assumption or Rejection of Agreements."

The term "Debt Service Requirements" in the Senior Bond Ordinance provides that, in any computation required by the Rate Maintenance Covenant, there is to be excluded from Debt Service Requirements amounts that have been irrevocably committed to make such payments. See "APPENDIX C – GLOSSARY OF TERMS." As described in "PFC Debt Service Account" above, the City has irrevocably committed a portion of the moneys collected from PFCs to the payment of Debt Service Requirements on the Senior Bonds through December 31, 2013. This irrevocable commitment means that for purposes of determining compliance with the Rate Maintenance Covenant, the debt service to be paid from irrevocably committed PFCs is excluded from the respective computations and is therefore reflected in the Report of the Airport Consultant as a reduction in the Debt Service Requirements of Senior Bonds in the years 2007 through 2013. In the Report of the Airport Consultant, (1) the Committed Passenger Facility Charges are forecast by the Airport Consultant to be less than the Maximum Committed Amounts (the terms "Committed Passenger Facility Charges" and "Maximum Committed Amounts" being used as defined in "FINANCIAL INFORMATION – Passenger Facility Charges – *Irrevocable Commitment of Certain PFCs to Debt Service Requirements*") in each year of the forecast period, and (2) it is assumed that all of the revenue derived from the additional $1.50 PFC that commenced April 1, 2001 (the "Additional $1.50 PFC"), being PFC revenues that do not constitute Committed Passenger Facility Charges, will be applied by the City either to the payment of a portion of the annual Debt Service Requirements of the Senior Bonds through December 31, 2013, or to the defeasance of Senior Bonds, all as further described in "FINANCIAL INFORMATION – Passenger Facility Charges – *Irrevocable Commitment of Certain PFCs to Debt Service Requirements*." For purposes of the Rate Maintenance Covenant, the amounts forecast to be derived from both the Committed Passenger Facility Charges and all of the Additional $1.50 PFC that is expected to be applied either to the payment of Debt Service Requirements of Senior Bonds in each Fiscal Year through 2013 or to the defeasance of Senior Bonds are therefore reflected in the Report of the Airport Consultant as a reduction in the Debt Service Requirements of Senior Bonds. The amount of such PFC revenues forecast by the Airport Consultant to be so applied to the payment of Debt Service Requirements is set forth in Exhibit C to the Report of the Airport Consultant. See also "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "FINANCIAL INFORMATION – Senior Bonds – Passenger Facility Charges," "REPORT OF THE AIRPORT CONSULTANT," "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE."

Flow of Funds

The application of Gross Revenues is governed by the provisions of the Senior Bond Ordinance, which creates a special fund designated as the "Revenue Fund" and to which the City is required to set aside all Gross Revenues upon receipt. Moneys held in the Revenue Fund are then to be applied and deposited to various other funds and accounts established pursuant to the Senior Bond Ordinance. Gross Revenues in the Revenue Fund are to be applied first to Operation and Maintenance Expenses and then to the Debt Service Requirements on the Senior Bonds. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" for a complete description of the application of Gross Revenues.

The flow of funds under the Senior Bond Ordinance is illustrated on the following page.

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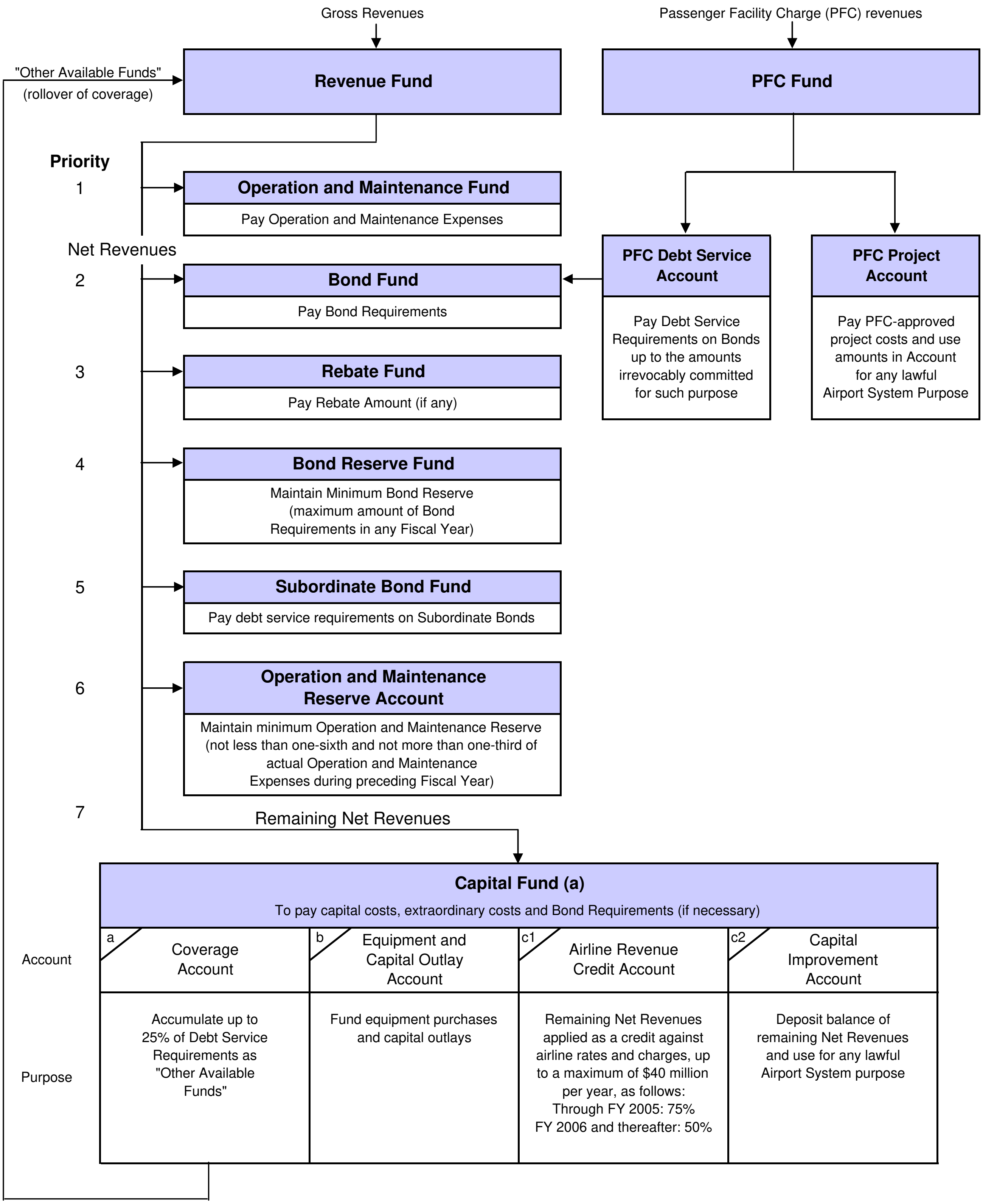
FLOW OF FUNDS UNDER THE SENIOR BOND ORDINANCE



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

Bond Reserve Fund

Amounts on deposit in the Bond Reserve Fund are available to pay debt service on all the Senior Bonds. Pursuant to the Senior Bond Ordinance, the City is required, after making required monthly deposits to the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account of the Bond Fund, to credit Net Revenues to the Bond Reserve Fund in substantially equal monthly installments so as to accumulate the Minimum Bond Reserve, being the maximum annual Debt Service Requirements on outstanding Senior Bonds, within 60 months. The Proposed Amendments would amend the definition of "Minimum Bond Reserve" in certain regards. See "APPENDIX C – GLOSSARY OF TERMS" and "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Upon the issuance of the Series 2007G1-G2 Bonds, an amount at least equal to the Minimum Bond Reserve is expected to be on deposit in the Bond Reserve Fund. The Minimum Bond Reserve with respect to any future series of Senior Bonds may, in the discretion of the City, be accumulated over a period as long as 60 months. Subject to certain limitations, any Supplemental Ordinance may provide for the deposit of a Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, provided that any such Credit Facility is required to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Application of Revenues."

Additional Parity Bonds

The City may issue additional Senior Bonds under the Senior Bond Ordinance ("Additional Parity Bonds") to pay the cost of acquiring, improving or equipping Facilities and to refund, pay and discharge any Senior Bonds, Credit Facility Obligations (as defined herein), Subordinate Bonds (being bonds or other securities or obligations relating to the Airport System payable from Net Revenues and having a lien thereon subordinate and junior to the lien thereon of Senior Bonds) or other securities or obligations. In order to issue Additional Parity Bonds, other than for a refunding of Senior Bonds, the City is required to satisfy certain requirements (the "Additional Bonds Test"), including obtaining various certificates, opinions and a report of an Airport Consultant regarding, among other things, projected compliance with the Rate Maintenance Covenant as described in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Additional Parity Bonds."

The Senior Bond Ordinance provides that Debt Service Requirements on Senior Bonds that are payable from irrevocably committed amounts are excluded from the calculation of Debt Service Requirements for determining compliance with the requirements for the issuance of Additional Parity Bonds. For purposes of the Additional Bonds Test, only Committed Passenger Facility Charges may be considered to be irrevocably committed to the payment of Debt Service Requirements on Senior Bonds. See "PFC Debt Service Account" and "Rate Maintenance Covenant" above, "Historical Debt Service Coverage" below and "FINANCIAL INFORMATION – Senior Bonds – Passenger Facility Charges."

Since the Series 2007G1-G2 Bonds are being issued for the purpose of refunding Senior Bonds, the Additional Bonds Test is not applicable to the issuance of the Series 2007G1-G2 Bonds.

Subordinate Bonds and Other Subordinate Obligations

The City, for and on behalf of the Department, has issued various series of Subordinate Bonds and authorized the issuance of Subordinate Commercial Paper Notes (defined herein), and has also entered into various Subordinate Contract Obligations, Subordinate Credit Facility Obligations and Subordinate Hedge Facility Obligations (all as defined herein), that are secured by a pledge of the Net Revenues on a basis subordinate to the pledge of Net Revenues that secures the Senior Bonds. See "FINANCIAL INFORMATION – Subordinate Bonds and Other Subordinate Obligations."

Historical Debt Service Coverage

Set forth in the following table is a calculation of Net Revenues and debt service coverage of the outstanding Senior Bonds from 2002 through 2006 in accordance with the Rate Maintenance Covenant discussed in "Rate Maintenance Covenant" above. No representation, warranty or other assurance is made or given that historical debt service coverage levels will be experienced in the future.

Historical Net Revenues and Debt Service Coverage of the Senior Bonds
(Amounts in thousands, except coverage ratios, and rounded)

	Fiscal Year Ended December 31				
	2002	**2003**	**2004**	**2005**	**2006**
Gross Revenues[1]	$499,435	$527,567	$543,044	$567,853	$584,613
Operation and Maintenance Expenses[1]	216,791	201,573	220,254	231,733	257,623
Net Revenues	282,644	325,994	322,790	336,120	326,990
Other Available Funds[2]	46,751	50,807	54,849	55,173	49,787
Total Amount Available for Debt Service	$329,395	$376,801	$377,639	$391,293	$376,777
Debt Service Requirements for the Senior Bonds[3,4]	$202,797	$204,897	$221,453	$223,331	$199,151
Debt Service Coverage[4]	162%	184%	171%	175%	189%

1 Gross Revenues and Operation and Maintenance Expenses in this table are determined in accordance with the definitions of such terms in the Senior Bond Ordinance, and are not directly comparable to the information provided in "FINANCIAL INFORMATION – Historical Financial Operations." See "APPENDIX C – GLOSSARY OF TERMS."

2 Other Available Funds is defined in the Senior Bond Ordinance to mean for any Fiscal Year the amount determined by the Manager to be transferred from the Capital Fund to the Revenue Fund; but in no event shall such amount exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year. See "APPENDIX C – GLOSSARY OF TERMS."

3 Debt service is net of capitalized interest, certain PFC revenues and other available funds irrevocably committed to the payment of Debt Service Requirements. See "FINANCIAL INFORMATION – Passenger Facility Charges." Debt service also does not include the debt service on certain Senior Bonds that have been economically defeased in the total principal amount of $144,230,648. See "FINANCIAL INFORMATION – Senior Bonds – Passenger Facility Charges."

4 The calculation of debt service coverage appearing in the financial statements of the Airport System appended to this Official Statement is based upon the combined debt service on both Senior Bonds and Subordinate Bonds and therefore differs from the coverage of debt service on Senior Bonds only as shown in the table.

Sources: Financial statements of the Airport System for Fiscal Years 2002-2006, and Airport management and Department of Aviation management records

Proposed Amendments to the Senior Bond Ordinance

Various amendments to the Senior Bond Ordinance were proposed by the City. Certain of these amendments required the consent of the registered owners of a majority in aggregate principal amount of all Senior Bonds then outstanding under the Senior Bond Ordinance. In July 2005, the City Council adopted a Supplemental Ordinance that approved several, but not all, of the amendments that had been consented to by the requisite amount of the registered owners of the Senior Bonds and those amendments are in effect and have been incorporated in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE."

Certain amendments to the Senior Bond Ordinance that were proposed and consented to by the requisite amount of the registered owners of the Senior Bonds, but not adopted by the City Council, are set forth in "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE." These Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council. The City Council is under no obligation to adopt any of these Proposed Amendments, and no representation is made herein regarding which of the Proposed Amendments, if any, may eventually be adopted. By purchase and acceptance of the Series 2007G1-G2 Bonds, the Owners and Beneficial Owners thereof are deemed to have consented to the adoption of the Proposed Amendments, either in whole or in part, substantially in the form set forth in "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE," and to the appointment of American National Bank as their agent with irrevocable instructions to file a written consent to that effect at the time and place and in the manner provided by the Senior Bond Ordinance.

It is assumed in the Report of the Airport Consultant that any or all of the Proposed Amendments that the City may adopt during the forecast period would not materially change the forecast coverage results presented therein. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

BOND INSURANCE

General

The scheduled payment of principal of and interest on the Series 2007G1-G2 Bonds when due will be guaranteed under the Bond Insurance Policy to be issued concurrently with the delivery of the Series 2007G1-G2 Bonds by the Bond Insurer.

The following information has been furnished by Assured Guaranty Corp. for use in this Official Statement. None of the City, the Department or the Underwriters has reviewed such information or makes any representation as to the accuracy or completeness or as to the absence of material adverse changes therein.

The following information is not complete and reference is made to "APPENDIX I – SPECIMEN BOND INSURANCE POLICY" for a specimen of the Bond Insurance Policy, which includes the procedures for payment thereunder.

Bond Insurance Policy

Assured Guaranty has made a commitment to issue the Bond Insurance Policy relating to the Series 2007G1-G2 Bonds, effective as of the date of issuance of the Series 2007G1-G2 Bonds. Under the terms of the Bond Insurance Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Series 2007G1-G2 Bonds that becomes Due for Payment but is unpaid by reason of Nonpayment by the Issuer (the "Insured Payments"). Insured Payments do not include any additional amounts owing by the City solely as a result of the failure by the Paying Agent to pay such amount when due and payable, including, without limitation, any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification or to any other additional amounts payable by the Paying Agent by reason of such failure. The Bond Insurance Policy is non-cancelable for any reason, including, without limitation, the non-payment of premium.

"Due for Payment" means: when referring to the principal of the Series 2007G1-G2 Bonds, the stated maturity date thereof or the date on which such Series 2007G1-G2 Bonds have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date); and when referring to interest on such Series 2007G1-G2 Bonds, the stated dates for payment of interest.

"Nonpayment" means the failure of the City to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest Due for Payment on the Series 2007G1-G2 Bonds. It is further understood that the term Nonpayment in respect of a Series 2007G1-G2 Bond also includes any amount previously distributed to the holder of such Series 2007G1-G2 Bond in respect of any Insured Payment by or on behalf of the City, which amount has been recovered from such holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty has received a completed notice of Nonpayment therefor in accordance with the terms of the Bond Insurance Policy.

Assured Guaranty will be fully subrogated to the rights of the holders of the Series 2007G1-G2 Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Bond Insurance Policy.

The Bond Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Bond Insurer

Assured Guaranty Corp. is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp. As of December 31, 2006, Assured Guaranty had total admitted assets of $1,248,270,663 (audited), total liabilities of $962,316,898 (audited), total surplus of $285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of $916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, Assured Guaranty had total admitted assets of $1,274,707,293 (unaudited), total liabilities of $1,032,077,892 (unaudited), total surplus of $242,629,401 (unaudited) and total statutory capital (surplus plus contingency reserves) of $933,783,902 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

The following documents are hereby incorporated by reference into this Official Statement and deemed to be a part hereof:

- The consolidated balance sheets of Assured Guaranty as of December 31, 2006 and December 31, 2005 and the related consolidated statements of operations and comprehensive income, of shareholder's equity and of cash flows for each of the three years in the period ended December 31, 2006, prepared in accordance with GAAP, included as Exhibit 99.1 to the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2006 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 28, 2007), as amended by the Form 10-K/A filed by AGL on March 1, 2007;

- The unaudited consolidated balance sheet and statement of shareholder's equity of Assured Guaranty as of and for the period ended March 31, 2007, respectively, and the related consolidated statements of operations and comprehensive income and cash flows for the three months ended March 31, 2007 and March 31, 2006, prepared in accordance with GAAP, included as Exhibit 99.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (which was filed by AGL with the SEC on May 7, 2007);

- The unaudited consolidated balance sheet and statement of shareholder's equity of Assured Guaranty as of and for the period ended June 30, 2007, respectively, and the related consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2007 and June 30, 2006, and the statements of cash flows for the six months ended June 30, 2007 and June 30, 2006, prepared in accordance with GAAP, included as Exhibit 99.1 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 (which was filed by AGL with the SEC on August 9, 2007); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE – The Bond Insurer" will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

All consolidated financial statements of Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2007G1-G2 Bonds will be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019, or by calling Assured Guaranty at (212) 974-0100.

Recent Developments. On October 22, 2007, AGL announced that its third quarter 2007 results include an after-tax unrealized mark-to-market loss on derivatives of $163 million ($221 million before tax), or $2.40 per diluted share, on financial guaranties written in credit default swap form. Approximately 70% of AGL's unrealized mark-to-market loss on derivatives is due to a decline in the market value of high yield and investment grade corporate collateralized loan obligation transactions, with the balance generated by lower market values principally in the residential and commercial mortgage-backed securities markets. The mark-to-market loss does not reflect actual claims or credit losses, nor does it reduce Assured Guaranty's claims-paying resources or its rating agency or regulatory capital positions.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Series 2007G1-G2 Bonds. In addition, Assured Guaranty makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE."

THE LIQUIDITY FACILITY

Except as otherwise described in "Liquidity Facility Not Required in Certain Circumstances" below, at all times during which a Subseries bears interest at a Variable Rate or a Flexible Rate, the City is required to maintain a Liquidity Facility with respect to such Subseries that will provide for payment of the Purchase Price of Tendered Series 2007G1-G2 Bonds of such Subseries that are not remarketed by the Remarketing Agent. No Liquidity Facility is required with respect to a Subseries that bears interest at an Auction Rate or a Fixed Rate. The Subseries 2007G1 Bonds and the Subseries 2007G2 Bonds may be secured by the same Liquidity Facility or by separate Liquidity Facilities and by Liquidity Facilities issued by different Liquidity Facility Providers. The City covenants and agrees that at all times while any Series 2007G1-G2 Bonds are outstanding and bear interest other than at a Fixed Rate or an Auction Rate, if the rating of the Liquidity Facility Provider for a Subseries (if rated by the same) is lowered by any of Moody's, S&P or Fitch below the top two short-term rating categories assigned by such rating agency (without giving effect to numeric or other qualifiers), then the City will obtain a Substitute Liquidity Facility for such Subseries meeting the rating requirement. See "Substitute Liquidity Facilities" below.

The Standby Bond Purchase Agreement

The following is a summary of certain provisions of the Standby Bond Purchase Agreement to be entered into among the City, the Paying Agent and Morgan Stanley Bank, which will constitute the initial Liquidity Facility with respect to both Subseries of the Series 2007G1-G2 Bonds. The following summary does not purport to be a full and complete statement of the provisions of the Standby Bond Purchase Agreement, which should be read in full for a complete understanding of all the terms and provisions thereof. During the offering period of the Series 2007G1-G2 Bonds, copies of the Standby Bond Purchase Agreement may be obtained upon request from the Underwriters. See "The Bank" below for certain information regarding the Bank.

Term. The Standby Bond Purchase Agreement expires by its terms on the later of (1) November 13, 2014, or (2) the last day of any extension of such date as discussed in "*Extension of Stated Expiration Date*" below (the "Stated Expiration Date"); however, if the applicable date is not a Business Day (as defined in the Standby Bond Purchase Agreement), the Stated Expiration Date will be the next succeeding Business Day. The Standby Bond Purchase Agreement may also be terminated prior to its Stated Expiration Date upon the occurrence of certain events as described in "*Termination Events*" and "*Remedies*" below.

General. The Standby Bond Purchase Agreement provides a commitment to purchase, on the terms and conditions set forth therein, Tendered Series 2007G1-G2 Bonds bearing interest at a Weekly Rate or, with the approval of the Bank, a Semiannual Rate, a Term Rate or a Flexible Rate, that are not remarketed by the Remarketing Agent.

The amount of the commitment provided by the Standby Bond Purchase Agreement is equal to the sum of the Available Principal Commitment plus the Available Interest Commitment as follows:

The Available Principal Commitment initially will be the principal amount of each Subseries of the Series 2007G1-G2 Bonds that are outstanding, and thereafter will be such amount as adjusted from time to time as follows: (1) downward by the amount of any mandatory reduction of the Available Principal Commitment as provided in the Standby Bond Purchase Agreement in the event of the redemption or other payment of Series 2007G1-G2 Bonds or conversion of Series 2007G1-G2 Bonds to a Rate Period other than a Variable Rate or a Flexible Rate, (2) downward by the principal amount of any Tendered Series 2007G1-G2 Bonds purchased by the Bank as provided in the Standby Bond Purchase Agreement, and (3) upward by the principal amount of any Tendered Series 2007G1-G2 Bonds theretofore purchased by the Bank that are either remarketed or retained by the Bank; provided that after giving effect to such adjustment the Available Principal Commitment will never exceed $148,500,000. Any adjustment described in clause (1), (2) or (3) above is to occur simultaneously with the event requiring such adjustment.

The Available Interest Commitment initially is (1) as to the Subseries 2007G1 Bonds, the amount equal to 35 days' interest on the Subseries 2007G1 Bonds based on an assumed interest rate of 12% per annum and a 365-day year, and (2) as to the Subseries 2007G2 Bonds, the amount equal to 35 days' interest on the Subseries 2007G2 Bonds based on an assumed interest rate of 12% per annum and a 365-day year. Thereafter the Available Interest Commitment will be amounts (separately for each Subseries) as adjusted from time to time as provided in the Standby Bond Purchase Agreement and as follows: (A) downward by an amount that bears the same proportion to the Available Interest Commitment prior to such reduction as the proportion that the amount of any reduction in the Available Principal Commitment applicable to such Subseries pursuant to clauses (1) or (2) of the definition of "Available Principal Commitment" as described above bears to the Available Principal Commitment applicable to such Subseries prior to such reduction; and (B) upward by an amount that bears the same proportion to the Available Interest Commitment prior to such increase as the proportion that the amount of any increase in the Available Principal Commitment applicable to such Subseries pursuant to clause (3) of the definition of "Available Principal Commitment" as described above bears to the Available Principal Commitment applicable to such Subseries prior to such increase; however, after giving effect to such adjustment, the Available Interest Commitment will never exceed $1,708,768. Any adjustment pursuant to clause (i) or (ii) above shall occur simultaneously with the event requiring such adjustment.

If Tendered Series 2007G1-G2 Bonds are not remarketed by Remarketing Agent on or before the day such Tendered Series 2007G1-G2 Bonds are to be tendered, the Paying Agent is to give the Bank notice as provided in the Standby Bond Purchase Agreement. Upon receipt of such notice, and upon the determination by the Bank that the conditions precedent to purchase specified in the Standby Bond Purchase Agreement have been satisfied, the Bank is to transmit to the Paying Agent in immediately available funds an amount equal to the aggregate purchase price of such Tendered Series 2007G1-G2 Bonds for which remarketing proceeds are not available. For so long as the Series 2007G1-G2 Bonds are held by DTC, Bank Bonds are to be registered in the name of the Bank or other Bank Bondowner to which the Bank has sold Bank Bonds pursuant to the Standby Bond Purchase Agreement. Bank Bonds accrue interest at the Bank Rate or Default Rate (each as defined in the Standby Bond Purchase Agreement), as applicable, and principal of and interest on the Bank Bonds is to be paid as provided in the Standby Bond Purchase Agreement and the Series 2007G1-G2 Supplemental Ordinance.

THE STANDBY BOND PURCHASE AGREEMENT WILL FUND PURCHASES OF TENDERED SERIES 2007G1-G2 BONDS FOR WHICH REMARKETING PROCEEDS ARE NOT

AVAILABLE, AND DOES NOT SUPPORT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SERIES 2007G1-G2 BONDS AS THE SAME BECOME DUE AND PAYABLE. UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, PURCHASES WILL NOT BE MADE UNDER THE STANDBY BOND PURCHASE AGREEMENT AND, THEREFORE, FUNDS MAY NOT BE AVAILABLE TO PURCHASE TENDERED SERIES 2007G1-G2 BONDS THAT ARE NOT REMARKETED BY THE REMARKETING AGENT. THE BOND INSURANCE POLICY DOES NOT GUARANTEE PAYMENT OF THE PURCHASE PRICE OF TENDERED SERIES 2007G1-G2 BONDS. See *"Remedies"* below.

The Standby Bond Purchase Agreement contains certain additional covenants and agreements of the City that are different than those summarized in "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE," the breach of which could constitute events of default under the Standby Bond Purchase Agreement. The covenants and agreements contained in the Standby Bond Purchase Agreement are for the benefit only of the Bank, and may be waived at any time in the sole discretion of the Bank or amended at any time in accordance with the amendment provisions of the Standby Bond Purchase Agreement. Owners of the Series 2007G1-G2 Bonds are not entitled to and should not rely upon any of the covenants and agreements in the Standby Bond Purchase Agreement.

Increase or Reduction of Available Interest Component. From time to time the City, for and on behalf of the Department, may request the Bank to increase or reduce the Available Interest Commitment and, as a result, a corresponding increase or reduction to the Available Commitment, by written notice (an "Increase Request" or "Reduction Notice," respectively) to the Bank (with a copy to the Bond Insurer). Each such Increase Request or Reduction Notice is to specify (1) the proposed effective date of such increase or reduction, which date may not be less than 30 days following the date of the Bank's receipt of such Increase Request or Reduction Notice, and (2) the amount of such requested increase or reduction. If the City, for and on behalf of the Department, provides the Bank with an Increase Request or a Reduction Notice, not more than 15 days following the Bank's receipt thereof, (1) with respect to a Reduction Notice, the Standby Bond Purchase Agreement is to be amended to reflect such decrease to the Available Commitment, or (2) with respect to an Increase Request, the Bank is to give written notice to the City, for and on behalf of the Department, the Paying Agent, the Remarketing Agent and the Bond Insurer of its consent to, or refusal of, such Increase Request. If the Bank consents to such Increase Request, the Standby Bond Purchase Agreement is to be amended to reflect such increase to the Available Commitment. If the Bank does not so notify the City, for and on behalf of the Department, within such 15-day period, the Available Commitment will not be increased.

Termination Events. The Standby Bond Purchase Agreement specifies "Termination Events" thereunder, including both "Immediate Termination Events" and "Notice Termination Events."

"Immediate Termination Events" are defined in the Standby Bond Purchase Agreement as any of the following:

> *Non-Payment of Insured Amounts*. Non-payment by the City of any principal of or interest on the Series 2007G1-G2 Bonds when due and such principal or interest is not paid by the Bond Insurer when, as and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy, or a declaration by the Bond Insurer of a moratorium on the payment of such principal and interest;

> *Bond Insurer Default on other Policies*. Any default by the Bond Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other municipal bond or financial guaranty insurance policy issued by the Bond Insurer that ranks on a parity with the Bond Insurance Policy, which failure shall have continued for five days unless the obligation of the Bond Insurer to pay is being contested by the Bond Insurer in good faith by appropriate proceedings;

Bond Insurer Insolvency. The occurrence of one or more of the following events: (A) the issuance of an order of rehabilitation, liquidation or dissolution of the Bond Insurer; (B) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts (as defined in the Standby Bond Purchase Agreement) under any bankruptcy, insolvency or other similar law now or then in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (C) the commencement against the Bond Insurer of any involuntary case or other proceeding seeking any relief referred to in the preceding clause (B), which case or proceeding shall not have been dismissed within 60 days following the commencement thereof; (D) an assignment by the Bond Insurer for the benefit of creditors; or (E) the inability or failure of the Bond Insurer generally, or any admission by the Bond Insurer in writing of its inability to, pay its Debts or claims when due;

Invalidity or Illegality. In the case of any finding or ruling by any court or Governmental Authority (as defined in the Standby Bond Purchase Agreement) with jurisdiction to rule on the validity of the Bond Insurance Policy that the Bond Insurance Policy is not valid and binding on the Insurer (an "Insurance Policy Invalidity Determination Event"), (A) a court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy enters a final, non-appealable judgment that the Bond Insurance Policy is not valid and binding on the Insurer, or (B) litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy has not been rendered upon the earlier of the Stated Expiration Date or the date that is two years after the occurrence of the Insurance Policy Invalidity Determination Event;

Repudiation or Contest of Bond Insurance Policy. Any written claim by the Bond Insurer that the Bond Insurance Policy is not valid and binding on the Bond Insurer with respect to the payment of principal of or interest on the Series 2007G1-G2 Bonds, any repudiation of the obligations of the Bond Insurer under the Bond Insurance Policy with respect to the payment of principal of or interest on the Series 2007G1-G2 Bonds or the initiation of any legal proceeding to seek an adjudication that the Bond Insurance Policy, with respect to the payment of principal of or interest on the Series 2007G1-G2 Bonds, is not valid and binding on the Bond Insurer (a "Bond Insurer Repudiation Event");

Cancellation or Modification of Bond Insurance Policy. Without the Bank's prior written consent, (A) any substitution of the Bond Insurer as insurer of the Series 2007G1-G2 Bonds, or (B) any surrender, cancellation, termination, amendment or modification of the Bond Insurance Policy then in effect; or

Special Bond Insurer Downgrade. Any reduction of the financial strength rating of the Bond Insurer below "BBB-" by S&P, below "Baa3" by Moody's and below "BBB-" by Fitch.

"Notice Termination Events" are defined in the Standby Bond Purchase Agreement as any of the following:

Bond Insurer Downgrade. Any failure of the Bond Insurer to maintain a financial strength rating by any two of the following three rating agencies equal to "A" (or its equivalent) or higher by S&P, or "A2" (or its equivalent) or higher by Moody's or "A" (or its equivalent) or higher by Fitch;

Non-Payments. Non-payment when due of any fees or other amounts payable under the Standby Bond Purchase Agreement (together with interest thereon at the Default Rate) within ten days after the Bank has delivered written notice to the City, the Paying Agent and the Bond Insurer that the same were not paid when due;

Breaches. Breach by the City of specified covenants in the Standby Bond Purchase Agreement; and

Invalidity of the Standby Bond Purchase Agreement. Any determination that a material provision of the Standby Bond Purchase Agreement or any Related Document (other than the Bond Insurance Policy) at any time for any reason ceases to be valid and binding on the City, for and on behalf of the Department, or any declaration that any provision is null and void, or any contest by the City, for and on behalf of the Department, or by any Governmental Authority having jurisdiction of the validity or enforceability thereof, or any denial by the City, for and on behalf of the Department, that it has any further liability or obligation under any such document, or any cancellation or termination of any such document without the Bank's prior written consent.

Remedies. The following remedies are available to the Bank under the Standby Bond Purchase Agreement upon the occurrence and continuation of any Termination Event thereunder:

Immediate Termination. Subject to the provisions described in "*Suspension*" below, upon the occurrence of an Immediate Termination Event, the Available Commitment and Purchase Period (as defined in the Standby Bond Purchase Agreement) and the obligation of the Bank to purchase Series 2007G1-G2 Bonds will terminate immediately without notice or demand, and thereafter the Bank will be under no obligation to purchase Series 2007G1-G2 Bonds. Promptly upon the Bank's obtaining knowledge of any such Immediate Termination Event, the Bank is to deliver written notice of the same to the Paying Agent, the City, the Remarketing Agent and the Bond Insurer; however, the Bank will incur no liability or responsibility whatsoever by reason of its failure to deliver such notice and such failure will in no manner affect the immediate termination of the Available Commitment and Purchase Period and the Bank's obligation to purchase Series 2007G1-G2 Bonds pursuant to the Standby Bond Purchase Agreement.

Termination with Notice. Upon the occurrence of a Notice Termination Event, the Bank may terminate the Available Commitment and Purchase Period and its obligation to purchase Series 2007G1-G2 Bonds by delivering a Notice of Termination to the Paying Agent, the City, the Remarketing Agent and the Bond Insurer, specifying the date on which the Available Commitment and Purchase Period and its obligation to purchase Series 2007G1-G2 Bonds will terminate, which is to be not less than 30 days from the date such notice is delivered to the Paying Agent, and on and after the effective date of such termination, the Bank will be under no obligation to purchase Series 2007G1-G2 Bonds.

Suspension. Suspension Events consist of either a Bond Insurer Repudiation Event or a Potential Immediate Termination Event, the latter being an event described in "*Termination Events – Bond Insurer Default on other Policies*" or clause (C) of "*Termination Events – Bond Insurer Insolvency*" above prior to the expiration of the grace period provided therein (*i.e.*, before such an event becomes an Immediate Termination Event under the applicable agreement). Upon the occurrence of a Suspension Event, the Bank in its sole discretion may suspend its obligation to purchase Series 2007G1-G2 Bonds immediately without notice or demand, whereupon the Available Commitment will terminate automatically, and thereafter the Bank will be under no obligation to purchase Series 2007G1-G2 Bonds unless and until the Available Commitment is reinstated as provided hereafter. Promptly upon the Bank's obtaining knowledge of any such Suspension Event, the Bank is to deliver written notice of the same to the City, the Paying Agent, the Remarketing Agent and the Bond Insurer; however, the Bank will incur no liability or responsibility whatsoever by reason of its failure to deliver such notice and such failure will in no way affect the suspension of the Bank's obligation to purchase Series 2007G1-G2 Bonds. The Bank's obligation to purchase Series 2007G1-G2 Bonds will terminate immediately and permanently if either (1) after the occurrence of an Insurer Repudiation Event or an Insurance

Policy Invalidity Determination Event either (A) a court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy enters a final, nonappealable judgment that the Bond Insurance Policy is not valid and binding on the Bond Insurer, or (B) litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy has not been rendered upon the earlier of the Stated Expiration Date or the date that is two years after the occurrence of the Insurer Repudiation Event or Insurance Policy Invalidity Determination Event or (2) a Potential Immediate Termination Event becomes an Immediate Termination Event. After the occurrence of any Suspension Event under the Standby Bond Purchase Agreement, the Available Commitment and the Bank's obligation to purchase Series 2007G1-G2 Bonds will be reinstated automatically and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless the Standby Bond Purchase Agreement has otherwise been terminated or suspended by its terms): (1) in the case of a Suspension Event that is an Insurer Repudiation Event or an Insurance Policy Invalidity Determination Event, if a court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy finds or rules that the Bond Insurance Policy is valid and binding on the Bond Insurer, and (2) in the case of a Suspension Event that is a Potential Immediate Termination Event, if such Potential Immediate Termination Event is cured prior to becoming an Immediate Termination Event.

Other Remedies. In addition to the rights and remedies discussed above, upon the occurrence of any Termination Event, upon the election of the Bank: (1) all amounts payable under the Standby Bond Purchase Agreement (other than payments of principal and redemption price of and interest on the Series 2007G1-G2 Bonds or payments of Deferred Bond Interest) will upon notice delivered to the City become immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the City; and (2) the Bank will have all rights and remedies available to it under the Standby Bond Purchase Agreement, the Related Documents, the Bond Insurance Policy or otherwise at law or in equity.

Extension of Stated Expiration Date. The Stated Expiration Date of the Standby Bond Purchase Agreement may be extended from time to time for one or more extension periods by agreement in writing between the Bank and the City. Any such extension is to be requested by the City in the form provided in the Standby Bond Purchase Agreement (an "Extension Request") at least 60 days prior to the Stated Expiration Date thereof then in effect. Within 30 days of its receipt of an Extension Request, the Bank is to provide to the City, the Paying Agent, the Bond Insurer and the Remarketing Agent a notice indicating its decision to extend or not extend the Stated Expiration Date (a "Notice of Extension Decision"). The Bank has no obligation to agree to any extension of the Stated Expiration Date of the Standby Bond Purchase Agreement, and its decision to extend or not to extend such date will be in its sole and absolute discretion. At the time of any extension, the Bank may, in its sole and absolute discretion, renegotiate terms and conditions of the Standby Bond Purchase Agreement, including the commitment fees and the Bank Rate. If, under the terms of the Series 2007G1-G2 Supplemental Ordinance, an extension (giving effect to any such changes in the terms and conditions of the Standby Bond Purchase Agreement) requires the consent of the Bond Insurer, such extension will not become effective unless the Bond Insurer consents thereto. Any failure by the Bank to deliver a Notice of Extension Decision within 30 days of its receipt of an extension request will constitute a decision not to extend the Stated Expiration Date of the Standby Bond Purchase Agreement.

The Bank

The Standby Bond Purchase Agreement will be the obligation of Morgan Stanley Bank. The following information has been provided by the Bank for inclusion in this Official Statement. None of the City, the Department or the Underwriters has reviewed such information or makes any representation as to its accuracy or completeness.

Morgan Stanley Bank is a Utah industrial bank with its principal offices in West Valley City, Utah, and an indirect, wholly owned subsidiary of Morgan Stanley, a Delaware corporation ("Morgan

Stanley"). The Bank's obligations are not guaranteed by Morgan Stanley. As a state chartered nonmember of the Federal Reserve System, the Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation (the "FDIC") and the Utah Department of Financial Institutions.

The Bank's long term ratings are Aa3, AA- and AA- by Moody's, S&P and Fitch, respectively. The Bank's short term ratings are P-1, A-1+ and F1+ by Moody's, S&P and Fitch, respectively. In April 2005, the Bank's outlook was changed from stable to negative by Moody's, as well as by S&P who rated the Bank A+/A-1 at that time, and from stable to ratings watch negative by Fitch. On May 8, 2006, Moody's revised the Bank's outlook from negative back to stable. S&P revised the Bank's outlook from negative back to stable on October 11, 2005, and to positive on October 27, 2006, then upgraded the Bank to AA-/A-1+ on July 30, 2007. On January 30, 2006, Fitch removed the rating watch negative and affirmed the Bank's ratings as stable and then revised the outlook to negative on December 19, 2006 in response to the firm's announcement to spin-off Discover Financial Services.

The Bank files call reports each quarter with the FDIC, which include income statement and balance sheet information. The call reports are publicly available on the FDIC's website at https://cdr.ffiec.gov/public/SearchFacsimiles.aspx. The availability of the Bank's past financial information at this website shall not create any implication that the information contained or referred to herein or therein is correct as of any time subsequent to its date.

Reduction in Amount of a Liquidity Facility

Upon the receipt by the Paying Agent of a written request of the City stating that the amount available under a Liquidity Facility may be reduced in compliance with the Series 2007G1-G2 Supplemental Ordinance, the Paying Agent is to direct or send appropriate notice to the related Liquidity Facility Provider requesting or directing that such amount be reduced and specifying the amount that will thereafter be available under such Liquidity Facility, subject to any requirements of such Liquidity Facility. In no event may a Liquidity Facility be reduced to an amount less than the principal amount of the related Series 2007G1-G2 Bonds then outstanding, plus an amount equal to interest thereon at the interest rate then required by any rating agency then rating the related Series 2007G1-G2 Bonds and the number of days then required by any rating agency then rating the related Series 2007G1-G2 Bonds, unless the City has deposited a Substitute Liquidity Facility with the Paying Agent in accordance with the terms of the Series 2007G1-G2 Supplemental Ordinance as described below, or unless the requirements set forth in "Liquidity Facility Not Required in Certain Circumstances" below are satisfied. In no event may a Substitute Liquidity Facility replace any then current Liquidity Facility only in part. Notwithstanding the foregoing, immediately after payment in full has been made on any Series 2007G1-G2 Bond, either at its maturity date, by optional redemption or otherwise, the Paying Agent is to direct or send appropriate notice to the related Liquidity Facility Provider requesting or directing that the amount available under the related Liquidity Facility be reduced by an amount equal to such principal so paid plus the amount of interest theretofore provided for under such Liquidity Facility on such principal amount.

Substitute Liquidity Facilities

Prior to an Auction Rate Conversion Date or a Fixed Rate Conversion Date for a Subseries, and subject to the terms and provisions set forth in the Liquidity Facility then in effect, a Substitute Liquidity Facility for such Subseries may become effective on any Business Day (a "Liquidity Facility Substitution Date"). The City is to cause a draft of any Substitute Liquidity Facility in substantially final form and a commitment letter with respect thereto to be delivered to the Paying Agent, the Bond Insurer, the Owners and the Remarketing Agent not less than 15 days prior to the proposed Liquidity Facility Substitution Date. On each Liquidity Facility Substitution Date, the City, the Bond Insurer, the Remarketing Agent and the Paying Agent are also to be provided with (1) an opinion of counsel for the Substitute Liquidity Facility Provider regarding the enforceability of such Substitute Liquidity Facility in substantially the form delivered to the Paying Agent upon execution and delivery of the Liquidity Facility then in effect, (2) a Favorable Opinion of Bond Counsel to the effect that the substitution of the Liquidity Facility then in effect will not adversely affect the validity of the related Series 2007G1-G2 Bonds or any exclusion from gross income for federal income tax purposes to which interest on such Series 2007G1-G2 Bonds would otherwise be entitled, and (3) written evidence from each rating agency then maintaining a rating on the related Series 2007G1-G2 Bonds that the ratings on such Series 2007G1-G2 Bonds following the substitution of the Liquidity Facility then in effect will not be reduced below the ratings on such Series 2007G1-G2 Bonds immediately prior to such substitution. No Substitute Liquidity Facility is to become effective unless the then current Liquidity Facility Provider certifies to the City, the Bond Insurer and the Paying Agent that all obligations owing to such Liquidity Facility Provider under the Liquidity Facility have been paid in full.

Each Substitute Liquidity Facility is to provide for the submission of requests for the purchase of the related Tendered Series 2007G1-G2 Bonds that are not remarketed, and the payment of properly submitted requests, with the same timing as that of the Liquidity Facility being replaced, unless each rating agency then maintaining a rating on such Series 2007G1-G2 Bonds accepts some other timing without reducing or withdrawing the then existing ratings on such Series 2007G1-G2 Bonds.

Liquidity Facility Not Required in Certain Circumstances

Series 2007G1-G2 Bonds bearing interest at an Auction Rate or a Fixed Rate are not required to have the benefit of a Liquidity Facility after the Auction Rate Conversion Date or the Fixed Rate Conversion Date, as the case may be, applicable to such Series 2007G1-G2 Bonds.

The Series 2007G1-G2 Bonds are not under any circumstances required to have the benefit of a Liquidity Facility with respect to the payment of the outstanding principal amount of, or interest on, such Series 2007G1-G2 Bonds if, prior to the expiration or termination of the related Liquidity Facility then in effect, there is delivered to the City, the Remarketing Agent, the Bond Insurer and the Paying Agent (1) a Favorable Opinion of Bond Counsel to the effect that the expiration or termination of the Liquidity Facility will not adversely affect the validity of such Series 2007G1-G2 Bonds or any exclusion from gross income for federal income tax purposes to which interest on such Series 2007G1-G2 Bonds would otherwise be entitled, (2) written evidence from each rating agency then maintaining a rating on such Series 2007G1-G2 Bonds that the ratings on such Series 2007G1-G2 Bonds following the expiration or termination of the Liquidity Facility will not be reduced or withdrawn from the ratings on such Series 2007G1-G2 Bonds immediately prior to such substitution or termination; and (3) due notice of such circumstance is given by the Paying Agent to the Owners of such Series 2007G1-G2 Bonds.

Upon satisfaction of the foregoing requirements, (1) the Paying Agent, upon receipt of a written request of the City, is to direct or send appropriate notice to the Liquidity Facility Provider requesting or directing the cancellation of the Liquidity Facility then in effect on the date (the “Liquidity Facility Cancellation Date”) requested by the City in such written request, which date may not be less than 30 days, or such longer or shorter period as is required by such Liquidity Facility for its termination at the request of the City, from the date the Paying Agent receives such written request, and (2) following the date of such cancellation, all related Tendered Series 2007G1-G2 Bonds may be remarketed by the Remarketing Agent without the benefit of a Liquidity Facility until such time, if any, as such Series 2007G1-G2 Bonds are thereafter entitled to the benefits of a Liquidity Facility pursuant to the provisions of the Series 2007G1-G2 Supplemental Ordinance, but only if there is delivered to the City, the Bond Insurer, the Paying Agent and the Remarketing Agent a Favorable Opinion of Bond Counsel to the effect that the execution and delivery of a Liquidity Facility will not adversely affect the validity of such Series 2007G1-G2 Bonds or any exclusion from gross income for federal income tax purposes to which interest on such Series 2007G1-G2 Bonds would otherwise be entitled.

THE REMARKETING AGREEMENT

The Series 2007G1-G2 Supplemental Ordinance provides that at all times during which a Subseries of the Series 2007G1-G2 Bonds bears interest at Variable Rate or a Flexible Rate, the City is required to maintain a Remarketing Agent with respect to such Subseries. No Remarketing Agent is required with respect to a Subseries bearing interest at an Auction Rate (except as may be required to convert such Subseries to a Variable Rate, a Flexible Rate or a Fixed Rate) or at a Fixed Rate (except as may be required to convert such Subseries to a Fixed Rate). Pursuant to the Series 2007G1-G2 Supplemental Ordinance, a Remarketing Agreement is to be entered into with respect to each Subseries of the Series 2007G1-G2 Bonds between the City and the Remarketing Agent for such Subseries. Initially, Bear, Stearns & Co. Inc. will serve as the Remarketing Agent for the Subseries 2007G1 Bonds and UBS Securities LLC will serve as the Remarketing Agent for the Subseries 2007G2 Bonds pursuant to separate Remarketing Agreements with the City.

The following is a summary of certain provisions of the Remarketing Agreements to be entered into between the initial Remarketing Agents and the City with respect to the Series 2007G1-G2 Bonds. The Remarketing Agreements are identical except as to the Subseries of the Series 2007G1-G2 Bonds to which they relate. The following summary does not purport to be a full and complete statement of the provisions of the Remarketing Agreements, which should be read in full for a complete understanding of all the terms and provisions thereof. During the offering period of the Series 2007G1-G2 Bonds, copies of the Remarketing Agreements may be obtained upon request from the Underwriters.

The Remarketing Agent agrees to perform the duties and obligations imposed upon it as Remarketing Agent under the Series 2007G1-G2 Supplemental Ordinance and the Remarketing Agreement and agrees particularly (1) to determine the Interest Rates and, if applicable, the Flexible Rate Periods, and give notice of such determinations in accordance with the Series 2007G1-G2 Supplemental Ordinance; (2) to keep such books and records with respect to its duties as Remarketing Agent as is consistent with prudent industry practice and to provide to the City such reports regarding the interest rates and, if applicable, the Flexible Rate Periods, as the City may reasonably request; (3) to use its best efforts to remarket the related Series 2007G1-G2 Bonds in accordance with the requirements of the Series 2007G1-G2 Supplemental Ordinance; and (4) to hold all moneys delivered to it under the Series 2007G1-G2 Supplemental Ordinance for the benefit of the person that has delivered such moneys until the Series 2007G1-G2 Bonds purchased with such moneys are delivered to the account of such person. The Remarketing Agent is not required to purchase any related Tendered Series 2007G1-G2 Bonds for its own account.

The Remarketing Agent may be removed at any time by the City by giving at least 30 days' notice thereof to the Remarketing Agent, the Paying Agent and the related Liquidity Facility Provider. In addition, the Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Remarketing Agreement and the Series 2007G1-G2 Supplemental Ordinance by giving at least 30 days' written notice thereof to the City, the Paying Agent and the related Liquidity Facility Provider; provided, however, that the Remarketing Agent may suspend its remarketing efforts if it determines, in its reasonable judgment, that: (1) it is impracticable or inadvisable to remarket the Series 2007G1-G2 Bonds because of the occurrence of an event that materially adversely affects the market price of the Series 2007G1-G2 Bonds, including, without limitation, (a) a pending or proposed change in laws affecting the exclusion from gross income of interest on the Series 2007G1-G2 Bonds or the exemption of such Series 2007G1-G2 Bonds or the Series 2007G1-G2 Supplemental Ordinance from registration or qualification under the federal securities laws, (b) a material adverse change in the financial condition or business operations of the City or the related Liquidity Facility Provider, (c) a banking moratorium, (d) the outbreak or escalation of hostilities or other national or international calamity or crisis, (e) a reduction in the rating of such Series 2007G1-G2 Bonds or (f) an imposition of material restrictions on trading of such Series 2007G1-G2 Bonds or similar obligations; or (2) this Official Statement contains a material misstatement or omission. Otherwise, the Remarketing Agreement is to remain in effect until the earlier of the first day that all Series 2007G1-G2 Bonds are converted to an Auction Rate or a Fixed Rate or the payment in full of the Series 2007G1-G2 Bonds.

It is the express intention of the City, the Paying Agent and the Remarketing Agent that no purchase, sale or transfer of any Series 2007G1-G2 Bonds pursuant to the Remarketing Agreement constitute or be construed to be the extinguishment of any Series 2007G1-G2 Bonds or the indebtedness represented thereby, or the reissuance of any Series 2007G1-G2 Bonds or the refunding of any indebtedness represented thereby. The Remarketing Agent, either as principal or agent, may buy, sell, own, hold and deal in any of the Series 2007G1-G2 Bonds, and may join in any action that any Owner of the Series 2007G1-G2 Bonds may be entitled to take with like effect as if it did not act in any capacity under the Remarketing Agreement. The Remarketing Agent, either as principal or agent, also may engage in or be interested in any financial or other transaction with the City and may act as depository, trustee, or agent for any committee or body of Owners of the Series 2007G1-G2 Bonds or other obligations of the City as freely as if it did not act in capacity under the Remarketing Agreement or the Series 2007G1-G2 Supplemental Ordinance.

RISKS AND OTHER INVESTMENT CONSIDERATIONS

The purchase and ownership of Beneficial Ownership Interests in the Series 2007G1-G2 Bonds involve investment risk and considerations. Prospective investors are urged to read this Official Statement in its entirety. The factors set forth below, among others, may affect the security for the Series 2007G1-G2 Bonds.

Limited Description of Series 2007G1-G2 Bonds

This Official Statement describes the Series 2007G1-G2 Bonds only while bearing interest at a Variable Rate or a Flexible Rate and subject to the DTC book-entry only system. Existing Owners of the Series 2007G1-G2 Bonds should not rely on this Official Statement for information in connection with a Subseries converted to an interest rate mode other than a Variable Rate or a Flexible Rate, but should look solely to the offering document to be used in connection with any such change in interest rate mode.

Risks Related to the Standby Bond Purchase Agreement

General. The Bond Insurance Policy does not guarantee payment of the purchase price of Tendered Series 2007G1-G2 Bonds. With certain exceptions, so long as any of the Series 2007G1-G2 Bonds bear interest at a Flexible Rate or at a Variable Rate, the Bank is obligated under the Standby Bond Purchase Agreement to purchase Tendered Series 2007G1-G2 Bonds that are not remarketed; however, upon the occurrence of certain Termination Events thereunder relating to the Bond Insurer, the Bank's obligation to purchase Tendered Series 2007G1-G2 Bonds may be suspended or terminated. In such event, unless and until the City provides a Substitute Liquidity Facility as described in "THE LIQUIDITY FACILITY – Substitute Liquidity Facilities," the Series 2007G1-G2 Bonds will not have the benefit of a Liquidity Facility and the Owners of the Series 2007G1-G2 Bonds may be required to hold such Series 2007G1-G2 Bonds to maturity or prior redemption. See "THE LIQUIDITY FACILITY – The Standby Bond Purchase Agreement – *Termination Events – Remedies*."

The Purchase Price of Tendered Series 2007G1-G2 Bonds is payable first from remarketing proceeds and then, if necessary, pursuant to the related Liquidity Facility. If amounts from these sources are insufficient, the Tendered Series 2007G1-G2 Bonds are then payable from the Net Revenues. There can be no assurance that Net Revenues of the Airport System would be available for such purpose. The Series 2007G1-G2 Supplemental Ordinance provides that if funds available for the purchase of all Tendered Series 2007G1-G2 Bonds on any purchase date are insufficient, no Event of Default under the Senior Bond Ordinance will result. Rather, the Tendered Series 2007G1-G2 Bonds are not to be purchased and the Paying Agent is required to return all such Tendered Series 2007G1-G2 Bonds to the

Owners thereof. See "THE SERIES 2007G1-G2 BONDS – Tenders." Consequently, Owners could be required to hold such Tendered Series 2007G1-G2 Bonds to maturity or prior redemption, if any.

The availability of Net Revenues to pay the Purchase Price of Tendered Series 2007G1-G2 Bonds or the Debt Service Requirements on the Series 2007G1-G2 Bonds and other outstanding Senior Bonds is subject to various risks as discussed hereafter.

Performance by the Paying Agent. Performance by the Bank of its obligations under the Standby Bond Purchase Agreement is subject to the satisfaction of certain conditions by the Paying Agent as set forth therein. Owners of the Series 2007G1-G2 Bonds will therefore be dependent upon the Paying Agent to properly satisfy such conditions before they will receive the benefit of the Standby Bond Purchase Agreement. Furthermore, the question of whether the Paying Agent has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat any action to enforce the Standby Bond Purchase Agreement.

Expiration of the Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement has an initial stated expiration date of November 13, 2014, but may be terminated sooner upon the occurrence of certain Termination Events as provided therein. Upon the termination of the Standby Bond Purchase Agreement, if a Substitute Liquidity Facility is not obtained by the City, the affected Series 2007G1-G2 Bonds will be subject to mandatory tender for purchase as described in "THE SERIES 2007G1-G2 BONDS – Tenders – *Mandatory Tenders*." There can be no assurance that the City will be able to obtain extensions of the Standby Bond Purchase Agreement or to obtain a Substitute Liquidity Facility if necessary. The Bank is under no obligation to extend the Standby Bond Purchase Agreement beyond the stated expiration date thereof. See generally "THE LIQUIDITY FACILITY – The Standby Bond Purchase Agreement."

Obligations of the Bank Unsecured. The ability of the Bank to honor the Standby Bond Purchase Agreement is based solely upon the general credit of the Bank, and is not collateralized or otherwise guaranteed by the United States of America, any agency or instrumentality thereof or any other governmental or non-governmental entity. Neither the City nor the Bank assumes any liability to any Owner or Beneficial Owner of the Series 2007G1-G2 Bonds as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Paying Agent or the City against the Bank would be subject to bank receivership proceedings. No insurance proceeds from the Federal Deposit Insurance Corporation or any other governmental agency, instrumentality or authority will be available to purchase the Series 2007G1-G2 Bonds in the event of a default by the Bank under the Standby Bond Purchase Agreement.

General Factors Affecting the Bank. The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would affect its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers should evaluate the financial strength of the Bank based upon the information contained in and referred to in "THE LIQUIDITY FACILITY – The Bank" and other information available upon request from the Bank, and should not rely upon any governmental supervision by any regulatory entity.

Default by the City Under the Standby Bond Purchase Agreement. Upon the occurrence of any Termination Event under the Standby Bond Purchase Agreement, the Bank has the right to cause a mandatory tender or acceleration, to the extent permitted under the Series 2007G1-G2 Supplemental Ordinance, of any and all of the Series 2007G1-G2 Bonds. See "THE SERIES 2007G1-G2 BONDS –

Tenders – *Mandatory Tenders*" and "THE LIQUIDITY FACILITY – The Standby Bond Purchase Agreement – *Termination Events – Remedies*."

Dependence on Continued Level of Airline Traffic and Activity

The Series 2007G1-G2 Bonds are payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the Senior Bond Ordinance. The City also has irrevocably committed a portion of its PFC revenues to the payment of Debt Service Requirements on the outstanding Senior Bonds, including the Series 2007G1-G2 Bonds, through 2013. Both Gross Revenues and PFCs are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. The future level of aviation activity and enplaned passenger traffic at the Airport will be dependant upon many local, regional, national and international factors, including economic and political conditions, aviation security concerns and, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline consolidation and alliances, availability and price of aviation and other fuel and capacity of the national air traffic control system and of the Airport. Many of these factors are discussed in detail in the Report of the Airport Consultant. If aviation activity at the Airport does not meet forecast levels, there will likely be a corresponding impact on both forecast Gross Revenues (absent an increase in Airport rentals, rates, fees and charges) and forecast PFC revenues. See "Air Travel Security Concerns" below, "AVIATION ACTIVITY AND AIRLINES" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Key Factors Affecting Future Airline Traffic."

Market Share Risk

The United Group, consisting of United, its low-fare Ted unit and its United Express commuter affiliates, is the principal air carrier operating at the Airport. United currently leases all 43 of the full service jet gates on Concourse B, constituting approximately 45.3% of the current 95 full service jet gates at the Airport, as well as the regional jet facility on the east end of Concourse B. The United Group also currently accounts for over 50% of (1) passenger enplanements at the Airport and (2) the airline rentals, fees and charges component of the Airport System's operating revenues and over 30% of Airport System Gross Revenues. After the United Group, the Frontier Group is the next largest air carrier operating at the Airport, currently accounting for approximately 20.7% of passenger enplanements at the Airport, and approximately 13.0% of airline rentals, fees and charges component of the Airport System's operating revenues and approximately 6.9% of the Airport System's Gross Revenues.

Except for the United Group and the Frontier Group, no airline has accounted for more than 5% of either passenger enplanements at the Airport, the airline rentals, fees and charges component of the Airport System's operating revenues or the Airport System's Gross Revenues. No assurances can be given with regard to the future level of activity of the United Group or the Frontier Group at the Airport, or that, in the event that the operations of the United Group or the Frontier Group at the Airport are reduced or discontinued, for whatever reason, such operations would be replaced by other carriers. See "AVIATION ACTIVITY AND AIRLINES – Aviation Activity – Airline Information – *United – Frontier – Southwest – Other Airlines*," "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

Airport Rates and Charges

The Report of the Airport Consultant bases the forecasts of Net Revenues and Other Available Funds, debt service coverage and airline costs per enplaned passenger on the assumption that the airlines will pay the rates and charges established by the City, and while the City believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable, no assurance can be given that challenges will not be made to the rates and charges established by the City or its method of allocating particular costs. See "The Rate Maintenance Covenant" below, "SECURITY AND SOURCES OF PAYMENT – Rate Maintenance Covenant" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – FORECAST DEBT SERVICE COVERAGE – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – FINANCIAL ANALYSIS – Debt Service Coverage" for historical and forecast debt service coverage, as well as "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement."

Regulations and Restrictions Affecting the Airport

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations, including, without limitation, the provisions of the Use and Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all domestic airports. See, for example, "AVIATION ACTIVITY AND AIRLINES – Security Matters." It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City or whether such restrictions or legislation or regulations would adversely affect Gross Revenues. See also "AGREEMENTS FOR USE OF AIRPORT FACILITIES" and "FINANCIAL INFORMATION – Passenger Facility Charges – *Federal Grants and Other Funding*."

Airport Use and Lease Agreements

A significant portion of Gross Revenues is derived from the Use and Lease Agreements. Pursuant to the Use and Lease Agreements, each Signatory Airline has agreed to pay the rates and charges for its use of the Airport. The United Use and Lease Agreement expires in 2025, and the other existing Use and Lease Agreements expire between 2008 and 2012, but may be terminated by the City or by a Signatory Airline, including United, under certain circumstances. No representations are made herein regarding whether additional Use and Lease Agreements will be executed or with respect to extensions or terminations thereof. See "Risk of Future Airline Bankruptcies" below and "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement."

Air Travel Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Key Factors Affecting Future Airline Traffic – *Aviation Security Concerns*."

Risk of Future Airline Bankruptcies

Since 2001, several airlines with operations at the Airport, including United, filed for bankruptcy protection, although with the exception of Midway Airlines and Vanguard Airlines, which eventually ceased operations, all of these airlines have reorganized and emerged from bankruptcy protection. Additional bankruptcies, liquidations or major restructurings of airlines with operations at the Airport could occur in the future; however, the City cannot predict the extent to which any such events would impact the ability of the Airport to pay the outstanding Senior Bonds, including the Series 2007G1-G2 Bonds. See "AIRLINE BANKRUPTCY MATTERS" for a discussion of various impacts to the Airport of an airline bankruptcy.

Forward Looking Statements; Report of the Airline Consultant

This Official Statement, including particularly the 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," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," "assume" 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. See "FORWARD LOOKING STATEMENTS," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Airline Traffic Forecasts – Assumptions."

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that the assumptions contained in the Report of the Airport Consultant will occur. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material.

THE AIRPORT SYSTEM

General

The Airport System is owned by the City, and the power to operate, maintain and control the Airport System is vested in the Department. The City by ordinance has designated the Department as an "enterprise" within the meaning of the Colorado Constitution, with the authority to issue its own revenue bonds or other financial obligations in the name of the City.

The primary asset of the Airport System is the Airport, which opened on February 28, 1995, and replaced Stapleton. The Airport System also includes certain land still owned by the City at the Stapleton site. See "FINANCIAL INFORMATION – Stapleton."

The Airport serves as the primary air carrier airport for the Rocky Mountain region, and according to statistics compiled by Airports Council International, was ranked as the 5th busiest airport in the nation and the 10th busiest airport in the world based on total passengers in 2006. See "AVIATION ACTIVITY AND AIRLINES."

Management

Under the City Charter, the management, operation and control of the Airport System are delegated to the Department of Aviation under the direction of a Manager appointed by and responsible directly to the Mayor. The Manager of Revenue, appointed by the Mayor, currently is the Chief Financial Officer and *ex-officio* Treasurer of the City and is responsible for the issuance of Airport System debt and for the investment of Airport System funds. At a special municipal election held on November 7, 2006, the City's electors approved certain changes to the City Charter, to take effect on January 1, 2008, that created a new Department of Finance and the position of Manager of Finance, replacing the Department of Revenue and the Manager of Revenue. The newly created Department of Finance consolidates all of the City's financial operations in one department, including the management of the debt and financial obligations of the City.

Turner West was appointed Manager of the Department of Aviation in April 2006 after having served as Co-Manager of the Department of Aviation since July 2003, Deputy Manager of

Aviation/Maintenance and Engineering since October 2000, Acting Deputy Manager of Aviation/Maintenance and Engineering since July 1999 and Deputy Manager of Aviation/Maintenance since September 1985. Mr. West has 35 years of aviation industry experience, including 18 years of airline management experience. Prior to joining the City, Mr. West was with Frontier Airlines from 1979 to 1985, Texas International Airlines from 1978 to 1979, Otis Engineering Corp., a subsidiary of Halliburton Co., from 1975 to 1978 and Braniff International Airways from 1966 to 1975.

Mr. West recently announced his intention to retire from his position as Manager of the Department of Aviation in the spring of 2008. The City intends to conduct an international search for a new Manager of the Department of Aviation.

Claude Pumilia was appointed the City's Chief Financial Officer and Manager of Revenue in April 2007, and is to officially begin serving as the Manager of Finance on January 1, 2008. Mr. Pumilia has over 15 years of experience as a senior financial and business executive at the Fortune 100 companies of Compaq Computer Corp., Hewlett-Packard Co. and, most recently, CA Inc., where he served as senior vice president of finance. Prior to working for these companies, Mr. Pumilia served as a strategy consultant with McKinsey & Company Inc., an associate at the law firm of Baker & Botts and an associate at Anderson Consulting.

Cheryl Cohen-Vader was appointed Chief Deputy Manager of Aviation in April 2006 after having served as Manager of Revenue for the City since January 1996. Ms. Cohen-Vader has over 21 years of professional experience in commercial and investment banking. Prior to her appointment as Manager of Revenue, she served as an investment banker in the public finance divisions of Kirkpatrick Pettis Smith Polian, Inc. (now D.A. Davidson & Co.), Weldon Sullivan Carmichael & Company and Citicorp Securities. From 1977 to 1981, Ms. Cohen-Vader worked as a corporate lending officer in the international division of the Bank of New York where she specialized in trade financing. Ms. Cohen-Vader served, as one of five public members, on the Municipal Securities Rulemaking Board for a three year period that commenced October 1, 1998.

Stan Koniz, a Certified Public Accountant, became Deputy Manager of Aviation/Business and Technologies in December 2006, having served in this position in an acting capacity since February 2005. Mr. Koniz had previously served as Assistant Deputy Manager of Aviation/Finance since August 1999. Prior to joining the City, Mr. Koniz worked for the Cyprus Amax Coal Company since 1997 in the positions of Market Development Manager and Vice President Customer Alliances. From 1981 through 1997, Mr. Koniz was a senior level financial manager with Public Service Company of Colorado where he held management positions in the accounting and procurement/contract administration areas.

Patrick Heck became Manager of Aviation/Revenue Management and Business Development in October, 2007, after having served as Acting Deputy Manager of Aviation/Revenue Management and Business Development since June, 2007, and Strategic Advisor for the Airport since August, 2006. Prior to joining the City, Mr. Heck held various positions with United Airlines at the Flight Training Center in Denver, including Senior Financial Analyst, Manager of Scheduling and Director of Sales and Marketing.

Sally Covington became Deputy Manager of Aviation/Public Relations and Marketing in February 2006 after having served as Acting Deputy Manager of Aviation/Public Relations and Marketing since August 2003 and Director of Marketing and Air Service Development for the Airport. Ms. Covington has more than 21 years of experience in marketing and communications. Prior to joining the City, she was vice president of marketing for the Higher Education and Advanced Technology Center in Denver. Ms. Covington has held positions in Texas, including Dean of External Affairs for a state college, and worked in the Texas State Senate.

John Kinney, C.A.E., C.M., became Deputy Manager of Aviation/Operations in November 2006 after having served as Strategic Advisor for the Airport since September 2005. Prior to joining the City, Mr. Kinney has been actively involved in the management of airports for the past 23 years, serving in a variety of senior management functions at both commercial service and general aviation airports. Mr.

Kinney was the airport director at Scottsdale Airport for 10 years after which he served the Department of Homeland Security in Chicago and throughout Montana in senior management positions as the Federal Security Director and Assistant Federal Security Director.

Ruth Rodriguez became Deputy Manager of Aviation/Maintenance and Engineering in October 2006, after having spent the prior 32 years in public and private management. Ms. Rodriguez has been a senior executive manager for local, county and federal government agencies and has worked in the private sector as an executive consultant and community development manager.

Helen Raabe, Esq., became Director of the Airport Legal Services Section of the City Attorney's Office in February 2004. As supervising attorney for the Airport, Ms. Raabe is responsible for managing the legal staff and representing the Airport in various matters related to aviation, airport finance, real estate and concessions. Ms. Raabe has been with the Denver City Attorney's Office for 19 years. She was previously a trial attorney at the law firm of Coghill & Goodspeed in Denver and also served as a law clerk for the Honorable Richard P. Matsch, U.S. District Court for the District of Colorado.

DENVER INTERNATIONAL AIRPORT

The Airport site encompasses approximately 53 square miles located about 24 miles northeast of Denver's central business district. The passenger terminal complex is reached via Peña Boulevard, a 12-mile dedicated access road from Interstate 70.

Airfield

The Airport's airfield includes six runways and related aircraft parking ramps, taxiways and perimeter taxiways. Five of the Airport's runways are 12,000-feet long by 150-feet wide, and the sixth runway is 16,000-feet long by 200-feet wide, making it the longest commercial service precision-instrument runway in North America. The airfield can accommodate fully loaded jumbo jets and large airliners, including the Airbus A-380, and can provide unrestricted global access for any airline using the Airport. Four of the Airport's runways have north/south alignments and two have east/west alignments, and are able to accommodate simultaneous parallel arrivals during poor weather conditions when instrument flight rules are in effect. The runway/taxiway lighting system, with lights embedded in the concrete pavement to form centerlines and stopbars at intersections, also allows air traffic controllers to guide pilots and direct them through the airfield during periods of poor visibility. The airfield has substantial expansion capabilities, having been designed to accommodate up to 12 runways. See also "CAPITAL PROGRAM" for a discussion of the airfield maintenance and improvements planned for the Airport.

Airfield facilities also include a Federal Aviation Administration ("FAA") air traffic control tower and base building structures, an airport maintenance complex, four "rapid response" aircraft rescue and firefighting stations, de-icing pads, glycol storage/distribution/collection/recycling facilities and a hydrant fueling system. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Systems Leases."

Terminal Complex

The passenger terminal complex consists of (1) a landside terminal, (2) three airside concourses having a total of 95 full service jet gates and 64 commuter aircraft parking positions consisting of 34 regional jet positions, including the newly completed Concourse B Commuter Facility Project described below and 30 positions on Concourse A currently being used by Great Lakes Aviation and (3) the Airport Office Building. The number of full service jet gates at the Airport is planned to be increased by 10 additional gates and the number of commuter aircraft parking positions is planned to be increased by 23 additional positions, all as part of the Concourse C Expansion Project discussed under "CAPITAL PROGRAM." The terminal and concourses are connected by an underground automated guideway transit system, or "AGTS," and an elevated walkway connects the terminal with the Airport Office Building and Concourse A. A shuttle bus system also is available for the emergency transportation of passengers between the landside terminal and Concourses B and C.

The landside terminal encompasses approximately 1.2 million square feet (exclusive of international customs facilities, terminal support area and mechanical/electrical space), and includes ticketing, baggage system facilities, including federal explosive detection systems installed "in-line" for the screening of checked baggage, passenger drop off/pick up, ground transportation, concessions and other general passenger support services. Concourse A, nearest the terminal, encompasses approximately 1 million square feet and includes 30 full service jet gates, of which 8 gates are configured for international flights, as well as facilities dedicated to commuter airline operations. Concourse B encompasses approximately 1.7 million square feet and includes 43 full service jet gates plus facilities dedicated for commuter airline operations. The commuter aircraft facilities on Concourse B have been improved recently in order to accommodate larger regional jet aircraft and provide various enhancements for passengers (the "Concourse B Commuter Facility Project"). The Concourse B Commuter Facility Project was opened in the spring of 2007. A portion of the costs of the Concourse B Commuter Facility Project was paid from the proceeds of the Tax-Exempt Commercial Paper Notes that were refunded by a portion of the net proceeds of the Series 2007A Bonds and the Series 2007B Bonds. Concourse C encompasses approximately 690,000 square feet and currently includes 22 full service jet gates to be increased by 10 additional full service jet gates as part of the Concourse C Expansion Project and commuter aircraft facilities to be expanded as part of the Concourse C Expansion Project. The Airport was designed to facilitate expansion to more than 200 full service jet gates either through lengthening of the existing concourses or the construction of two additional concourses. Approximately 60 different concessionaires currently operate in excess of 140 shops within the terminal complex. For a discussion of the airline leases for gates on the concourses and space in the terminal, see "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement – Other Agreements – *Terminal Complex Concessions*."

Two multi-level parking structures adjacent to the landside terminal provide in excess of 12,000 public parking spaces, and both close-in and remote surface parking lots provide in excess of 27,000 additional parking spaces. A 1,714 parking space expansion of the west-side terminal parking structure (the "West/Terminal Parking Project") is under construction. This expansion is currently scheduled to be opened in December 2007. A portion of the costs of the West/Terminal Parking Project was paid from the proceeds of the Tax-Exempt Commercial Paper Notes that were refunded by a portion of the net proceeds of the Series 2007A Bonds and the Series 2007B Bonds. The 2008-2013 Capital Program includes plans to construct a future public parking structure and shuttle lot. See "CAPITAL PROGRAM" and "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Other Agreements – *Public Parking*."

In April 2006, the City announced the award of a contract to CMCB Development Co. of Denver ("CMCB") to develop a 17-acre retail development along Peña Boulevard, the major access highway to the Airport, near the Airport's 45 minute waiting area. The development, known as the "Landings at DIA," will incorporate the waiting area and constitutes the first phase in a planned 500-acre development that is designed to provide additional revenue to the Airport. CMCB will lead the development, with SullivanHayes Brokerage as leasing agent. The City recently entered into a related ground lease with the developers of this project. Groundbreaking for the project is expected to occur in early 2008, with phase one of the project expected to be built out by the third quarter of 2008.

Request for Proposal for Airport Hotel

In June 2007 the City received several proposals from qualified participants in response to its Request for Proposal for the Hotel at Jeppesen Terminal (the "Hotel RFP"). The Hotel RFP sought the proposal to the City of structures to own, manage, finance and/or construct a first-class hotel property (the "Airport Hotel") to be located immediately adjacent and attached to the terminal complex at the Airport, on land owned by the City. The City is in the process of evaluating the proposals received and cannot predict when or if it will complete a final agreement with any particular qualifying proposer for the construction and operation of an Airport Hotel.

Other Facilities

Various other facilities at the Airport include general aviation facilities, remote facilities for the customer service and vehicle maintenance operations of rental car companies, facilities constructed and used by cargo carriers, a U.S. Postal Service sorting and distribution facility and the WorldPort at DIA Project, consisting of warehousing, office and distribution facilities and related infrastructure. Also located at the Airport are support facilities for United, including aircraft and ground support equipment maintenance and air freight facilities, and a flight kitchen built by United and subleased to Dobbs International Services and support facilities originally built for Continental Airlines ("Continental") and financed in part from a portion of the proceeds of the Series 1992C Bonds, including aircraft and ground support equipment maintenance, air freight and flight kitchen facilities, portions of which are currently being subleased to other users by Continental. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Other Building and Ground Leases" and "FINANCIAL INFORMATION – Senior Bonds – Special Facilities Bonds."

CAPITAL PROGRAM

2007 Project; 2008-2013 Capital Program

It is the City's practice to develop a capital program for the Airport System and reevaluate the capital needs of the Airport System on a regular basis. See "FINANCIAL INFORMATION – Historical Financial Operations – Management's Discussion and Analysis of Financial Performance."

The City has a current Capital Program for the Airport that represents the City's expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities in 2007 and in the six-year period from 2008 through 2013. The Concourse B Commuter Facility Project was opened in the spring of 2007 and the West/Terminal Parking Project is currently scheduled to be opened in December 2007, all as described in "DENVER INTERNATIONAL AIRPORT – Terminal Complex." A portion of the costs of the Concourse B Commuter Facility Project and the West/Terminal Parking Project was initially financed with the proceeds of the Tax-Exempt Commercial Paper Notes and available Airport System moneys. The six-year capital program developed for the Airport for the years 2008 through 2013 (the "2008-2013 Capital Program") is set forth in the following table. The Airport System's capital needs between 2007 and 2013 are estimated to cost $1.2 billion and are expected to be financed with a combination of Airport System Revenue Bonds, Commercial Paper Notes, installment purchase agreements, federal grants and Airport System moneys.

The 2007 Project for the Airport to be funded in part with the net proceeds of the Series 2007A Bonds, Series 2007B Bonds, Series 2007D Bonds, Series 2007D2 Bonds and Series 2007E Bonds includes the Concourse B Commuter Facility Project and the West/Terminal Parking Project (including refunding the outstanding Tax-Exempt Commercial Paper Notes and reimbursing available Airport System moneys spent on such projects), improvements to the Airport baggage systems to increase the efficiency of airline operations and the Concourse C Expansion Project.

Denver International Airport
2008-2013 Capital Program Projects
(Amounts expressed in 000's; totals may not add due to rounding)

	2008	2009	2010	2011	2012	2013	Total
Airfield Improvements	$ 39,332[1]	$ 27,901	$27,901	$ 27,901	$27,045	$27,045	$177,125
Terminal and Concourse Improvements							
Terminal Projects	36,610[1]	14,224	10,123	54,923	3,373	3,373	122,626
Concourse Projects	291,000[1]	29,171	6,761	5,597	5,597	3,497	341,621
Central Plant Projects	11,133	3,000	--	--	--	--	14,133
Baggage System Projects	13,750[1]	51,300	29,300	300	300	300	95,250
Train System Projects	8,250	200	200	200	8,200	9,000	26,050
Roads, Parking and Ground Transportation	12,332[1]	9,727	1,752	1,480	1,130	1,000	27,420
Communications, Electronics, Security and Fire Protection	18,511[1]	9,925	4,350	3,050	550	550	36,936
Environmental, Utilities, Storm Water and Drainage	2,436	1,445	5,063	470	--	--	9,414
Support Facilities	5,308[1]	28,563	500	500	500	500	35,870
Parking Systems	4,453[1]	16,995	5,100	27,050	27,050	--	80,648
Professional Services, Infrastructure Allowance and Public Art	7,427[1]	4,356	3,874	2,989	740	769	20,155
Total Planned Projects	$450,540	$196,806	$94,924	$124,459	$74,484	$46,034	$987,247

[1] A portion of each of these projects is planned to be funded with the proceeds of the Series 2007A Bonds, Series 2007B Bonds, Series 2007C Bonds, Series 2007D Bonds, Series 2007D2 Bonds and Series 2007E Bonds.

Source: Department of Aviation management records

Planned Projects in the City's 2008-2013 Capital Program include the projects described below.

Airfield Improvements

The City expects to continue and increase an existing paving and slab replacement program to gradually repair, rehabilitate and upgrade the runways and taxiways at the Airport. The total estimated cost of this program reflected in the 2008-2013 Capital Program is approximately $150 million, of which approximately 57% is expected to be funded from FAA Federal Airport Improvement Program ("AIP") discretionary and entitlement grants and the balance from proceeds of Airport System revenue bonds and other Airport System moneys.

In connection with the Concourse C Expansion Project described below in "Terminal and Concourse Improvements," the City plans to construct a new apron around the new facilities for aircraft loading and provide the associated continuation of taxiways and a holding area for full-sized aircraft. The total estimated cost of this portion of the Concourse C Expansion Project is approximately $48.4 million, of which approximately 41% is expected to be funded from AIP entitlement and discretionary grants and the balance from proceeds of Airport System revenue bonds and other Airport System moneys.

Other airfield improvements include upgrading runway and taxiway safety areas and maintaining and improving airfield lighting, drainage and other facilities. See "FINANCIAL INFORMATION – Federal Grants."

Terminal and Concourse Improvements

The City is planning to expand Concourse C (the "Concourse C Expansion Project") to add 10 new full service jet gates to the east end of Concourse C and a one-story commuter jet aircraft facility to be connected to the expanded east end of Concourse C by a pedestrian bridge. The commuter facility is planned to support 23 commuter aircraft and include holdroom space, concessions and amenities for passengers. The Concourse C Expansion Project includes the related apron, taxiway, holding and runway paving described above under "Airfield Improvements" and a portion of the Concourse C Expansion Project is included in the 2007 Project. A design contract for the Concourse C Expansion Project has been awarded. The Concourse C Expansion Project, including the related airfield improvements, is expected to cost approximately $280 million and to be completed in the spring of 2010. The City anticipates that various airlines will utilize the new full service jet gates and that Great Lakes Aviation will relocate from its current operations on Concourse A to the new commuter facility on Concourse C upon completion of the Concourse C Expansion Project.

The 2008-2013 Capital Program also includes a terminal complex project that will provide access from a new rail station to be constructed by the Regional Transportation District ("RTD") to the Airport terminal. RTD, the public agency responsible for mass transit in the Denver metropolitan area, is currently in the environmental processing and preliminary engineering phases of providing commuter rail service from Denver Union Station, located in downtown Denver, to the Airport. Through the issuance of revenue bonds, Federal Transit Administration ("FTA") grants and regional use and sales taxes, the RTD is planning to fund, design, build and operate a rail line to the Airport, as well as the station platforms and other rail transit amenities at the Airport station. The City, through the proceeds from future Airport System revenue bonds, is planning to design, build and operate the rail station facilities required to provide access from the rail station to the terminal building, including the elevators, escalators, baggage checking and security requirements necessary to accomplish this access. Construction on the 23-mile rail line and associated stations is expected to begin in 2011 and be completed by 2014, with the rail system becoming operational in 2015.

The City is planning a series of projects to improve the baggage system at the Airport in order to improve the efficiency of airline operations. These projects include the design and construction of a relocation project for terminal screening, the design and analysis of a spine system to deliver baggage from the terminal to the concourses and construction of phase one of the spine system and the renovation and upgrading of the Airport baggage system, including sortation carousels, baggage claim carousels, odd-size baggage systems and related right-of-way clearances in the terminal, the baggage tunnel and the concourses. Certain improvements to the Airport baggage system are included in the 2007 Project.

The 2008-2013 Capital Program includes a project to upgrade the automated guideway transit system or "AGTS" computer hardware and equipment located in the central control center for the AGTS and a project to extend the AGTS south of the terminal in order to accommodate additional trains, allowing the AGTS to handle six train system operations.

Roads, Parking and Ground Transportation Improvements

The 2008-2013 Capital Program includes the construction of a new parking structure and shuttle lot, improvements to Peña Boulevard and the rehabilitation of pavement in targeted roadway and parking areas of the Airport.

Other Projects

The 2008-2013 Capital Program also includes the improvement of Airport building systems such as the fire protection system, the baggage information display system, electrical and mechanical systems and elevators and the expansion of security screening checkpoints.

Proposed Improvements

As part of an ongoing effort to upgrade the Airport's snow removal capabilities, the Department has proposed a new snow removal plan. The plan, which still requires approval by City Council, includes the use of multi-functional equipment, snow melters, contractors and additional facilities. The plan will be funded by a combination of Airport System Revenue Bonds, an installment purchase agreement and other Airport System moneys. The total capital cost of this new plan is not yet reflected in the 2008-2013 Capital Program.

AVIATION ACTIVITY AND AIRLINES

Denver Air Service Region

The primary region served by the Airport is the Denver metropolitan area, encompassing the counties of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson. The secondary region served by the Airport is defined by the location of (and the airline service provided from) other large-hub and medium-hub air carrier airports. The nearest such airports, by road miles, are in Salt Lake City (530 miles to the northwest), Kansas City (590 miles to the east), Oklahoma City (620 miles to the southeast), Albuquerque (440 miles to the south), Phoenix (810 miles to the southwest) and Las Vegas (760 miles to the southwest).

Aviation Activity

Passenger Traffic. Denver's central geographic location makes it a major destination point for communities throughout the Rocky Mountain region and a major transportation hub for airline flights connecting between the east and west coasts and other major metropolitan centers. According to statistics compiled by Airports Council International, the Airport was ranked as the 5th busiest airport in the nation and the 10th busiest airport in the world based on total passengers in 2006.

The tables set forth below under "*Passenger and Revenue Growth*" and "*Summary of Aviation Activity*" illustrate the total enplanements and market share of individual airlines serving the Airport for the past five years and the first three months of 2006 and 2007.

Passenger and Revenue Growth. Currently, 29 passenger airlines provide scheduled service at the Airport, including the seven largest U.S. passenger airlines, five foreign flag passenger airlines and regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines provide service at the Airport. In 2006, the Airport served approximately 23.7 million enplaned passengers (passengers embarking on airplanes), the highest number in the history of the Airport and Stapleton. Approximately 56.0% of the passengers enplaned in 2006 were passengers originating their travel at the Airport and 44.0% were passengers making connecting flights at the Airport.

The Airport has generally had steady growth in both passenger traffic and revenues since it opened in 1995, however, in 2001 and 2002, the Airport, like all major airports in the United States, experienced significant declines in passenger traffic and associated revenues as a result of the terrorist events of September 11, 2001, economic conditions and other factors. The Airport began recovering in 2003, with the number of enplaned passengers at the Airport increasing 5.2% in 2003 over 2002. The number of enplaned passengers at the Airport continued to increase by 12.7% in 2004, 2.6% in 2005 and 9.0% in 2006, compared to the previous years. During the first three months of 2007, enplaned passengers at the Airport increased by 4.7% as compared to the same period in 2006. According to U.S. Department of Transportation T-100 database information, the national average of enplaned passengers increased by 8.3% in 2004, 4.2% in 2005 and 0.3% in 2006, compared to the previous years. See also "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

Future aviation activity and enplaned passenger traffic at the Airport will depend on many local, regional, national and international factors, including economic and political conditions, aviation security concerns, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline consolidation and alliances, availability and price of aviation and other fuel and capacity of the national air traffic control system and of the Airport. See particularly "RISKS AND OTHER INVESTMENT CONSIDERATIONS" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Key Factors Affecting Future Airline Traffic."

Enplaned Passengers[1]
Denver International Airport

Year[4]	Major/National Airlines[2] Enplaned Passengers	Major/National Airlines[2] Percent Change	Regional/Commuter Airlines[3] Enplaned Passengers	Regional/Commuter Airlines[3] Percent Change	Charter/Miscellaneous Airlines Enplaned Passengers	Charter/Miscellaneous Airlines Percent Change	Total Airlines Enplaned Passengers	Total Airlines Percent Change
2002	16,891,218	(2.1)%	669,432	44.4%	268,914	(19.4)%	17,829,564	(1.2)%
2003	17,192,825	1.8	1,395,391	108.4	172,719	(35.8)	18,760,935	5.2
2004	18,296,498	6.4	2,623,675	88.0	223,908	29.7	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6
2006	19,674,467	7.6	3,791,642	17.7	199,203	(1.5)	23,665,312	9.0
Jan.-March[4]								
2006[5]	4,664,269	9.2%	858,406	16.4%	46,791	(14.0)%	5,569,466	10.0%
2007	4,838,296	3.7	933,480	8.7	61,109	30.6	5,832,885	4.7

1 Includes revenue and nonrevenue enplaned passengers.

2 Includes Ted beginning in 2004 and Southwest Airlines beginning in 2006.

3 See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Historical Airline Traffic – *Enplaned Passenger Market Shares*" for a discussion of recent trends at the Airport of increased enplaned passenger market share of both low-cost and regional/commuter airlines.

4 See "AVIATION ACTIVITY AND AIRLINES" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" for a discussion of factors affecting enplanements since 2002.

5 Percentage changes are from the same period in 2005.

Source: Department of Aviation management records

Percentage of Enplaned Passengers by Airline
Denver International Airport
(Totals may not add due to rounding)

Airline	Calendar Year 2002	2003	2004	2005	2006	January-March 2006	2007
United	54.6%	51.0%	41.6%	35.8%	35.3%	34.8%	34.2%
Ted[1]	--	--	6.3	7.8	8.5	9.3	9.1
United Express[2]	8.0	9.2	11.1	12.8	12.6	12.7	12.7
Total United Group	62.6	60.2	59.0	56.4	56.4	56.9	56.0
Frontier	10.5	13.8	14.8	17.3	18.7	18.0	18.7
Frontier JetExpress	0.5	0.8	1.8	2.2	2.0	2.0	1.6
Total Frontier Group	11.0	14.5	16.7	19.4	20.7	20.0	20.3
American Airlines[3]	5.4	4.7	3.7	4.1	3.8	4.0	3.8
America West Airlines[4]	1.6	1.8	1.9	1.7	1.2	1.7	0.0
Continental[3]	2.9	2.7	2.3	2.4	2.3	2.5	2.3
Delta Airlines[3,5]	4.7	3.9	3.7	3.4	2.4	2.5	2.2
Northwest Airlines[5]	2.9	2.8	2.9	2.8	1.9	2.0	1.9
Southwest[6]	--	--	--	--	3.3	2.6	4.8
US Airways[4]	1.9	2.0	1.8	1.8	1.3	1.3	2.3
Other	6.9	7.4	8.1	8.0	6.6	6.5	6.4
	26.4	25.2	24.3	24.2	22.9	23.1	23.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Ted commenced service at the Airport on February 12, 2004.

[2] Includes Chautauqua Airlines from 2005, GoJet from 2005, Great Lakes Aviation through January 2002, Mesa Airlines from 2003, Shuttle America from 2005, SkyWest Airlines from 2002, Trans States Airlines in 2004 and 2005 and Air Wisconsin through 2006.

[3] Does not include commuter affiliates.

[4] The parent companies of America West Airlines ("America West") and US Airways, Inc. ("US Airways") merged effective September 27, 2005.

[5] Delta Airlines, Inc. ("Delta") and Comair, Inc. ("Comair"), a Delta subsidiary that operates as Delta Connection, emerged from bankruptcy on April 30, 2006 and Northwest Airlines, Inc. ("Northwest") emerged from bankruptcy on May 31, 2007. See also "Airline Information – *United*" and "AIRLINE BANKRUPTCY MATTERS."

[6] Southwest commenced service at the Airport on January 3, 2006.

Sources: Department of Aviation management records and the Report of the Airport Consultant

Summary of Aviation Activity. The following table sets forth a summary of selected aviation activity at the Airport for the past five years and the first three months of 2006 and 2007.

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Summary of Aviation Activity
Denver International Airport

(Totals may not add due to rounding)

	Calendar Year[1]					January-March	
	2002	2003	2004	2005	2006	2006	2007
Enplaned Passengers (millions)							
United	9.732	9.575	8.802	7.775	8.365	1.941	1.994
Ted[2]	--	--	1.340	1.690	2.011	0.519	0.531
United Express	1.431	1.721	2.337	2.776	2.971	0.708	0.740
Total United Group	11.162	11.295	12.479	12.241	13.347	3.168	3.265
Frontier	1.869	2.581	3.130	3.749	4.427	1.004	1.089
Frontier Jet Express	0.091	0.149	0.391	0.468	0.478	0.112	0.093
Total Frontier Group	1.960	2.729	3.521	4.217	4.904	1.116	1.181
Other	4.707	4.736	5.144	5.244	5.414	1.285	1.386
Total	17.830	18.761	21.144	21.702	23.665	5.569	5.833
Percent Change from Prior Year	(1.2)%	5.2%	12.7%	2.6%	9.0%	10.0%	4.7%
Total Originating Passengers (millions)	9.644	10.266	11.395	11.984	13.249	3.204	3.438
Percent of Total Enplaned	54.1%	54.7%	53.9%	55.2%	56.0%	57.5%	58.9%
United Group Percent of Total Originating	40.5%	38.9%	39.4%	40.3%	41.2%	42.2%	40.9%
Frontier Group Percent of Total Originating	13.1%	17.5%	18.3%	19.0%	21.0%	20.6%	22.0%
Total Connecting Passengers (millions)	8.185	8.495	9.749	9.718	10.416	2.366	2.395
Percent Connecting of Total Enplaned	45.9%	45.3%	46.1%	44.8%	44.0%	42.5%	41.1%
United Group Percent of Total Connecting	88.6%	86.0%	82.0%	76.2%	75.7%	76.8%	77.7%
Frontier Group Percent of Total Connecting	8.6%	10.9%	14.7%	20.0%	20.3%	19.3%	17.8%
United Group Passengers[2]:							
Percent Originating	35.0%	35.3%	36.0%	39.5%	40.9%	42.7%	43.0%
Percent Connecting	65.0%	64.7%	64.0%	60.5%	59.1%	57.3%	57.0%
Frontier Group Passengers:							
Percent Originating	64.2%	65.9%	59.4%	54.0%	56.8%	59.2%	63.9%
Percent Connecting	35.8%	34.1%	40.6%	46.0%	43.2%	40.8%	36.1%
Average Daily Departures:							
Passenger Airlines:							
United and Ted	244	233	238	213	230	222	228
United Express	113	119	156	182	191	182	196
Frontier	68	80	94	107	125	116	128
Frontier JetExpress	8	11	21	25	24	25	22
Other	202	195	208	194	203	194	208
Total Passenger Airlines	635	638	719	722	772	739	782
All-Cargo Airlines	23	29	31	30	28	29	27
Total	659	666	750	752	801	767	810
Percent Change from Prior Year	2.9%	1.2%	12.5%	0.4%	6.4%	6.2%	5.5%
Landed Weight (billion pounds):							
Passenger Airlines:							
United and Ted	14.483	13.173	13.418	12.254	13.364	3.132	3.242
United Express	1.879	2.054	2.731	3.282	3.512	0.845	0.913
Frontier	2.907	3.630	4.434	5.222	6.087	1.416	1.565
Frontier JetExpress	0.140	0.181	0.526	0.616	0.617	0.150	0.132
Other	7.066	6.663	7.025	6.734	6.837	1.616	1.780
Total Passenger Airlines	26.474	25.701	28.134	28.108	30.418	7.159	7.633
All-Cargo Airlines	1.567	1.495	1.516	1.541	1.430	0.358	0.327
Total	28.041	27.195	29.651	29.649	31.848	7.517	7.961
Enplaned Cargo (million pounds)[3]	328.078	326.843	321.204	312.663	280.534	77.056	64.539
Percent Change from Prior Year	(10.6)%	(0.4)%	(1.7)%	(2.7)%	(10.3)%	(9.0)%	(16.2)%
Total Aircraft Operations (Landings/Take-Offs):							
Air Carriers	338,049	323,610	330,674	384,552	428,794	101,568	109,120
Air Taxi/Commuter/Military/General Aviation	171,180	186,665	235,847	183,006	180,723	42,109	41,057
Total	509,229	510,275	566,521	567,558	609,517	143,677	150,177
Percent Change from Prior Year	0.3%	0.2%	11.0%	0.2%	7.4%	5.9%	4.5%

[1] See "AVIATION ACTIVITY AND AIRLINES" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" for a discussion of factors affecting enplanements.

[2] Ted commenced service at the Airport on February 12, 2004.

[3] The weight of enplaned cargo does not impact the Airport's Gross Revenues. Revenue is received from cargo carriers only from landing fees and space rentals, which historically have constituted less than 2% of Gross Revenues.

Source: Department of Aviation management records

Originating and Connecting Passengers

Originating passengers are those enplaned passengers whose flights originate at the Airport (residents and visitors) and who are not connecting from another flight. Historically, originating passengers have accounted for over 50% of total enplaned passengers at the Airport. See "Aviation Activity – *Summary of Aviation Activity*" above and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Economic Basis for Passenger Demand – Passenger Demand Components" for data on the economy of the Denver region and other determinants of originating passenger traffic.

Most major airlines have developed their current route systems around connecting passenger hubs at particular airports. The Airport serves as an important connecting hub in the route systems of both United and Frontier, making it one of the few dual-hub airports in the nation. The Airport is Frontier's only hub. The Airport has historically been the second busiest connecting hub in United's route system, after Chicago O'Hare, both in terms of passengers (based on information provided by individual airports) and flight operations (according to data published by Official Airline Guides, Inc.).

In 2006, approximately 10.4 million passengers (44.0%) of the approximately 23.7 million passengers enplaned at the Airport connected from one flight to another. Nearly all of the passengers using the Airport as a connecting hub connected either between the flights of United and its regional airline affiliates operating as United Express, or between the flights of Frontier and its regional affiliates operating as Frontier JetExpress. United and Frontier accounted for approximately 75.7% and 20.3%, respectively, of the connecting passengers at the Airport in 2006. See "Aviation Activity – *Summary of Aviation Activity*" above and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Airport Role – Hub for United and Frontier Airlines."

Airlines Serving the Airport

The following airlines currently provide scheduled passenger service at the Airport:

Major/National	Regional/Commuter	Foreign Flag
AirTran Airways	Big Sky Airlines	Air Canada
Alaska Airlines	Comair (operating as Delta Connection)[1]	British Airways
American Airlines	ExpressJet (Continental Express)	Lufthansa German Airlines
Continental	GoJet Airline (operating as United Express)	Mexicana de Aviacion
Delta[1]	Great Lakes Aviation	Aero Mexico
Frontier	Horizon Air (operating as Alaska Airlines and Frontier Jet Express)[3]	
JetBlue Airways	Mesa Airlines (operating as United Express and America West Express)	
Midwest Airlines	Pinnacle Airlines, Inc. (operating as Northwest Airlink)	
Northwest[1]	Republic Airlines (operating as Frontier JetExpress)	
Southwest	Shuttle America (operating as United Express)	
United/Ted	SkyWest Airlines (operating as United Express and Delta Connection)	
US Airways[2]	Trans States Airlines (operating as United Express and American Connection	

[1] Delta and Comair (a Delta subsidiary) emerged from bankruptcy on April 30, 2007 and Northwest emerged from bankruptcy on May 31, 2007. See "AIRLINE BANKRUPTCY MATTERS."

[2] The parent companies of America West and US Airways merged in September 2005.

[3] Horizon Air is a sister airline of Alaska Airlines and operates at the Airport under its own livery and as Frontier JetExpress under a code-share agreement with Frontier.

Source: Department of Aviation management records

In addition to the passenger airlines listed in the preceding table, several passenger charter airlines, and several all-cargo airlines, including, among others, ABX Air, Inc., Air Transport

International, LLC (formerly BAX Global Inc.), DHL Worldwide Express, FedEx, Kitty Hawk Airlines and UPS Air Cargo, provide service at the Airport.

Airline Information

United. United, one of the world's largest airlines, is the principal air carrier operating at the Airport. The Airport is a primary connecting hub in United's route system both in terms of passengers (based on information provided by individual airports) and flight operations (according to data published by Official Airline Guides, Inc.). Under the United Use and Lease Agreement, United currently leases 43 of the existing 95 full service gates at the Airport, as well as a 16-gate regional jet facility described as the Concourse B Commuter Facility Project in "DENVER INTERNATIONAL AIRPORT – Terminal Complex." These 43 gates and the regional jet facility are all of the gates on Concourse B. In addition, the United Group, consisting of United, its low-fare Ted unit and its United Express commuter affiliates, has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and the first three months of 2006 and 2007, as well as airline rentals, fees and charges component of the Airport System's operating revenues and the Airport System's Gross Revenues for the past five years.

United Group Percent of Airport Operations

	Fiscal Year					January – March	
	2002	2003	2004	2005	2006	2006	2007
Percent of Total Enplanements at the Airport	62.6%	60.2%	59.0%	56.4%	56.4%	56.9%	56.0%
United Group Percent Originating Passengers	35.0	35.3	36.0	39.5	40.9	42.7	43.0
United Group Percent Connecting Passengers	65.0	64.7	64.0	60.5	59.1	57.3	57.0
Percent of Airport Originating Passengers	40.5	38.9	39.4	40.3	41.2	42.2	40.9
Percent of Airport Connecting Passengers	88.6	86.0	82.0	76.2	75.7	76.8	77.7
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues	58.2	66.3	61.3	58.6	59.3	Not Available	
Percent of Airport System Gross Revenues	35.5	39.4	36.3	33.5	31.8	Not Available	

Source: Department of Aviation management records

See also "Aviation Activity – Originating and Connecting Passengers" in this section, as well as "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement."

In December 2002, UAL and 27 of its subsidiaries, including United, filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code, which permitted United to continue operations while developing a plan of reorganization to address its debt, capital and cost structures. United received approval of a plan of reorganization and emerged from bankruptcy on February 1, 2006. As part of its bankruptcy proceedings and plan of reorganization, United assumed all of its agreements with the City, and a combined special facilities and ground lease with respect to its special facilities at the Airport has been amended in connection with the refunding of related special facilities bonds. No assurances can be given with regard to the future level of aviation activity of the United Group at the Airport or that, in the event that the operations of the United Group at the Airport are discontinued, for whatever reason, such operations would be replaced by other carriers. See "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "AGREEMENTS FOR USE OF AIRPORT FACILITIES – United Use and Lease Agreement," "FINANCIAL INFORMATION – Special Facilities Bonds" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Airline Traffic Forecasts – *Assumptions*."

Frontier. Frontier has the second largest market share at the Airport, which serves as Frontier's only hub. Frontier currently leases 15 full service jet gates at the Airport on Concourse A under a Use and Lease Agreement with the City, uses six additional full service jet gates on Concourse A (a related amendment to its Use and Lease Agreement to add these gates is pending with the City) and uses one common use international gate on Concourse A on a subordinated basis. Frontier has also requested a lease for two gates on Concourse C; however, it is expected that Frontier will use the gates on a per-use or shared use basis. The Frontier Group, consisting of Frontier and its Frontier JetExpress commuter affiliate, accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and the first three months of 2006 and 2007, as well as airline rentals, fees and charges component of the Airport System's operating revenues and the Airport System's Gross Revenues for the past five years. See also "Aviation Activity – Originating and Connecting Passengers" in this section.

Frontier Group Percent of Airport Operations

	Fiscal Year					January – March	
	2002	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**
Percent of Total Enplanements at the Airport	11.0%	14.5%	16.7%	19.4%	20.7%	20.0%	20.3%
Frontier Group Percent Originating Passengers	64.2	65.9	59.4	54.0	56.8	59.2	63.9
Frontier Group Percent Connecting Passengers	35.8	34.1	40.6	46.0	43.2	40.8	36.1
Percent of Airport Originating Passengers	13.1	17.5	18.3	19.0	21.0	20.6	22.0
Percent of Airport Connecting Passengers	8.6	10.9	14.7	20.0	20.3	19.3	17.8
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues	5.9	8.3	10.3	12.1	13.0	Not Available	
Percent of Airport System Gross Revenues	3.6	4.9	6.1	6.9	6.9	Not Available	

Source: Department of Aviation management records

Frontier has announced its intention to expand its hubbing operations at the Airport by, among other things, introducing and expanding Lynx Aviation ("Lynx") a new Frontier subsidiary, which is expected to add routes to underserved markets in Colorado and elsewhere in the Rocky Mountain region. It is expected that Lynx will have ten Bombardier Q400 turboprop aircraft (74 seat capacity) in operation at the Airport by January 2008.

Southwest. Southwest commenced service at the Airport in January 2006. Southwest accounted for approximately 3.3% of passenger enplanements at the Airport in 2006 and for approximately 4.8% of passenger enplanements at the Airport in the first three months of 2007 (which exceeded the passenger enplanements of any airline other than United and Frontier serving the Airport during that three month period). In 2006, Southwest accounted for approximately 2.7% of the airline rentals, fees and charges component of the Airport System and approximately 1.4% of the Airport System's Gross Revenues.

Other Airlines. Other than the United Group and the Frontier Group, no airline currently accounts for more than 5% of either passenger enplanements at the Airport, the airline rentals, fees and charges component of the Airport System's operating revenues or the Airport System's Gross Revenues. American currently accounts for approximately 3.8% of passenger enplanements at the Airport and Delta, Continental and Northwest currently account for approximately 2.2%, 2.3% and 1.9%, respectively, of passenger enplanements at the Airport. See "Aviation Activity – *Passenger Traffic*" in this section, as well as "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements."

Availability of Information Concerning Individual Airlines. Certain of the airlines or their parent corporations, including UAL and Frontier, are subject to the information reporting requirements of the Exchange Act, and as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements may be inspected in the Public Reference Room of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, NW, Washington, DC, 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511 and 233 Broadway, New York, NY 10279. Copies of these reports and statements also may be obtained from the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549, at prescribed rates. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. These reports may be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of the reports may be obtained from the DOT at prescribed rates.

None of the City, the Department or the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed above, including, but not limited to, updates of such information or links to other internet sites accessed through the SEC or the DOT web sites.

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 operating airlines, file limited information only with the DOT.

AGREEMENTS FOR USE OF AIRPORT FACILITIES

The City has entered into numerous agreements in connection with the operation of the Airport. The Use and Lease Agreements with passenger airlines operating at the Airport and certain other such agreements are discussed below.

Passenger Airlines Use and Lease Agreements

The following airlines have executed Use and Lease Agreements with the City that include leased gates. In addition to the 87 leased gates, 8 gates, including common use international gates on Concourse A, are controlled by the Airport and used on a non-preferential use basis by various airlines.

Passenger Airlines Use and Lease Agreements with Leased Gates

Airline	Number of Gates	Concourse	Lease Expiration
AirTran Airways	1	C	February 2011
Alaska Airlines	1	C	December 2010
American Airlines	3	C	December 2010
Continental	3	A	February 2010
Delta[1]	3	C	December 2010
Frontier[2]	21	A	February 2010
Midwest Airlines	1	C	December 2010
Northwest[1]	3	C	December 2010
Southwest[3]	5	C	December 2010
United	43	B	February 2025
US Airways[3]	3	C	December 2010
	87		

[1] Delta emerged from bankruptcy on April 30, 2007 and Northwest emerged from bankruptcy on May 31, 2007. See "AIRLINE BANKRUPTCY MATTERS."

[2] Frontier also currently utilizes one common use international gate on a subordinated use basis and it is expected that in the fall of 2007 Frontier will use two additional full service jet gates on Concourse C.

[3] The parent companies of America West and US Airways merged on September 27, 2005.

The following five international airlines and 18 other airlines have executed Use and Lease Agreements with the City that do not include leased gates but in many cases include other leased premises such as ticket counters: Aero Mexico, Air Canada, ATA, Atlantic Southeast Airlines, Big Sky Transportation Co., British Airways, Chautauqua Airlines, Comair, ExpressJet/Continental Express, GoJet, Great Lakes Aviation, Horizon Air, JetBlue, Key Lime Air, Lufthansa German Airlines, Mesa Airlines, Mexicana de Aviacion, Pinnacle Airlines, Republic Airlines, Shuttle America, SkyWest, Trans

States Airlines. These airlines sublease gates from or use gates pursuant to code-sharing arrangements with airlines leasing gates at the Airport or use common use international gates on Concourse A. These Use and Lease Agreements expire between 2008 and 2012.

In the Use and Lease Agreements with each of the passenger airlines operating at the Airport, (1) each of such Signatory Airlines and the City agree to a compensatory methodology for establishing terminal rental rates and a cost center residual methodology for establishing landing fees, (2) each such Signatory Airline acknowledges that the rate base for rentals, fees and charges must generate Gross Revenues that, together with Other Available Funds (consisting of transfers from the Capital Fund), are sufficient to satisfy the Rate Maintenance Covenant, and agrees to pay such rentals, rates, fees and charges, (3) the City is permitted from time to time to amend the rate-making system with the written consent of a majority of the Signatory Airlines represented by (a) a numerical majority and (b) a majority in terms of rentals, rates, fees and charges paid in the preceding Fiscal Year (the "Majority in Interest") and (4) the City is also permitted to adjust rates and charges at the beginning of each Fiscal Year and during each Fiscal Year after mid-year review and consultation with the Signatory Airlines. In all passenger airline Use and Lease Agreements executed since 2005, the provisions thereof dealing with utilization of preferential gates have been modified in order to provide for a more efficient utilization of these gates.

As described above, the City is permitted to adjust rates and charges at the beginning of and during each Fiscal Year. For adjustments at the beginning of each Fiscal Year, not later than 45 days prior to the end of each Fiscal Year, the City is required to furnish the Signatory Airlines with projections of the rentals, rates, fees and charges for the ensuing Fiscal Year for each cost center of the Airport and of each Signatory Airline's cost per enplaned passenger for the ensuing Fiscal Year. Not later than 30 days prior to the end of each Fiscal Year, the City and the Signatory Airlines are required to consult and review the projections of rentals, rates, fees and charges. For adjustments during a Fiscal Year, the City is required to furnish the Signatory Airlines in August with a projection of rentals, rates, fees and charges, which is to reflect the most recently available information regarding current aircraft operations and enplaned passengers, as well as expenses actually incurred and revenues realized to date during such Fiscal Year. The City is also required to provide a pro forma projection of revenues and expenses for the current Fiscal Year and a projection of cost per enplaned revenue passenger for each such Signatory Airline. Within 15 days of providing such projections, the City is required to convene a meeting with the Signatory Airlines to review these projections and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year.

For Fiscal Years through 2005, 75% of the Net Revenues remaining after payment of debt service and fund deposit requirements, with an annual maximum of $40 million, was required to be credited to the Airline Revenue Credit Account of the Capital Fund to be applied as a credit against Signatory Airline rentals, fees and charges in the following Fiscal Year, with the balance to be credited to the Capital Improvement Account of the Capital Fund to be used for any lawful Airport purpose. For Fiscal Years 2006 and thereafter, 50% of remaining Net Revenues are to be credited to the Airline Revenue Credit Account, subject to the annual maximum of $40 million. For Fiscal Years 2003, 2004, 2005 and 2006, the maximum of $40 million was credited to the Airline Revenue Credit Account. See also "FINANCIAL INFORMATION – Capital Fund."

The City may terminate an airline Use and Lease Agreement after a 30 day notice and cure period in the event that the airline either (1) fails to pay the rentals, rates, fees, charges or other money payments that it has agreed to pay pursuant to the Agreement, (2) uses its leased property at the Airport for any purpose not authorized by the Agreement, (3) sublets its leased property at the Airport other than as provided in the Agreement, (4) becomes subject to certain insolvency events or (5) fails to comply with certain federal regulations in connection with its leased property at the Airport.

An airline may terminate the Use and Lease Agreement after a 30 day notice and cure period, whether or not Senior Bonds or other obligations of the City or the Department are outstanding, in the event that: (1) its governmental authorization to operate aircraft in or out of the Airport is withdrawn, so long as (a) it did not request such withdrawal or (b) the City has been given the opportunity to appear before the appropriate governmental entity prior to such withdrawal or the airline has given the City reasonable advance notice of the possible occurrence of such withdrawal; (2) a court of competent jurisdiction issues an injunction against the City preventing the operation of the Airport and such injunction remains in effect for 90 days or more and is not stayed; or (3) the operation of the Airport is substantially restricted by reason of governmental action or casualty (not caused by the airline) and such restriction remains in effect for 90 days or more. Additionally, in the case of United, United may also terminate if (1) the City fails to observe or perform any material covenant in the United Use and Lease Agreement or (2) United's cost per enplaned revenue passenger for any Fiscal Year exceeds an average of $20 (in 1990 dollars) as discussed in "United Use and Lease Agreement" below.

United Use and Lease Agreement

United leases gates under a Use and Lease Agreement originally entered into in December 1991 and having substantially the same terms as the other passenger airlines Use and Lease Agreements described in "Passenger Airlines Use and Lease Agreements" above. Under the United Use and Lease Agreement, United agreed to lease, on a preferential use basis, Concourse B, and, on an exclusive use basis, certain ticket counters and other areas in the terminal complex of the Airport, all through February 2025. The United Use and Lease Agreement was amended in 1999 and 2001, prior to United's bankruptcy. In 2003, in connection with its bankruptcy proceedings, United assumed the United Use and Lease Agreement as so amended, and in connection with the assumption, certain changes were made to the United Use and Lease Agreement under a stipulated order (the "Stipulated Order") of the bankruptcy court. After the assumption and in connection with United's emergence from bankruptcy generally, the United Use and Lease Agreement was further amended in 2005, 2006 and 2007. The United Use and Lease Agreement as described below includes all amendments thereof to date.

In the event that United's cost per enplaned revenue passenger for any Fiscal Year exceeds or is projected to exceed $20 (in 1990 dollars), the City is required to take measures to reduce such cost in a manner consistent with operating and managing a safe and efficient airport. United's cost per enplaned revenue passenger at the Airport has never reached the $20 threshold. The cost per enplaned passenger for 2005 was $11.19 (in 1990 dollars) and has been forecast in the Report of the Airport Consultant to not exceed $15.01 (in 1990 dollars) during the forecast period. See also "FINANCIAL INFORMATION – Rentals, Fees and Charges for the Airport," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

As a result of the Stipulated Order and the 2005 and 2006 amendments to the United Use and Lease Agreement, the City agreed to reduce Airport rates and charges for all airlines on a net basis by $4 million per year from 2004 through 2010, an aggregate amount of $28 million over a seven-year period. In years 2006 through 2010, airline rates and charges are to be further reduced on a net basis up to an aggregate amount of $50 million according to a sliding scale based on the net amount available for revenue sharing each year. The sources available to meet these cost reductions goals include, without limitation, revenues from the Additional $1.50 PFC, the City's share of Net Revenues available for revenue sharing and annual debt service interest savings from refunding outstanding Airport revenue bonds. The City met the $4 million per year cost reduction goals through 2006. Because the net amount available for revenue sharing in 2004, 2005 and 2006 was in excess of $55 million in each year, it has not been necessary to further reduce airline rates and charges. The rates and charges cost reductions may cease or be reduced and subsequently reinstated under certain circumstances set forth in the United Use and Lease Agreement as so amended. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – FINANCIAL ANALYSIS – Framework for Airport System Financial Analysis – Airport Use and Lease Agreements – United's Airport Use and Lease Agreement."

United discontinued use of the automated baggage system at the Airport in September 2005 and reverted to the traditional tug and cart system. The rates and charges associated with the automated baggage system are to continue to be charged to the airlines. See "FINANCIAL INFORMATION – Plan of Financing – Rentals, Fees and Charges for the Airport." However, the City agreed with United and the other airlines to mitigate automated baggage system costs over time. The City agreed to a reduction in United's rates and charges associated with the automated baggage system of $4.9 million in 2006, $8.5 million in 2007 and $11.0 million in 2008 through 2025, the last year of the term of the United Use and Lease Agreement. This agreed reduction is to occur only after the reduction in rates and charges to all airlines by $4 million per year from 2004 through 2010, as described above. The City agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10 million per year, using available Capital Fund moneys and other legally available Airport funds. See also "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

In the 2005 amendments to the United Use and Lease Agreement, United agreed that it would enplane revenue connecting passengers at the Airport in each year through the end of the term of the United Use and Lease Agreement in the following minimum amounts: for 2006, 7.5 million; for 2007, 7.6 million; and for 2008 and subsequent years, 7.7 million. The United Group had 7.4 million revenue connecting passengers in 2005 and 7.9 million revenue connecting passengers in 2006. If United fails to meet this "Base Hub Commitment" in any calendar year, United will not be in default under the United Use and Agreement Lease Agreement; however, for each connecting revenue enplaned passenger by which United falls below the Base Hub Commitment for that year, the City's commitment to reduce rates and charges to United will decline by $6.00, such amount to be set-off against United's share of the Net Revenues credit described above. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – AIRLINE TRAFFIC ANALYSIS – Airport Role – Hub for United and Frontier Airlines."

Cargo Operations Leases

The City has executed Use and Lease Agreements with the following all-cargo airlines, which also constitute Signatory Airlines: ABX Air, Inc., Air Transport International, LLC (formerly BAX Global Inc.), DHL Worldwide Express, FedEx, Kitty Hawk Airlines and UPS Air Cargo, as well as with several companies having only ground handling facilities. The City also has executed a ground lease with the U.S. Postal Service for its sorting and distribution facilities at the Airport. Several other cargo carriers are operating at the Airport on a non-signatory basis.

In 2000, the City, for and on behalf of the Department, entered into a 30-year Master Lease with WorldPort LLC for the construction of up to seven buildings, as well as ramp areas, for air cargo support activities at the Airport. These facilities were to be owned by the City and subleased by WorldPort LLC to air cargo companies and other tenants. Only two of the seven buildings that were planned to be developed were completed by WorldPort LLC, and only one of the buildings has been leased. Special Facilities Bonds were issued by the City to finance construction of the WorldPort project, payable solely from facilities rentals to be received from WorldPort LLC and not from general Airport Revenues. All of such outstanding special facilities bonds were redeemed on August 1, 2007. The City intends to enter into negotiations with JPMorgan Chase Bank, the provider of the direct pay letter of credit that secured the bonds, for the City to buy out or terminate the Master Lease, assume the existing subleases, and use other parts of the buildings for Airport purposes. See "FINANCIAL INFORMATION – Special Facilities Bonds."

There are currently at least two other airports in the Denver metropolitan area that are physically capable of handling the same types of aircraft utilized by carriers that conduct cargo operations at the Airport. To the extent that any such carriers elect to discontinue operations at the Airport in favor of an alternative local site, Net Revenues would not be adversely affected. The Airport receives revenue from cargo carriers only from landing fees and space rentals, which historically have constituted less than 2% of Gross Revenues.

Other Building and Ground Leases

The City has entered into a Use and Lease Agreement with Continental with respect to certain support facilities originally built for Continental's then-planned hubbing operation at the Airport (portions of which are being subleased by Continental to other users) and special facilities leases and ground lease agreements with United and each of the rental car companies currently operating at the Airport with respect to their respective facilities at the Airport. The City also has leased a 12.4-acre site for 30 years, with a 10-year renewal option, to AMR Combs, which has financed and constructed general aviation facilities on the site and, in May 2007, the City entered into a ground lease for a 17-acre site for 40 years for a retail development known as the "Landings at DIA" along Peña Boulevard. See also "DENVER INTERNATIONAL AIRPORT – Terminal Complex," "FINANCIAL INFORMATION – Senior Bonds – Special Facilities Bonds" and "AIRLINE BANKRUPTCY MATTERS – *Assumption or Rejection of Agreements.*"

Effect of Bankruptcy on Airline Agreements and Other Obligations

For a discussion of the effect of airline bankruptcies on agreements with, and certain other financial obligations to, the City in connection with the Airport, see "AIRLINE BANKRUPTCY MATTERS."

Systems Leases

Certain systems at the Airport, including fueling, are being operated by the airlines. The City has leased the hydrant fueling system to certain of the airlines and cargo carriers, who have contracted with Aircraft Service International, Inc. to operate that system.

Other Agreements

The City has also entered into various agreements in addition to those described above that generate a significant portion of Airport Gross Revenues. The following is a brief description of some of these additional agreements, which are described in more detail in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – FINANCIAL ANALYSIS – Nonairline Revenues." The revenues received from the following agreements constitute only a portion of the concession income, parking income and rental car revenue set forth in "FINANCIAL INFORMATION – Historical Financial Operations."

Terminal Complex Concessions. Concessions and passenger services are provided in the terminal complex by concessionaires and nonairline tenants under agreements with the City that provide for the payment to the City of the greater of a minimum annual guarantee, that was set by the City to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues. The concession agreements also contain a reestablishment clause allowing the City to adjust rents within certain parameters if necessary to satisfy the Rate Maintenance Covenant. In 2006, revenues from terminal complex concessions constituted approximately 5.9% of Airport Gross Revenues.

Unlike the concession programs at most other U.S. airports, the Airport does not have one or two "master concessionaires" under contract who, in turn, sublease the concessions to others. The Airport's program since its opening in 1995 has emphasized direct contracting with individual concessionaires, providing opportunities for small businesses, greater competition, more choices for consumers and more revenue to the Airport. The Airport currently has over 60 concession companies who operate from over 140 different locations in the terminal complex.

Public Parking. Public automobile parking at the Airport is accommodated in parking structures, economy lots adjacent to the terminal, a remote shuttle parking lot and an overflow shuttle lot. The City has agreements with private contractors to manage these public parking facilities at the Airport, and also a concession agreement with a company operating a private parking lot on Airport property with approximately 1,500 spaces called "WallyPark." In 2006, public parking revenues constituted approximately 18.0% of Airport Gross Revenues.

Rental Cars. The City has concession agreements with ten rental car companies to provide service at the Airport. Under the concession agreements, each company pays to the City the greater of a minimum annual guarantee or a percentage of annual gross revenues. In 2006, rental car privilege fee revenues constituted approximately 5.6% of Airport Gross Revenues.

Other. Other nonairline revenues include employee parking fees and storage area, building and terminal space (such as customer service counters) rentals by nonairline tenants at the Airport.

FINANCIAL INFORMATION

Historical Financial Operations

The following table sets forth comparative operating results of the Airport System for Fiscal Years 2002 through 2006. See also "APPENDIX B – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2006 AND 2005" and "Management's Discussion and Analysis of Financial Performance" below.

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City and County of Denver Airport System
Statement of Revenues, Expenses and Changes in Net Assets
(Amounts expressed in 000's. Totals may not add due to rounding.)

	Fiscal Year				
	2002	**2003**	**2004**	**2005**	**2006**
Operating revenues:					
Facility rentals	$204,867	$207,540	$210,461	$203,800	$197,353
Concession income	23,977	25,933	30,638	32,566	34,304
Parking income	77,619	80,381	88,411	97,919	110,535
Car rentals	31,551	33,530	33,780	37,175	41,641
Landing fees	86,865	88,473	88,741	94,695	92,390
Aviation fuel tax	10,644	12,104	15,402	16,996	12,714
Other sales and charges	8,398	9,133	10,232	11,341	11,872
Total operating revenues	443,921	457,093	477,665	494,491	500,810
Operating expenses:					
Personnel services	86,490	88,414	90,005	92,979	97,592
Contractual services	129,732	112,339	117,091	122,193	139,652
Maintenance, supplies and materials	12,654	11,160	14,117	15,956	18,903
Bad debt (revenue) expense[1]	9,608	--	--	--	--
Total operating expenses	238,484	211,913	221,214	231,129	256,147
Operating income before depreciation and amortization and asset impairment	205,437	245,180	256,451	263,363	244,662
Depreciation and amortization[2]	125,692	144,758	130,379	146,922	143,506
Impairment losses[3]	--	--	18,007	85,286	--
Operating income	79,745	100,422	108,065	31,154	101,157
Nonoperating revenues (expenses)					
Passenger facility charges[4]	62,730	64,057	62,040	84,000	93,510
Investment income	41,840	25,762	22,486	35,823	56,147
Interest expense	(208,267)	(213,762)	(221,296)	(205,142)	(207,385)
Grants	4,568	373	241	241	566
Other revenue (expense)[5]	(20,716)	(11,700)	(2,051)	(22,187)	(10,609)
Net operating revenues (expenses)	(119,845)	(135,271)	(138,581)	(107,265)	(67,772)
Change in net assets before capital contributions	(40,100)	(34,849)	(30,515)	(76,112)	33,385
Capital contributions:					
Capital grants[6]	84,140	26,029	42,083	31,547	29,188
Capital contributions[6]	--	6,625	--	--	--
Capital passenger facility charges[4]	7,013	7,888	20,122	--	--
Change in net assets	$ 51,052	$ 5,693	$ 31,690	$(44,564)	$ 62,573

1 This constitutes the net prepetition receivable of United that was recognized in 2002 and paid in 2003.

2 Depreciation and amortization increased significantly in 2003 due in part to assets placed in service in 2003, including the Sixth Runway; decreased in 2004 due primarily to the partial write-off of the automated baggage system; and increased again in 2005 due primarily to the completion of an explosive detection system project implemented for the screening of checked baggage (the "EDS").

3 In accordance with GASB No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, implemented by the City in 2004, the City concluded that sections of the automated baggage system were permanently impaired, being a significant, unexpected decline in the service utility of a capital asset, and removed them from its books, resulting in the impairment losses stated in the table in 2004 and 2005. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES – United Use and Lease Agreement" and Note 5 to the Fiscal Year 2006 and 2005 financial statements of the Airport System appended to this Official Statement.

4 These amounts are net of the PFC collection fee retained by the airlines. The PFC revenues recorded as nonoperating revenues include the revenues of the $3.00 portion of the PFC and a part of the revenues from the $1.50 portion of the PFC not related to capital projects. The PFC revenues recorded as capital contributions constitute the balance of the revenues of the $1.50 portion of the PFC that may be used for FAA-approved capital projects. For 2005 and 2006, all capital PFC revenue was reallocated to the payment of debt service related to the automated baggage system and, in 2006, the original cost of the Airport. See "Passenger Facility Charges" below.

5 Includes expenses incurred since February 1995 to maintain and preserve Stapleton. See "Stapleton" below for further information.

6 Capital contributions constitute amounts received pursuant to a Memorandum of Agreement and a Letter of Intent under which the Transportation Security Administration (the "TSA") reimbursed the City for a portion of the cost of the EDS. The amount received in 2003 was classified as capital contributions; the amounts received in 2004, 2005 and 2006 have been classified as capital grants. The final TSA federal grant payment was received in 2006.

Sources: Audited financial statements of the Airport System for Fiscal Years 2002-2006

Management's Discussion and Analysis of Financial Performance

The following is a discussion and analysis by Airport management of the financial performance of the Airport System for Fiscal Years 2002 through 2006. All figures presented below are approximate unless otherwise stated.

2006 vs. 2005. Operating revenues at the Airport were $500.8 million for the year ended December 31, 2006, an increase of $6.3 million (1.3%), as compared to December 31, 2005. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in concession, parking, and car rental revenues. Passenger traffic increased 9.0% for the year ended December 31, 2006.

Operating expenses, exclusive of depreciation, were $256.1 million for the year ended December 31, 2006, an increase of $25.0 million (10.8%) as compared to December 31, 2005. The increase was attributable to an increase in personnel costs, snow removal (due to December 2006 blizzards), guard services, janitorial services and repair and maintenance costs.

Total nonoperating expenses, net of nonoperating revenues, decreased by $39.5 million to $67.8 million in 2006. This decrease was due to an increase in investment income of $20.3 million, or 56.7%, which was due to an increase in yields and additional investment of cash received related to notes payable. In addition, PFC revenues increased $9.5 million, or 11.3%, due to an increase in passenger traffic. Lastly, there was a decrease in other expense due to the completion of environmental costs associated with remediation of Stapleton, offset by an increase of $2.2 million of interest expense due to an increase in notes payable.

In 2006 and 2005, capital grants totaled $29.2 million and $31.5 million, respectively. The decrease in 2006 capital grants was due to the completion of the EDS project in 2005, which was federally funded. All PFCs were reallocated to the payment of debt service related to the automated baggage system and the original cost of the Airport.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for 2006 compared to 2005 is included as part of the financial statements of the Airport System appearing as "APPENDIX B – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2006 AND 2005."

2005 vs. 2004. Operating revenues at the Airport were $494.5 million, an increase of $16.8 million (3.5%) for the year ending December 31, 2005, as compared to December 31, 2004. The increase in revenue was related primarily to the increase in passenger traffic, which led to an increase in concession, parking and car rental revenues, as well to an increase in landing fees. Passenger traffic increased 2.6% for the year ended December 31, 2005. Operating expenses, exclusive of depreciation, were $231.1 million, an increase of $9.9 million (4.5%) for the year ended December 31, 2005, as compared to December 31, 2004. The increase was attributable to an increase in personnel costs, electricity, natural gas rates, diesel fuel and gasoline costs and repair and maintenance costs.

Total nonoperating expenses, net of nonoperating revenues, decreased by $31.3 million to $107.2 million in 2005. This decrease was due to the increase in investment income of $13.3 million, or 59.3%, which resulted from an increase in yields and more cash being invested long term. In addition, non-capital PFC revenues increased $22.0 million, or 35.4%, due to an increase in passenger traffic, as well as no PFC's being expended on capital projects. Lastly, there was a decrease in interest expense of $16.2 million from the refunding of debt. These factors were offset by an increase in other expense due to an additional $23.3 million in environmental costs associated with remediation of Stapleton. See "Stapleton" below.

In 2005 and 2004, capital grants totaled \$31.5 million and \$42.1 million, respectively. The decrease in 2005 capital grants was due to the completion of the EDS project, which was federally funded. Also, in 2005 there was no capital PFC revenue, while in 2004 capital PFC revenues totaled \$20.1 million. The decrease in capital PFCs was due to reallocation of PFC's revenues from the capital projects to the payment of debt service related to the automated baggage system.

In 2005, net assets decreased by \$44.6 million, compared to an increase of \$31.7 million in 2004. Income from operations decreased \$76.9 million (71.2%) due to an increase in operating expenses of \$9.9 million and an increase in depreciation and impairment loss of \$83.8 million as a result of the write down of a portion of the automated baggage system.

2004 vs. 2003. Operating revenues at the Airport in 2004 were \$477.7 million, an increase of 4.5% as compared to 2003. The increase in revenues was related primarily to an increase in passenger traffic which led to an increase in facility rentals, concession and parking revenues. Operating expenses, exclusive of depreciation, increased by \$9.3 million (4.4%) to \$221.2 million in 2004 as compared to 2003, attributable to an increase in personnel, utility rates and repair and maintenance costs.

Total nonoperating expenses, net of nonoperating revenues, increased by \$3.3 million to \$138.6 million in 2004. The increase was due primarily to an increase in interest expense of \$7.5 million (3.5%) as the result of issuance of new debt for capital projects. The decrease in investment income of \$3.3 million (13.0%) was due to an unrealized loss on investments and a decrease in yields. In addition, non-capital PFC revenues decreased \$2.0 million (3.1%). These were offset by a decrease in other expenses of \$9.6 million. The decrease was the result of the near completion of environmental and demolition costs associated with Stapleton.

In 2004 and 2003, capital grants totaled \$11.3 million and \$26.0 million, respectively, while capital PFCs totaled \$20.1 million and \$7.9 million, respectively. The increase in capital PFCs was due to the increase in passenger traffic and reallocation of PFCs from operating to capital. Other capital contributions of \$30.8 million and \$6.6 million were received in 2004 and 2003, respectively, consisting of amounts reimbursed to the City by the TSA pursuant to a Memorandum of Agreement and TSA Letter of Intent for the EDS project.

In 2004, net assets increased by \$31.7 million, compared to an increase of \$5.7 million in 2003. Income from operations increased \$7.6 million (7.6%) due to an increase in operating revenues of \$20.6 million, offset by an increase in operating expenses of \$9.3 million and an increase in depreciation of \$3.6 million as a result of the write-off of a portion of the automated baggage system.

2003 vs. 2002. Operating revenues at the Airport in 2003 were \$457.1 million, an increase of 3.0% as compared to 2002. The increase in revenue was primarily related to the increase in passenger traffic, parking revenues and landing fee rates. Operating expenses, exclusive of depreciation, decreased by \$26.6 million (11.1%) in 2003 as compared to 2002. The significant decrease was attributable to the recognition of the Adams County noise penalty settlement that was accrued for in 2002 of \$14.5 million compared to \$2.5 million in 2003, the payment of previously recognized bad debt related to United's prepetition receivable and other reductions resulting from budgetary control and fiscal restraint.

In 2003, net assets increased by \$5.7 million, compared to an increase of \$51.1 million in 2002. Income from operations increased \$20.7 million (25.9%), due primarily to the increase in operating revenues and a decrease in operating expenses, offset by an increase in depreciation and amortization of \$19.0 million.

Total nonoperating expenses, net, increased by \$15.4 million to \$135.3 million. The increase was due primarily to a decrease in investment income of \$16.1 million (38%) resulting from a decrease in yields. In 2003 there was a decrease of \$4.2 million (92%) in non-capital grants received from the federal government. The increase in PFCs of \$1.3 million (2.1%) was due to an increase in passenger traffic.

Interest expense increased by $5.5 million (2.6%) as the result of the reclassification of deferred refunding from other expense to interest expense, offset by both lower interest rates realized from debt refunding and a decline in variable interest rates paid on several series of outstanding Senior Bonds and Subordinate Bonds.

In 2003 and 2002, capital grants totaled $26.0 million and $84.1 million, respectively, while capital PFCs totaled $7.9 million and $7.0 million, respectively. Other capital contributions of $6.6 million were also received in 2003, consisting of amounts reimbursed to the City by the TSA pursuant to a Memorandum of Agreement and TSA Letter of Intent for the EDS project. The decrease in capital grants and capital PFCs was due to the completion of the Sixth Runway that was heavily grant funded.

Senior Bonds

Outstanding Senior Bonds. The following table sets forth the Senior Bonds that are currently outstanding and the Senior Bonds that are expected to be outstanding upon the issuance of the Series 2007G1-G2 Bonds and the Series 2007F1-F4 Bonds and the related current refunding and defeasance of certain of the outstanding Series 1997E Bonds. See also "Plan of Financing" below.

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City and County of Denver, Colorado, Department of Aviation
Senior Bonds

Issue	Principal Amount Outstanding: As of the Date Hereof	Principal Amount Outstanding: After Issuance of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds
Series 1991A Bonds[1]	$ 18,795,000	$ 18,795,000
Series 1991D Bonds[1,2]	117,400,000	117,400,000
Series 1992C Bonds[2]	40,080,000	40,080,000
Series 1992F Bonds[3]	26,200,000	26,200,000
Series 1992G Bonds[3]	21,800,000	21,800,000
Series 1995C Bonds	10,625,000	10,625,000
Series 1997E Bonds[4]	415,705,000	62,220,000
Series 1998A Bonds	206,665,000	206,665,000
Series 1998B Bonds	103,395,000	103,395,000
Series 2000A Bonds	267,735,000	267,735,000
Series 2000B Bonds[3,5]	200,000,000	200,000,000
Series 2000C Bonds[3,5]	100,000,000	100,000,000
Series 2001A Bonds	282,620,000	282,620,000
Series 2001B Bonds	16,675,000	16,675,000
Series 2001D Bonds	59,465,000	59,465,000
Subseries 2002A1 Bonds[6]	68,500,000	68,500,000
Subseries 2002A2 Bonds[6]	105,025,000	105,025,000
Subseries 2002A3 Bonds[6]	100,450,000	100,450,000
Series 2002C Bonds[3]	41,100,000	41,100,000
Series 2002E Bonds	182,855,000	182,855,000
Series 2003A Bonds	161,965,000	161,965,000
Series 2003B Bonds	91,460,000	91,460,000
Series 2004A Bonds[3]	73,300,000	73,300,000
Series 2004B Bonds[3]	73,300,000	73,300,000
Series 2005A Bonds	227,740,000	227,740,000
Subseries 2005B1 Bonds[6]	44,400,000	44,400,000
Subseries 2005B2 Bonds[6]	44,400,000	44,400,000
Subseries 2005C1 Bonds[3]	42,500,000	42,500,000
Subseries 2005C2 Bonds[3]	42,500,000	42,500,000
Series 2006A Bonds[5]	279,585,000	279,585,000
Series 2006B Bonds	170,005,000	170,005,000
Series 2007A Bonds	188,350,000	188,350,000
Series 2007B Bonds	24,250,000	24,250,000
Series 2007C Bonds	34,635,000	34,635,000
Series 2007D Bonds	147,815,000	147,815,000
Series 2007D2 Bonds	31,950,000	31,950,000
Series 2007E Bonds	47,400,000	47,400,000
Subseries 2007F1 Bonds[5,6]	--	52,000,000
Subseries 2007F2 Bonds[5,6]	--	52,000,000
Subseries 2007F3 Bonds[5,6]	--	52,000,000
Subseries 2007F4 Bonds[5,6]	--	52,025,000
Subseries 2007G1 Bonds[3,5]	--	74,200,000
Subseries 2007G2 Bonds[3,5]	--	74,300,000
	$4,110,645,000	$4,113,685,000

[1] A portion of Series 1991A Bonds and Series 1991D Bonds are capital appreciation bonds shown at their principal value at maturity.

[2] In 1999, the City used the proceeds from certain federal grants to establish an escrow to defease $54,880,000 of Series 1991D Bonds and Series 1992C Bonds. In 2006, the City used revenues from PFCs to establish an escrow to defease $90 million of Senior Bonds. Neither defeasance satisfied all of the requirements of the Senior Bond Ordinance, and consequently such economically defeased Senior Bonds are reflected as still being outstanding. See also Note 8 to the financial statements of the Airport for Fiscal Year 2006 appended to this Official Statement.

[3] These constitute variable interest rate obligations that are additionally secured by letters of credit or standby bond purchase agreements constituting Credit Facilities under the Senior Bond Ordinance. The City's repayment obligations to the financial institutions issuing such Credit Facilities constitute Credit Facility Obligations under the Senior Bond Ordinance.

[4] Certain of the outstanding Series 1997E Bonds are planned to be current refunded with the proceeds of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds. See "APPLICATION OF PROCEEDS" and "Plan of Financing" below.

[5] The Series 2000B Bonds, the Series 2000C Bonds and the 2006A Bonds are associated with certain swap agreements discussed in "Subordinate Bonds and Other Subordinate Obligations – *Subordinate Hedge Facility Obligation*" below and in Note 12 to the financial statements of the Airport System for Fiscal Year 2006 appended to this Official Statement, effectively converting the floating rates of the Series 2000B Bonds and Series 2000C Bonds to fixed rates and converting the fixed rates of the Series 2006A Bonds to variable rates. The Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds will also be hedged, effectively converting the floating rates of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds to fixed rates.

[6] These constitute auction rate bonds.

Sources: The Department of Aviation and DEPFA First Albany Securities LLC

All or certain of the maturities of all series of the Senior Bonds issued since 1995 have been additionally secured by policies of municipal bond insurance. The related bond insurers have been granted certain rights under the Senior Bond Ordinance with respect to the Senior Bonds so insured.

Support facilities located at the Airport that were originally built to support Continental's then-planned hub at the Airport (specifically an aircraft maintenance facility, a flight kitchen, a ground support equipment facility and an air freight facility) were financed in part from a portion of the proceeds of the Series 1992C Bonds. In 1992, Continental and the City entered into several 25-year leases pursuant to which Continental agreed to be responsible for all costs attributable to its support facilities at the Airport, including an amount equal to the debt service on the Senior Bonds issued for such purpose. Continental subleases portions of these support facilities to a variety of other users. See also "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Other Building and Ground Leases."

Estimated Senior Bonds Debt Service Payment Schedules. The following table sets forth the City's estimated aggregate debt service payment schedules for the Senior Bonds both prior to and after the issuance of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds and the related defeasance of certain of the outstanding Series 1997E Bonds. The schedules do not include the costs associated with related credit facility obligations, and assume that the City will elect to exercise its option to redeem certain Senior Bonds prior to their stated maturities.

City and County of Denver, Colorado, Department of Aviation
Estimated Senior Bonds Debt Service Payment Schedules [1,2,3]
(Totals may not add due to rounding)

Year	Prior to Issuance of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds	After Issuance of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds
2007	$ 298,177,884	$ 299,113,863
2008	306,130,283	302,603,933
2009	300,644,338	297,185,669
2010	303,640,250	300,145,505
2011	321,951,613	318,520,541
2012	322,173,475	318,702,318
2013	333,901,223	330,489,730
2014	337,581,300	334,074,334
2015	337,848,825	334,422,225
2016	338,463,728	335,129,239
2017	338,249,165	334,947,471
2018	321,527,551	318,350,275
2019	299,766,816	296,614,979
2020	295,998,199	292,961,362
2021	295,387,948	292,348,517
2022	333,652,046	330,744,757
2023	366,315,982	363,447,188
2024	378,133,848	375,407,175
2025	374,290,455	371,617,691
2026	80,473,250	80,473,250
2027	80,401,500	80,401,500
2028	80,319,750	80,319,750
2029	80,251,750	80,251,750
2030	80,669,750	80,669,750
2031	80,597,000	80,597,000
2032	80,524,000	80,524,000
2033	41,527,500	41,527,500
	$6,808,599,429	$6,751,591,272

[1] Includes the Debt Service Requirements for the economically defeased Senior Bonds. See "*Outstanding Senior Bonds*" above.

[2] The interest rate for variable rate bonds is assumed to be 4.00%.

[3] Interest on the Series 2000B and 2000C Senior Bonds associated with fixed rate swap agreements, and interest on the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds to be hedged with fixed rate swap agreements, are calculated at the fixed rate on such swap agreements. See "Subordinate Bonds and Other Obligations – *Subordinate Hedge Facility Obligations*" below.

Source: DEPFA First Albany Securities LLC

Subordinate Bonds and Other Obligations

Subordinate Bond Ordinance. Subordinate Bonds, Subordinate Contract Obligations, Subordinate Credit Facility Obligations and Subordinate Hedge Facility Obligations are secured by a pledge of the Net Revenues that is subordinate to the pledge of the Net Revenues that secures the Senior Bonds. Subordinate obligations are issued pursuant to the Airport System Subordinate Bond Ordinance approved by the City Council in 1997, as supplemented and amended by a separate Airport System Supplemental Subordinate Bond Ordinance for each series of such subordinate obligations (collectively, the "Subordinate Bond Ordinance").

Subordinate Bonds include all obligations issued and outstanding from time to time under the Subordinate Bond Ordinance except for Subordinate Credit Facility Obligations, Subordinate Contract Obligations and Subordinate Hedge Facility Obligations.

Subordinate Credit Facility Obligations generally comprise repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Subordinate Credit Facility, and which obligations are payable from all or any designated portion of the Net Revenues on a basis that is subordinate only to the Senior Bonds and any Credit Facility Obligations and on a parity with Subordinate Bonds.

Subordinate Contract Obligations and Subordinate Hedge Facility Obligations generally are comprised of contracts, agreements or obligations payable from all or a designated portion of the Net Revenues on a basis subordinate to the Senior Bonds and any Credit Facility Obligations and on a parity with Subordinate Bonds, but do not include Subordinate Bonds, Subordinate Credit Facility Obligations, obligations that may be treated as Operation and Maintenance Expenses under U.S. generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be treated as Operation and Maintenance Expenses).

The Subordinate Bond Ordinance permits the City, on its own behalf or for and on behalf of the Department, to issue additional Subordinate Bonds and Subordinate Contract Obligations for the purpose of paying the cost of acquiring, improving or equipping Facilities or refunding, paying and discharging any Subordinate Bonds, Subordinate Contract Obligations, Subordinate Credit Facility Obligations, Senior Bonds, Junior Lien Bonds or other securities or obligations. Under the terms of the Subordinate Bond Ordinance, the City, on its own behalf or for and on behalf of the Department, may issue up to $800 million aggregate principal amount of Subordinate Bonds and Subordinate Contract Obligations upon the Manager's certificate that the City is not in default in making any payments required under the Senior Bond Ordinance or the Subordinate Bond Ordinance. In order to issue additional Subordinate Bonds and Subordinate Contract Obligations in excess of $800 million (other than for a refunding), the City must comply with certain conditions as set forth in the Subordinate Bond Ordinance.

Outstanding Subordinate Bonds. The following table sets forth the Subordinate Bonds currently outstanding.

City and County of Denver, Colorado
Department of Aviation
Outstanding Subordinate Bonds

Issue[1,2]	Outstanding Principal Amount
Series 2001C1 Subordinate Bonds	$ 50,000,000
Series 2001C2 Subordinate Bonds	50,000,000
Series 2001C3 Subordinate Bonds	50,000,000
Series 2001C4 Subordinate Bonds	50,000,000
	$200,000,000

1 The outstanding Subordinate Bonds are Periodic Auction Reset Securities, or "PARS[sm]." PARS[sm] is a service mark of Goldman, Sachs & Co.

2 The outstanding Subordinate Bonds have been hedged with the 1999 Swap Agreements and 2002 Swap Agreements discussed below.

Sources: The Department of Aviation and DEPFA First Albany Securities LLC

Subordinate Commercial Paper Notes. On July 7, 2003, the City authorized the issuance, from time to time, of its Airport System Subordinate Commercial Paper Notes, Series A (defined herein as the Tax-Exempt Commercial Paper Notes), and its Airport System Subordinate Commercial Paper Notes, Series B, (Taxable) (collectively, the "Series A-B Commercial Paper Notes"), constituting Subordinate Bonds, for the purpose of funding the costs of acquiring, improving and equipping facilities for the Airport, refunding or paying certain Airport System obligations and any such other lawful undertakings as may be determined by the Manager of Aviation to be of benefit to the Airport System. The aggregate principal amount of Series A-B Commercial Paper Notes that may be outstanding at any time may not exceed the lesser of $300 million or the amount that, together with the interest (including accreted amounts) due thereon to the stated maturity date of each such outstanding Series A-B Commercial Paper Note, exceeds the amount available to be drawn on the credit facility securing the Series A-B Commercial Paper Notes. The Series A-B Commercial Paper Notes are currently secured by a letter of credit issued severally by JPMorgan Chase Bank, National Association (as successor to JPMorgan Chase Bank) (62.893%) and Bayerische Landesbank (now Bayern LB), acting through its New York Branch, individually and as agent (37.107%), in the original stated amount of $55 million, but which may be increased to a maximum of $127.2 million. There are no Tax-Exempt Commercial Paper Notes currently outstanding.

Subordinate Hedge Facility Obligations. In 1998, 1999, 2002, 2005 and 2006, the City entered into various interest rate swap agreements constituting Subordinate Hedge Facility Obligations under the Senior Bond Ordinance and the Subordinate Bond Ordinance in respect of certain series of the outstanding Senior Bonds. Detailed information regarding these swap agreements is set forth in Note 12 to the financial statements of the Airport System for Fiscal Year 2006 appended to this Official Statement. The Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds will be hedged with the swap agreement dated June 1, 2006. See "APPENDIX B – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2006 AND 2005." The City has not entered into any additional Subordinate Hedge Facility Obligations in 2007.

Special Facilities Bonds

The City has issued various series of Special Facilities Bonds to finance the acquisition and construction of certain facilities at the Airport. These bonds are payable solely from designated payments received under lease agreements and loan agreements for the related Airport special facilities and are not payable from Gross Revenues.

United financed and recently refinanced its support facilities at the Airport (aircraft and ground support equipment, maintenance and air freight facilities and a flight kitchen that is subleased to Dobbs International Services) largely through the issuance by the City, for and on behalf of the Department, of its Special Facilities Bonds. In connection with the issuance of the original United Special Facilities Bonds in 1992 (the "1992 Special Facilities Bonds"), United executed a 31-year combined special facilities and ground lease (the "1992 Lease") for all of the support facilities and certain tenant finishes and systems on Concourse B, the lease payments under which constituted the sole source of payment for the 1992 Special Facilities Bonds. In June 2007, the 1992 Bonds were refunded and defeased with the proceeds of $270,025,000 Airport Special Facilities Bonds (United Air Lines Project), Series 2007A (the "2007 Special Facilities Bonds") issued by the City, for and on behalf of the Department. In connection with the issuance of the 2007 Special Facilities Bonds, the 1992 Lease was amended (the "Amended Lease"). The Amended Lease terminates on October 1, 2023, unless extended as set forth in the Amended Lease or unless terminated earlier upon the occurrence of certain events as set forth in the Amended Lease and the lease payments under the Amended Lease constitute the sole source of payment for the 2007 Special Facilities Bonds.

See "DENVER INTERNATIONAL AIRPORT – Other Facilities" and "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Other Building and Ground Leases."

Certain rental car companies currently and previously operating at the Airport financed or refinanced separate outlying service and storage facilities at the Airport, as well as certain terminal area improvements and improvements at the Airport relating to the operations of such rental car companies and other providers of ground transportation services at the Airport, and two of such companies also financed the acquisition of shuttle vehicles to be owned and used by such companies, through the issuance by the City, for and on behalf of the Department, of its $36,535,000 Airport Special Facilities Revenue Bonds (Rental Car Projects), Tax-Exempt Series 1999A, $38,945,000 Airport Special Facilities Revenue Refunding and Improvement Bonds (Rental Car Projects), Taxable Series 1999B, and $3,105,000 Airport Development Revenue Bonds (Rental Car Projects), Taxable Series 1999C, currently outstanding in the aggregate principal amount of $45,675,000. In 1999, each of such rental car companies executed a 15-year Special Facilities and Ground Lease with the City with respect to the use and occupancy of its respective facilities at the Airport. In addition, two of the rental car companies executed nine-year Loan Agreements with the City to acquire shuttle vehicles.

In 2000, WorldPort LLC financed a portion of the cost of the WorldPort at DIA project with Special Facilities Bonds in the aggregate principal amount of $53,780,000. These bonds were secured by a Master Lease between the City and WorldPort LLC and an irrevocable, direct pay letter of credit issued by JP Morgan Chase Bank and were payable solely from revenues of WorldPort LLC and not from general Airport Revenues. The bonds were fully redeemed on August 1, 2007, by JPMorgan Chase Bank, the provider of the letter of credit securing the bonds. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Cargo Operations Leases."

Installment Purchase Agreements

The City has entered into certain Master Installment Purchase Agreements with GE Capital Public Finance, Inc., Siemens Financial Services, Inc. and Koch Financial Corporation in order to provide for the financing of certain portions of the Airport's capital program, including among other things, the acquisition of various runway maintenance vehicles and equipment, additional jetways and flight information display systems, ticket counter improvements in the landside terminal and the funding of the portion of the costs of completing, in 2005, modifications to the baggage system facilities at the Airport that enabled the TSA to install and operate its own explosives detection systems for the screening of checked baggage "in-line" with the existing baggage systems facilities. As of December 31, 2006, the Master Installment Purchase Agreements were outstanding in the total principal amount of $88,985,485.

The obligation of the City under each Master Installment Purchase Agreement to make payments thereunder is a special obligation of the City payable solely from the Capital Fund and such other legally available funds as the City may apply, but none of these Master Installment Purchase Agreements constitutes a pledge of the Capital Fund or any other revenues of the Airport System.

Plan of Financing

DEPFA First Albany Securities LLC (formerly First Albany Capital Inc.) and Estrada Hinojosa & Company, Inc., have prepared the Plan of Financing in anticipation of the issuance of the Series 2007 Bonds. The Plan of Financing, which forms the basis for certain elements of the financial forecasts in the Report of the Airport Consultant, includes: (1) the issuance of the Series 2007A Bonds, the Series 2007B Bonds, the Series 2007D Bonds, the Series 2007D2 Bonds and the Series 2007E Bonds to fund a portion of the costs of the 2007 Project, including the current refunding of the then outstanding Tax-Exempt Commercial Paper Notes and reimbursing available Airport System moneys spent on such projects, capitalized interest relating to such Senior Bonds and an increase in the amount on deposit in the Bond Reserve Fund; (2) the issuance of the Series 2007C Bonds to advance refund and defease certain of the outstanding Series 2003B Bonds; and (3) the issuance of the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds to current refund and defease certain of the outstanding Series 1997E Bonds. The Plan of Financing also assumes the issuance of additional Senior Bonds and Commercial Paper Notes between 2008 and 2012 for the purpose of funding certain projects in the 2008-2013 Capital Program.

The issuance of such additional Senior Bonds and Commercial Paper Notes will be dependent upon various factors, including market conditions, the continued need for particular projects in the 2008-2013 Capital Program, the eventual scope and timing of particular Planned Projects and the financial feasibility of issuing additional Senior Bonds or Commercial Paper Notes at particular times. Consequently, there can be no assurance that any of the other additional Senior Bonds and/or Commercial Paper Notes assumed in the Plan of Financing will be issued. See also "INTRODUCTION – Plan of Financing," "Subordinate Bonds and Other Obligations – *Subordinate Commercial Paper Notes – Subordinate Hedge Facility Obligations*" above, "CAPITAL PROGRAM" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

Capital Fund

The amount on deposit in the Capital Fund as of March 31, 2007, was approximately $180.3 million. Amounts in the Capital Fund have been designated by the City as follows: (1) $67.1 million for the Coverage Account (constituting Other Available Funds); (2) $5.7 million to cover existing obligations and contingencies; and (3) $107.5 million for any lawful Airport System purpose. See also "SECURITY AND SOURCES OF PAYMENT – Flow of Funds."

Rentals, Fees and Charges for the Airport

Using compensatory and residual rate-making methodologies in its existing Use and Lease Agreements, the City has established rentals, fees and charges for premises and operations at the Airport. These include landing fees, terminal complex rentals, baggage system fees, concourse ramp fees, AGTS charges, international facility fees and fueling system charges, among others. The City also collects substantial revenues from other sources such as public parking, rental car operations and retail concession operations. For those airlines that are not signatory to Airport Use and Lease Agreements, the City assesses rentals, fees and charges following procedures consistent with those outlined in the Use and Lease Agreements, at a premium of 20% over Signatory Airline rates. In addition, nonsignatory airlines do not share in the year-end airline revenue credit. See generally "AGREEMENTS FOR USE OF AIRPORT FACILITIES."

Passenger Facility Charges

General. Public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) are permitted to charge each enplaning revenue passenger using the airport a passenger facility charge for the purpose of developing additional capital funding resources for the expansion of the national airport system. The proceeds from PFCs must be used to finance eligible airport-related projects that serve or enhance the safety, capacity or security of the national airport transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers, including associated debt service. Public agencies desiring to impose and use PFCs are required to apply to the FAA for such authority and satisfy the requirements of 49 U.S.C. §40117 (the "PFC Enabling Act"). Applications by certain public agencies, including the Department, after October 1, 2000, also require an acceptable airport competition plan.

The City first began imposing a PFC on enplaned revenue passengers on July 1, 1992, at the rate of $3.00, which was increased to $4.50 effective April 1, 2001. The PFC is collected by air carriers as part of the price of a ticket and then remitted to the City. The air carriers are permitted by the PFC Enabling Act to retain a portion of each PFC collected as compensation for collecting and handling PFCs. Effective May 1, 2004, the collection fee was increased from $0.08 of each PFC collected and remitted to $0.11 of each PFC collected. PFC revenues received by the Airport are net of this collection fee. See also "AIRLINE BANKRUPTCY MATTERS – PFCs" for a discussion of the impact upon PFC collections in the event of an airline bankruptcy.

The amount of PFC revenues received each Fiscal Year is determined by the PFC rate and the number of qualifying passenger enplanements and level of passengers at the Airport. PFC revenue for the years 2004, 2005 and 2006 increased 14.2%, 2.2% and 11.3%, respectively, compared to the corresponding prior periods. See also "THE REPORT OF THE AIRPORT CONSULTANT," "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT," "APPENDIX C – GLOSSARY OF TERMS" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE."

The City's authorization to impose the PFC will expire upon the earlier of January 1, 2030, or the collection of approximately $3.3 billion of PFC revenues, net of collection fees. Through March 2007, the City had collected approximately $850.4 million of PFC revenues. In addition, the City's authority to impose the PFC may be terminated: (1) by the FAA, subject to certain procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Enabling Act or the related FAA regulations, or (b) the City otherwise violates the PFC Enabling Act or FAA regulations; or (2) if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 (the "Noise Act") and its related regulations, subject to certain procedural safeguards. The City has covenanted that as long as the imposition and use of the PFC is necessary to operate the Airport System in accordance with the requirements of the Senior Bond Ordinance, the City will use its best efforts to continue to impose the PFC and to use PFC revenues at the Airport and to comply with all valid and applicable federal laws and regulations pertaining thereto necessary to maintain the PFC. However, no assurance can be given that the City's authority to impose the PFC will not be terminated by Congress or the FAA or that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City. In the event the FAA or Congress reduced or terminated the City's ability to collect PFCs, the City would likely need to increase airline rates and charges to pay debt service on the Senior Bonds and the Subordinate Bonds and to comply with both the Rate Maintenance Covenant and a similar covenant made in connection with the Subordinate Bonds. See also "Federal Grants and Other Funding" below for a discussion of pending legislation affecting the maximum permissible PFC.

Irrevocable Commitment of Certain PFCs to Debt Service Requirements. The definition of Gross Revenues in the Senior Bond Ordinance does not include PFC revenues unless, and then only to the extent, included as Gross Revenues by the terms of a Supplemental Ordinance. To date, no Supplemental Ordinance has included PFC revenues in the definition of Gross Revenues. The definition of Debt Service Requirements in the Senior Bond Ordinance provides that, in any computation required by the Rate Maintenance Covenant and for the issuance of Additional Parity Bonds, there is to be excluded from Debt Service Requirements amounts irrevocably committed to make such payments. Such irrevocable commitments may be provided from any available Airport System moneys, including PFC revenues. See "APPENDIX C – GLOSSARY OF TERMS" and "SECURITY AND SOURCES OF PAYMENT – Rate Maintenance Covenant – Additional Parity Bonds."

Under the Senior Bond Ordinance, in order to administer PFC revenues, the City created within the Airport System Fund the PFC Fund, consisting of the PFC Debt Service Account and the PFC Project Account, and defined "Committed Passenger Facility Charges" to mean generally two-thirds of the PFC received by the City from time to time (currently the revenues derived by the City from $3.00 of the $4.50 PFC). Pursuant to the PFC Supplemental Ordinance, the City has agreed to deposit all PFC revenues upon receipt in the following order of priority: (1) to the PFC Debt Service Account in each Fiscal Year through 2013, inclusive, the lesser of (a) all Committed Passenger Facility Charges received in each such Fiscal Year, and (b) the portion of Committed Passenger Facility Charges received in each such Fiscal Year that, together with other available amounts credited to the PFC Debt Service Account, will be sufficient to make the payments from the PFC Debt Service Account to the Bond Fund required in each such Fiscal Year, as set forth in the PFC Supplemental Ordinance (the "Maximum Committed Amounts"); and (2) to the PFC Project Account all PFCs received in each Fiscal Year that are not otherwise required to be applied in clause (1). The City has also irrevocably committed amounts on deposit in the PFC Debt Service Account, up to the Maximum Committed Amounts, to the payment of the Debt Service Requirements on Senior Bonds through December 31, 2013. The Maximum Committed Amounts or any lesser amount of Committed Passenger Facility Charges and other credited amounts that may be deposited to the PFC Debt Service Account are to be transferred to the Bond Fund and used to pay Debt Service Requirements on Senior Bonds in each Fiscal Year through 2013. The PFC revenues forecast to be deposited in the PFC Debt Service Account are less than the Maximum Committed Amounts in each year of the forecast period. See "*Treatment of PFCs in the Report of the Airport Consultant*" below and Exhibit C of the Report of the Airport Consultant appended to this Official Statement. See also "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – PFC Fund" for the Maximum Committed Amounts that have been irrevocably committed to the payment of the Debt Service Requirements of the Senior Bonds through Fiscal Year 2013.

The irrevocable commitment of the Committed Passenger Facility Charges up to the Maximum Committed Amounts in the PFC Debt Service Account applies only with respect to the current $4.50 PFC and not with respect to any PFC that might be imposed as a result of future PFC approvals by the FAA, and is only for the payment of Debt Service Requirements on Senior Bonds through December 31, 2013.

All PFCs deposited to the PFC Project Account may be used for any lawful PFC eligible Airport System purpose as directed by the Manager, including Debt Service Requirements on Senior Bonds.

Treatment of PFCs in the Report of the Airport Consultant. In the Report of the Airport Consultant, (1) the Committed Passenger Facility Charges are forecast to be less than the Maximum Committed Amounts in each year of the forecast period, and (2) it is assumed that all of the revenue derived from the Additional $1.50 PFC (*i.e.*, PFC revenues that do not constitute Committed Passenger Facility Charges) will be applied by the City either to the payment of a portion of the annual Debt Service Requirements of the Senior Bonds through December 31, 2013, or to the defeasance of Senior Bonds, all as further described in "*Irrevocable Commitment of Certain PFCs to Debt Service Requirements*." For purposes of the Rate Maintenance Covenant, the amounts forecast to be derived from both the Committed Passenger Facility Charges and the portion of the Additional $1.50 PFC that is expected to be applied either to the payment of Debt Service Requirements of Senior Bonds in each Fiscal Year through 2013 or to the defeasance of Senior Bonds are therefore reflected in the Report of the Airport Consultant as a reduction in the Debt Service Requirements of Senior Bonds. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

Aviation Fuel Tax

An amount equal to 65% of any sales and use taxes imposed and collected by the State on aviation fuel sold for use at the Airport by turbo propeller or jet engine aircraft and credited to the State aviation fund is distributed to the City on a monthly basis and may be used by the City exclusively for "aviation purposes" as defined in the statute, excluding subsidization of airlines except for the promotion and marketing of air service at airport facilities. Such receipts are treated by the City as Gross Revenues. The Report of the Airport Consultant assumes that future aviation fuel tax revenues will continue to be remitted to the City each year. State aviation fuel tax receipts remitted to the Airport in 2006 were approximately $6.2 million.

The City also imposes a separate aviation fuel tax, which is not subject to the State allocation requirements but is treated as Gross Revenues under the Senior Bond Ordinance. City tax receipts in 2006 totaled approximately $6.5 million.

Federal Grants and Other Funding

Proceeds from federal grants are not included in the definition of Gross Revenues under the Senior Bond Ordinance and therefore are not pledged to the payment of Senior Bonds or Subordinate

Bonds. The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program (the "AIP"). AIP grants include entitlement funds that are apportioned annually based upon enplaned passengers and discretionary funds that are available at the discretion of the FAA based upon a national priority system.

FAA authorization and the funding of the Airport and Airway Trust Fund (the primary source of AIP funding) expired on September 30, 2007. The FAA is currently operating under a short-term extension of "Vision 100 - Century of Aviation Reauthorization Act" (Public Law 108-176), which covered federal fiscal years 2004 through 2007. A new four-year FAA authorization (the "FAA Reauthorization") is pending before Congress. The House of Representatives has passed its version of the FAA Reauthorization, while the Senate version awaits action by the full Senate. A conference committee is expected to be necessary to resolve bicameral disagreements, and President Bush has released a Statement of Administration Policy providing his views on a number of the constituent elements of the FAA Reauthorization.

Until at least six months of FAA authorization and appropriations are passed for federal fiscal year 2008, which commenced October 1, 2007, federal grants-in-aid available to airports under the AIP will not be available to large hub airports such as the Airport. This includes both entitlement funding and discretionary grants. The imposition and collection of PFCs are not impacted by the delay in passing an authorization.

Two provisions in the House and Senate versions of the pending FAA Reauthorization would affect the future of capital funding for the Airport. The House and Senate versions each have an increase in AIP funding from the current $3.7 billion authorized for federal fiscal year 2007. Each version of the FAA Reauthorization has $3.8 billion available for federal fiscal year 2008, $3.9 billion for federal fiscal year 2009, $4.0 billion for federal fiscal year 2010 and $4.1 billion for federal fiscal year 2011. The House version, but not the Senate version, also includes an increase in the maximum permissible PFC from $4.50 to $7.00. See "Passenger Facility Charges" above. This issue is expected to be an item of consideration in the conference committee.

In accordance with current laws and regulations relating to PFCs, because the City imposes a PFC at the rate of $4.50, annual AIP entitlement grants available to the Airport are reduced by the amount of PFC revenues received during such year, with a maximum reduction of 75% of the amount of the available AIP entitlement grants. The House version of the pending FAA Reauthorization contains a phase-out of AIP entitlements for any airport that increases its PFC above $4.50. If that language is included in the final version of the legislation and the City increases the PFC above $4.50, it will have to forego the remaining 25% of its AIP entitlement grants. However, it is expected that the increase in revenue to the Airport from an increase in the PFC would exceed the amount of the lost AIP entitlement grants.

For purposes of the Report of the Airport Consultant, it was assumed that Congress will pass an FAA reauthorization bill or extend the current authorization such that no lapse in AIP funding or PFC collection authority will occur.

Stapleton

Agreements Regarding Disposition. When the Airport opened in February 1995, the City ceased aviation operations at Stapleton and proceeded to dispose of Stapleton's approximately 4,051 acres. A plan for the redevelopment of the Stapleton site as a mixed-use community containing residential areas, commercial centers and open space and parks was approved by the City Council in March 1995 (the "Redevelopment Plan"). In 1998 the City entered into a Master Lease and Disposition Agreement with the Stapleton Development Corporation ("SDC"), a Colorado nonprofit corporation created by the City and the Denver Urban Renewal Authority, under which the SDC manages, operates and disposes of the Stapleton site in accordance with the Redevelopment Plan.

Prior to February 2000, the City sold approximately 500 acres of the Stapleton site to various private parties. In February 2000, SDC entered into the Stapleton Purchase Agreement with Forest City Enterprises, Inc. under which this entity agreed to (1) purchase the remaining developable Stapleton property over a 15-year period at land values set forth in a December 1999 appraisal (approximately $123.4 million), (2) pay certain development fees and (3) develop the property according to the principles set forth in the Redevelopment Plan. The SDC has to date sold a total of approximately 1,330 acres of Stapleton property for a total of approximately $44.33 million, and there are approximately 292 acres of pending sales in the amount of approximately $9.6 million. An additional 437 acres of open space has been dedicated for parks and other public use space. The proceeds from the sales, net of closing costs, have been deposited to the Capital Fund.

The City allocated approximately $120 million for certain Stapleton environmental remediation pursuant to an agreement among the City and nine of the air carriers that formerly operated at Stapleton (the "Stapleton Airlines Agreement"), and purchased an environmental liability insurance policy to cover cost overruns and unknown events. Pursuant to the Stapleton Airlines Agreement, three of the signatory air carriers that formerly operated at Stapleton paid an aggregate of $15 million to the City to perform certain environmental remediation that was related to or caused by their past operations at Stapleton. The cost of certain other environmental remediation at Stapleton that was not attributable to the past operations of any specific airlines is to be funded from rate-based charges to the airlines operating at the Airport and from Stapleton Gross Proceeds (as defined in the Stapleton Airlines Agreement) in a maximum amount of $85 million. This amount has been funded as follows: $13.1 million in Airport Net Revenues previously withheld from the 1996 year-end revenue credit; $30 million from Airport System Revenue Bonds; and $41.9 million advanced from the Capital Fund. The debt service on these bonds is being paid by the City from airline rates and charges collected from the airlines through 2025, and the Capital Fund advance is being repaid as Stapleton Gross Proceeds are recognized. Under certain circumstances the City may perform remediation that is beyond the level otherwise required by the Stapleton Airlines Agreement, and the City is permitted to pay up to an additional $20 million for such additional remediation from the City's share of Airport Net Revenues. The City has paid $10 million to date for such additional remediation, and does not expect to incur any additional costs for environmental remediation at Stapleton that will not be reimbursed under the environmental liability insurance policy discussed above. All of the signatory air carriers were released from any further liability to the City for any obligations relating to or arising out of environmental remediation at Stapleton or disposing of the Stapleton site.

Related Assumptions in the Report of the Airport Consultant. Proceeds from the sale of Stapleton are not included in the definition of Gross Revenues under the Senior Bond Ordinance, although the City used approximately $15.7 million received from the sale of Stapleton assets to retire then outstanding Subordinate Bonds.

During the period covered by the Report of the Airport Consultant, no proceeds from the sale of Stapleton assets are assumed to be received by the Airport System, but it is assumed that all overhead and maintenance expenses associated with Stapleton will be paid by the SDC, and that the City will fund certain Stapleton disposition expenditures and will continue to amortize its investment in the Airfield Cost Center at the Airport over 25 years as discussed above.

Noise Agreement with Adams County

The City and Adams County, Colorado, from which a portion of land for the Airport was annexed, entered into an Intergovernmental Agreement on a New Airport, dated April 21, 1988 (the "Intergovernmental Agreement"), that, among other things, establishes maximum levels of noise at 101 grid points in the vicinity of the Airport that may not be exceeded on an average annual basis. The Intergovernmental Agreement also establishes a noise contour for the Airport beyond which the City agrees to keep aircraft noise below certain levels.

When calculated noise levels, based on a full year of data, exceed the Intergovernmental Agreement standards, the City and Adams County agreed to jointly petition the FAA to implement changes in flight procedures or Airport operations to bring the noise levels within the standards of the Intergovernmental Agreement. If the FAA fails to act, the City is obligated to impose rules and regulations to meet the noise standards. As defined in the Intergovernmental Agreement, a failure to act by the FAA occurs if (1) the FAA has not stated its intention to implement changes to achieve and maintain the noise levels required by the Intergovernmental Agreement within 180 days of the date of the joint petition by the City and Adams County, or (2) the FAA has not implemented such changes within one year of the date of the joint petition. If the City does not act within 90 days following the FAA's failure to act to impose rules and regulations to achieve the noise standards, Adams County or any affected city may seek a court order compelling the City to do so. If the court does not order the City to act, or finds that the City does not have the authority to act, then the City is obligated to pay to Adams County $500,000 for each annual Class II violation that occurs at any grid point (when individual grid point values are exceeded by at least two decibels), or the noise contour restriction is exceeded.

Since the opening of the Airport, twelve annual noise reports for the period commencing with the opening of the Airport in February 1995 through December 31, 2006, have been prepared by the City in accordance with the Intergovernmental Agreement. Over that period of time the potential Class II violations have decreased to the extent that the annual noise reports for calendar years ending December 31, 2005 and 2006 reflected only one potential Class II violation for each year (maximum potential liability of $500,000 per year) and that the noise contour restriction in the Intergovernmental Agreement had not been exceeded in either year. After a judgment was rendered against the City in favor of Adams County and the Cities of Aurora, Brighton, Commerce City and Thornton for eight noise violations that occurred in 1995 and, together with interest, was paid by the City, the City has settled with, and paid to, Adams County, and if applicable, the other cities, the claims for both Class II violations and noise violations, if any, occurring in the years 1996 through 2006. In the City's judgment, it is likely that noise levels at a limited number of grid points may continue to exceed the levels established under the Intergovernmental Agreement.

Investment Policy

The Senior Bond Ordinance permits the City to invest Airport System funds in "Investment Securities" as defined therein. See "APPENDIX C – GLOSSARY OF TERMS."

In addition to the Senior Bond Ordinance, provisions of the City Charter regulate the investment of Airport System funds. In accordance with the City Charter, the Chief Financial Officer is responsible for the management of the investment of City funds, including Airport System funds. The Chief Financial Officer is authorized to invest in the following securities: obligations of the United States Government; obligations of United States Government agencies and United States Government sponsored corporations; prime bankers' acceptances; prime commercial paper; certificates of deposit issued by banks and savings and loan institutions; repurchase agreements; security lending agreements; highly rated municipal securities; money market funds that purchase only the types of securities specified in this paragraph; and other similar securities as may be authorized by ordinance. An ordinance authorizing investment of City funds in forward purchase agreements, debt service reserve fund put agreements and debt obligations of the Resolution Funding Corporation has been approved by the City. The City is not authorized to leverage its securities for investment purposes.

Consistent with the City Charter, the City has adopted a written investment policy which, among other things, mandates diversification by specifying maximum limits for each eligible security type as well as further restrictions, such as the credit quality of commercial paper and the amount of securities of any single issuer that may be held. Investment maturities are generally matched to anticipated cash flow requirements and each month securities held by the City are valued by the City on the basis of fair market value.

Property and Casualty Insurance

The City maintains property insurance for most of the City's real and personal property located at the Airport except for any real and personal property for which the City contracts with its lessees to provide such insurance. Airport real and personal property is insured based on a total loss limit of $1 billion, subject to a $250,000 per occurrence deductible, on a reported value of approximately $2.9 billion. Valuation of Airport real and personal property is based upon replacement cost, subject to the total loss limit and various sub-limits. Airport motor vehicles and mobile equipment assets are insured under the same property insurance policy at reported values of approximately $70.9 million. Terrorism and non-certified acts of terrorism are included under the Airport's property insurance at a sub-limit of $1 million per occurrence and $5 million in the aggregate. As an additional cost savings initiative, Airport management has determined that it is not cost-effective to maintain property insurance on the Airport's runways and roadways, which are valued at approximately $1.7 billion.

The City maintains liability insurance to cover liabilities arising out of Airport operations. A $50 million per occurrence liability limit is currently provided with various aviation specific sub-limits. In addition, an Excess Airport Owners and Operators Liability policy provides a limit of $450 million per occurrence in excess of the $50 million primary layer. Prior to the events of September 11, 2001, war risk/terrorism insurance was provided as a free rider to the Airport's general liability insurance policy. After such events the rider was cancelled by the insurer and such insurance was unavailable for a period of time. War risk/terrorism insurance has again been made available to the Airport, although not in meaningful amounts and at a cost that Airport management has determined to be prohibitive.

Continued Qualification as an Enterprise

Pursuant to the City Charter, the City by ordinance has designated the Department as an "enterprise" within the meaning of Article X, Section 20 of the State Constitution, the effect of which is to exempt the Department from the restrictions and limitations otherwise applicable to the City under such constitutional provision. "Enterprises" are defined as government-owned businesses authorized to issue their own revenue bonds and receiving under 10% of their annual revenues in grants from all State and local governments combined. The constitutional provision contemplates that qualification as an "enterprise" is to be determined on an annual basis, and while the City regards the possibility to be remote that the Department might be disqualified as an "enterprise," such disqualification would have the effect, during such period of disqualification only, of requiring inclusion of the Airport System in the City's overall spending and revenue base and limitations, and of requiring voter approval for various actions, including, with certain exceptions, the issuance of additional bonds payable from the Net Revenues. One of such exceptions is the ability to refund bonds at a lower interest rate.

AIRLINE BANKRUPTCY MATTERS

Since 2001, several airlines with operations at the Airport, including United, have filed for bankruptcy protection, although with the exception of Midway Airlines and Vanguard Airlines, which eventually ceased operations, all of these airlines have reorganized and emerged from bankruptcy protection. Additional bankruptcies, liquidations or major restructurings of airlines with operations at the Airport could occur in the future; however, the City cannot predict the extent to which any such events would impact the ability of the Airport to pay the outstanding Senior Bonds, including the Series 2007G1-G2 Bonds. The following is a discussion of various impacts to the Airport of an airline bankruptcy.

Assumption or Rejection of Agreements

In the event an airline that has executed a Use and Lease Agreement or other agreement with the City seeks protection under U.S. bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the City within certain timeframes provided in the bankruptcy laws. In the event of assumption, the airline is required to cure any prior monetary defaults and provide adequate assurance of future performance under the applicable Use and Lease Agreement or other agreements.

Rejection of a Use and Lease Agreement or other agreement or executory contract will give rise to an unsecured claim of the City for damages, the amount of which in the case of a Use and Lease Agreement or other agreement is limited by the Bankruptcy Code. However, the amount ultimately received in the event of a rejection of a Use and Lease Agreement or other agreement could be considerably less than the maximum claim amounts allowed under the Bankruptcy Code. Certain amounts unpaid as a result of a rejection of a Use and Lease Agreement or other agreement in connection with an airline in bankruptcy, such as airfield costs and costs associated with the baggage claim area and the AGTS, would be passed on to the remaining airlines under their respective Use and Lease Agreements, 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. In addition, adjustments could be made to terminal and concourse rents of nonairline tenants, although there can be no assurance that such other tenants would be financially able to absorb the increases.

With respect to any airline that may seek bankruptcy protection under the laws of a foreign country (such as Air Canada as described above), the City is unable to predict what types of orders or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States. Typically, foreign airline bankruptcy proceedings obtain an order in the United States to support and complement the foreign proceedings and stay the actions of creditors in the United States.

Prepetition Obligations

During the pendency of a bankruptcy proceeding, absent a court order, a debtor airline may not make any payments to the City on account of goods and services provided prior to the bankruptcy. Thus, the City's stream of payments from a debtor airline would be interrupted to the extent of prepetition goods and services, including accrued rent and landing fees. If the use and lease agreement of an airline in bankruptcy is rejected, the airline (or a successor trustee) may seek to avoid and recover as preferential transfers certain payments, including landing fees and terminal rentals, paid by such airline in the 90 days prior to the date of the bankruptcy filing.

PFCs

Pursuant to the PFC Enabling Act, the FAA has approved the City's applications to require the airlines to collect and remit to the City a $4.50 PFC on each enplaning revenue passenger at the Airport as further discussed in "FINANCIAL INFORMATION – Passenger Facility Charges."

The PFC Enabling Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the City) 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. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the PFC Enabling Act, as amended in December 2003, provides certain statutory protections for the City of PFC collections, however, it is unclear whether the City would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline in the event of a liquidation or cessation of business. The City also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for PFCs owed by such airline.

REPORT OF THE AIRPORT CONSULTANT

General

Jacobs Consultancy Inc., as the Airport Consultant, prepared the Report of the Airport Consultant, dated July 25, 2007, which is included herein as "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT." The Report of the Airport Consultant was undertaken to estimate the ability of the Airport System to generate sufficient Net Revenues and Other Available Funds to meet the requirements of the Rate Maintenance Covenant of the Senior Bond Ordinance in each year of the forecast period encompassing Fiscal Years 2007 through 2013. The Report of the Airport Consultant includes certain airline traffic and financial forecasts for the forecast period, together with the assumptions upon which the forecasts are based, and also incorporates certain elements of the Plan of Financing.

The financial forecasts in the Report of the Airport Consultant are based on certain information and assumptions that were provided by, or reviewed and agreed to by, Department management, and in the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts. The Report of the Airport Consultant should be read in its entirety for a description of and an understanding of the forecasts and the underlying assumptions contained therein.

The forecasts of airline traffic at the Airport were prepared taking into account analyses of (1) historical long-term trends in passenger traffic growth at the Airport, (2) short-term monthly passenger traffic trends at the Airport, (3) historical and forecast economic indicators for the Denver metropolitan area and (4) forecasts developed by the FAA. It was assumed that airline traffic at the Airport will increase as a function of both growth in the population and the economy of the Denver metropolitan area, continued airline competition and the continued operation of connecting hubs at the Airport by both United and Frontier. It was also assumed that airline service at the Airport will not be constrained by the availability or price of aviation fuel, limitations in the capacity of the air traffic control system or the Airport or government policies or actions that restrict growth.

The Report of the Airport Consultant was prepared in connection with, but prior to, the marketing of the Series 2007 Bonds, and by necessity makes various assumptions in connection therewith, including the number of and designation of the several series of the Series 2007 Bonds, as well as principal amounts, maturities, interest rates and Debt Service Requirements thereof. For example, the Series 2007D Bonds, the Series 2007D2 Bonds and the Series 2007E Bonds are referred to therein as the Series 2007D-E Bonds, and the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds are referred to therein as the Series 2007F Bonds. The Report of the Airport Consultant has not been revised to reflect the actual series of Series 2007 Bonds issued or the principal amounts, maturities, interest rates and Debt Service Requirements thereof as described in this Official Statement. See also "SECURITY AND SOURCES OF PAYMENT – Rate Maintenance Covenant – Additional Parity Bonds" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Additional Parity Bonds."

The forecasts of Net Revenues and Debt Service Requirements presented in the Report of the Airport Consultant include the estimated Debt Service Requirements with respect to the Series 2007 Bonds and other additional Airport System Revenue Bonds and Commercial Paper Notes that may be issued during the forecast period to fund Planned Projects in the Airport's current capital program. The financial forecasts do not include any debt service savings from the issuance of the Series 2007C Bonds, the Series 2007F1-F4 Bonds, the Series 2007G1-G2 Bonds or other refunding bonds that the City may issue during the forecast period. Based on the Plan of Financing, the Report of the Airport Consultant assumes that all of such other additional Airport System Revenue Bonds will be Senior Bonds. See "THE SERIES 2007G1-G2 BONDS – Security and Sources of Payment – *Additional Parity Bonds*." The forecasts do not reflect any Airport System Revenue Bonds the City may issue for Demand Responsive Projects at the Airport or refundings of outstanding Airport System Revenue Bonds in 2007 and thereafter. See "CAPITAL PROGRAM" and "FINANCIAL INFORMATION – Plan of Financing." In addition, the estimated Debt Service Requirements are net of PFC revenues that are irrevocably committed to pay Debt Service Requirements on Senior Bonds and that are forecasted to be received during the forecast period plus other PFC revenues that the City intends to use to pay Debt Service Requirements during the forecast period. See "FINANCIAL INFORMATION – Passenger Facility Charges."

The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Forward Looking Statements; Report of the Airport Consultant."

Summary of Forecasts

The following table summarizes the forecasts of Net Revenues, Other Available Funds and Debt Service Requirements on Senior Bonds as presented in the Report of the Airport Consultant. Net Revenues, together with Other Available Funds, are forecast to be sufficient to meet the Rate Maintenance Covenant in each year of the forecast period. For a more detailed discussion of the forecasts of Net Revenues, Other Available Funds and Debt Service Requirements on Senior Bonds, as well as historical debt service coverage figures, see "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT." See also "THE SERIES 2007G1-G2 BONDS – Historical Debt Service Coverage."

Net Revenues and Other Available Funds, Debt Service Requirements and Debt Service Coverage on Senior Bonds

(In thousands, except coverage ratios)

	Estimated	Forecast					
	2007	2008	2009	2010	2011	2012	2013
Net Revenues and Other Available Funds[1]	$392,862	$384,220	$389,733	$401,323	$440,107	$446,925	$463,917
Debt Service Requirements on Senior Bonds[2]	$220,422	$221,899	$214,864	$217,238	$265,262	$263,390	$280,330
Debt Service Coverage[2]	178%	173%	181%	185%	166%	170%	166%

[1] Other Available Funds include amounts forecast to be available in the Coverage Account of the Capital Fund to be applied to help meet the Rate Maintenance Covenant of the Senior Bond Ordinance.

[2] Excludes Debt Service Requirements forecast to be paid from PFC revenues. See "FINANCIAL INFORMATION – Passenger Facility Charges."

Sources: Report of the Airport Consultant and audited financial statements of the Airport System

Forecasts of revenues to be derived from airline landing fees, terminal rentals and other use charges are often expressed on a per enplaned passenger basis for the purpose of comparing airline costs at different airports. The following table shows the forecast amounts of revenues and average cost per enplaned passenger for all airlines as presented in the Report of the Airport Consultant.

Cost Per Enplaned Passenger for All Airlines

(In thousands except cost per passenger)

	Estimated	Forecast					
	2007	2008	2009	2010	2011	2012	2013
Net airline rentals, fees and charges	$274,548	$277,878	$294,707	$314,308	$367,313	$384,493	$409,637
Enplaned passengers	24,602	25,351	25,936	26,332	26,730	27,068	27,293
Cost per passenger	$11.16	$10.96	$11.36	$11.94	$13.74	$14.20	$15.01

Source: Report of the Airport Consultant

For a more detailed discussion of forecast airline rates and charges and forecast Gross Revenues, see "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS – FINANCIAL ANALYSIS – EXHIBIT E – Airline Rentals, Fees and Charges."

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of Jacobs Consultancy Inc. as airport consultants.

LITIGATION

The Airport System is involved in several claims and lawsuits arising in the ordinary course of business. The City believes that any liability assessed against the City as a result of such other claims or lawsuits which are not covered by insurance would not materially adversely affect the financial condition or operations of the Airport System.

FORWARD LOOKING STATEMENTS

This Official Statement, including particularly the Report of the Airport Consultant, contains statements relating to future results that are "forward looking statements" as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "propose," "plan," "expect," "assume" 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. For a discussion of certain of such risks and possible variations in results, see "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Forward Looking Statements; Report of the Airport Consultant," as well as "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

RATINGS

Moody's, S&P and Fitch are expected to assign their long-term and short-term ratings to the Series 2007G1-G2 Bonds as follows:

	Moody's	S&P	Fitch
Long-Term Rating	Aaa	AAA	AAA
Short-Term Rating	VMIG 1	A-1+	F1+

The long-term ratings of each Series 2007G1-G2 Bonds are based on the understanding that upon delivery of the Series 2007G1-G2 Bonds, the Bond Insurance Policy insuring the payment when due of principal of and interest on the Series 2007G1-G2 Bonds will be issued by the Bond Insurer. See "BOND INSURANCE." The short-term ratings on the Series 2007G1-G2 Bonds are based on the Bank's commitment to provide funds pursuant to the Standby Bond Purchase Agreement, and will expire with the expiration of the Standby Purchase Agreement. See "THE LIQUIDITY FACILITY – The Standby Bond Purchase Agreement – The Bank" for further information regarding the Standby Bond Purchase Agreement, the Bank and its ratings.

Moody's, S&P and Fitch have published underlying ratings with respect to the outstanding Senior Bonds of "A1," "A+" and "A+," respectively, in each case with a rating outlook of "stable."

The City, the Bond Insurer and the Bank have furnished to these rating agencies the information contained in the Official Statement and certain other materials and information relating to the Series

2007G1-G2 Bonds, the Airport System, the Bond Insurer and the Bank, including certain materials and information not included in this Official Statement. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions by the rating agencies.

A rating reflects only the view of the agency assigning such rating and is not a recommendation to buy, sell or hold the Series 2007G1-G2 Bonds. An explanation of the significance of such ratings may be obtained only 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 may have an adverse effect on the market price of the Series 2007G1-G2 Bonds.

UNDERWRITING

The Series 2007G1-G2 Bonds are being purchased from the City by the Underwriters set forth on the cover page hereof at a price of $148,228,249, constituting the aggregate principal amount of the Series 2007G1-G2 Bonds less an underwriting discount of $271,751. Pursuant to a Bond Purchase Agreement entered into by and between the City, for and on behalf of the Department, and Bear, Stearns & Co. Inc., as representative of the Underwriters, the Underwriters agree to accept delivery of and pay for all of the Series 2007G1-G2 Bonds if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain matters by counsel and certain other conditions.

CONTINUING DISCLOSURE

The Senior Bond Ordinance requires the City to prepare and mail to Owners of Senior Bonds requesting such information certain financial reports and an annual audit related to the Airport System prepared in accordance with U.S. generally accepted accounting principles, a copy of which is also required to be filed with certain nationally recognized municipal securities information repositories. In addition, although Rule 15c2-12, which prohibits underwriters from purchasing or selling certain municipal securities unless the issuers of those securities agree to provide continuing disclosure information for the benefit of the owners of those securities, does not apply to the Series 2007G1-G2 Bonds as initially issued, the City will nevertheless deliver a Continuing Disclosure Undertaking in which it will agree to provide or cause to be provided annually certain additional financial information and operating data concerning the Airport System and other obligated persons and to provide notice of certain enumerated events, if determined to be material. See "APPENDIX G – FORM OF CONTINUING DISCLOSURE UNDERTAKING" for a description of the annual information and the notices of material events to be provided and other terms of the Continuing Disclosure Undertaking.

The City has delivered continuing disclosure undertakings in connection with the issuance of various series of its outstanding Senior Bonds, and has continually complied with the requirements set forth in Rule 15c2-12 and its previous continuing disclosure undertakings.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2007G1-G2 Bonds are subject to the approval of Hogan & Hartson LLP, Denver, Colorado, Bond Counsel, and Bookhardt & O'Toole, Denver, Colorado, Bond Counsel. The substantially final form of the opinions of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the City by David Fine, Esq., City Attorney, and Peck, Shaffer & Williams LLP, Denver, Colorado, Special Counsel to the

City; and for the Underwriters by Sherman & Howard L.L.C., Denver, Colorado, and Greenberg Traurig, LLP, Denver, Colorado.

TAX MATTERS

The following discussion is a summary of the opinions of Bond Counsel that are to be rendered on the tax-exempt status of interest on the Series 2007G1-G2 Bonds and of certain federal and State income tax considerations that may be relevant to prospective purchasers of Series 2007G1-G2 Bonds. This discussion is based upon 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 2007G1-G2 Bonds, Hogan & Hartson LLP, Bond Counsel, and Bookhardt & O'Toole, Bond Counsel, will each provide opinions, substantially in the form appended to this Official Statement, to the effect that, under existing law, interest on the Series 2007G1-G2 Bonds is excluded from gross income for federal income tax purposes and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as provided in the following paragraph, corporations.

For corporations only, the Code requires that alternative minimum taxable income be increased by 75% of the excess (if any) of the corporation's adjusted current earnings over its other alternative minimum taxable income. Adjusted current earnings include interest on the Series 2007G1-G2 Bonds. An increase in a corporation's alternative minimum taxable income could result in imposition of tax to the corporation under the corporate alternative minimum tax provisions of section 55 of the Code.

The foregoing opinions will assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2007G1-G2 Bonds. The City will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2007G1-G2 Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2007G1-G2 Bonds.

The opinions of Bond Counsel will also provide to the effect that, under existing law and to the extent interest on any Series 2007G1-G2 Bond is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State.

Other than the matters specifically referred to above, Bond Counsel express, and will express, no opinions regarding the federal, State, local or other tax consequences of the purchase, ownership and disposition of Series 2007G1-G2 Bonds. Prospective purchasers of the Series 2007G1-G2 Bonds should be aware, however, that the Code contains numerous provisions under which receipt of interest on the Series 2007G1-G2 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 2007G1-G2 Bonds or, in the case of financial institutions, that portion of a holder's interest expense allocated to interest on the Series 2007G1-G2 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 2007G1-G2 Bonds; (3) interest on the Series 2007G1-G2 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 investment income, including interest on the Series 2007G1-G2 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 2007G1-G2 Bonds.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting 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 2007G1-G2 Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the Series 2007G1-G2 Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Series 2007G1-G2 Bonds could adversely affect their value and liquidity.

Bond Counsel will render their opinions as of the issue date, and will assume no obligation to update their opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Bond Counsel are not binding on the courts or the IRS; rather, such opinions represent 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 2007G1-G2 Bonds, the exclusion of interest on the Series 2007G1-G2 Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Series 2007G1-G2 Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences. For example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions.

Prospective purchasers of Series 2007G1-G2 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 Series 2007G1-G2 Bonds in light of their particular tax situation.

EXPERTS

DEPFA First Albany Securities LLC and Estrada Hinojosa & Company, Inc. have served as Financial Consultants to the City with respect to the Series 2007G1-G2 Bonds and in such capacity have prepared the Plan of Financing. Jacobs Consultancy Inc. has served as the Airport Consultant to the City with respect to the Series 2007G1-G2 Bonds and in such capacity has prepared the Report of the Airport Consultant.

FINANCIAL STATEMENTS

The financial statements of the Airport System as of and for the years ended December 31, 2006 and 2005 are attached to this Official Statement as "APPENDIX B – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2006 AND 2005." BKD, LLP, the City's independent external auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix B hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement. The consent of BKD, LLP to the inclusion of APPENDIX B was not sought or obtained. The financial statements present only the Airport System and do not present the financial position of the City and County of Denver, Colorado.

MISCELLANEOUS

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2007G1-G2 Bonds, a copy of the Senior Bond Ordinance may be obtained from the City and the Department.

So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

CITY AND COUNTY OF DENVER, COLORADO

By /s/ Turner West
Manager of Aviation

By /s/ Claude Pumilia
Manager of Revenue

* * *

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY AND COUNTY OF DENVER, COLORADO,

for and on behalf of its Department of Aviation

AIRPORT SYSTEM REVENUE BONDS
SERIES 2007

Prepared for

City and County of Denver
Denver, Colorado

Prepared by

Jacobs Consultancy
Burlingame, California

July 25, 2007

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CONSULTANCY

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formerly Leigh Fisher Associates

July 25, 2007

Mr. Turner West
Manager of Aviation
Department of Aviation
City and County of Denver
Denver International Airport
Room 9860, Airport Office Building
8500 Peña Boulevard
Denver, Colorado 80249-6340

Re: Report of the Airport Consultant, City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2007

Dear Mr. West:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Airport System Revenue Bonds, Series 2007 (the 2007 Bonds) by the City and County of Denver, Colorado (the City), for and on behalf of its Department of Aviation (the Department).

The City owns and, through the Department, operates Denver International Airport (the Airport), which is the primary air carrier airport serving the Denver region. The Airport and the site of the former air carrier airport (Stapleton International Airport) serving the region, which is also owned by the City, constitute the Airport System.

The 2007 Bonds are to be issued as Senior Bonds under a General Bond Ordinance adopted by the City in 1984, as supplemented and amended by multiple Supplemental Bond Ordinances (collectively, the General Bond Ordinance) with a first lien on the Net Revenues* of the Airport System. (Capitalized terms in this report are used as defined in the General Bond Ordinance** or the Airport use and lease agreements, discussed later.)

The General Bond Ordinance sets forth the covenants of the City with respect to, among other things for the Airport System: (a) issuing additional Bonds, (b) establishing rates, fees, and charges as provided under the Rate Maintenance Covenant, and (c) paying

---

*Net Revenues equal Gross Revenues less Operation and Maintenance Expenses.
**See Appendix D of the Official Statement.

Operation and Maintenance (O&M) Expenses and Debt Service Requirements, among other expenses.

This feasibility report was undertaken to estimate the ability of the Airport System to generate sufficient Net Revenues and Other Available Funds from 2007 through 2013, referred to in this report as the forecast period*, to meet the requirements of the Rate Maintenance Covenant of the General Bond Ordinance following the issuance of the 2007 Bonds.

2007 BONDS

The 2007 Bonds include multiple series and have multiple purposes, as follows:

- The 2007A-B and 2007D-E Bonds are to be issued to fund projects in the Airport Capital Program, as discussed below.
- Depending on market conditions for issuing bonds, the 2007C Bonds are to be issued to advance-refund all or a portion of the principal outstanding of the 1998B and 2003B Bonds.
- The 2007F Bonds are to be issued to current-refund a portion of the principal outstanding of the 1997E Bonds.

According to the Financial Consultants,** the 2007C Bonds are to be issued at the time the 2007A-B Bonds are issued, which would be followed by issuance of the 2007D-E Bonds and the 2007F Bonds. For purposes of this report, the financial forecasts do not include any debt service savings from the proposed issuance of the 2007C and 2007F Bonds, or other Bonds the City may issue during the forecast period to refund the principal of outstanding Bonds. As such, any mention of the 2007 Bonds in this report refers to the 2007A-B Bonds and 2007D-E Bonds.

*Coincides with the last year of the Airport Capital Program (2013).
**First Albany Capital and Estrada Hinojosa & Company, Inc.

The City expects to issue the 2007A-B Bonds and the 2007D-E Bonds in the approximate principal amounts and for the uses indicated below.

		Uses of 2007A-B and 2007D-E Bonds (millions) *(a)*		
Series	Principal to be issued (millions)	Refund Outstanding Commercial Paper Notes	Reimburse Airport equity	Fund Airport Capital Program costs
2007A-B Bonds	$224,016	$30,000	$40,000	$130,170
2007D-E Bonds	250,020	--	--	201,700
Total *(a)*	$474,036	$30,000	$40,000	$331,870

(a) Issuance costs are not reflected above and, as such, the total principal amount to be issued does not equal the amounts to be used to refund the Commercial Paper Notes and to fund project costs.

Sources: First Albany Capital and Estrada Hinojosa & Company, Inc. (the Financial Consultants).

According to the Financial Consultants, the 2007A Bonds and the 2007D Bonds are to be issued as alternative minimum tax (AMT) Bonds, and the 2007B and the 2007E Bonds are to be issued as non-AMT Bonds.

The Airport Capital Program costs to be funded from the net proceeds of the 2007A-B Bonds and the 2007D-E Bonds are part of a broader City plan to expand and improve Airport facilities, as discussed later in this report.

The 2007A-B Bonds and the 2007D-E Bonds are considered “additional Bonds” under Section 704B of the General Bond Ordinance and, as such, the City is required to retain an Airport Consultant to demonstrate compliance with the additional Bonds test prior to issuance of those Bonds. The City retained Jacobs Consultancy as the Airport Consultant and compliance with the additional Bonds test for the 2007A-B Bonds has been demonstrated, as provided in a separate letter to the City for those Bonds. The additional Bonds test for the 2007D-E Bonds is to be undertaken and the results are to be provided to the City in connection with the proposed issuance of those Bonds.

AIRPORT CAPITAL PROGRAM

The Airport Capital Program includes projects to expand, maintain, and reconstruct Airport facilities in 2007, as well as the 6-year period from 2008 through 2013.

From 2007 through 2013, the Department expects to invest approximately $1.22 billion in Airport facilities from the net proceeds of the 2007A-B Bonds, the 2007D-E Bonds, and additional Bonds (the Future Planned Bonds*) the City expects to issue during the forecast period to fund projects from 2008 through 2013, as well as certain other sources of funds.

As certain projects in the 2007-2013 Capital Program are ready for their intended use, certain assumptions have been incorporated into the financial forecasts presented in this report regarding additional (a) Gross Revenues from airline rentals, fees, and charges and/or other sources, (b) O&M Expenses, and (c) debt service associated with the 2007 Bonds and the Future Planned Bonds.

Project Costs to Be Funded with 2007A-B and 2007D-E Bond Proceeds

The projects to be funded from the net proceeds of the 2007A-B Bonds and the 2007D-E Bonds (collectively, the 2007 Project) are expected to include the following:

- Construct 10 new mainline gates and additional apron area by expanding Concourse C to the east
- Construct a new commuter jet facility and additional apron area at the east end of Concourse C
- Extend Taxiway K in the north-south direction to the east of Concourse C
- Extend the east-west taxilanes to the north and south of Concourse C
- Construct an aircraft holding and remain overnight (RON) area to the east of Concourse C
- Improve baggage systems to increase the efficiency of airline operations
- Construct the Concourse B regional jet facility, which became operational on April 24, 2007, and was previously funded with Commercial Paper Notes
- Construct a new public parking structure adjacent to the Landside Terminal, which was previously funded with Commercial Paper Notes and Airport equity

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

According to the Department, the 2007 Project is expected to cost approximately $401.9 million.

Future Planned Bonds

The projects (i.e., the 2008-2013 Airport Capital Program) to be funded from the net proceeds of the Future Planned Bonds are expected to include, but are not limited to, the following:

- Rehabilitate taxiways and runways as part of the City's pavement management plan
- Continue improving the baggage system, including baggage sortation carousels, baggage claim carousels, odd-size baggage system, and right-of-way clearances
- Improve building systems, including the fire protection system, baggage information display system, electrical and mechanical systems, and elevators
- Construct a FasTracks rail station on the south side of the Landside Terminal to provide rail service between Denver Union Station and the Airport
- Upgrade the automated guideway transit system (AGTS) computer hardware, and extend the rail system to the south of the Landside Terminal to accommodate additional trains
- Expand the security screening checkpoint
- Construct future public parking structure and shuttle lot; improve Peña Boulevard; rehabilitate pavement in targeted roadway and parking areas

According to the Department, the 2008-2013 Airport Capital Program is estimated to cost approximately $822.7 million.

RATE MAINTENANCE COVENANT

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

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

In the General Bond Ordinance, "Other Available Funds" is defined to include the amount to be transferred in any Fiscal Year from the Coverage Account of the Capital Fund to the Revenue Fund, up to a maximum of 25% of the aggregate Debt Service Requirements on Senior Bonds. Based on audited data for 2006 and unaudited data for the first 3 months of 2007, at least 25% of Debt Service Requirements on Senior Bonds was on deposit in the City's Coverage Account during those periods.

Under various approvals from the Federal Aviation Administration (FAA), the City has the authority to collect a $4.50 passenger facility charge (PFC) up to $3.3 billion in PFC revenues; the City collected approximately $850.4 million of its total approval through March 31, 2007. Through an adopted PFC Supplemental Bond Ordinance, the City has irrevocably committed to pay debt service on Senior Bonds with a portion of the PFC revenues it receives each year and deposits into the PFC Debt Service Account.

In general, the irrevocable commitment equals the revenues received from $3.00 of each $4.50 PFC** imposed by the City, which extends through December 31, 2011. Following the date of this report and prior to the issuance of the 2007 Bonds, the City expects to adopt a PFC Supplemental Bond Ordinance extending that commitment through December 31, 2013.

*The City's Fiscal Year is the same as the calendar year.
**Less the airline collection fee amount.

The City expects that, during the forecast period, all of the revenues from the remaining $1.50 PFC would be irrevocably committed to one of the following purposes:

- Payment of debt service on Senior Bonds
- Defeasance of the outstanding principal of certain Senior Bonds, which would reduce the level of debt service that would have otherwise been payable from Net Revenues

Under the General Bond Ordinance, the City is allowed to exclude from Debt Service Requirements on Senior Bonds all amounts irrevocably committed to pay such Debt Service Requirements for the purposes of calculating debt service coverage under the Rate Maintenance Covenant; this exclusion is reflected in the financial forecasts presented in this report.

AIRPORT USE AND LEASE AGREEMENTS

In 2006, the rentals, fees, and charges received from the airlines operating at the Airport under Airport use and lease agreements or other agreements with the City constituted approximately 53.7% of Gross Revenues. Nonairline revenues from public parking operations, concession fees, building and ground rentals, and other sources represented the remaining 46.3% of 2006 Gross Revenues.

The Airport use and lease agreements include provisions for:

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

---

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

The City has executed Airport use and lease agreements, which include leased gates, with the passenger Signatory Airlines listed below. Of the 95 gates at the Airport, 87 are leased by the following airlines (the number of leased gates is shown in parentheses):

AirTran Airways (1)
Alaska Airlines (1)
American Airlines (3)
Continental Airlines (3)
Delta Air Lines (3)
Frontier Airlines (21) *(a)*
Midwest Airlines (1)
Northwest Airlines (3)
Southwest Airlines (5)
United Airlines (43)
US Airways (3) *(b)*

(a) Frontier leases 15 gates and an agreement amendment is pending for an additional 6 gates. Also, Frontier is expected to use or lease two gates on Concourse C, which are not included in the totals above.
(b) The parent companies of America West Airlines and US Airways merged in September 2005.

The City also has Airport use and lease agreements with regional/commuter passenger airlines (also defined as Signatory Airlines)—such as those operating as United Express—that do not lease space at the Airport, but use Airport facilities to operate express flights under code-sharing arrangements with certain airlines listed above. In addition, the City has Airport use and lease agreements with five foreign-flag passenger airlines, and six all-cargo airlines.

Most of the passenger and cargo airline use and lease agreements at the Airport are scheduled to expire during the forecast period (in 2010). As of the date of this report, the City intends to negotiate similar agreements with lease terms of 5 years and substantially similar business terms.

United Airlines operates a major connecting hub at the Airport under an Airport use and lease agreement with the City that expires in 2025. The United's operations at the Airport include service by United mainline, Ted (a low-fare unit of United), and the United Express regional airline partners (collectively, the United Airlines Group). In 2006 and the first 3 months of 2007, the United Airlines Group enplaned 56.4% and 56.0%, respectively, of all passengers enplaned at the Airport.

SCOPE OF REPORT

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

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport service region; historical trends in airline traffic; recent airline service developments and airfares; and other key factors that may affect future airline traffic.

- The Airport Capital Program from 2007 through 2013, giving particular attention to major projects in the Capital Program and when those projects are expected to be completed and ready for their intended use.

- Estimated sources and uses of funds and annual Debt Service Requirements for the proposed 2007 Bonds and the Future Planned Bonds.

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

- Audited financial results for the Airport System in 2006, the City's current estimate of O&M Expenses for 2007, and the City's preliminary budget of O&M Expenses for 2008.

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

- Certain cost reduction goals in the United Airport use and lease agreement, as amended.

- The City's intended use of PFC revenues during the forecast period under the terms of the General Bond Ordinance and the PFC Supplemental Bond Ordinance, and the proposed terms of the PFC Supplemental Bond Ordinance to be adopted by the City following the date of this report.

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

FORECAST DEBT SERVICE COVERAGE

Exhibit H (as mentioned above, all financial exhibits are provided at the end of the attachment) and the table on the following page summarize forecasts of Net Revenues and Other Available Funds, Debt Service Requirements, and debt service coverage, taking into consideration.

- The estimated debt service on the proposed 2007A-B Bonds and the 2007D-E Bonds and the Future Planned Bonds
- Additional Gross Revenues and O&M Expenses resulting from the completion of projects in the 2007-2013 Airport Capital Program

Exhibit C presents the estimated debt service on the 2007 Bonds and the Future Planned Bonds. As stated earlier, the forecasts do not reflect any Bonds the City may issue to refund outstanding Airport System Revenue Bonds.

DEBT SERVICE COVERAGE CALCULATION INCLUDING THE FUTURE PLANNED BONDS
(in thousands, except coverage)

	Estimated	Forecast					
	2007	2008	2009	2010	2011	2012	2013
Net Revenues and Other Available Funds	$392,862	$384,220	$389,733	$401,323	$440,107	$446,925	$463,917
Debt Service Requirements *(a)*							
Senior Bonds	$220,422	$221,899	$214,864	$217,238	$265,262	$263,390	$280,330
Subordinate Bonds	11,806	11,806	11,806	11,806	11,806	11,806	11,806
Total	$232,228	$233,705	$226,670	$229,044	$277,068	$275,196	$292,136
Debt service coverage							
Senior Bonds	178%	173%	181%	185%	166%	170%	166%
All Bonds	169%	164%	172%	175%	159%	162%	159%

(a) The Financial Consultants.

Estimated Debt Service Requirements are net of PFC revenues that are irrevocably committed to pay Debt Service Requirements on Senior Bonds, which include both the revenues from $3.00 of the PFC that are required to be deposited in the PFC Debt Service Account plus all of the revenues from the $1.50 PFC that the City intends to credit to the PFC Debt Service Account to pay Debt Service Requirements or use to defease certain Senior Bonds during the forecast period, as discussed earlier. Exhibit C presents the total PFC revenues assumed to be deposited in the PFC Debt Service Account and irrevocably committed to pay Debt Service Requirements during the forecast period.

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

AIRLINE COST PER ENPLANED PASSENGER

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

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

	Estimated	Forecast					
	2007	2008	2009	2010	2011	2012	2013
Net passenger airline rentals, fees, and charges	$274,548	$277,878	$294,707	$314,308	$367,313	$384,493	$409,637
Enplaned passengers	24,602	25,351	25,936	26,332	26,730	27,068	27,293
Cost per enplaned passenger	$11.16	$10.96	$11.36	$11.94	$13.74	$14.20	$15.01

The average cost per enplaned passenger, as shown above, is forecast to be approximately $12.63 between 2007 and 2013, compared to costs per enplaned passenger at the Airport from 1996 (the first full year of Airport operations) through 2006, which ranged between $11.41 and $16.07.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The accompanying financial forecasts are based on information and assumptions that were either provided by, or reviewed with and agreed to by, Airport management. Accordingly, the forecasts reflect management's expected course of action during the forecast period and, in management's judgment, present fairly the expected financial results of the Airport System.

The key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the assumptions underlying the financial forecasts provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

* * * * *

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

Respectfully submitted,

Jacobs Consultancy

JACOBS CONSULTANCY

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City and County of Denver, Colorado

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CONTENTS

CONTENTS *(continued)*

TABLES

TABLES *(continued)*

FIGURES

FIGURES *(continued)*

EXHIBITS

AIRLINE TRAFFIC ANALYSIS

AIRPORT FACILITIES

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

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

Passengers travel between the Landside Terminal and Concourses A, B, and C via an underground automated guideway transit system (AGTS). In addition, a pedestrian passenger bridge provides access to Concourse A. Concourses A, B, and C provide 95 parking positions (gates) for large jet aircraft and up to 64 parking positions for regional/commuter airline aircraft.

Concourse A has 30 gates, 8 of which can accommodate international narrowbody aircraft. Of the 30 gates on Concourse A, 24 are leased by Continental Airlines and Frontier Airlines. Concourse B has 43 gates, all of which are leased by United Airlines. Concourse C has 22 gates, 20 of which are leased by Alaska Airlines, America West Airlines/US Airways, American Airlines, Delta Air Lines, Midwest Airlines, Northwest Airlines, and Southwest Airlines; 2 gates were added in 2006.

As discussed later in this report, the City intends to expand the number of Concourse C gates, expand the public parking facilities, and make various improvements and upgrades to the Landside Terminal.

AIRPORT ROLE

Denver International Airport has an important role in the national, State, and local air transportation systems and is the fifth busiest airport in the United States, in terms of total passengers (enplaned plus deplaned), the primary commercial service airport for the State of Colorado, and a hub for United and Frontier.

The top-five ranking of the Airport among the busiest domestic airports in the United States based on total passengers reflects the Airport's (1) central geographic location, (2) large origin-destination passenger base, and (3) role as a hub for United and Frontier.

Central Geographic Location

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

Fifth Busiest U.S. Airport

According to statistics compiled by Airports Council International (ACI), in terms of total passengers (enplaned plus deplaned), the Airport was the fifth busiest airport in the United States in 2006, as shown in Table 1. The seven largest domestic passenger airlines all serve the Airport, providing service to 159 destinations, including 138 within the continental United States, 1 in Alaska, 3 in Hawaii, and 17 international destinations. All of the large domestic all-cargo airlines provide regular service at the Airport.

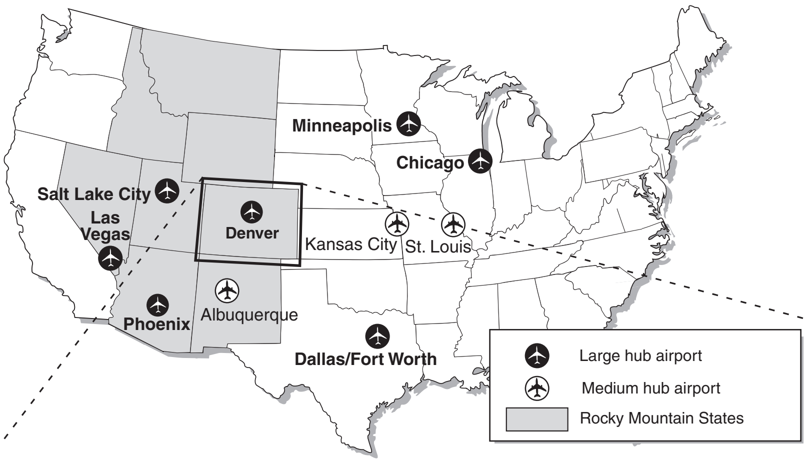
Table 1

TOTAL PASSENGERS AT THE 10 BUSIEST U.S. AIRPORTS

Rank 2006	City (airport)	Total passengers (millions) *(a)* 2002	2003	2004	2005	2006	Average annual increase 2002-2006
1	Atlanta (Hartsfield-Jackson)	76.9	79.1	83.6	85.9	84.8	2.5%
2	Chicago (O'Hare)	66.6	69.4	75.5	76.8	77.0	3.7
3	Los Angeles (International)	56.2	55.0	60.7	61.5	61.0	2.1
4	Dallas/Fort Worth	52.8	53.2	59.4	59.1	60.2	3.3
5	**Denver**	**35.7**	**37.5**	**42.4**	**43.3**	**47.3**	**7.3**
6	Las Vegas (McCarran)	35.0	36.3	39.5	44.0	46.2	7.2
7	New York (John F. Kennedy)	29.9	31.7	37.5	41.9	43.8	10.0
8	Houston (Bush Intercontinental)	33.9	34.1	36.5	39.7	42.6	5.9
9	Phoenix (Sky Harbor)	35.5	37.4	41.4	41.2	41.4	3.9
10	New York (Newark Liberty)	29.2	29.4	31.9	34.0	36.7	5.9
	Average for airports listed						3.7%

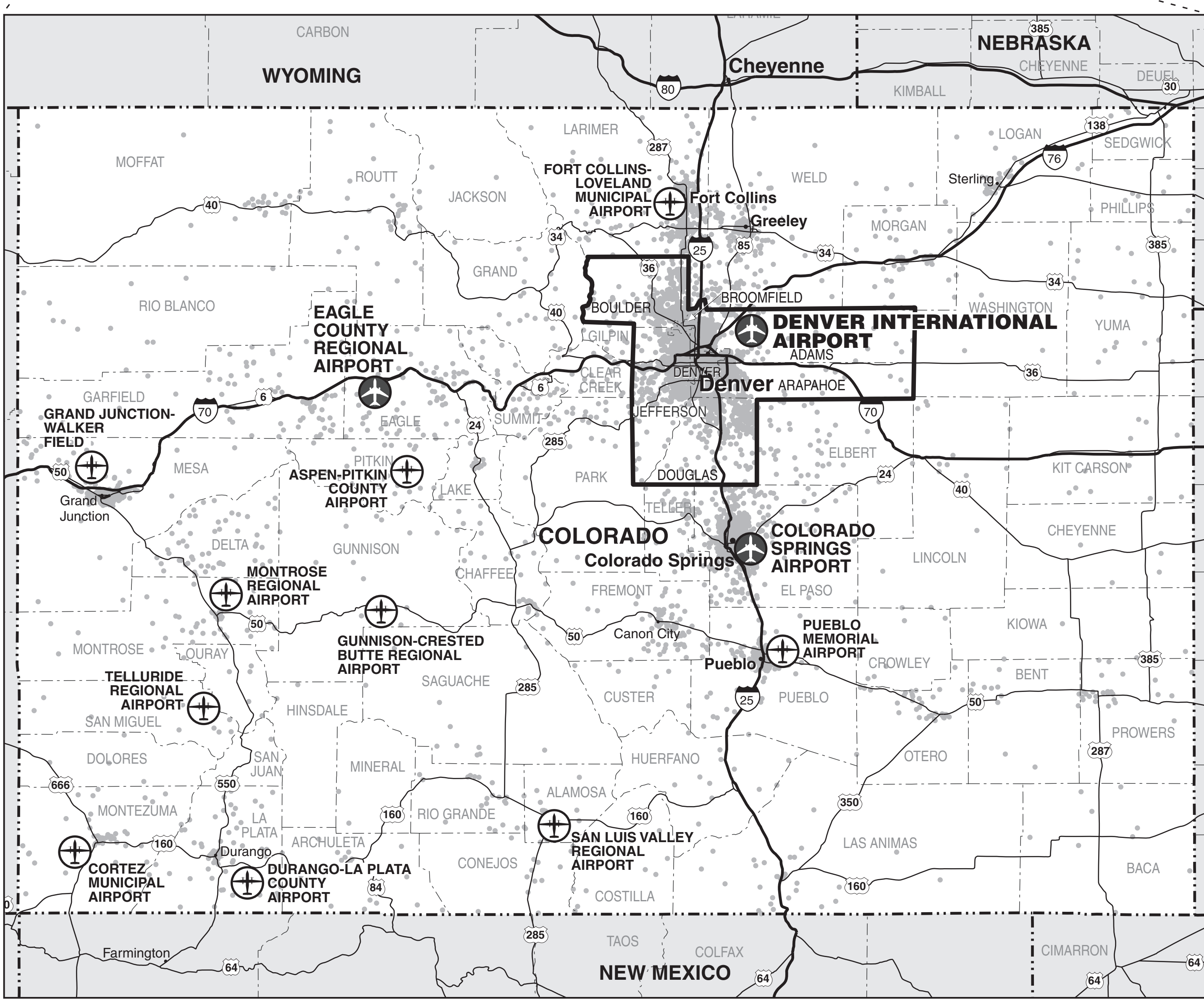
(a) Enplaned plus deplaned passengers.

Source: Airports Council International, *Worldwide Airport Traffic Report*, for years noted.



Road miles from Denver to:

Albuquerque	440
Aspen	160
Chicago	1,021
Colorado Springs	70
Dallas/Fort Worth	864
Gunnison	200
Kansas City	590
Las Vegas	760
Minneapolis	920
Oklahoma City	620
Phoenix	810
Salt Lake City	530
St. Louis	868
Vail/Eagle	100



LEGEND

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

Source: U.S. 2000 Census data.

Figure 1
DENVER AIRPORT SERVICE REGION
Denver International Airport
July 2007

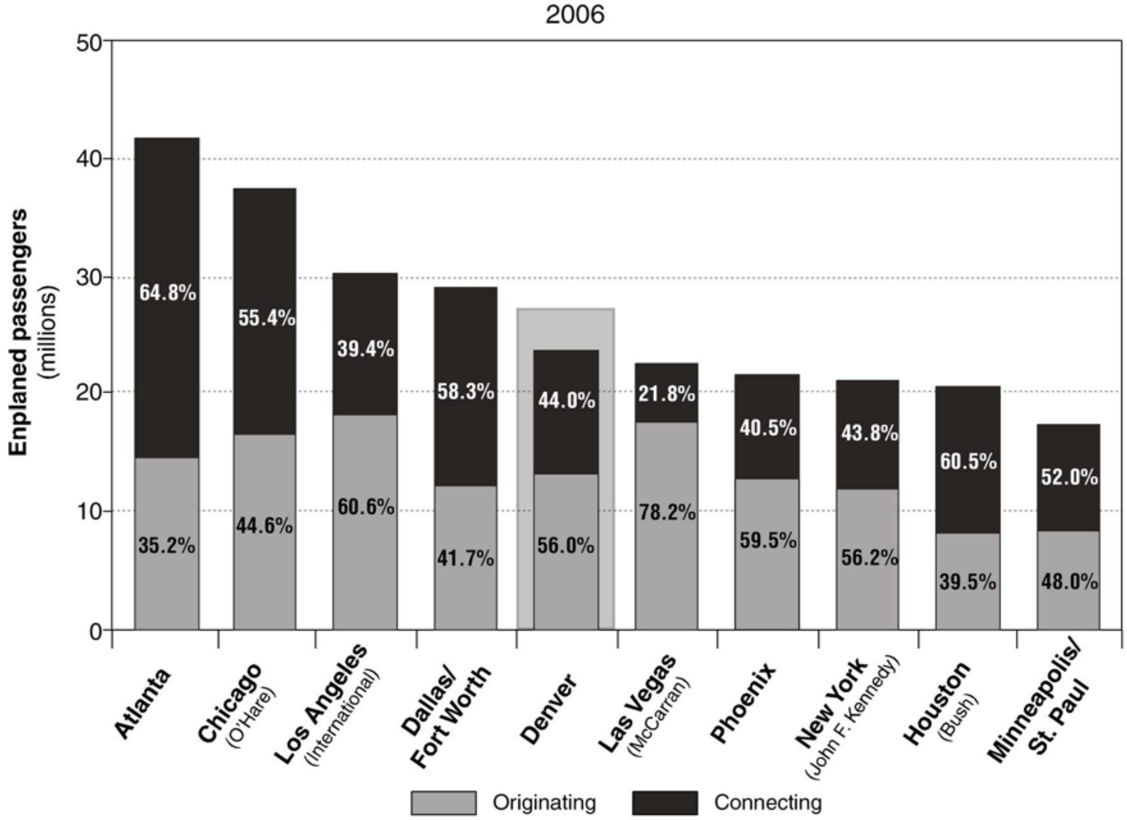
JACOBS CONSULTANCY

In 2006, approximately 44% of the approximately 23.7 million passengers enplaned at the Airport, or about 10.4 million passengers, connected from one flight to another, as shown on Figure 2. Of the 10 busiest domestic airports, in terms of enplaned passengers, the Airport has the fifth largest share of originating passengers (56%), which reflects the strength of the Denver market and its role as the primary commercial-service airport in the State of Colorado, as discussed in the following sections.

Figure 2

ORIGINATING AND CONNECTING ENPLANED PASSENGERS AT TOP 10 BUSIEST AIRPORTS

2006



Sources: Denver—Airport management records.
All other airports—Originating traffic–U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic.*
Total traffic–U.S. Department of Transportation, T-100 database.

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Large Origin-Destination Passenger Base

The Airport's large origin-destination passenger base is related to the strength of the Denver economy and supports the connecting hub operations of United and Frontier. This large base of local passengers allows United and Frontier to (1) improve load factors and profitability and (2) maintain high frequencies for scheduling passenger connections. The flights of 13.2 million passengers originated in Denver in 2006 (i.e., these originating passengers did not connect from another flight). In 2006, the Airport ranked fifth in the nation in numbers of originating passengers.

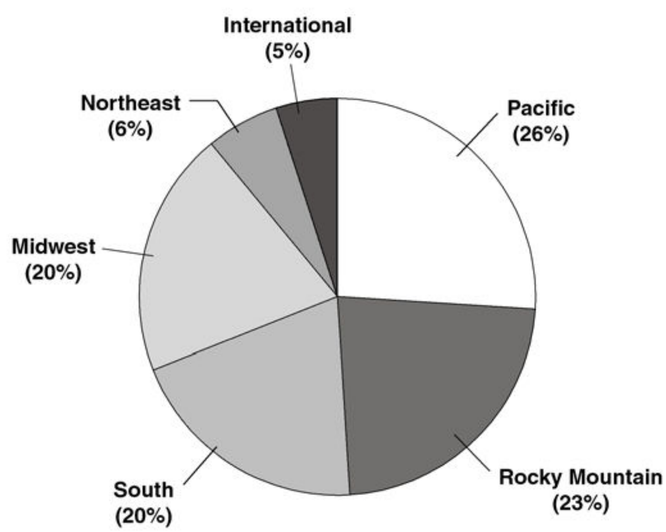
Hub for United and Frontier Airlines

As stated earlier, the Airport serves as an important connecting hub in the route systems of both United and Frontier. As shown on Figure 3, the shares of passengers connecting through the Airport in 2006 reflect the Airport's central geographic location, with the western United States (Rocky Mountain and Pacific states) accounting for 49% of connecting passengers and the eastern United States (Northeast, Midwest, and South states) accounting for 46% of connecting passengers. The shares of connecting passengers for United and Frontier reflect the service patterns of each airline. United's shares of connecting passengers parallel those for the Airport as a whole, while Frontier's shares differ for some regions as a result of its smaller route network. As shown in Table 2, the Airport accounts for the sixth highest number of daily scheduled seats at U.S. connecting hub airports in August 2007.

Figure 3

PASSENGERS CONNECTING THROUGH DENVER BY REGION

2006



Notes: Data are for the origins of passenger journeys.

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Pacific: Alaska, California, Hawaii, Oregon, Washington
Rocky Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia

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

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Table 2

SCHEDULED AIRLINE SERVICE AT U.S. CONNECTING HUB AIRPORTS

August 2007

	Average daily scheduled seats			Busiest airline(s)		
City (airport)	International	Domestic	Total	Airline *(a)*	Average daily scheduled seats	Airline share of airport total
Atlanta (Hartsfield-Jackson)	17,509	144,511	162,020	Delta	115,416	71.2%
				AirTran	32,422	20.0
Chicago (O'Hare)	22,613	113,883	136,496	United	64,679	47.4
				American	48,779	35.7
Los Angeles (International)	32,217	82,952	115,169	United	22,058	19.2
Dallas/Fort Worth	9,813	95,868	105,681	American	89,212	84.4
New York (Kennedy)	43,129	47,561	90,689	JetBlue	24,560	27.1
				Delta	19,180	21.1
Denver	**3,722**	**85,537**	**89,259**	**United**	**45,422**	**50.9**
				Frontier	**20,804**	**23.3**
Las Vegas (McCarran)	3,627	74,746	78,373	Southwest	30,208	38.5
Phoenix (Sky Harbor)	3,000	74,075	77,075	US Airways	35,542	46.1
Houston (Bush Intercontinental)	14,692	60,758	75,450	Continental	65,432	86.7
New York (Newark Liberty)	21,403	46,754	68,157	Continental	46,996	69.0
Detroit (Metropolitan)	7,301	57,400	64,700	Northwest	48,835	75.5
San Francisco	15,368	49,123	64,491	United	30,050	46.6
Philadelphia	8,109	55,268	63,377	US Airways	39,966	63.1
Orlando	3,441	58,920	62,361	Southwest	15,163	24.3
Minneapolis/St. Paul	4,146	58,059	62,205	Northwest	48,648	78.2
Charlotte	3,658	57,715	61,373	US Airways	53,122	86.6
Seattle-Tacoma	4,861	55,815	60,676	Alaska	29,830	49.2
Miami	29,351	28,645	57,995	American	39,915	68.8
Boston	8,274	46,685	54,959	US Airways	9,734	17.7
New York (LaGuardia)	2,631	48,981	51,612	Delta	12,060	23.4
Washington, D.C. (Dulles)	11,610	33,138	44,749	United	26,810	59.9
Baltimore/Washington	1,064	41,528	42,592	Southwest	23,225	54.5
Salt Lake City	1,075	39,014	40,089	Delta	28,807	71.9
Washington, D.C. (Reagan National)	776	36,809	37,584	US Airways	16,344	43.5
Chicago (Midway)	198	37,170	37,368	Southwest	28,571	76.5
Honolulu	6,638	30,261	36,899	Hawaiian	11,202	30.4
San Diego	502	34,218	34,721	Southwest	12,489	36.0
Tampa	347	32,231	32,578	Southwest	10,832	33.2
Cincinnati/Northern Kentucky	1,548	29,175	30,722	Delta	27,536	89.6

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

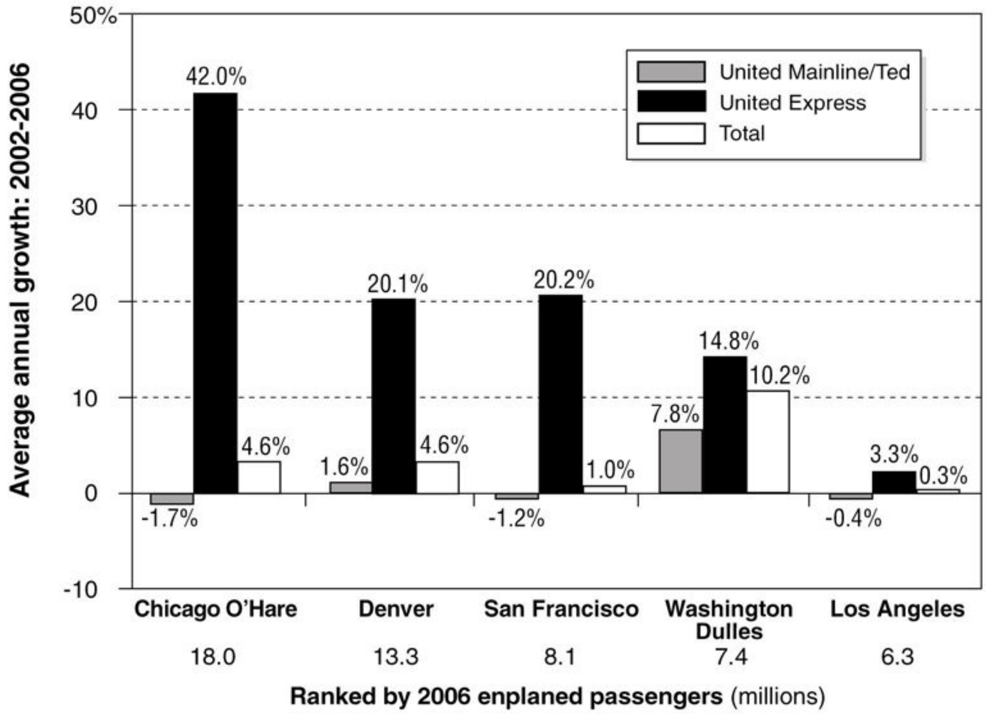
(a) Including regional airline affiliates.

Source: Official Airline Guides, Inc., online database for August 2007.

The Airport's Role in United's System. The United Airlines Group, which includes United mainline, United Express—the regional/commuter airline affiliates operating as United Express, and Ted—United's low-fare airline, accounted for 56% of the passengers enplaned at the Airport in 2006. From 2002 to 2006, the number of enplaned passengers at Denver and Chicago O'Hare international airports, United's two largest hubs, increased an average of 4.6% per year as the result of increases in the number of passengers enplaned by United Express, as shown on Figure 4. The

Figure 4

GROWTH IN HISTORICAL ENPLANED PASSENGERS BY HUB
UNITED AIRLINES GROUP
2002-2006



Sources: Denver International Airport—Airport management records.
Other airports: Airport management records and U.S. DOT T-100 database.

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increasing use of regional airline affiliates is also evident in the growth in the number of enplaned passengers at United's other hubs and is part of an overall airline industry trend to outsource short-haul and low-density routes to regional airline partners in order to optimize airline revenues. United's plans to optimize revenue performance include a reduction in its 2007 mainline domestic capacity (to meet increased international passenger demand) and a 4% to 5% increase in the systemwide capacity of its regional/commuter airline affiliates*. It is expected that

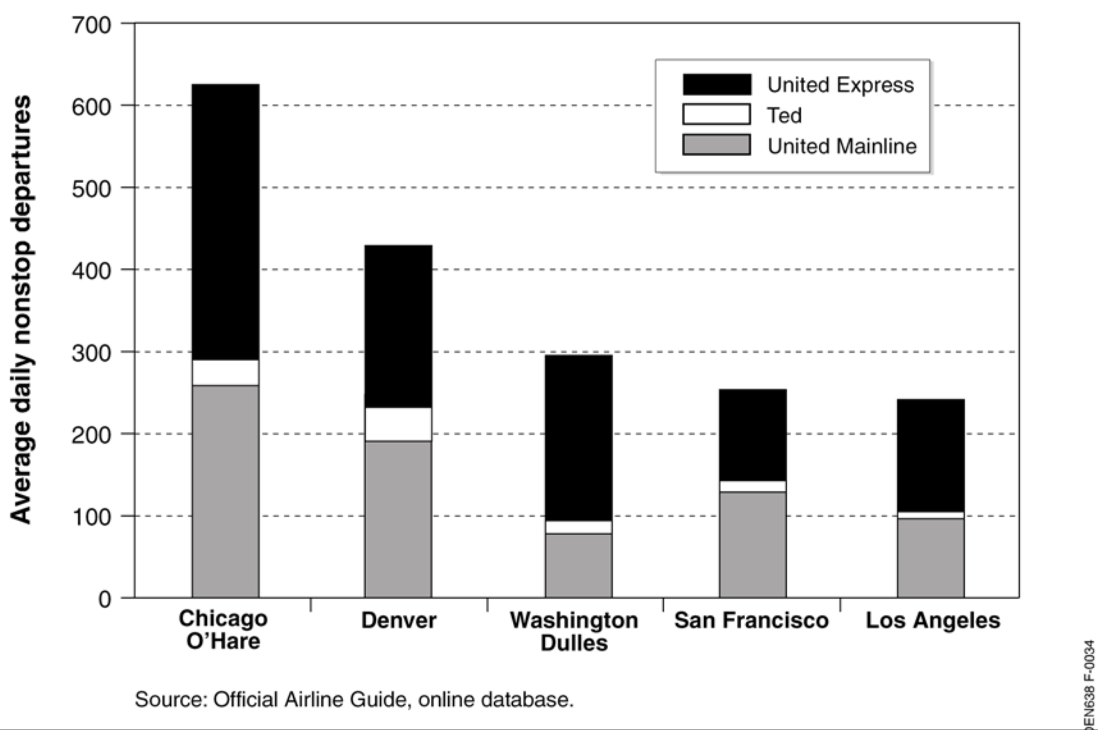
*United Airlines Group, press release dated May 17, 2007, as reported at its corporate web site.

United’s revenue optimization strategies will vary each year, but the large number of regional airline affiliates at United’s hubs—five United affiliates serve Denver—underlines the airline’s continued plans to use United Express carriers and the continued role and development of the Airport as a connecting hub in United’s system.

In addition to the revenue enhancing advantages of using regional affiliates in short-haul markets, the increased use of regional affiliates also allows United to compete with low cost and other airlines in terms of service frequencies. As shown on Figure 5, United’s regional affiliates provide nearly as many nonstop daily departures as United’s mainline and Ted operations at the Airport. Similarly, at Chicago O’Hare International Airport, the regional affiliates operate more daily nonstop departures than United mainline.

Figure 5

AVERAGE DAILY NONSTOP DEPARTURES AT HUB AIRPORTS
UNITED AIRLINES GROUP
2006



Source: Official Airline Guide, online database.

Table 3 presents trends in the numbers of passengers enplaned by United Airlines Group at the Airport in 1995 and 2000 through the first 3 months of 2007. Between 1995, when the Airport opened, and 2000—the year prior to the terrorist attacks on September 11, 2001, and the national economic downturn—United increased its number of connecting passengers an average of 5.3% per year. From 2000 through 2006, United’s number of connecting passengers at the Airport fluctuated, reflecting

Table 3

HISTORICAL ENPLANED PASSENGERS—UNITED AIRLINES GROUP
Denver International Airport

	Originating passengers	Annual percentage increase (decrease)	Connecting passengers	Annual percentage increase (decrease)	Total enplaned passengers	Annual percentage increase (decrease)	Connecting percentage of total
1995	5,215,773	--%	6,114,051	--%	11,329,824	--%	54.0%
2000	5,422,369	0.8%	7,915,705	5.3%	13,338,074	3.3%	59.3
2001	4,824,409	(11.0)	7,240,233	(8.5)	12,064,642	(9.5)	60.0
2002	3,907,030	(19.0)	7,255,448	0.2	11,162,478	(7.5)	65.0
2003	3,991,803	2.2	7,303,606	0.7	11,295,409	1.2	64.7
2004	4,489,565	12.5	7,989,301	9.4	12,478,866	10.5	64.0
2005	4,830,836	7.6	7,409,702	(7.3)	12,240,538	(1.9)	60.5
2006	5,461,372	13.1	7,885,944	6.4	13,347,316	9.0	59.1
January – March							
2006	1,351,520	--%	1,816,706	--%	3,168,226	--%	57.3
2007	1,404,425	3.9	1,860,703	2.4	3,265,128	3.1	57.0
	Average annual increase (decrease)						
1995-2000		0.8%		5.3%		3.3%	
2000-2006		0.1		(0.1)		0.0	

Source: Airport management records.

the national recovery from the 2001 events, United's emergence from Chapter 11 bankruptcy protection, and United's efforts to balance mainline domestic capacity and optimize its revenue performance. Overall, the total number of passengers enplaned by United at the Airport in 2006 approximately equaled the number enplaned in 2000.

Table 4 presents a comparison of connecting passenger trends for the United Airlines Group at the Airport and at United's other hub airports from 2002 through 2006. As shown, United Airline Group's number of connecting passengers at the Airport increased an average of 2.1% per year between 2002 and 2006, faster than at its Los Angeles and San Francisco hubs but slower than at its Chicago and Washington, D.C. (Dulles) hubs. The strong growth in United Airline Group's numbers of connecting passengers at Washington Dulles International Airport—an average of 11.9% per year—reflects the continued development of United's domestic and international hub operations.

Table 4

CONNECTING PASSENGERS BY HUB—UNITED AIRLINES GROUP

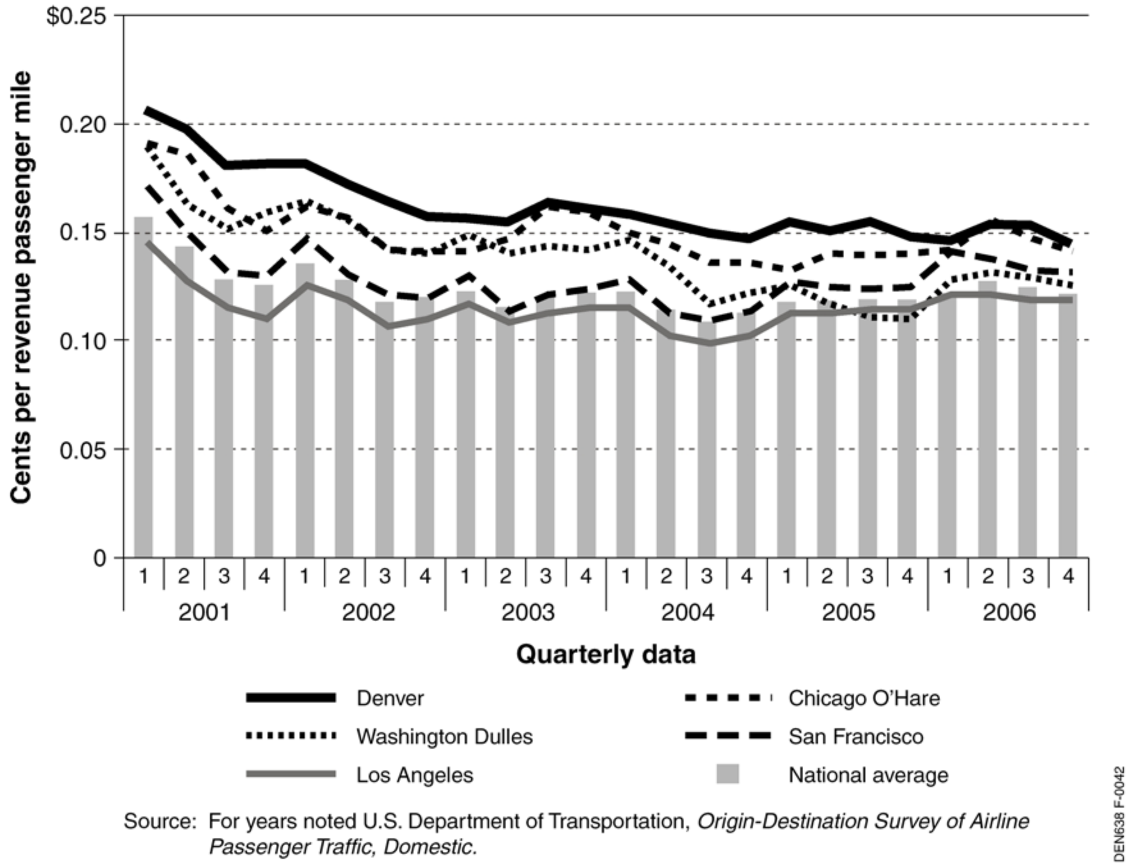
United Airlines Group Hub	2006 Connecting passengers (millions)	2006 Percent of enplaned passengers	Average annual increase (decrease) 2002-2006
Chicago O'Hare International Airport	11.5	62%	2.5%
Denver International Airport	**7.9**	**59**	**2.1**
Washington Dulles International Airport	3.8	53	11.9
San Francisco International Airport	3.8	45	1.4
Los Angeles International Airport	2.8	42	(0.3)

Sources: Denver International Airport: Airport management records.
Other airports: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* online database.

Figure 6 summarizes comparative United mainline yields (cents per revenue passenger mile) at United's hub airports. As shown, United has generally realized the highest yield at Denver International Airport compared with its yields at its other hub airports since 2001, suggesting that the Airport has a more attractive market relative to the other airports shown. The relatively high historical average yields for United at the Airport (approximately 15% higher than the national average in 2006) are attributable, in part, to the shorter average itinerary length of United flights from the Airport (approximately 5% shorter than United's system average) and, in part, to the status of the Airport as a connecting hub, with United dominating service in many travel markets. Since 2001, average yields for United at the Airport has decreased as the share of low cost carriers have increased, resulting in decreased yields in many markets.

Figure 6

UNITED MAINLINE DOMESTIC YIELDS BY HUB AND NATIONWIDE



Source: For years noted U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*.

The Airport's Role in Frontier's System. The Airport is the only hub in Frontier Airlines' system and accounts for nearly half of its scheduled departing seats. Because Frontier operates only one hub, no airport, other than Denver International Airport, accounts for more than 5% of the airline's total system seats. As a result, Frontier is sensitive to changes in the Denver market, including service and fare competition on its Denver routes. Frontier is also susceptible to adverse weather conditions and other traffic delays in the Rocky Mountain region that may affect it more than other airlines that may be better able to spread the traffic risks over larger route networks. Table 5 presents passenger trends for Frontier and Frontier JetExpress and, in particular, the growth in Frontier's connecting activity at the Airport.

Table 5

HISTORICAL ENPLANED PASSENGERS—
FRONTIER AIRLINES AND FRONTIER JETEXPRESS
Denver International Airport

	Originating passengers	Annual percentage increase (decrease)	Connecting passengers	Annual percentage increase (decrease)	Total enplaned passengers	Annual percentage increase (decrease)	Connecting percentage of total
1995	270,712	--%	27,265	--%	297,977	--%	9.2%
2000	1,187,597	34.4%	339,122	65.6%	1,526,719	38.7%	22.2
2001	1,140,000	(4.0)	417,592	23.1	1,557,592	2.0	26.8
2002	1,259,053	10.4	700,708	67.8	1,959,761	25.8	35.8
2003	1,799,766	42.9	929,474	32.6	2,729,240	39.3	34.1
2004	2,090,471	16.2	1,430,520	53.9	3,520,991	29.0	40.6
2005	2,277,628	9.0	1,939,431	35.6	4,217,059	19.8	46.0
2006	2,785,288	22.3	2,118,943	9.3	4,904,231	16.3	43.2
January – March							
2006	660,421	--%	455,521	--%	1,115,942	--%	40.8%
2007	755,090	14.3	426,213	(6.4)	1,181,303	5.9	36.1
		Average annual increase					
1995-2000		34.4%		65.6%		38.7%	
2000-2006		15.3		35.7		21.5	

Source: Airport management records.

From 1995 to 2000, the number of passengers enplaned by Frontier at the Airport increased more than fivefold, with originating passengers accounting for most of the total (77.8% in 2000). Since 2000, the number of passengers enplaned by Frontier has continued to grow—an average increase of 21.5% per year between 2000 and 2006—with connecting passengers accounting for an increasing share of the total (43.2% in 2006). From 2005 to 2006, during the first year of Southwest service at the Airport, the growth in the number of passengers enplaned by Frontier slowed, reflecting the fare and service competition from Southwest beginning in 2006. Frontier's originating passenger traffic increased 22.3% between 2005 and 2006 as the airline responded to Southwest's service by decreasing fares; the number of passengers connecting on Frontier through Denver increased, but at a much slower rate than in previous years, as Southwest attracted passengers connecting through Denver to other airports in Southwest's route system.

The domestic yields for Frontier Airlines (excluding Frontier JetExpress) at the Airport have remained lower than those for United. Since 2002, the differences between Frontier and United yields have varied—from 10% to 16% in any given year. In 2006, the domestic yield for Frontier was 13.7 cents per revenue-passenger-mile, compared with 15.0 cents for United and 12.8 cents in the nation.

Frontier has announced its intention to expand its Denver hub operation and increase connecting traffic by adding other high volume markets to its current route system, introducing and expanding Lynx Aviation, a new subsidiary, and entering into code-sharing agreements and other relationships with other airlines. In September 2006, Frontier formed Lynx Aviation to serve under-served markets in Colorado and in the Rocky Mountain region. Lynx Aviation plans to purchase 10 Q400 turboprop aircraft, each with a seating capacity of 74, to be operated under a separate operating certificate (with the option to purchase 10 additional aircraft). In January 2007, Lynx Aviation submitted its application to provide scheduled air transportation to the U.S. Department of Transportation and obtained conditional approval to sell tickets on June 30, 2007. Lynx Aviation is seeking final approval from the FAA to begin revenue service operations in September 2007, with initial service to three new cities from Denver—Wichita, Rapid City, and Sioux City.

Primary Commercial Service Airport in Colorado

Of the 13 commercial service airports in Colorado, Denver International Airport is the primary commercial service airport, accounting for more than 90% of the passengers enplaned in the State, as shown earlier on Figure 1 and in Table 6. Colorado Springs Airport, a small-hub airport 70 miles south of the Airport, principally serves local demand; originating passengers accounted for about 97% of total enplaned passengers at Colorado Springs Airport in 2006. Approximately 1.0 million passengers were enplaned and 50 scheduled daily aircraft departures were provided at Colorado Springs Airport in 2006, compared to 23.7 million passengers enplaned and 784 scheduled daily aircraft departures provided at Denver International Airport in the same year.

Table 6

COLORADO COMMERCIAL SERVICE AIRPORTS
2006

Colorado airport	Aircraft type providing service to Denver	Enplaned passengers
Denver International	--	**23,665,312**
Colorado Springs	Large jet/regional jet/turboprop	1,010,308
Eagle County Regional	Large jet/turboprop	216,789
Aspen-Pitkin County	Regional jet/turboprop	200,816
Grand Junction-Walker Field	Regional jet/turboprop	162,877
Durango-La Plata County	Regional jet/turboprop	113,577
Montrose Regional	Turboprop	82,312
Gunnison-Crested Butte Regional	Turboprop	48,065
Fort Collins-Loveland Municipal	None *(a)*	32,831
Telluride Regional	Turboprop	16,336
San Luis Valley Regional	Turboprop	7,295
Cortez Municipal	Turboprop	9,266
Pueblo Memorial	Turboprop	7,413
Total Colorado airports		25,573,197

(a) Only service provided at this airport is by Allegiant Air to Las Vegas.

Sources: U.S. Department of Transportation, T-100 database domestic; Denver International Airport records, Official Airline Guides, Inc., online database.

Airport Service Region

The primary Airport service region, both in terms of population and geography, is defined as the Denver Metropolitan Area. The population densities for the State of Colorado underline the importance of this region, as shown earlier on Figure 1. The Denver Metropolitan Area consists of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, as defined by the Metro Denver Economic Development Corporation, a not-for-profit affiliate of the Denver Metro Chamber of Commerce.

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

The following sections present a review of (1) the economic basis for passenger demand, including socioeconomic, local industry, and other factors that contribute to passenger demand at the Airport, (2) the components of passenger demand, including originating and connecting passengers, (3) a review of air cargo activity at the Airport, (4) the key factors that will affect future airline traffic, both at the Airport and nationwide, and (5) forecasts of airline traffic at the Airport through 2013, including enplaned passengers and aircraft landed weight.

ECONOMIC BASIS FOR PASSENGER DEMAND

The Denver Metropolitan Area is the largest business center in, and the transportation hub for, the State of Colorado and the multistate Rocky Mountain region, which includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. In 2006, the Denver Metropolitan Area accounted for over 55% of Colorado's population and 60% of its employment.

Population, Employment, and Per Capita Personal Income

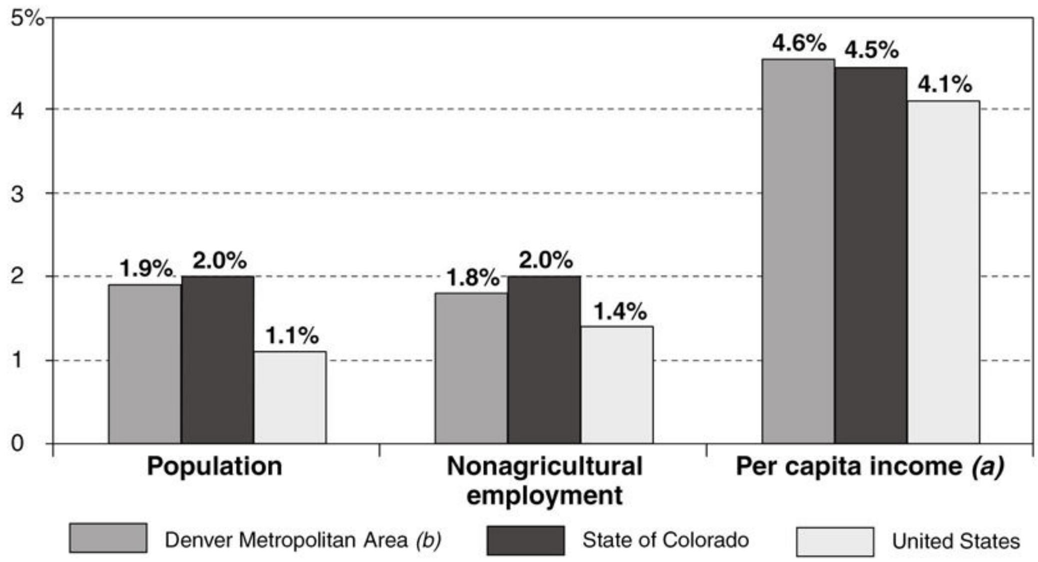
Figure 7 summarizes historical economic indicators—population, nonagricultural employment, and per capita income—for the Denver Metropolitan Area, the State of Colorado, and the nation from 1995 through 2006. Both the Denver Metropolitan Area and the State of Colorado have experienced significantly higher economic growth than the nation: much of the economic growth in the State was generated in the Denver Metropolitan Area.

Figure 7

SUMMARY OF ECONOMIC GROWTH

Denver Metropolitan Area, State of Colorado, and United States

1995-2006



(a) Historical per capita income data are only through 2005. Historical per capita income data are not adjusted for inflation.

(b) Consists of Adams, Arapahoe, Boulder, Broomfield (prior to November 2001, the City of Broomfield was located within Adams, Boulder, Jefferson, and Weld counties), Denver, Douglas, and Jefferson counties.

Sources: Population—U.S. Department of Commerce, Bureau of the Census.
Nonagricultural employment—U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings.*
Per capita income—U.S. Department of Commerce, Bureau of Economic Analysis, *Regional Accounts Data.* Expressed in current dollars.

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Table 7 presents data on historical and projected economic indicators—population, nonagricultural employment, and per capita personal income—for the Denver Metropolitan Area, the State of Colorado, and the nation. The economic indicators for the Denver Metropolitan Area and the State of Colorado were projected by the Colorado Department of Local Affairs, State Demography Office, the primary State agency for population and demographic information. Population data were projected in association with the Center for Business and Economic Forecasting, a private research firm specializing in Colorado regional economic forecasting, and reflect the interrelationships between demographic and economic change in the State. The economic indicators for the nation are projected by the National Planning Association (NPA), Data Services, Inc.*

From 1995 to 2006, population in the Denver Metropolitan Area increased an average of 1.9% per year, with slower growth during the last 6 years as the result of decreases in net in-migration and slower economic growth. However, population

*The National Planning Association is a nationally recognized private firm that analyzes and projects trends by county in the United States.

Table 7

HISTORICAL AND PROJECTED SOCIOECONOMIC DATA
Denver Metropolitan Area, State of Colorado, and United States
1995-2013

	Population (thousands) *(a)*			Nonagricultural employment (thousands) *(b)*			Per capita income *(c)*		
	Denver Metropolitan Area	State of Colorado	United States	Denver Metropolitan Area	State of Colorado	United States	Denver Metropolitan Area	State of Colorado	United States
Historical									
1995	2,133	3,827	266,278	1,127	1,834	117,298	$27,319	$24,226	$23,076
2000	2,416	4,327	282,193	1,365	2,214	131,785	37,715	33,371	29,845
2001	2,470	4,427	285,108	1,374	2,227	131,826	39,150	34,493	30,574
2002	2,501	4,498	287,985	1,328	2,184	130,341	39,152	34,027	30,810
2003	2,525	4,548	290,850	1,300	2,153	129,999	39,595	34,528	31,484
2004	2,553	4,602	293,657	1,299	2,180	131,435	41,363	36,113	33,050
2005	2,587	4,665	296,410	1,331	2,226	133,463	42,870	37,510	34,471
2006	2,637	4,753	299,398	1,378	2,279	136,174	n.a.	n.a.	n.a.
Projected, 2013	2,901 *(e)*	5,357 *(e)*	317,202*(d)*	1,582 *(e)*	2,672 *(e)*	148,952*(d)*	$61,000 *(e)*	$56,000 *(e)*	$47,000*(d)*
Average annual percent increase									
Historical									
1995-2000	2.5%	2.5%	1.2%	3.9%	3.8%	2.4%	6.7%	6.6%	5.3%
2000-2006	1.5	1.6	1.0	0.2	0.5	0.5	2.6 *(f)*	2.4 *(f)*	2.9 *(f)*
1995-2006	1.9	2.0	1.1	1.8	2.0	1.4	4.6 *(f)*	4.5 *(f)*	4.1 *(f)*
2005-2006	1.9	1.9	1.0	3.5	2.4	2.0	n.a.	n.a.	n.a.
Projected									
2006-2013	1.4	1.7	0.8	2.0	2.3	1.3	4.5	5.1	4.0

Note: The Denver Metropolitan Area consists of Adams, Arapahoe, Boulder, Broomfield (prior to November 2001, the City of Broomfield was located within Adams, Boulder, Jefferson, and Weld counties), Denver, Douglas, and Jefferson counties.

n.a. = Not available.

(a) Historical data from U.S. Department of Commerce, Bureau of the Census, www.census.gov.
(b) Historical data from U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov.
(c) Historical data from U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data, www.bea.gov. Expressed in current dollars.
(d) National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2025*, 2006 edition, except as noted. Extrapolated by Jacobs Consultancy using the NPA growth rates for 2006 through 2013, except for per capita income, which is projected for 2005 through 2013.
(e) Colorado Division of Local Government, State Demography Office, *The Population Projections Program*, online database, http://dola.colorado.gov, as of June 2007. Per capita income is projected for 2005 through 2013.
(f) Represents the percent change through 2005.

growth in the Denver Metropolitan Area outpaced growth in the nation between 1995 and 2006 and is projected to increase an average of 1.4% per year between 2006 and 2013, slower than that in the State (an average of 1.7% per year) and faster than the national average (0.8% per year).

Between 1995 and 2006, nonagricultural employment in the Denver Metropolitan Area increased an average of 1.8% per year, with slower growth during the last 6 years, similar to the trends in population. Nonagricultural employment in Colorado and the nation increased an average of 2.0% and 1.4% per year, respectively, between 1995 and 2006.

Table 8 lists the 20 largest private employers in the Denver Metropolitan Area based on data compiled by Development Research Partners for March 2007.

Table 8

20 LARGEST PRIVATE EMPLOYERS
Denver Metropolitan Area

Rank	Company	Description	Employment *(a)*
1	King Soopers Inc.	Grocery stores	10,700
2	Wal-Mart	General merchandise	10,000
3	Qwest Communications	Telecommunications	9,400
4	Lockheed Martin Corporation	Aerospace and defense-related	8,200
5	HealthONE	Health care	7,700
6	Safeway Inc.	Grocery stores	6,700
7	Exempla Healthcare	Health care	6,100
8	University of Denver	University	5,900
9	IBM Corporation	Computer systems	5,500
10	Centura Health	Health care	5,200
11	EchoStar Communications	Satellite television	5,000
12	United Airlines	Airline	5,000
13	Kaiser Permanente	Health care	4,800
14	Denver Health & Hospital Authority	Health care	4,500
15	Frontier Airlines	Airline	4,100
16	Ball Corporation	Aerospace, containers	3,800
17	Sun Microsystems	Information technology	3,800
18	Great-West Life & Annuity Insurance Co.	Insurance	3,800
19	University of Colorado Hospital	Health care	3,500
20	United Parcel Service	Parcel delivery	3,500

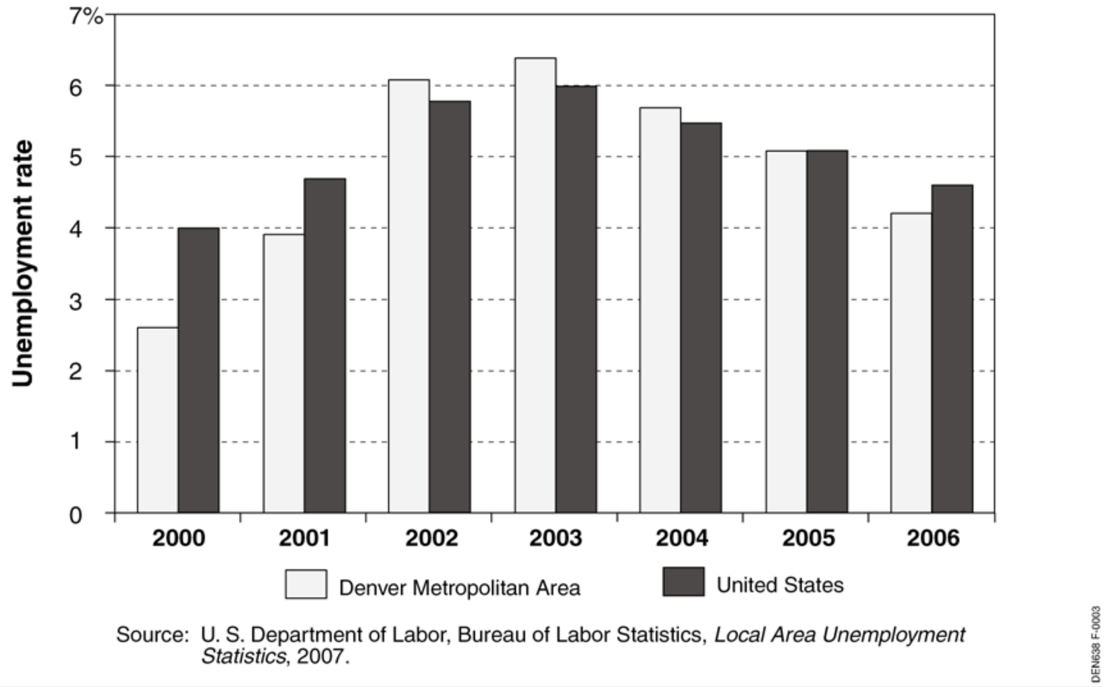
(a) Rounded to the nearest hundred.

Source: Compiled from various business lists and resources by Development Research Partners Inc., March 2007.

In addition to the employment trends cited above, the unemployment rate is also indicative of the general economic climate. Figure 8 shows a comparison of unemployment rates for the Denver Metropolitan Area and the nation in 2000 through 2006.

Figure 8

UNEMPLOYMENT RATES FOR THE DENVER METROPOLITAN AREA AND THE UNITED STATES

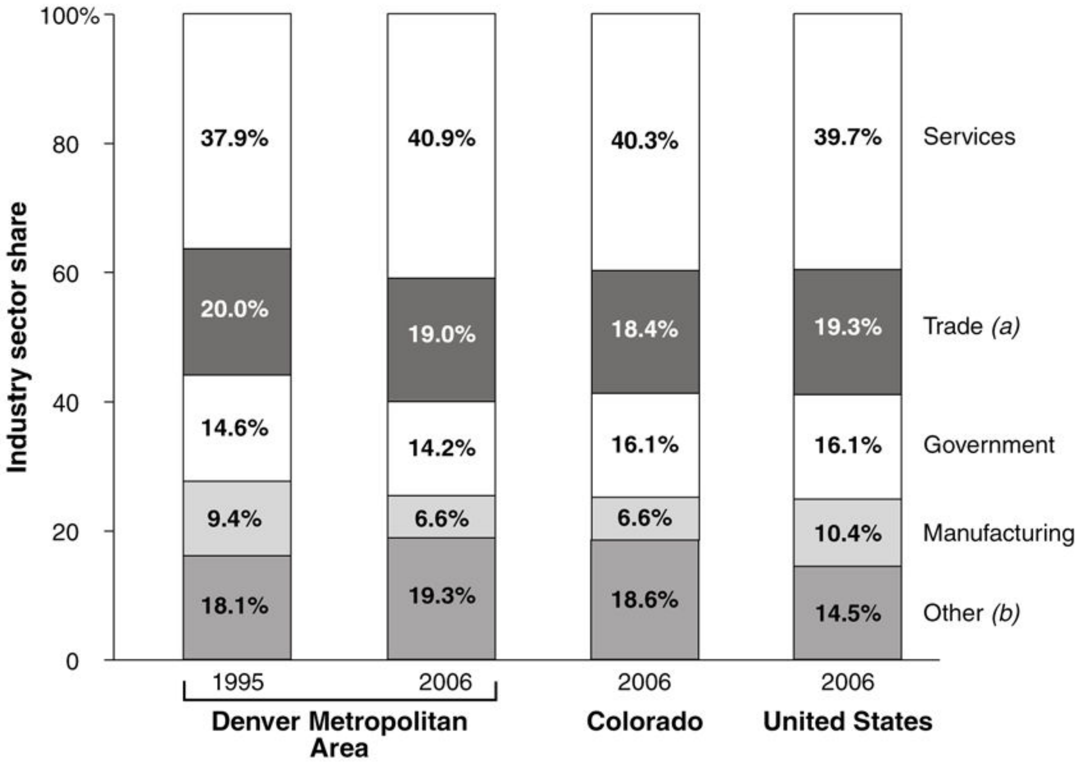


Source: U. S. Department of Labor, Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 2007.

Figure 9 presents a comparison of historical nonagricultural employment by industry sector for the Denver Metropolitan Area in 1995 and 2006, and for Colorado and the United States in 2006.

Figure 9

COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT



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

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

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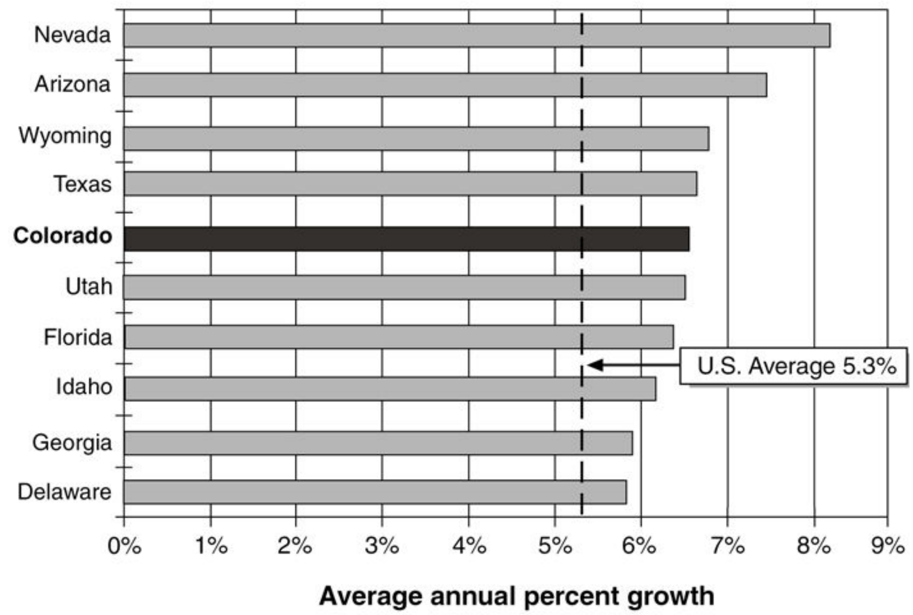
Both the Denver Metropolitan Area and Colorado have experienced strong growth in per capita income since 1995—average increases of 4.6% and 4.5%, respectively, between 1995 and 2006. Per capita income levels and growth are closely related to growth in passenger traffic and the propensity to travel in a region because (1) income levels reflect the level of education of the work force and the mix of businesses, and (2) income growth translates into disposable income and thus reflects the potential for growth in the number of trips per person. According to the U.S. Department of Commerce, Bureau of Economic Analysis, the State of Colorado was the fifth fastest growing state in the nation in terms of total personal income between 1995 and 2006, as shown on Figure 10. Six of the eight Rocky Mountain region states rank in the top 10.

Figure 10

TOP 10 FASTEST GROWING STATES: 1995–2006

(Ranked by total personal income)



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

Denver Industry Clusters

The Metro Denver Economic Development Corporation (EDC), in association with Development Research Partners, recently conducted a study of Denver's primary industry clusters, i.e., geographic concentrations of interconnected companies and institutions in a particular field. To further diversify the economic base and grow the overall economy, the EDC identified nine active industry clusters key to the region's economic strength. For purposes of this discussion, information technology for hardware and for software (two clusters) are combined. (Average salary data by industry cluster are presented for 2005, the most recent year for which such data are available.)

Aerospace. The aerospace industry cluster includes companies that develop products and systems for commercial, military, and space applications. According to the EDC, Colorado's aerospace industry employed 54,000 workers in 2006, including 24,700 private employees and 29,300 military personnel, and accounts for the second strongest private aerospace employment concentration in the country. Total Colorado aerospace employment increased an average of 3.8% per year between 2001 and 2006, compared with a 2.0% per year increase nationally. Colorado is home to four military commands, six major space contractors, and several universities involved in leading space research. The six major contractors are Lockheed Martin, Ball Aerospace, Boeing, Raytheon, Northrop Grumman, and

ITT Industries, in addition to more than 300 aerospace companies and suppliers. About 71% of aerospace companies are located in the seven-county Denver Metropolitan Area, according to the EDC. The average salary for an aerospace worker in Colorado in 2005 was $96,400 compared to the national average of $77,700.

Aviation. The aviation industry cluster includes companies that manufacture aircraft and provide air transportation services. According to the EDC, about 207 aviation companies were located in the Denver Metropolitan Area in 2006, most of which are involved with scheduled air transportation. Between 2001 and 2006, the aviation industry cluster in the Denver Metropolitan Area experienced an average decrease of 1.9% per year in employment, compared with an average decrease of 8.8% per year nationally, reflecting the effects of the 2001 terrorist attacks. Denver International Airport, three general aviation reliever airports, and top aircraft manufacturers create a solid foundation for 14,200 workers directly employed by air transportation companies in the Denver Metropolitan Area. The 2005 average annual salary for aviation employees in the Denver Metropolitan Area was $42,300 compared to the national average of $45,300.

Bioscience. The bioscience industry cluster is diverse and includes two sub-sectors: (1) pharmaceuticals and biotechnology and (2) medical devices and instruments. According to the EDC, the Denver Metropolitan Area has 4,700 biotechnology and pharmaceuticals workers plus 7,300 medical device and instrument production workers, for a total of more than 12,000 total direct bioscience workers. The industry is supported by 11 local higher education institutions with bioscience programs and numerous research assets, as well as the $4.7 billion Fitzsimons Bioscience Campus (formerly the Fitzsimons Army Medical Center), which is being transformed into a state-of-the-art integrated life sciences community.

After decreasing in 2002 and 2003, employment in pharmaceuticals and biotechnology increased in 2004 through 2006. From 2001 to 2006, pharmaceuticals and biotechnology employment in the Denver Metropolitan Area increased an average of 1.2% per year, compared with an average decrease of 2.4% per year nationally. About 79% of Colorado's pharmaceuticals and biotechnology industry is located in the Denver Metropolitan Area. In 2005, the average annual salary for a pharmaceuticals and biotechnology worker was $81,000 in the Denver Metropolitan Area compared to the national average of $87,300.

Employment in the Denver Metropolitan Area medical device and instruments sector has fluctuated between growth and decline, resulting in a slight 5-year average growth of 0.3% per year, compared with an average increase of 0.1% per year nationally. About 78% of Colorado's medical device and instruments industry is located in the Denver Metropolitan Area. The 2005 average annual salary for a medical device and instruments worker was $55,800 in the Denver Metropolitan Area compared to the national average of $51,500.

Energy. The energy industry cluster in the Denver Metropolitan Area included about 22,900 employees in three energy sub-sectors in 2006: (1) fossil energy, (2) renewable energy, and (3) energy research. According to the EDC, the 1,019 companies in the fossil energy industry cluster directly employed 11,000 people in the Denver Metropolitan Area, with an average annual 2005 salary of $67,000 compared to the national average of $71,200. Employment in fossil energy in the Denver Metropolitan Area declined an average of 3.2% per year between 2001 and 2006—reflecting the reorganization of local utility companies—compared to a 3.6% decline nationally. The 91 companies in the renewable energy industry cluster directly employed 5,600 people in the Denver Metropolitan Area, with an average annual 2005 salary of $42,000 compared to the national average of $41,300. Denver Metropolitan Area employment in renewable energy declined an average of 3.1% per year between 2001 and 2006, compared a 4.0% decline nationally. Most companies in the renewable energy industry cluster are public organizations involved in air quality, water quality, and solid waste management. The 803 companies in the energy research sector directly employ 6,300 people in the Denver Metropolitan Area with an average annual 2005 salary of $65,400 compared to the national average of $61,200. Employment in the energy research sector in the Denver Metropolitan Area increased an average of 1.7% per year between 2001 and 2006, compared with a 0.1% increase nationally. The majority of energy research companies are environmental consultants and noncommercial research institutions, including the National Renewable Energy Lab (the primary national laboratory for renewable energy and energy efficiency research and development) and the Colorado School of Mines and Colorado Energy Research institutes.

Financial Services. The financial services industry cluster employed a total of 90,000 people in 2006 and is divided into three subsectors: (1) banking and finance, (2) investments, and (3) insurance. The 3,474 companies in the banking and finance sector directly employed 41,000 people in the Denver Metropolitan Area, with an average annual 2005 salary of $56,500 compared to the national average of $54,900. Banking and finance employment in the Denver the Denver Metropolitan Area increased an average of 3.8% from 2001 to 2006, compared with an average decrease of 0.9% per year nationally. The 2,815 companies in the investments sector directly employed 22,900 people in the Denver Metropolitan Area, with an average annual 2005 salary of $112,700 compared to the national average of $151,800. Denver Metropolitan Area employment in the investments sector increased an average of 0.9% between 2001 and 2006, compared with a 1.2% per year decline nationally. The insurance industry sector directly employed 26,300 people in the Denver Metropolitan Area, with an average annual 2005 salary of $67,200 compared with the national average of $68,700. Insurance employment in the Denver Metropolitan Area decreased an average of 0.2% per year between 2001 and 2006, compared with a 4.0% per year decline nationally.

Information Technology (Hardware and Software). As mentioned earlier, there are two information technology industry clusters: hardware and software. The 288 companies in the hardware industry cluster directly employed 9,700 people in the Denver Metropolitan Area in 2006, with an average annual 2005 salary of $74,500 compared with $63,700 nationally. According to the EDC, hardware manufacturing companies continue to relocate overseas, resulting in several consecutive years of employment decline. As a result, employment in the hardware industry cluster in the Denver Metropolitan Area decreased an average of 8.5% per year from 2001 to 2006, compared with a 7.1% per year decrease nationally. The 3,434 companies in the software cluster directly employed 44,100 people in the Denver Metropolitan Area in 2006, with an average annual 2005 salary of $82,300 compared with $79,100 nationally. After decreasing each year following the dot-com downturn (representing an average decrease of 19.8% per year between 2001 and 2006), software employment in the Denver Metropolitan Area increased in 2006.

Beverage Production. With 5,500 employees involved in the production of beer and other beverages, the Denver Metropolitan Area has the fourth highest beverage industry employment concentration out of the 50 largest metropolitan areas, according to the EDC. The 2005 average annual salary for beverage production employees in the Denver Metropolitan Area was $70,400, compared with $46,100 nationally. Employment in the beverage production industry cluster declined an average of 2.9% per year in the Denver Metropolitan Area from 2001 to 2006, compared with a 1.3% average annual increase nationally. Major beverage production companies in the Denver Metropolitan Area include Molson Coors Brewing Company, Allegro Coffee Company, Celestial Seasonings, and IZZE Beverage Company, among others.

Broadcasting and Telecommunications. The broadcasting and telecommunications industry cluster includes companies that provide the means to deliver voice, data, and video to end users. In 2006, this industry cluster directly employed 43,400 people in the Denver Metropolitan Area, with an average annual salary of $77,100 compared with $65,200 nationally. According to the EDC, the telecommunications industry has declined since the dot-com downturn in 2000 and 2001. Employment in the broadcasting and telecommunications industry cluster in the Denver Metropolitan Area declined 5.7% per year from 2001 to 2006, compared with an average decrease of 6.0% per year nationally. Major broadcasting and telecommunications companies include Comcast Corporation, DirecTV, and Lucent Technologies.

Visitors to Denver

Since 1991, the Denver Metro Convention and Visitors Bureau has commissioned an annual in-depth study of the Denver tourism market. This study has been prepared each year by Longwoods International, a research firm that studies North American travel patterns, and coincides with a study of the Colorado tourism market sponsored by the Colorado Tourism Office. Key results of the Longwoods International study include:

- In 2006, slightly more than half (54%) of Denver's leisure visitors came from the West, consisting of the Mountain, West North Central, and West South Central census divisions. The Northeast contributed 6% of all visitors to Denver in 2006, down from 11% in 2005. Colorado in-state travel to Denver decreased from 15% in 2004 and 13% in 2005 to 12% in 2006.

- Eight out of ten Denver vacationers traveled 500 miles or more, twice the national average. As a result, Denver visitors plan their trips further in advance than most visitors do, and are more likely to fly.

- The number of people combining business and leisure trips increased substantially between 2004 and 2006. One out of three business travelers combined a leisure component on trips in 2006, an increase over the 22% in 2004 and the 31% in 2005 that combined business and leisure.

Table 9 presents a summary of the trends in visitor activity to the Denver Metropolitan Area in 1995 and 2000 through 2006, based on the Longwoods International study as well as the number of conventions and delegates reported by the Denver Metro Convention and Visitors Bureau.

Business Travel. In 2006, visitors traveling to Denver on business accounted for 22% of all overnight trips compared with 13% traveling to the State of Colorado, according to the Longwoods International study. Business travelers spent the largest amounts, generating $96 per person per day, followed by "marketable" leisure visitors,* who generated $93 per person per day. Visitors staying with friends and relatives accounted for only $43 per person per day.

The recent expansion of the Colorado Convention Center has resulted in significant growth in convention activity in Denver. From 2005 to 2006, following the opening of two new hotels, the number of convention delegates increased 17.4%.

*Visitors who are not visiting friends or relatives and would, therefore, travel to any destination, but chose to visit Denver.

Table 9

VISITOR ACTIVITY
Denver Metropolitan Area

Year	Overnight trips to Denver (millions) Leisure	Business	Total	Denver conventions Number	Delegates
1995	5.2	1.9	7.1	32	110,613
2000	6.9	2.7	9.6	37	145,787
2001	8.0	2.3	10.3	34	140,995
2002	8.1	2.1	10.2	31	94,168
2003	7.8	1.9	9.7	26	105,259
2004	7.9	2.0	9.9	30	114,528
2005	7.9	2.5	10.4	40	153,483
2006	9.1	2.6	11.7	55	180,195
	Average annual increase (decrease)				
1995-2000	5.8%	7.3%	6.2%	2.9%	5.7%
2000-2006	4.7	(0.6)	3.4	6.8	3.6
1995-2006	5.2	2.9	4.6	5.0	4.5
2005-2006	15.2	4.0	12.5	37.5	17.4

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

Leisure Travel. Leisure visitors traveling to Denver accounted for most of the overnight trips (78%) and drove the growth trend in overall visitors. From 2005 to 2006, the number of leisure visitors increased 15.2%, reflecting, in part, the availability of new low-fare airline service at the Airport.

Colorado remained the country's top ski destination in 2006, with 23.1% of national overnight ski trips (up from 18.5% in 2005), with the next largest shares accounted for by California (16.1%) and Vermont (6.6%).

Economic Outlook

As discussed earlier, the economy of the Denver Metropolitan Area, similar to the State and much of the United States, experienced a slowdown between 2000 and 2003. Local economists view the Denver region's economic growth in 2005 and 2006 as the beginning of a positive economic growth trend.

- **Population**—The Colorado Division of Local Government projects that the Denver region's population will increase 1.4% per year between 2006 and 2013, compared to 1.7% per year in the State and, as projected by the National Planning Association, 0.8% per year in the United States as a whole. The Denver Regional Council of Governments projects similar population growth for the Denver Metropolitan Area through 2013—an average increase of 1.5% per year.

- **Nonagricultural employment**—The Colorado Division of Local Government projects that the Denver region's nonagricultural employment will increase 2.0% per year between 2006 and 2013, compared to 2.3% per year in the State and, as projected by the National Planning Association, 1.3% per year in the nation.

- **Per capita income**—The Colorado Division of Local Government projects that per capita income in the Denver region will grow 4.5% per year between 2005 and 2013, compared to 5.1% per year in the State and 4.0% in the United States as a whole between 2005 and 2013.

Economic analysts at the Metro Denver Economic Development Corporation and Development Research Partners project that employment should remain on an upward trend in the region. The EDC's short-term outlook for the Denver Metropolitan Area is for employment growth in all industry sectors (except Information), a strong commercial real estate market, heightened tourism and convention activity, income growth, and increased net migration.*

Factors expected to contribute to continued economic growth in the Denver Metropolitan Area and associated increases in airline travel include (1) diversity in the economic base, which lessens its vulnerability to weaknesses in particular industry sectors, (2) growth in the Denver industry clusters described earlier, (3) continued growth of the leisure and hospitality industry, (4) generally lower labor and living costs compared to those in many of the largest cities in the nation and other major western metropolitan areas, such as Los Angeles, San Francisco, and Seattle, (5) an educated labor force able to support the development of knowledge-based and service industries, and (6) continued reinvestment to support the development of tourism, conventions, and other businesses.

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*Metro Denver Economic Development Corporation and Development Research Partners, *2007 Economic Forecast for Metro Denver*, January 25, 2007.

PASSENGER DEMAND COMPONENTS

The primary components of passenger demand include (1) the airline service and passenger shares at the Airport, (2) the originating passenger base, and (3) connecting passenger activity and trends.

Airline Passenger Service and Market Shares

Airline Service. Table 10 lists the passenger airlines scheduled to provide service at the Airport in August 2007. In addition, several all-cargo airlines, including ABX Air, Air Transport International, Ameriflight, Antonov Airlines, DHL, FedEx, Key Lime Air, Kitty Hawk Air Cargo, and UPS Air Cargo provide service at the Airport.

Table 10

SCHEDULED PASSENGER AIRLINES SERVING DENVER
August 2007

Major/national	***Regional/commuter***
AirTran Airways	Big Sky Airlines
Alaska Airlines	Comair (Delta Connection)
American Airlines	ExpressJet (Continental Express)
Continental Airlines	GoJet Airlines (United Express)
Delta Air Lines	Great Lakes Aviation
Frontier Airlines	Horizon Air (Alaska Airlines and Frontier JetExpress)
JetBlue Airways	Mesa Airlines (US Airways Express and United Express)
Midwest Airlines	Pinnacle Airlines (Northwest Airlink)
Northwest Airlines	Republic Airlines (Frontier JetExpress)
Southwest Airlines	Shuttle America (United Express)
United Airlines	SkyWest Airlines (Delta Connection and United Express)
United/Ted	Trans States Airlines (American Connection and United Express)
US Airways	
	Foreign-flag
Charter	Aeromexico
Allegiant Air	Air Canada
Casino Express Airlines	British Airways
Champion Air	Lufthansa German Airlines
Miami Air International	Mexicana de Aviacion
Sun Country Airlines	

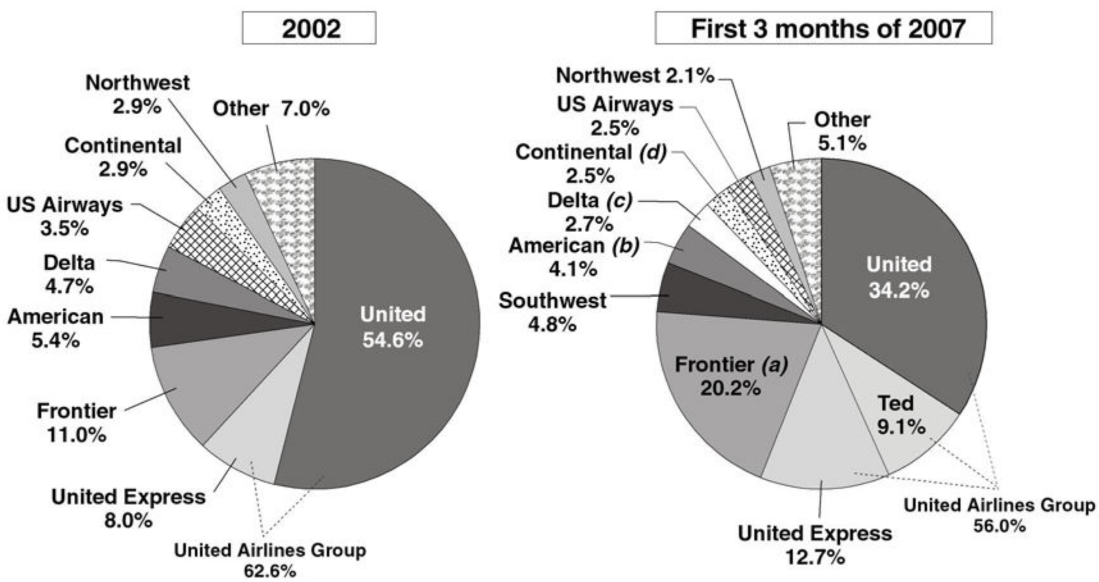
Source: Airport management records.

Enplaned Passenger Market Shares. The market shares for the passenger airlines serving the Airport are shown on Figure 11 and in Table 11. During the first 3 months of 2007, the United Airlines Group had the largest market share of enplaned passengers (56.0%) at the Airport, followed by Frontier and its regional/commuter airline affiliate Frontier JetExpress (20.2%), Southwest (4.8%), and American (4.1%).

Figure 11

HISTORICAL ENPLANED PASSENGER MARKET SHARES

Denver International Airport



Note: Some of the regional/commuter affiliates serving the Airport in 2007 did not serve the Airport in 2002.

Source: Airport management records.

(a) Includes Frontier JetExpress
(b) Includes American Connection
(c) Includes Delta Connection
(d) Includes Continental Express

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Table 11

HISTORICAL ENPLANED PASSENGERS BY AIRLINE

Denver International Airport

2002 - first 3 months of 2007

	2002	2003	2004	2005	2006	First 3 months 2007
United Airlines Group						
United	9,731,974	9,574,689	8,802,367	7,774,627	8,364,574	1,994,194
Ted *(a)*	--	--	1,339,764	1,689,891	2,011,441	530,550
United Express *(b)*	1,430,504	1,720,720	2,336,735	2,776,020	2,971,301	740,384
	11,162,478	11,295,409	12,478,866	12,240,538	13,347,316	3,265,128
Frontier *(c)*	1,959,761	2,729,240	3,520,991	4,217,059	4,904,231	1,181,303
Southwest *(d)*	--	--	--	--	789,637	281,345
American *(e)*	968,895	885,771	795,882	886,533	973,233	240,290
Delta *(e)*	831,380	788,924	879,754	806,437	663,890	159,758
Continental *(e)*	524,913	517,149	505,784	534,696	553,301	142,920
US Airways *(e, f)*	634,877	716,813	797,093	821,455	654,457	143,613
Northwest	524,870	517,022	604,827	615,479	488,406	122,940
Other	1,222,390	1,310,607	1,560,884	1,579,778	1,290,841	295,588
	6,667,086	7,465,526	8,665,215	9,461,437	10,317,996	2,567,757
Total	17,829,564	18,760,935	21,144,081	21,701,975	23,665,312	5,832,885

	Percent of total					
	2002	2003	2004	2005	2006	First 3 months 2007
United	54.6%	51.0%	41.6%	35.8%	35.3%	34.2%
Ted *(a)*	--	--	6.3	7.8	8.5	9.1
United Express *(b)*	8.0	9.2	11.1	12.8	12.6	12.7
	62.6%	60.2%	59.0%	56.4%	56.4%	56.0%
Frontier *(c)*	10.9%	14.5%	16.7%	19.4%	20.7%	20.2%
Southwest *(d)*	--	--	--	--	3.3	4.8
American *(e)*	5.4	4.7	3.8	4.1	4.1	4.1
Delta *(e)*	4.7	4.2	4.2	3.7	2.8	2.7
Continental *(e)*	2.9	2.8	2.4	2.5	2.3	2.5
US Airways *(e, f)*	3.5	3.9	3.8	3.8	2.8	2.5
Northwest	2.9	2.8	2.8	2.8	2.1	2.1
Other	7.1	6.9	7.3	7.3	5.5	5.1
	37.4%	39.8%	41.0%	43.6%	43.6%	44.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Ted is a low-fare unit of United, which initiated service at the Airport on February 12, 2004.
(b) Includes Mesa Airlines from 2003 through 2007; Great Lakes Aviation in January 2002; Air Wisconsin through 2006; SkyWest Airlines from 2002 through 2007; and Chautauqua Airlines, GoJet Airlines, Shuttle America, and Trans States Airlines from 2005 through 2007.
(c) Includes Frontier JetExpress.
(d) Initiated service at the Airport in January 2006.
(e) Includes the enplaned passengers on the airline's commuter affiliates.
(f) Includes activity of America West Airlines, which merged with US Airways in September 2005.

Source: Airport management records.

Consistent with its market share of enplaned passengers, United Airlines Group provides the most scheduled departing seats at the Airport and serves more destinations from the Airport than any other airline, including all of the top 20 origin-destination markets (additional information on these markets is shown later in Table 15). United Airlines is scheduled to provide more than twice as many scheduled departing seats as the second busiest airline serving the Airport, Frontier Airlines, in August 2007.

The share of Airport passengers enplaned by the United Airlines Group decreased from 62.6% in 2002 to 56.4% in 2006, primarily as a result of increased competition from other airlines serving the Airport, in particular Frontier Airlines, which serves the second largest number of destinations, including 19 of the Airport's top 20 origin-destination markets. Frontier Airlines increased its market share of Airport enplaned passengers from 10.9% in 2002 to 20.7% in 2006.

Southwest Airlines initiated service at the Airport in January 2006, and enplaned 4.8% of total Airport enplaned passengers in the first 3 months of 2007, up from 3.3% in 2006. In 2006, the United Airlines Group maintained its 2005 market share of enplaned passengers and Frontier Airlines (including Frontier JetExpress) increased its enplaned passenger market share, likely as a result of their competitive response to the new low-fare service offered by Southwest Airlines. Conversely, certain airlines, including Delta Air Lines, Northwest Airlines, and US Airways, had lower enplaned passenger market shares in 2006 compared with 2005, likely as a result of increased competition from other airlines.

Another significant trend at the Airport since 2002 has been the increased enplaned passenger market shares of the regional/commuter airlines. The combined market share of enplaned passengers for United Express and Frontier JetExpress (which initiated service in 2002) increased from 8.5% in 2002 to 14.6% in 2006. Since 1997, United Express has increased service at the Airport to replace United Airlines' service in certain smaller markets and to accommodate general increases in airline travel. According to Official Airline Guides, Inc., in August 2007, United will have marketing and code-sharing agreements with GoJet Airlines, Mesa Airlines, Shuttle America, SkyWest Airlines, and Trans States Airlines, which operate at the Airport as United Express. Frontier Airlines uses Frontier JetExpress, operated by Horizon Air and Republic Airlines, to serve certain cities from the Airport.

Table 12

HISTORICAL ORIGINATING PASSENGERS BY AIRLINE

Denver International Airport

2002 - first 3 months of 2007

	2002	2003	2004	2005	2006	First 3 months 2007
United Airlines Group						
United	3,600,830	3,542,634	3,415,506	3,349,934	3,613,737	925,469
Ted *(a)*	--	--	535,420	801,896	965,617	253,613
United Express *(b)*	306,200	449,169	538,639	679,006	881,718	227,560
	3,907,030	3,991,803	4,489,565	4,830,836	5,461,072	1,406,652
Frontier *(c)*	1,259,053	1,799,766	2,090,471	2,277,628	2,785,288	755,060
Southwest *(d)*	--	--	--	--	773,348	266,157
American *(e)*	968,278	882,078	795,882	886,533	973,233	240,290
Delta *(e)*	790,282	752,484	840,190	769,517	635,336	150,996
Continental *(e)*	515,153	505,450	495,376	524,207	537,394	137,551
US Airways *(e, f)*	634,877	709,741	789,463	769,854	617,333	135,994
Northwest *(e)*	524,870	517,022	604,827	624,114	488,406	122,940
Other	1,044,735	1,107,126	1,289,442	1,301,133	977,876	221,926
	5,737,248	6,273,667	6,905,651	7,152,986	7,788,214	2,030,914
Total	9,644,278	10,265,470	11,395,216	11,983,822	13,249,286	3,437,556

	Percent of total					
	2002	2003	2004	2005	2006	First 3 months 2007
United	37.3%	34.5%	30.0%	28.0%	27.3%	26.9%
Ted *(a)*	--	--	4.7	6.7	7.3	7.4
United Express *(b)*	3.2	4.4	4.7	5.7	6.6	6.6
	40.5%	38.9%	39.4%	40.4%	41.2%	40.9%
Frontier *(c)*	13.1%	17.5%	18.3%	19.0%	21.0%	22.1%
Southwest *(d)*	--	--	--	--	5.8	7.7
American *(e)*	10.0	8.6	7.0	7.4	7.3	7.0
Delta *(e)*	8.2	7.3	7.4	6.4	4.8	4.4
Continental *(e)*	5.3	4.9	4.3	4.4	4.1	4.0
US Airways *(e, f)*	6.6	6.9	7.0	6.4	4.7	3.9
Northwest *(e)*	5.4	5.0	5.3	5.2	3.7	3.6
Other	10.8	10.8	11.3	10.8	7.4	6.4
	59.5%	61.1%	60.6%	59.6%	58.8%	59.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Ted is a low-fare unit of United, which initiated service at the Airport on February 12, 2004.
(b) Includes Mesa Airlines from 2003 through 2007; Great Lakes Aviation in January 2002; Air Wisconsin through 2007; SkyWest Airlines from 2000 through 2007; and Chautauqua Airlines, GoJet Airlines, Shuttle America, and Trans States Airlines from 2005 through 2007.
(c) Includes Frontier JetExpress beginning in 2002.
(d) Initiated service at the Airport in January 2006.
(e) Includes the enplaned passengers of the airline's commuter affiliates.
(f) Includes activity of America West Airlines, which merged with US Airways in September 2005.

Source: Airport management records.

Originating Passenger Market Shares. Originating passengers account for more than half of all passengers enplaned at the Airport. The level of originating passengers is a function of the population, strong local economy, and the service provided by the airlines at the Airport. Since 2002, the United Airlines Group has accounted for approximately 40% of all originating passengers, with increasing shares by Ted and the United Express carriers, as shown in Table 12. The large numbers of originating passengers enplaned by the United Express affiliates, traditionally used to provide connecting passenger feeder service to airline hubs, reflects the increasing use of these regional carriers to increase the domestic seating capacity of a hub airline, such as United, and to improve service and market share with increased frequencies.

Frontier's share of originating passengers has increased since 2002 with the continued development of its service at the Airport. From 2002 to 2006, Frontier's numbers of originating passengers more than doubled, while its share of originating passengers increased from 13.1% to 21.0%.

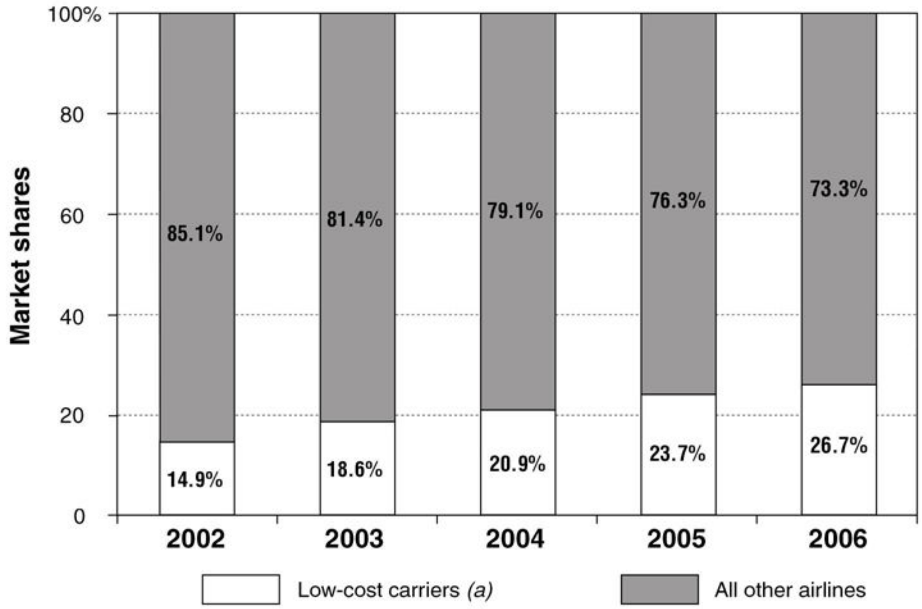
Low-Cost Carrier Market Shares. A major trend at the Airport since 2001 has been the increased enplaned passenger market share of the low-cost carriers. As shown on Figure 12, the share of passengers enplaned by low-cost carriers at the Airport increased from 14.9% in 2002 to 26.7% in 2006. Frontier increased its share of enplaned passengers at the Airport from 10.9% in 2002 to 20.7% in 2006. This trend is similar to the national trend: the national market share of the low-cost carriers increased from 24% in 2002 to 27% in 2006 according to the U.S. Department of Transportation (DOT) T-100 database.

Although the U.S. DOT does not classify Ted as a low-cost carrier, it is marketed by United Airlines as a "low-fare" airline. Adding the market share of enplaned passengers on Ted to the market share of the low-cost carriers shown on Figure 12 would result in a low-cost/low-fare airline market share of about 35.2% in 2006.

Figure 12

LOW-COST CARRIER MARKET SHARES OF ENPLANED PASSENGERS

Denver International Airport



(a) Low-cost carriers include:

AirTran Airways	Frontier JetExpress
America West Airlines (b)	JetBlue Airways (initiated service January 2001)
America West Express (b)	Southwest Airlines (initiated service January 2006)
ATA Airlines (terminated service Jan. 2006)	Spirit Airlines (operated between 2002 and 2004)
Frontier Airlines	Vanguard Airlines (terminated service July 2002)

(b) In September 2005, America West Airlines and America West Express merged with US Airways. Data for America West Airlines and America West Express are reported separately from US Airways data and these airlines are considered to be low-cost carriers. Enplaned passengers on US Airways who did not fly on America West Airlines or America West Express are not included in the results shown above.

Source: Airport management records.

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Enplaned Passengers

Table 13 summarizes historical enplaned passenger data for the Airport* organized by originating, connecting, and total enplaned passengers. The total number of enplaned passengers increased an average of 3.9% per year between 1995 and 2006, and increased 4.7% during the first 3 months of 2007 compared with the same period of 2006. The number of originating and connecting passengers increased an average of 3.4% and 4.5%, respectively, between 1995 and 2006. In the first 3 months of 2007, the number of originating passengers increased 7.3% and the number of connecting passengers increased 1.3% compared with the same period of 2006.

*Includes activity for Stapleton in January and February 1995.

Table 13

HISTORICAL ENPLANED PASSENGERS
Denver Airport System

Year	Enplaned passengers: Originating	Connecting	Total	Annual percentage increase (decrease)	Originating passenger share of total
1995	9,165,705	6,452,339	15,618,044	--%	58.7%
2000	10,979,642	8,413,354	19,392,996	4.4	56.6
2001	10,258,209	7,787,900	18,046,109	(6.9)	56.8
2002	9,644,278	8,185,286	17,829,564	(1.2)	54.1
2003	10,265,526	8,495,409	18,760,935	5.2	54.7
2004	11,395,216	9,748,865	21,144,081	12.7	53.9
2005	11,983,822	9,718,153	21,701,975	2.6	55.2
2006	13,249,286	10,416,026	23,665,312	9.0	56.0
January – March					
2006	3,203,934	2,365,532	5,569,466	--	57.5
2007	3,437,556	2,395,329	5,832,885	4.7	58.9

	Average annual increase: Originating	Connecting	Total
1995-2000	3.7%	5.5%	4.4%
2000-2006	3.2	3.6	3.4
1995-2006	3.4	4.4	3.9
January – March			
2006-2007	7.3	1.3	4.7

Source: Airport management records.

Originating Passengers

The increase in the number of originating passengers* at the Airport since 1995 has largely resulted from overall population, employment, and income growth in the Denver Metropolitan Area, as discussed in the earlier section "Economic Basis for Passenger Demand." Figure 13 presents the average annual increase in originating passengers at the Airport compared with the average annual increases in the population, nonagricultural employment, and per capita income in the Denver Metropolitan Area from 1995 through 2006 (per capita income through 2005). Between 1995 and 2006, the number of originating passengers increased an average of 3.4% per year—a higher rate than the average increase in population and

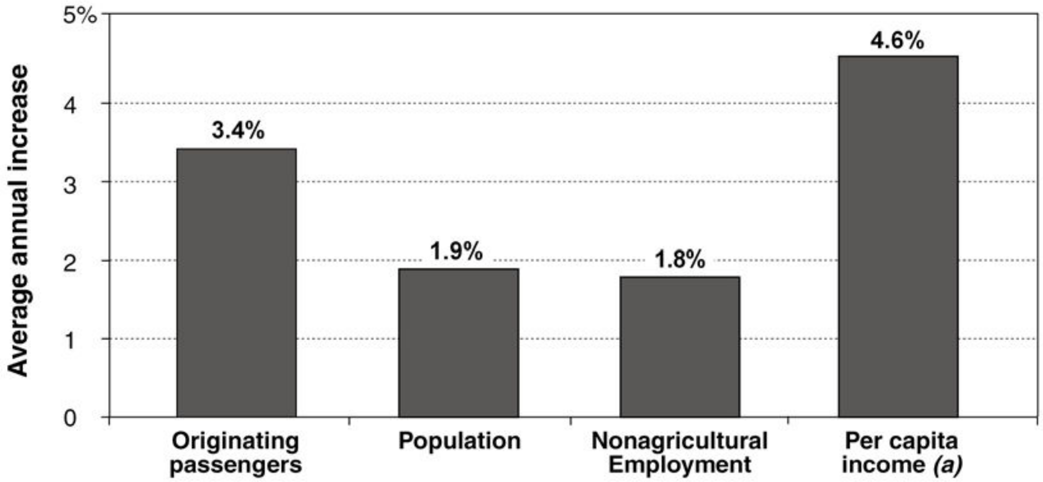
*Originating passengers, which include residents and visitors, are those enplaned passengers whose flights originate at the Airport, and who are not connecting from another flight.

Figure 13

COMPARATIVE GROWTH IN ORIGINATING PASSENGERS AND ECONOMIC INDICATORS

Airport System and Denver Metropolitan Area

1995-2006



Note: Data for originating passengers are presented for the Denver Airport System and data for employment, population, and per capita income are presented for the Denver Metropolitan Area.

(a) Historical per capita income data are through 2005 and were not adjusted for inflation.

Sources: Originating passenger data are from Airport management records. See Table 7 of this report for the population and economic data presented above.

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nonagricultural employment, 1.9% and 1.8%, respectively. The number of originating passengers increased an average of 8.9% per year between 2003 and 2006, which was significantly higher than the average annual increase in the number of originating passengers at the Airport between 1995 and 2006 (3.4%), as a result of, but not solely attributable to, lower airfares.

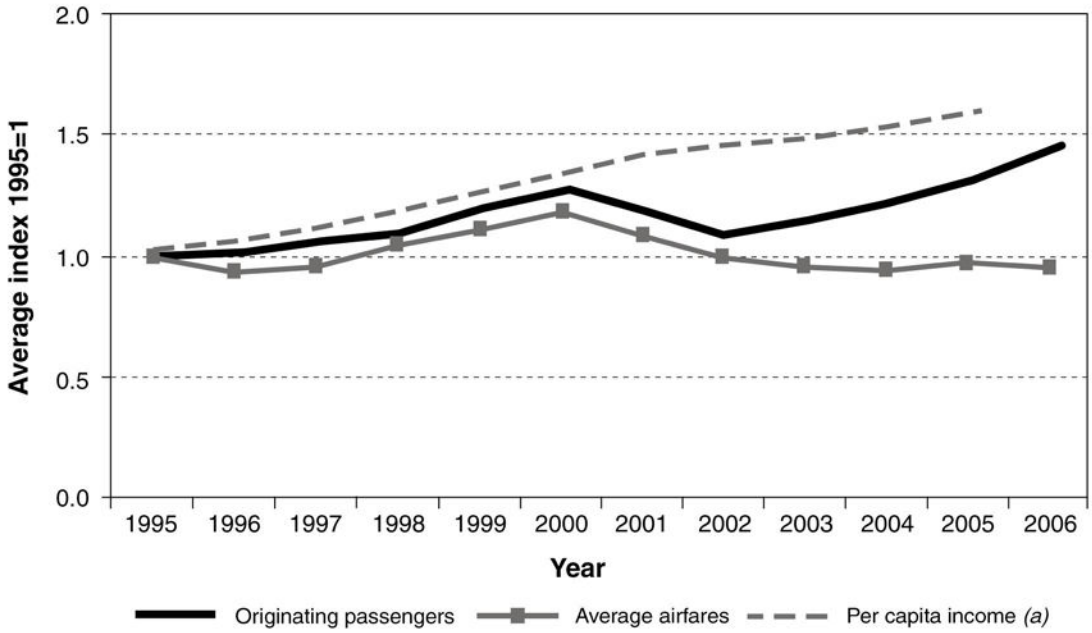
Relationship between Originating Passengers, Airfares, and Per Capita Income. Figure 14 shows the relationship between changes in the number of originating passengers, average domestic airfares, and per capita income between 1995 and 2006, using an index where 1995 equals 1.0 for all data. All dollar amounts in this report, such as per capita income and airfares, are in nominal values and were not adjusted for inflation. Observations on the relationships between originating passengers, airfares, and per capita income are provided below.

1. Between 1995 and 2000, the number of originating passengers increased in response to strong economic growth reflected in increasing per capita income, notwithstanding increases in average airfares.

Figure 14

ANNUAL CHANGES IN AVERAGE DOMESTIC AIRFARES, ORIGINATING PASSENGERS, AND PER CAPITA INCOME

Denver Airport System and Denver Metropolitan Area



(a) Data are only available through 2005. Per capita income values were not adjusted for inflation.

Sources: Airport management records; U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic;* U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov.

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2. Between 2000 and 2002, the numbers of originating passengers decreased in response to the September 2001 terrorist attacks and slower economic growth, while per capita income levels moderated and average airfares decreased.

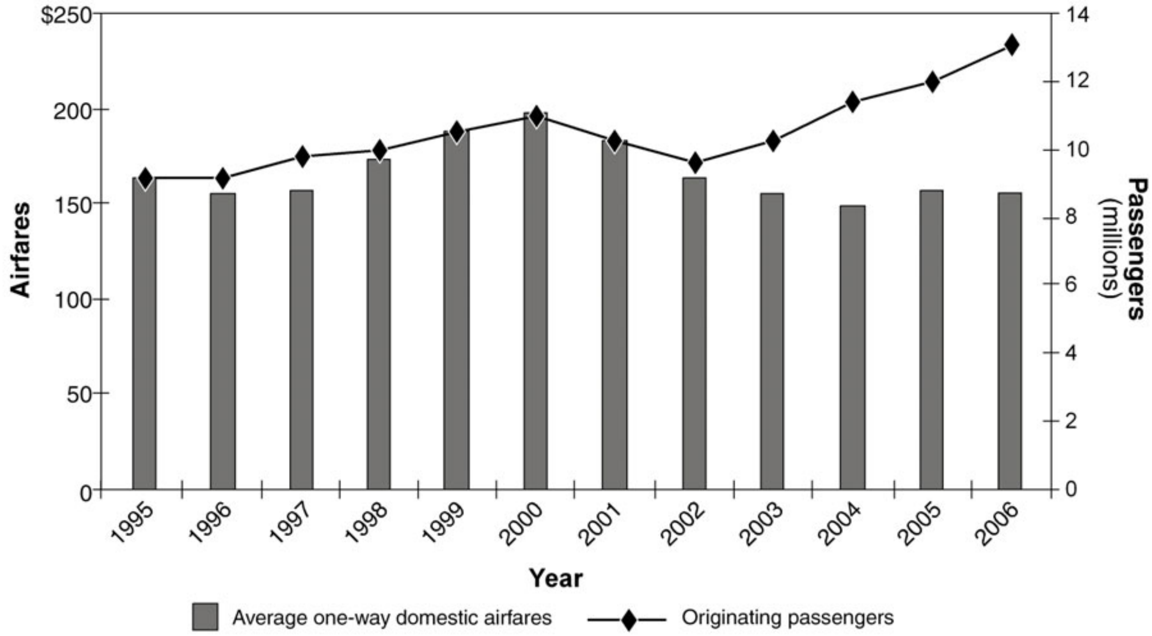
3. From 2002 to 2006, originating passenger traffic growth resumed, likely the result of the resumption of airline travel following the terrorist attacks in 2001, continued increases in per capita income, albeit at a slower rate, and slight decreases in average airfares.

Airline Fares and Originating Passengers. Figure 15 provides a specific comparison of changes in average domestic airfares and numbers of originating passengers at the Airport in 1995 through 2006. As stated earlier, the market share of the low-cost carriers at the Airport increased from 14.9% in 2002 to 26.7% (excluding Ted) in 2006, which is one reason for the decrease in airfares at the Airport over that period. In 2005, airline fares at the Airport increased slightly in response to the rising cost of jet fuel. This was followed by another slight decrease in 2006.

Figure 15

AIRFARES AND ORIGINATING PASSENGERS

Denver International Airport



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

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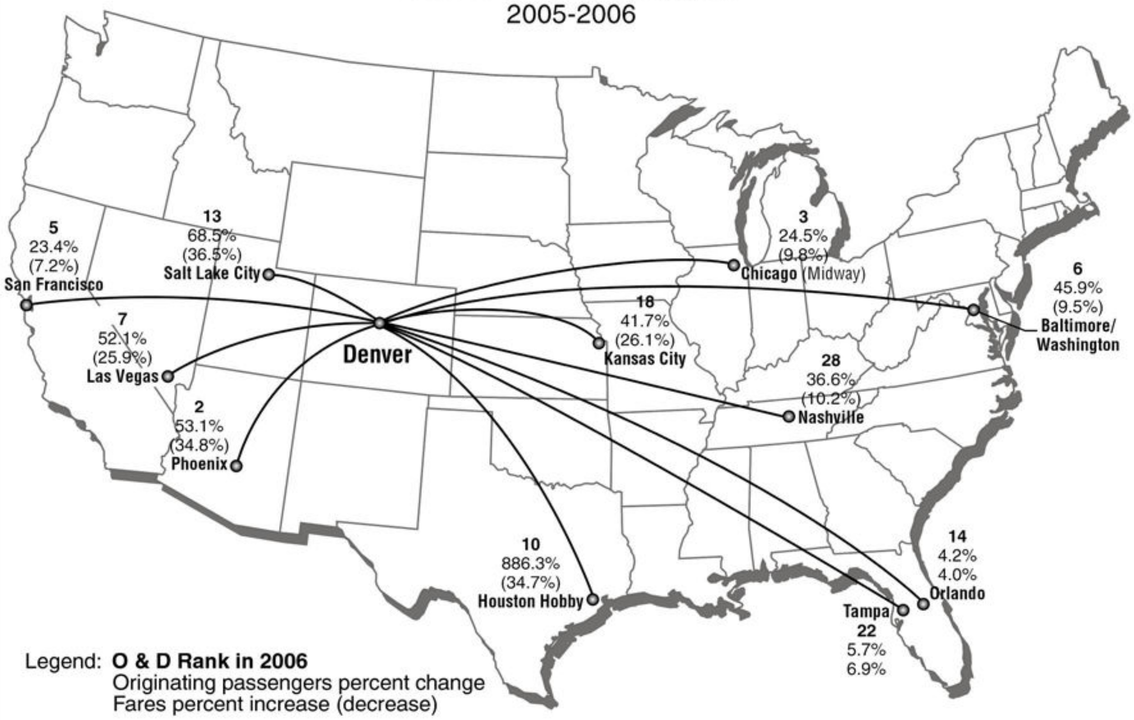
Southwest Service at Denver. From 1983 to 1986, Southwest served Stapleton with flights to Albuquerque and Phoenix. In January 2006, 20 years later, Southwest re-established service in Denver, with 13 daily departures from the Airport to 3 cities—Chicago (Midway), Las Vegas, and Phoenix. Since then, Southwest has added nonstop service to 8 additional destinations, for a total of 11 cities served from Denver in June 2007. As shown on Figure 16, the central geographical location of Denver provides Southwest with point-to-point access to all of the 63 airports it serves.

Figure 16

CHANGES IN NEW SOUTHWEST AIRLINES' MARKETS

Denver International Airport

2005-2006



Note: Percent changes are only for the airports that Southwest serves from Denver.

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

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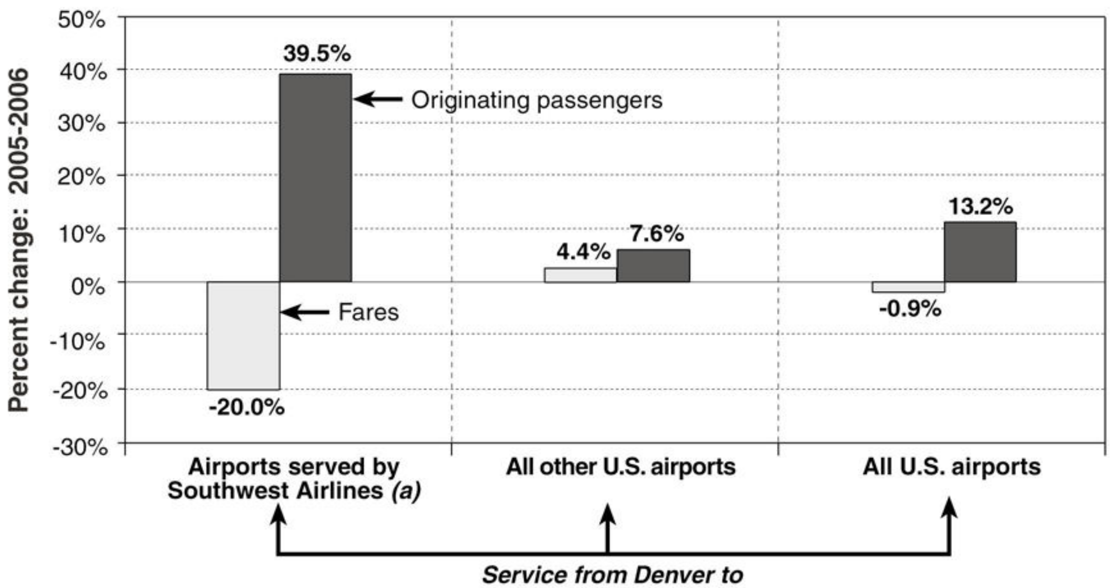
Since Southwest initiated service at the Airport, the number of originating passengers from Denver to the airports served by Southwest has increased 39.5%, as shown on Figure 17. During the first year of Southwest service at Denver, the change in originating passengers at individual airports varied depending on the characteristics of the market served (business or leisure) and the level of competition and service. For example, during the first year of Southwest service, the largest increase in originating passengers from Denver was to Houston (Hobby)—the 10th largest origin-destination (O&D) market (an increase of 886.3%). Prior to the initiation of Southwest service, nonstop service to Houston was provided only to Bush Intercontinental Airport/Houston, where the airfares were significantly higher before Southwest service was initiated in Denver. In contrast, originating passenger traffic from Denver to two predominantly leisure markets—Orlando and Tampa—increased 4.2% and 5.7%, respectively, following the initiation of service at the Airport by Southwest, notwithstanding increases in fares in both markets.

As shown on Figure 17, the initiation of service at the Airport by Southwest in January 2006 had affected fares and numbers of originating passengers at the Airport. The data presented in Figure 17 are from the U.S. Department of Transportation Origin-Destination Survey, a 10% sample of all tickets issued on scheduled U.S. airlines, and are the only available data on fares and originating passengers by city-pair market. It is important to note that the percent differences in originating passengers on Figure 17 differ from those presented earlier in Table 13, which are based on Airport management records. Between 2005 and 2006, the number of originating passengers from Denver to Southwest airports increased 39.5%, in response to a 20.0% decrease in airfares.

Figure 17

RECENT TRENDS IN AIRFARES AND ORIGINATING PASSENGERS
Denver International Airport
2005-2006



(a) Includes new service from Denver to airports served by Southwest by all airlines providing such service.

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

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Originating passenger traffic from Denver to all other U.S. airports (not served by Southwest) also increased—by 7.6%—despite a 4.4% increase in fares to those markets; again, this growth reflects the strength of the local economy. According to U.S. DOT data, the number of originating passengers from Denver to all U.S. airports increased 13.2% in 2006, partly in response to an overall decrease of 0.9% in total airline fares, but in large part due to the continued strong economic growth in the Denver Metropolitan Area.

Origin-Destination Passenger Markets. Table 14 presents the Airport's top 20 domestic origin-destination passenger markets in 2006. Table 14 also shows the number of average daily nonstop enplaned seats from the Airport to each of the top markets scheduled for August 2007. Of the 85,537 scheduled daily nonstop seats from the Airport, 65.5% are to the top 20 markets listed. U.S. mainland airports scheduled to be served nonstop from the Airport in August 2007 are shown on Figure 18. The Airport serves both (1) a significant number of regional destinations, indicating that it is a successful regional hub serving markets that have strong ties to the Denver Metropolitan Area, and (2) a significant number of major national markets.

Airline Service to Originating Passenger Markets. Table 15 presents the percentage shares of average daily scheduled departing seats to the Airport's top 20 origin-destination markets and to all other cities. Given the range in the size of aircraft operating at the Airport, the number of scheduled departing seats is more representative of airline service than the number of scheduled airline aircraft departures.

Frontier serves 19 of the top 20 origin-destination markets (the United Airlines Group serves all 20), with Frontier's largest shares of seats to San Diego, Kansas City, and Salt Lake City (non-United hubs) and the smallest shares to Washington, D.C. (a United hub), New York, and Houston (a Continental Airlines hub). Frontier's route strategy includes the addition of flights to new markets that the airline believes are underserved in Colorado and elsewhere in the Rocky Mountain region with the expansion of its JetExpress operation and the anticipated addition of the Bombardier Q400 turboprop aircraft through its Lynx Aviation subsidiary*. In 2007, Frontier added service to two new markets not served by any other carrier from Denver—Baton Rouge and Jacksonville. The addition of new markets served by Frontier from Denver is expected to contribute to the airline's traffic growth and to overall growth in numbers of enplaned passengers at the Airport.

*Frontier Airlines, Form 10-K, March 31, 2007.

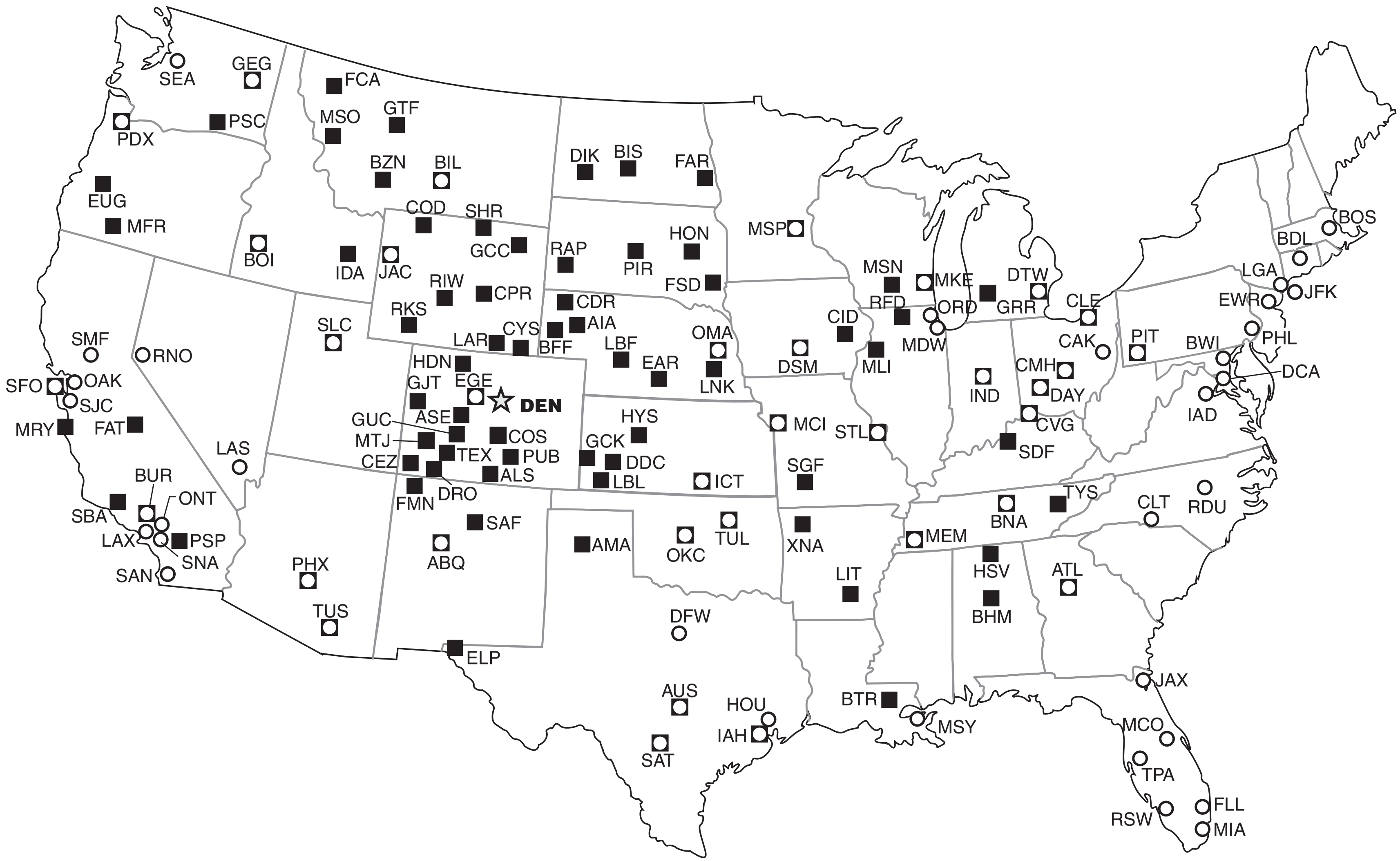
Table 14

TOP 20 DOMESTIC ORIGIN-DESTINATION PASSENGER MARKETS AND AIRLINE SERVICE
Denver International Airport
2006, except as noted

Rank	Origin-destination market	Air miles from Denver	Percent of originating airline passengers	Average scheduled daily nonstop enplaned seats August 2007
1	Los Angeles *(a)*	862	6.8%	5,506
2	Phoenix	602	5.3	3,291
3	Chicago (*b*)	888	5.2	4,543
4	New York *(c)*	1,605	4.9	2,926
5	San Francisco (*d*)	967	4.8	5,019
6	Washington D.C. (*e*)	1,452	4.7	3,329
7	Las Vegas	629	4.6	3,178
8	Dallas-Fort Worth *(f)*	641	3.1	3,340
9	Minneapolis-St. Paul	680	2.8	2,371
10	Houston (*g*)	861	2.6	2,434
11	Seattle-Tacoma	1,024	2.6	2,397
12	Atlanta	1,199	2.5	2,700
13	Salt Lake City	391	2.3	2,281
14	Orlando	1,545	2.1	1,294
15	Boston	1,754	2.1	1,180
16	San Diego	853	2.1	1,507
17	Miami *(h)*	1,557	1.9	822
18	Kansas City	532	1.8	2,149
19	Philadelphia	1,552	1.7	1,144
20	Portland	992	1.6	1,808
	Cities listed		65.5%	53,219
	Other cities		34.5	32,318
	All cities		100.0%	85,537

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

Sources: Originating percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for 2006.
Departures: Official Airline Guides, Inc. online database, for August 2007, for domestic destinations.



LEGEND

- ○ Air carrier service
- ■ Regional airline service
- ◘ Air carrier and regional service

Note: Air carrier service includes all jet service by aircraft with over 90 seats. Destinations listed have at least one scheduled daily departure on the type of aircraft noted.

Source: Official Airline Guides, Inc., online database for August 2007.

Figure 18

U.S. MAINLAND AIRPORTS SCHEDULED TO BE SERVED DAILY NONSTOP FROM DENVER INTERNATIONAL AIRPORT, AUGUST 2007

Denver International Airport

July 2007

JACOBS CONSULTANCY

Table 15

DAILY DEPARTING SEATS TO THE TOP 20 ORIGIN-DESTINATION PASSENGER MARKETS
Denver International Airport
August 2007

		Percent of average scheduled daily seats							
		United Airlines Group							
Rank	Origin-destination market	United mainline	Ted	United Express	Frontier	Frontier JetExpress	Southwest	Other	Total
1	Los Angeles *(a)*	48.4%	12.5%	3.4%	25.0%	--%	--%	10.8%	100.0%
2	Phoenix	--	31.8	--	22.4	--	23.1	22.7	100.0
3	Chicago *(b)*	48.0	--	--	16.7	--	16.5	18.8	100.0
4	New York *(c)*	50.0	--	--	13.3	--	--	36.7	100.0
5	San Francisco *(d)*	61.2	--	--	26.0	0.6	12.2	--	100.0
6	Washington, D.C. *(e)*	75.6	--	--	12.4	--	12.0	--	100.0
7	Las Vegas	--	41.0	--	28.6	--	29.3	1.1	100.0
8	Dallas-Fort Worth *(f)*	24.3	--	--	25.4	--	--	50.3	100.0
9	Minneapolis-St. Paul	26.2	--	3.2	24.1	--	--	46.5	100.0
10	Houston *(g)*	13.6	--	5.7	14.2	--	15.4	51.0	100.0
11	Seattle-Tacoma	48.8	--	--	24.7	--	--	26.5	100.0
12	Atlanta	4.5	--	4.8	19.9	--	--	70.8	100.0
13	Salt Lake City	15.6	--	7.3	33.4	--	21.6	22.1	100.0
14	Orlando	--	58.7	--	21.3	--	20.0	--	100.0
15	Boston	87.2	--	--	--	--	--	12.8	100.0
16	San Diego	51.5	--	--	48.5	--	--	--	100.0
17	Miami *(h)*	--	65.1	--	16.4	--	--	18.4	100.0
18	Kansas City	33.5	--	5.2	35.5	--	25.9	--	100.0
19	Philadelphia	36.3	--	--	23.1	--	--	40.6	100.0
20	Portland	50.0	--	--	31.2	--	--	18.8	100.0
	Cities listed	36.1%	8.1%	1.5%	23.1%	0.1%	9.6%	21.6%	100.0%
	All cities	31.4%	6.7%	12.4%	21.1%	2.6%	6.0%	19.9%	100.0%

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

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

Source: Official Airline Guides, Inc., online database, for August 2007.

Between January 2006 and August 2007, Southwest added service from Denver to 11 cities—2 markets are Frontier's largest markets at the Airport, as mentioned above (Kansas City and Salt Lake City), 3 are existing Ted markets also served by Frontier and are large leisure markets where Southwest has a significant presence (Las Vegas, Phoenix, and Orlando), 4 are multi-airport markets where Southwest has a significant presence at a secondary airport (Chicago, San Francisco, Washington, D.C., and Houston), and the remaining 2 markets—Tampa and Nashville—are not in the Airport's top 20 markets, but are also served by Frontier and United. Southwest recently announced plans to add service from Denver to five new markets during the fourth quarter of 2007—Albuquerque, Amarillo, Austin, Oklahoma City, and Seattle-Tacoma.* The addition of new service by Southwest from Denver to an increasing number of the airports in its system is expected to contribute to continued growth in passenger traffic at the Airport.

As shown in Table 15, the United Airlines Group is scheduled to provide 45.7% of all scheduled departing seats to the Airport's top 20 destinations, including 36.1% on United mainline, 8.1% on Ted, and 1.5% on United Express affiliates. Frontier Airlines (including Frontier JetExpress) and Southwest Airlines are scheduled to provide 23.2% and 9.6%, respectively, of all scheduled departing seats to the Airport's top 20 destinations in August 2007.

United Airlines Group serves each of the top 20 destinations shown in Table 15, while Frontier and Southwest serve 19 and 9 destinations, respectively. Not surprisingly, the United Airlines Group accounts for the largest share of seats to its hubs — Washington, D.C.; Chicago, Los Angeles, and , San Francisco—as well as to long-haul destinations with no or little service by Frontier or Southwest—Boston, Miami, and New York.

Connecting Passengers

As shown earlier in Table 13, from 1995 to 2006, the number of connecting passengers at the Airport increased an average of 4.5% per year, with faster growth during the first 5 years of that period (5.5%). The number of connecting passengers at the Airport increased at a slower rate between 2000 and 2006—an average of 3.6% per year—but faster than in the nation (1.4%) during this period. (See earlier discussion under "Airport Role" for a description of the Airport role as an important connecting hub in the route systems of both United and Frontier.)

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*Southwest Airlines press release dated June 27, 2007. This press release included Southwest's system plans to reduce the growth in available seat miles during the fourth quarter of 2007 and 2008 (reduced to 6% from 8%) and to add 19 new aircraft to its fleet in 2008 (reduced from an earlier plan to add 34).

AIR CARGO ACTIVITY

Table 16 presents data on enplaned cargo at the Airport in 1996 and in 2000 through the first 3 months of 2007. Enplaned air cargo at the Airport accounted for about 45% of total cargo (enplaned plus deplaned) weight in 2006. Enplaned cargo weight increased an average of 4.8% per year between 1996 and 2000, but has decreased each year since 2000, for reasons discussed below. During the first 3 months of 2007, total enplaned cargo weight decreased 16.2% compared with the same period of 2006.

Table 16

HISTORICAL ENPLANED CARGO
Denver International Airport
(tons)

Year	Air mail	Freight and express	Total	Total average annual increase (decrease)	All-cargo airline share of total cargo *(a)*
1996	68,746	134,918	203,664	--%	52.2%
2000	85,902	159,769	245,671	4.8	56.4
2001	53,421*(b)*	130,085	183,506	(25.3)	61.2
2002	22,421	141,618	164,039	(10.6)	69.7
2003	27,544	135,896	163,440	(0.4)	67.5
2004	20,016	140,586	160,602	(1.7)	71.1
2005	17,232	139,100	156,332	(2.7)	70.6
2006	11,064	129,204	140,268	(10.3)	75.3
January – March					
2006	5,026	33,502	38,528	--%	69.8
2007	1,028	31,241	32,269	(16.2)	78.5
	Annual average increase (decrease)				
1996-2000	5.7%	4.3%	4.8%		
2000-2006	(28.9)	(3.5)	(8.9)		
1996-2006	(16.7)	(0.4)	(3.7)		
January – March					
2006-2007	(79.5)	(3.8)	(16.2)		

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

Source: Airport management records.

The decreases in cargo at the Airport in recent years are related to (1) the slowdown in the regional economy, particularly in the manufacturing sector, (2) a reduction in available belly-cargo capacity on passenger airlines as a result of increases in the use of regional jet aircraft and low-cost carrier operations which have less cargo capacity that larger air carrier aircraft, (3) the availability of reduced-cost belly-cargo capacity, particularly on widebody aircraft designed for containerized cargo, and direct international freighter service at other gateway airports, such as Chicago O'Hare, Los Angeles, and Dallas/Fort Worth international airports, and (4) an increasing trend among freight forwarders to bypass airports and truck cargo to gateways that have available reduced-cost belly-cargo capacity.

The decreases in enplaned cargo at the Airport since 2000 also reflect the reorganization and consolidation in the cargo industry over the past several years. As the transportation industry faces increased pricing pressures, many of the larger companies are strengthening their market position and ability to respond to shipping demands through acquisitions and internal restructuring and downsizing. For example, FedEx has been very active in developing integrated branding of its various service offerings. FedEx now offers multiple products, including express, ground, freight, and the recently announced nationwide less-than-a-truckload service. Much of this corporate restructuring has resulted in slower growth nationally in the air freight and express market as a greater percentage of FedEx's cargo is being transported by trucks. Similarly, UPS has been actively increasing its supply chain solutions second and third day service and its ground service.

The Denver region's manufacturing sector, which is directly associated with the use and production of air eligible commodities, has experienced a decline in total employees over the past several years. Total manufacturing sector employment in the Denver Metropolitan Area decreased from almost 113,000 employees in 1999 to 91,000 employees in 2006. Within the manufacturing sector, the computer and high-technology industries contributed to the decline in numbers of employees. The decline in manufacturing output also contributed, to some degree, to the decreases in the Airport cargo totals.

The freight forwarders are always attracted to large sources of (reduced cost) belly capacity at major international gateways. The increased use of regional jet aircraft and the increase in low-cost airline service which have less cargo capacity that larger air carrier aircraft at many airports—including Denver International Airport—has resulted in the freight forwarders increasing cargo consolidations at major gateways, such as Chicago O'Hare, Los Angeles, and Dallas/Fort Worth international airports.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the development of the economy of the Denver Metropolitan Area, discussed earlier, key factors that affect will airline traffic at Denver International Airport include:

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

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger traffic during those years. Future increases in passenger traffic will depend largely on the ability of the nation to sustain growth in economic output and income.

With the globalization of business and the increased importance of international trade, U.S. economic growth 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 at major U.S. airports. Sustained future increases in both domestic and international passenger traffic will depend on stable international conditions and global economic growth.

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 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, the 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 decreases 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 Airport will depend primarily on economic, not security, factors.

Financial Health of the Airline Industry

Increases in passenger traffic at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly United Airlines, to make the necessary investments to increase service.

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

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 terrorist attacks, high fuel and other operating costs, and intense price competition, the industry has since experienced huge financial losses. In 2001 through 2005, the major U.S. airlines collectively recorded net losses of over $38 billion.

To mitigate these losses, all the major network airlines have 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 threat of such. As discussed below, in December 2002, United Airlines filed for bankruptcy protection (emerged February 2006). US Airways filed twice for bankruptcy protection, in 2002 and 2004. In 2003, American Airlines 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 Air Lines eliminated its Dallas/Fort Worth hub and restructured its other airport operations. In September 2005, both Delta and Northwest Airlines filed for bankruptcy protection. (Delta emerged in April 2007 and Northwest emerged in May 2007.) Among the smaller airlines, Hawaiian Airlines filed for bankruptcy protection 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).

Future losses could force airlines to retrench, seek bankruptcy protection, discontinue marginal operations, or liquidate. The restructuring or liquidation of one or more of the large network airlines could significantly affect service at connecting hub airports, present business opportunities for the remaining airlines, and change travel patterns throughout the U.S. aviation system.

United Airlines emerged from bankruptcy with $3 billion in exit financing in February 2006. During the restructuring process, United reduced capacity by ending unprofitable routes and restructuring its fleet, renegotiated its contracts with United Express carriers to reduce rates, eliminated 26,000 jobs, ended employee pensions, and gained pay and work rule concessions from remaining employees in order to cut expenses by $7 billion. While in bankruptcy, United developed a low-fare unit (Ted) and premium transcontinental service, and expanded its enhanced economy class to some flights operated by United Express. While United's business plan includes the purchase of new aircraft through 2011, it has recently increased capacity under an initiative to use its current aircraft fleet more efficiently. This initiative involves shortening aircraft turnaround times and further depeaking operations at its hub airports.

Airline Service and Routes

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

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

Denver International Airport is the primary air carrier airport for the Rocky Mountain region, and a connecting hub. Prior to 1995 when the Airport opened, United and Continental operated a "dual-hub" for many years at Stapleton International Airport, the former air carrier airport serving the Denver Metropolitan Area. As discussed in the earlier section, "Airport Role," the Airport is an important connecting hub for United and Frontier airlines. For the last 5 years, the Airport has been United's second busiest hub after Chicago O'Hare International Airport in terms of numbers of enplaned passengers. In 2006, the United Airlines Group accounted for approximately 76% of total connecting passengers at the Airport. Frontier Airlines and Frontier JetExpress also use the Airport as a connecting hub, accounting for approximately 20% of total connecting passengers in 2006. The Airport is the busiest airport in Frontier's route network.

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 alternatives and for price-sensitive "discretionary" travel. Airfares are influenced by labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; debt burden; passenger demand; capacity and yield management; market presence; and competitive factors. Increases in passenger traffic at the Airport will depend on the continued availability of competitive airfares and service.

Overcapacity in the industry, the ability of consumers to book flights easily via the Internet, and other competitive factors combined to reduce airfares nationwide between 2000 and 2005. In 2005, the average domestic yield for the major U.S. airlines was 11.7 cents per passenger-mile, compared with 14.5 cents in 2000. In 2006, the average domestic yield increased to 12.8 cents per passenger mile as airlines reduced capacity and were able to sustain fare increases.

Industry analysts have questioned the sustainability of the historical "revenue model" of the legacy network airlines, which involved charging uneconomically low discount fares to some travelers and high "walk-up" fares to others. The network airlines have recently simplified their fare structures. Widespread adoption of simplified fare structures, along with controls on airline seat capacity, is seen as keys to the industry regaining and sustaining profitability.

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

Airline Consolidation and Alliances

In response to competitive and financial pressures, some airlines have sought to consolidate. In April 2001, American completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United and US Airways were proposed, but rejected by the U.S. DOT because of concerns about reduced airline competition. As previously discussed, in September 2005, US Airways and America

West merged. In November 2006, the new US Airways proposed a merger with Delta while the latter was in bankruptcy, but the merger was rejected by Delta's management and creditors. Any future mergers could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances provide airlines with many of the advantages of mergers. Such alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. In May 2004, US Airways joined the United-led Star alliance. In September 2004, Continental and Northwest joined the Delta-led SkyTeam alliance.

Availability and Price of Aviation Fuel

There has been no shortage of aviation fuel since the early 1970s, but the price of aviation fuel continues to be an important and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability. The invasion and occupation of Iraq, political unrest in other oil-producing countries, and other factors influencing the demand for and supply of oil caused aviation fuel prices to increase sharply beginning in 2003. In December 2006, average fuel prices were more than double what they were in December 2003. High fuel prices have been a major contributor to recent airline industry losses. While fuel prices have not affected the ability of airlines to provide service, future high prices will affect airline service, airfares, and passenger numbers.

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 automating and enhancing the computer, radar, and communications equipment of the air traffic control system and enhancing the use of runways through improved air navigation aids. Air traffic delays have decreased as a result of the reduction in aircraft operations since 2001. However, as demand exceeds 2001 levels, flight delays and restrictions are again likely.

Capacity of the Airport

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

AIRLINE TRAFFIC FORECASTS

Assumptions

The forecasts of airline traffic at the Airport were developed taking into account analyses of (1) historical long-term trends in passenger traffic at the Airport, (2) recent trends in monthly passenger traffic at the Airport, (3) historical and projected economic indicators for the Denver Metropolitan Area, and (4) forecasts developed by the FAA.

In developing the forecasts, it was assumed that airline traffic at the Airport will increase as a function of growth in the population and economy of the Denver Metropolitan Area, continued airline competition, and the continued operation of connecting hubs at the Airport by both United and Frontier. It was also assumed that airline service at the Airport will not be constrained by the availability or price of aviation fuel, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth, among other things.

Originating Passengers. Specifically, the forecast of originating passengers at the Airport through 2013 is based on the following assumptions:

1. Global economic growth will sustain future increases in domestic and international passenger traffic, and the general economy of the Denver Metropolitan Area will continue to increase faster over the long term than that of the United States as a whole, consistent with the growth rates in key economic indicators presented in the earlier section "Economic Basis for Passenger Demand."

2. No major act of terrorism or war will materially affect airline travel in the United States during the forecast period.

3. The national economy will experience sustained growth averaging between 1.5% and 1.9% per year, measured in terms of nonagricultural employment and per capita income, respectively.

4. Low-fare airline service will continue to be developed at the Airport and is expected to promote competition among airlines and ensure the continued availability of competitive airfares comparable to those now available.

5. Current and future fluctuations in fuel prices will not affect the ability of the airlines to serve the Airport or offer competitive airline fares.

6. The national air traffic control system will have sufficient capacity to accommodate airline traffic through the forecast period.

7. The City will develop the Airport generally in accordance with its Capital Program, as discussed in the later section "Airport Capital Program." The

existing and planned Airport facilities will be sufficient to accommodate airline traffic demand through the forecast period.

The number of originating passengers at the Airport is estimated to increase 5.2% in 2007, which incorporates the 7.3% growth in the first 3 months of 2007 compared with the same period of 2006. The 1.6% forecast growth rate for originating passengers between 2007 and 2013 is similar to the projected growth rates in the economic indicators for the Denver Metropolitan Area and reflects the continued growth in per capita and disposable income, which drives passenger demand and the propensity for airline travel.

Connecting Passengers. Many of the above assumptions underlying the forecast of originating passengers regarding, among other things, economic recovery, acts of terrorism, and fluctuating fuel prices also apply to the forecast of connecting passengers at the Airport. More specifically, it was assumed that:

1. The Airport will remain a system hub for United Airlines, based on:

    a. United's indications during its Chapter 11 restructuring process that its business plan continues to include the use of connecting hub airports, and the Airport's performance and importance relative to other connecting hub airports in United's system.

    b. United's agreement under the 2005-2 Amendment to enplane certain numbers of revenue-connecting passengers at the Airport through 2025, when its Airport use and lease agreement is scheduled to expire. As discussed more fully below, it was assumed that United would achieve its revenue-connecting passenger targets under the 2005-2 Amendment during the forecast period.

    c. Denver's geographic advantage as a connecting hub for nationwide east-west traffic.

    d. The expected growth in the origin-destination market in the Denver Metropolitan Area, which serves as a foundation for the viability of connecting hub operations.

    e. The facilities at and capabilities of the Airport.

2. Frontier Airlines will continue to use the Airport as its main hub, and continue to develop connecting passenger activity.

3. Improved national economic conditions and improvements in airline industry profitability over the long term will enable the major airlines, particularly United, to add the capacity required to meet nationwide demand.

4. United will continue to develop strategies to optimize revenue performance, such as its 2007 reduction in domestic capacity to address slow revenue growth in the domestic market, and these strategies will not materially affect the role of the Airport as a United system hub.

The number of connecting passengers at the Airport is estimated to increase 2.3% in 2007, which takes into account a 1.2% increase through the first 3 months of 2007, compared with the same period of 2006. From 2007 to 2013, the number of connecting passengers is forecast to increase an average of 2.0% per year.

Under the 2005-2 Amendment, the United Airlines Group has agreed to enplane no fewer than the following numbers of revenue connecting passengers at the Airport: (a) 7,500,000 in 2006, (b) 7,600,000 in 2007, and (c) 7,700,000 in 2008 through 2011. In 2006, the United Airlines Group enplaned approximately 7,604,794 *revenue-*connecting passengers at the Airport, which differs slightly from the *revenue plus nonrevenue* passenger data presented in Table 17.

Also under the 2005-2 Amendment, United has agreed that the City will decrease certain cost reduction goals benefiting United if United does not achieve the targeted numbers of revenue-connecting passengers discussed above. The number of connecting passengers at any airport is a function of the route strategy and network of an airline and, therefore, it was assumed that United would meet its targeted connecting passenger goals at the Airport rather than increase the rentals, fees, and charges it pays at the Airport. The 2005-2 Amendment is discussed more fully in the "Financial Analysis" section of this report.

Enplaned Passengers

Table 17 and Figure 19 present historical and forecast numbers of enplaned passengers (originating and connecting) at the Airport through 2013. The total number of enplaned passengers at the Airport is estimated to increase 4.0% in 2007 and forecast to increase 3.0% in 2008. From 2007 through 2013, the total number of enplaned passengers is forecast to increase an average of 1.7% per year, slower than the long-term trend (3.9% per year from 1995 through 2005) at the Airport. In 2013, enplaned passengers are forecast to number 27.3 million, which is approximately 6.0% lower than the 29.0 million enplaned passengers forecast for the Airport by the FAA* in the same year.

*Federal Aviation Administration, *Terminal Area Forecast*, February 2006, for years ending September 30.

Table 17

AIRLINE TRAFFIC FORECASTS
Denver International Airport
2005-2013

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

	Historical		Estimated	Forecast					
	2005	2006	2007 *(a)*	2008	2009	2010	2011	2012	2013
Enplaned passengers									
United Airlines	7,774,627	8,364,574	8,460,000	8,544,000	8,630,000	8,717,000	8,803,000	8,891,000	8,980,000
Ted	1,689,891	2,011,441	1,995,000	2,035,000	2,057,000	2,068,000	2,129,000	2,186,000	2,253,000
United Express	2,776,020	2,971,301	3,040,000	3,133,000	3,206,000	3,287,000	3,335,000	3,398,000	3,454,000
Subtotal United Airlines Group	12,240,538	13,347,316	13,495,000	13,712,000	13,893,000	14,072,000	14,267,000	14,475,000	14,687,000
Frontier Airlines *(a)*	4,217,059	4,904,231	5,228,000	5,556,000	5,812,000	5,874,000	5,917,000	5,969,000	5,985,000
Southwest Airlines	--	789,637	1,283,000	1,514,000	1,687,000	1,867,000	2,053,000	2,156,000	2,177,000
Other	5,244,378	4,624,128	4,596,000	4,569,000	4,544,000	4,519,000	4,493,000	4,468,000	4,444,000
Total enplaned passengers	21,701,975	23,665,312	24,602,000	25,351,000	25,936,000	26,332,000	26,730,000	27,068,000	27,293,000
Annual percent increase	--%	9.0%	4.0%	3.0%	2.3%	1.5%	1.5%	1.3%	0.8%
Originating passengers	11,983,822	13,249,286	13,942,000	14,274,000	14,647,000	14,879,000	15,100,000	15,237,000	15,320,000
Connecting passengers	9,718,153	10,416,026	10,660,000	11,077,000	11,289,000	11,453,000	11,630,000	11,831,000	11,973,000
Percent originating	55.2%	56.0%	56.7%	56.3%	56.5%	56.5%	56.5%	56.3%	56.1%
Percent connecting	44.8%	44.0%	43.3%	43.7%	43.5%	43.5%	43.5%	43.7%	43.9%
Landed weight (1,000-pound units)									
Passenger airlines									
United Airlines	10,389,189	11,169,430	11,050,000	11,040,000	11,032,000	11,024,000	11,012,000	11,104,000	10,996,000
Ted	1,864,653	2,194,778	2,153,000	2,195,000	2,218,000	2,207,000	2,247,000	2,283,000	2,329,000
United Express	3,281,516	3,511,893	3,479,000	3,471,000	3,441,000	3,418,000	3,360,000	3,354,000	3,342,000
Subtotal United Airlines Group	15,535,358	16,876,101	16,682,000	16,706,000	16,691,000	16,649,000	16,619,000	16,641,000	16,667,000
Frontier Airlines *(b)*	5,838,256	6,704,459	6,975,000	7,286,000	7,504,000	7,483,000	7,436,000	7,418,000	7,351,000
Southwest Airlines	--	1,057,726	1,662,000	1,961,000	2,185,000	2,394,000	2,606,000	2,709,000	2,709,000
Other	6,734,238	5,779,438	5,615,000	5,478,000	5,347,000	5,237,000	5,142,000	5,058,000	4,975,000
Total passenger airlines	28,107,852	30,417,724	30,934,000	31,431,000	31,727,000	31,763,000	31,803,000	31,826,000	31,702,000
All-cargo airlines	1,541,253	1,429,777	1,456,000	1,470,000	1,483,000	1,511,000	1,539,000	1,553,000	1,580,000
Total landed weight	29,649,105	31,847,501	32,390,000	32,901,000	33,210,000	33,274,000	33,342,000	33,379,000	33,282,000
Annual percent increase (decrease)	--%	7.4%	1.7%	1.6%	0.9%	0.2%	0.2%	0.1%	(0.3%)

(a) Estimated on the basis of **3** months of actual data.
(b) Includes Frontier JetExpress.

Sources: Historical: Airport management records.
Estimated and forecast: Jacobs Consultancy, July 2007.

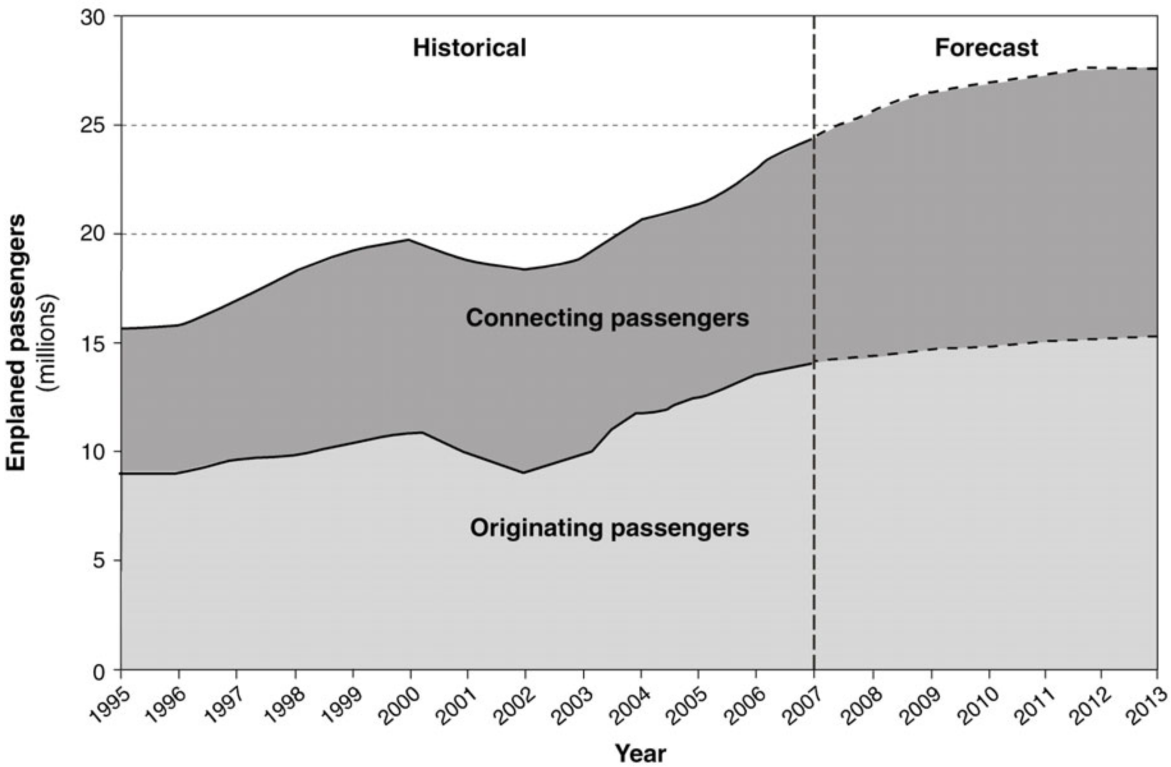
Aircraft Landed Weight

Table 17 also presents aircraft landed weight at the Airport for 2005 through 2013. Total landed weight at the Airport is estimated to increase 1.7% in 2007 and forecast to increase 1.6% in 2008, from about 31.8 billion pounds in 2006 to an estimated 32.4 billion pounds in 2007, and to a forecast 32.9 billion pounds in 2008. Total landed weight is then forecast to increase to about 33.3 billion pounds in 2013, reflecting an average annual growth rate of 0.5% from 2007 through 2013.

The forecast of landed weight was derived from the forecast of passenger demand (discussed earlier), considering trends in average aircraft weight as well as assumed growth in all-cargo airline aircraft operations.

Figure 19

HISTORICAL AND FORECAST ENPLANED PASSENGERS



These forecasts were prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecasts, and the variations could be material.

Sources: Historical—Airport management records.
Forecast—Jacobs Consultancy, July 2007.

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FINANCIAL ANALYSIS

FRAMEWORK FOR AIRPORT SYSTEM FINANCIAL OPERATIONS

The City accounts for Airport System financial operations according to generally accepted accounting principles for governmental entities and the requirements of the General Bond Ordinance, as discussed below.

General Bond Ordinance

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

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

- Issuing additional Bonds
- Establishing rentals, fees, and charges for use of the Airport and its facilities
- Paying Operation and Maintenance (O&M) Expenses and Debt Service Requirements, among other costs, as discussed later

Under Section 704B of the General Bond Ordinance, the 2007A-B and 2007D-E Bonds are considered "additional Bonds," and, as such, the City is required to retain an Airport Consultant to demonstrate compliance with the additional Bonds test prior to the issuance of such Bonds. The City retained Jacobs Consultancy as its Airport Consultant, and our financial forecasts prepared for the additional Bonds test were based, in part, on the assumptions underlying the financial forecasts presented in this report. A separate certificate documenting compliance with the additional Bonds test for the 2007A-B Bonds has been provided to the City. The additional Bonds test for the 2007D-E Bonds is to be calculated and a certificate of compliance provided to the City before the 2007D-E are issued, which is expected to occur after the issuance of the 2007A-B Bonds.

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

Based on unaudited data for the first 3 months of 2007, the City had accumulated an estimated balance of approximately $67.1 million in the Coverage Account of the Capital Fund, which is considered Other Available Funds under the General Bond Ordinance; such funds can be used by the City to meet the Rate Maintenance Covenant on Senior Bonds. The City intends to deposit additional amounts, if necessary, in the Coverage Account so as to maintain a balance equal to approximately 25% of the Debt Service Requirements on Senior Bonds and to apply such amounts as Other Available Funds each year.

Under the General Bond Ordinance, certain debt service on Senior Bonds may be excluded from Debt Service Requirements in calculating debt service coverage under the Rate Maintenance Covenant. See the later section of this report entitled "Passenger Facility Charge Revenues" regarding the framework for using passenger facility charge (PFC) revenues under the General Bond Ordinance for this purpose and the related assumptions underlying the financial forecasts.

Airport Use and Lease Agreements

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

- Provide that 50% of the Net Revenues remaining at the end of each year, up to a maximum of $40.0 million, and after all other requirements are satisfied, are to be credited to the airlines signatory to the agreement in the following year through the Airline Revenue Credit Account, as illustrated later on Figure 22.

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

United's Airport Use and Lease Agreement. As discussed earlier, United Airlines enplanes the largest share of passengers and is the largest lessee of space and facilities at the Airport under a use and lease agreement that expires in 2025. The following sections summarize certain elements of the Airport use and lease agreement with United that were considered in developing the financial forecasts presented in this report.

The United Airport use and lease agreement provides that United may terminate its agreement if its cost per enplaned revenue passenger at the Airport exceeds $20 (in 1990 dollars) in any given year. In calculating the cost per enplaned passenger, the denominator is to be no smaller than the number of United's enplaned revenue passengers in 1989, which was about 6.0 million. United's cost per enplaned revenue passenger at the Airport is not expected to exceed $20 during the forecast period, as shown in Exhibit E (all financial exhibits are presented at the end of this report).

In February 2006, United emerged from Chapter 11 bankruptcy protection, at which time it assumed its use and lease agreement and a series of other agreements, as amended, at Denver International Airport, to provide for the following, among other things:

1. ***Capital Program implementation.*** The first phase of an improved regional jet facility and nine loading bridges on the east side of Concourse B became operational on April 24, 2007, and certain baggage system improvements in the Landside Terminal were substantially completed as of June 30, 2006.

2. ***Rentals, fees, and charges cost reductions for all airlines.**** Airline rentals, fees, and charges are to be reduced on a net basis up to an aggregate annual amount of $4 million over a 4-year period, 2007 through 2010. In addition, the City is to further reduce airline rentals, fees, and charges on a net basis, up to an aggregate amount of $50 million from 2007 through 2010 according to a scale based on the Net Revenues available for revenue sharing each year.

3. ***Rentals, fees, and charges cost reductions for United.**** The City is to reduce United's rentals, fees, and charges associated with the automated baggage system (ABS) by (a) $18.5 million in 2007 and (b) $21.0 million in each year from 2008 through 2025, the final year of United's current Airport use and lease agreement.

   The City intends to achieve these cost reduction goals by (a) reallocating to other Airport cost centers a portion of the Bond principal associated with the Concourse B ABS (the debt service of which is paid by United through rentals, fees, and charges), (b) continuing to defease a portion of the Concourse B ABS Bond principal allocated to the Concourse B ABS using revenues generated from $1.50 of the $4.50 PFC levied at the Airport, and (c) the City's share of Net Revenues during the forecast period.

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*Cost reduction goals for 2004 through 2006 were met by the City and are not described in this report.

As part of the cost reductions, United has surrendered and released to the City its six Concourse A gates and associated holdroom, apron level, and other space. An amendment to Frontier Airlines' Airport use and lease agreement, which includes these six Concourse A gates, is pending.

For purposes of this report, it was assumed that the City would meet its cost reduction goals during the forecast period through a combination of the following sources of funds and subject to the provisions of the amendments to the Airport use and lease agreement with United:

– Interest savings from the following refundings, which would be used to pay the reallocated debt service on Bonds associated with the ABS: (a) the 1994 Bonds with the 2004 Bonds, (b) the 1995 Bonds with the 2005 Bonds, and (c) the 1996 Bonds with the 2006 Bonds.

– Revenues from the $1.50 portion of the $4.50 PFC to defease approximately $60.0 million in remaining principal outstanding of Bonds associated with the Concourse B ABS.

– The City's share of Net Revenues to defease approximately $66.8 million in remaining principal outstanding of Bonds associated with the Concourse B ABS, and to fund, as necessary, any of the cost reduction goals that are not funded from interest savings or revenues from $1.50 of the $4.50 PFC.

Additional information regarding the City's planned Bond defeasances is provided in the later section entitled "Plan of Financing."

4. ***United revenue-connecting-passenger targets.*** The United Airlines Group is to enplane no fewer than the following numbers of revenue-connecting passengers at the Airport: (a) 7,600,000 in 2007 and (b) 7,700,000 in each year, 2008 through 2025. As mentioned earlier, the United Airlines Group enplaned 7,886,244 revenue-connecting-passengers in 2006, which met its 2006 revenue-connecting-passenger target of 7,500,000 in that year. United's failure to reach such targeted levels would not constitute a default under its use and lease agreement, but would allow the City to decrease certain cost reduction goals that would accrue to United directly by $6.00 for each revenue-connecting-passenger below the targeted level, provided that the total reduction does not exceed the cost reduction in the same year. In the financial forecasts presented in this report, it was assumed that United Airlines Group would meet or exceed its revenue-connecting-passenger targets and, as such, the City would not reduce any of the aforementioned cost reduction goals.

The rentals, fees, and charges cost reductions for all airlines are to cease if (1) the City is unable to meet its annual irrevocable commitment to pay Debt Service Requirements with PFC revenues under the General Bond Ordinance or (2) regulatory or other legal actions prohibit the cost reductions.

In addition, the cost reductions may be decreased if Airport management (1) determines in good faith that a deficiency exists in any of its required fund balances under the General Bond Ordinance, (2) receives an official written communication from any bond rating agency that a downgrade of the Airport's credit rating is likely unless the City's rentals, fees, and charges cost reduction contribution is decreased, (3) determines in good faith that operating cash balances are insufficient and the cost reduction contributions would jeopardize the ongoing operation of the Airport, or (4) the deposit to the Capital Improvement Account is not sufficient to make the final $1.5 million payment to the Stapleton Development Corporation in 2007.

If any one of the events described above occurs and is successfully resolved by the City, the rentals, fees, and charges reductions would be reinstated in the calendar year following the successful resolution of the event, and the City would increase the reductions to provide United and other airlines the full benefit of the reductions provided for under the amendments to the Airport use and lease agreement with United.

Other Airline Airport Use and Lease Agreements. A list of the airlines other than United that lease gates in the Terminal Complex under Airport use and lease agreements with the City, as amended, and the lease expiration date for each agreement are provided in Table 18.

Table 18

OTHER AIRLINE AIRPORT USE AND LEASE AGREEMENTS AND THEIR SCHEDULED EXPIRATION DATES

AirTran Airways (February 2011)	Frontier Airlines (February 2010)
Alaska Airlines (December 2010)	Midwest Airlines (December 2010)
American Airlines (December 2010)	Northwest Airlines (December 2010)
Continental Airlines (February 2010)	Southwest Airlines (December 2010)
Delta Air Lines (December 2010)	US Airways (December 2010)

Source: Airport management records.

The City also has 5- and 10-year Airport use and lease agreements with other airlines that do not lease gates in the Terminal Complex, but use Airport facilities. Many of these agreements are with regional/commuter airlines operating at the

Airport that have code-sharing agreements with the airlines listed in Table 18. The City also has Airport use and lease agreements with foreign flag passenger airlines: Aeromexico, Air Canada, British Airways, Lufthansa German Airlines, and Mexicana de Aviación.

Most of the passenger and cargo airline Airport use and lease agreements with the City are scheduled to expire during the forecast period. The City does not expect any material change to the business terms or to expected future leasehold rentals under the succeeding agreements.

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

PASSENGER FACILITY CHARGE REVENUES

PFC Approvals

As approved by the Federal Aviation Administration (FAA), the City imposes a \$4.50 PFC per eligible enplaned passenger at the Airport. Under various FAA approvals, the City has the authority to use approximately \$3.3 billion in PFC revenues for (1) \$3.1 billion in costs related to the construction of Denver International Airport, and (2) costs for projects in the Airport Capital Program.

Through March 31, 2007, the City had collected approximately \$850.4 million in PFC revenues of the \$3.3 billion in PFC revenue collection authorized by the FAA.

PFC revenues are not currently defined as Gross Revenues of the Airport System and are not expected to be defined as such during the forecast period. The treatment and use of PFC revenues during the forecast period are discussed below.

PFC Framework

Under a PFC Supplemental Bond Ordinance, the PFC Fund and two subaccounts—the PFC Debt Service Account and PFC Project Account—were established for the annual deposit and use of PFC revenues.

Under the PFC Supplemental Bond Ordinance, the City has also irrevocably committed to pay debt service on Senior Bonds with two-thirds of annual PFC revenues (defined as the Committed Passenger Facility Charges revenue in the Supplemental Bond Ordinance and generally equal to \$3.00 of each \$4.50 PFC) it receives each year and credits to the PFC Debt Service Account up to certain specified maximum amounts (the Maximum Committed Amounts) from 2007 through 2011. Following the date of this report and prior to the issuance of any of the 2007 Bonds, the City expects to adopt a PFC Supplemental Bond Ordinance extending that commitment through 2013.

PFC revenues received by the City in excess of the Committed Passenger Facility Charges revenue in any year, generally equal to $1.50 of each $4.50 PFC (or in excess of the Maximum Committed Amounts if the Maximum Committed Amounts are less than the $3.00 portion of PFC revenues), are to be deposited in the PFC Project Account to be used for any lawful PFC-eligible Airport System purpose, as determined by the City. If the City chooses to deposit such PFC revenues into the PFC Debt Service Account for the payment of Debt Service Requirements on Senior Bonds, the PFC revenues are considered irrevocably committed to such payments.

For the purposes of calculating debt service coverage under the Rate Maintenance Covenant, the General Bond Ordinance allows the City to exclude any debt service irrevocably committed to be paid from the PFC Debt Service Account from the calculation of Debt Service Requirements on Senior Bonds. Since the Airport opened in 1995, the City has irrevocably committed a portion of its annual PFC revenues each year to pay Debt Service Requirements on Senior Bonds.

Forecast Assumptions

The Debt Service Requirements to be paid from PFC revenues during the forecast period (see Exhibit C) in this report, which include revenues from the $3.00 portion of the PFC, which are required to be deposited in the PFC Debt Service Account, plus all of the revenues from the $1.50 portion of the PFC, which the City expects to either deposit in the PFC Debt Service Account or use to defease certain Senior Bonds, are excluded from the calculation of debt service coverage under the Rate Maintenance Covenant of the General Bond Ordinance.

The assumptions underlying the financial forecasts are as follows:

- The City is to use two-thirds of its annual PFC revenues—the Committed Passenger Facility Charges revenue—through the forecast period in a manner consistent with the requirements of the Supplemental Bond Ordinance to pay Debt Service Requirements on Senior Bonds.

- All of the PFC revenues in excess of the Committed Passenger Facility Charges revenues (i.e., revenues from $1.50 of the $4.50 PFC) are to be used during the forecast period in the manner discussed below:

  – Pay Debt Service Requirements on that portion of the 2003B Bonds used to fund some of the costs of the sixth runway at the Airport, and defease the principal outstanding of the 2003B Bonds, which was were used to fund some of the costs of the sixth runway at the Airport.

  – Defease approximately $60.0 million in principal outstanding of Senior Bonds to meet a portion of the cost reduction goals under the United amendments, discussed earlier.

  – Defease approximately $63.0 million in principal outstanding of Senior Bonds allocated to the Concourse A ABS.

- Through approximately 2017, defease approximately $175.0 million in principal outstanding of Senior Bonds issued to fund construction of the Airport.

AIRPORT CAPITAL PROGRAM

The City maintains an ongoing process of evaluating the capital requirements necessary to expand Airport facilities to keep pace with increasing aviation demand. These capital requirements are organized into the Airport Capital Program for the then current year (at this time, 2007), and a prospective 6-year period (2008-2013), the forecast period discussed in this report. During the forecast period (2007-2013), the Department expects to invest approximately $1.22 billion in renovating, expanding, and constructing new Airport facilities.

The projects to be funded from the net proceeds of the 2007A-B Bonds and the 2007D-E Bonds (collectively, the 2007 Project) are expected to begin in 2007, except as noted in the following paragraph. The 2007 Project is expected to cost approximately $401.9 million.

The portion of the 2007 Project to be funded from the net proceeds of the 2007A-B Bonds includes certain projects that began, and in some cases were completed, between 2005 and 2007. These projects were previously funded through a combination of Commercial Paper Notes (approximately $30 million) and the City's annual share of Net Revenues (approximately $40 million).

Projects in the 2008-2013 Capital Program (the 2008-2013 Project) are to be funded from the proceeds of additional Bonds that the City expects to issue during the forecast period (the Future Planned Bonds) and federal grants-in-aid. The City expects to complete all of the 2007 Project and most of the 2008-2013 Project during the forecast period. Assumptions regarding the funding of debt service on the 2007 Bonds and the Future Planned Bonds, additional O&M Expenses if any, and any other relevant costs are included in the financial forecasts presented in this report.

The projects in the Airport Capital Program, consisting of the 2007 Project and the 2008-2013 Project, and their estimated costs and funding sources are outlined in Exhibit A and summarized below by Airport System cost center.

Airfield Area

- Rehabilitate taxiways and runways as part of the City's pavement management plan (2007 Project and 2008-2013 Project).
- Upgrade runway and taxiway safety areas (2008-2013 Project).
- Extend Taxiway K in the north-south direction to the east of Concourse C (2007 Project).
- Extend the east-west taxilanes to the north and south of Concourse C (2007 Project).
- Implement a snow management plan (2008-2013 Project).
- Improve lighting, drainage, and other Airfield Area assets (2007 Project and 2008-2013 Project).

Concourse Apron

- Construct additional apron area surrounding the 10 planned mainline gates at Concourse C (2007 Project).
- Construct an aircraft holding and remain overnight (RON) area to the east of Concourse C (2007 Project).
- Improve ramp area drainage (2007 Project and 2008-2013 Project).

Terminal Complex

- Construct 10 new mainline gates by expanding Concourse C to the east (2007 Project and 2008-2013 Project).
- Construct a new commuter jet facility and additional apron area at the east end of Concourse C (2007 Project).
- Improve baggage system, including baggage sortation carousels, baggage claim carousels, odd-size baggage system, and right-of-way clearances (2007 Project and 2008-2013 Project).
- Improve building systems, including the fire protection system, baggage information display system, electrical and mechanical systems, and elevators (2007 Project and 2008-2013 Project).

- Construct the FasTracks rail station on the south side of the Landside Terminal to accommodate rail service by the Regional Transportation District (RTD) between Denver Union Station and the Airport (2008-2013 Project). According to the RTD, construction of the entire 23-mile rail line and associated stations is scheduled to begin in 2011 and is expected to be completed by 2014, with the system becoming operational in 2015.

- Construct the Concourse B regional jet facility, which became operational on April 24, 2007, and was previously funded with Commercial Paper Notes (2007 Project).

- Upgrade the automated guideway transit system (AGTS) computer hardware, and extend the rail system to the south of the terminal building to accommodate additional trains (2007 Project and 2008-2013 Project).

- Replace and rehabilitate loading bridges (2007 Project and 2008-2013 Project).

- Improve restrooms, concessions, seating areas, and other public space (2007 Project and 2008-2013 Project).

- Design the expansion of the international arriving passenger facilities (2007 Project and 2008-2013 Project).

- Expand the security screening checkpoint (2008-2013 Project).

Roadways, Public Parking, and Ground Transportation

- Construct new public parking structure adjacent to the Landside Terminal Building (previously funded with the City's annual share of Net Revenues and Commercial Paper Notes) (2007 Project).

- Construct future public parking structure and shuttle lot (2008-2013 Project).

- Improve Peña Boulevard (2007 Project and 2008-2013 Project).

- Rehabilitate pavement in targeted roadway and parking areas (2007 Project and 2008-2013 Project).

- Improve landscaping (2007 Project and 2008-2013 Project).

Cargo and Support Facilities

- Construct equipment storage and light maintenance facility (2008-2013 Project).

- Expand stock room and paint shop (2008-2013 Project).
- Upgrade aircraft rescue and fire fighting stations (2007 Project).

PLAN OF FINANCING

The major sources of funds the City expects to use for projects in the 2007-2013 Airport Capital Program are shown in Exhibits A and B, and are discussed below.

The City is eligible to receive FAA grants-in-aid under the Airport Improvement Program (AIP) for up to 75% of the costs of eligible projects. Certain of these grants are to be received as "entitlement" grants, the annual 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. 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.

FAA authorization and the funding of the Airport and Airway Trust Fund (the primary source of AIP funding) are scheduled to expire on September 30, 2007. After this date, AIP funding will terminate until a reauthorization bill is passed. For purposes of the financial forecasts in this report, it was assumed that Congress will pass an FAA reauthorization bill or extend the current authorization such that no lapse in AIP funding authority will occur. Under the FAA's proposed reauthorization bill, large-hub airports, including Denver International Airport, would no longer receive entitlement grants beginning in Federal Fiscal Year 2010, but would continue to be eligible for discretionary grants.

The federal funding shown in Exhibit A reflects a combination of (1) grants previously received from the FAA, and (2) expected entitlement and/or discretionary grants, consistent with FAA's proposed reauthorization bill. It was also assumed that the City will continue to submit, and that the FAA will approve, future Airport competition plans, which are required under Vision 100—Century of Aviation Reauthorization Act of 2003 to receive FAA grants.

As stated earlier, the City imposes a $4.50 PFC at the Airport under various FAA authorizations. For purposes of this report, it was assumed that the City would not impose a PFC in excess of $4.50, but authority to do so may be possible under the next FAA reauthorization bill. The City intends to use revenues it receives from the $4.50 PFC each year to (a) pay Debt Service Requirements on Senior Bonds issued to fund construction of the Airport, (b) defease Bond principal associated with the ABS and the sixth runway, and (c) defease Bond principal of Senior Bonds issued to fund construction of the Airport.

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

Under the Purchase Agreements, the City makes installment purchase payments to the Financing Companies for 3 to 10 years at current loan rates between 3% and 5%. See the later section of this report entitled "Application of Revenues" regarding the priority for making installment purchase payments to the Financing Companies relative to other City obligations under the General Bond Ordinance.

As mentioned earlier, the City intends to use the net proceeds of the 2007A-B Bonds and 2007D-E Bonds to fund the 2007 Project, and to issue the Future Planned Bonds to fund the 2008-2013 Project.

To the extent that the City does not receive the funding shown in Exhibit A, the City intends to either (1) defer projects or reduce project scopes, as appropriate, or (2) issue additional Bonds and/or use Airport equity.

2007 Bonds

The 2007 Bonds are to be issued under the General Bond Ordinance on parity with other outstanding Senior Bonds, and are to be payable from and secured by a pledge of and first lien on the Net Revenues of the Airport System.

The 2007 Bonds include multiple series and have multiple purposes, as follows:

- The 2007A-B and 2007D-E Bonds are to be issued to fund projects in the Airport Capital Program, as discussed below.
- Depending on market conditions for issuing bonds, the 2007C Bonds are to be issued to advance-refund all or a portion of the principal outstanding of the 1998B and 2003B Bonds.
- The 2007F Bonds are to be issued to current-refund a portion of the principal outstanding of the 1997E Bonds.

According to First Albany Capital and Estrada Hinojosa & Company, Inc. (the Financial Consultants), the 2007C Bonds would be issued when the 2007A-B Bonds are issued, which would be followed by the issuance of the 2007D-E Bonds and the 2007F Bonds. For purposes of this report, the financial forecasts do not include any debt service savings from the proposed issuance of the 2007C and 2007F Bonds, or other Bonds the City may issue during the forecast period to refund the outstanding principal of Bonds.

The City intends to use the proceeds of the 2007A-B Bonds and the 2007D-E Bonds to fund the 2007 Project.

The City expects to issue the 2007 Bonds in the approximate principal amount of $401.9 million and, with interest earnings during construction, use the combined moneys for the following purposes:

- Pay the costs of certain planned projects (the 2007 Project) in the Airport Capital Program
- Refund outstanding Commercial Paper Notes, in the principal amount of $30 million, which were drawn to fund projects between 2005 and 2007
- Reimburse the City's share of annual Net Revenues ($40.0 million) used to fund projects between 2005 and 2007
- Pay capitalized interest on the 2007 Bonds
- Fund a deposit to the Bond Reserve Fund equal to the Minimum Bond Reserve Requirement under the General Bond Ordinance
- Pay the costs of issuance, including underwriters' discount and financing, legal, and other costs for the 2007 Bonds

Future Planned Bonds

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

- Pay the cost of planned projects from 2008 through 2013 not funded from the net proceeds of the 2007A-B Bonds and 2007D-E Bonds
- Pay capitalized interest on the Future Planned Bonds
- Fund a deposit to the Bond Reserve Fund equal to the Minimum Bond Reserve Requirement under the General Bond Ordinance
- Pay the costs of issuance of the Future Planned Bonds

During the forecast period, the City may use the proceeds from other Commercial Paper Notes and/or the Purchase Agreements to, among other things, (1) minimize the City's overall cost of issuing Bonds and/or (2) fund project and/or equipment costs during construction. Use of this source of funds for purposes other than that described above, however, was not assumed for purposes of the plan of financing for the 2008-2013 Airport Capital Program.

Defeasance of Bonds

As stated earlier, the City intends to defease certain outstanding Senior Bond principal with PFC revenues and the City's share of Net Revenues during the forecast period. The proposed amounts to be defeased are shown in Table 19.

Table 19

PROPOSED DEFEASANCE OF OUTSTANDING BOND PRINCIPAL
(in thousands)

Asset whose bonds are to be defeased	Principal outstanding of Bonds to be defeased	Source of Bond defeasance
Concourse B ABS	$126,800	$1.50 PFC/City Net Revenues
Concourse A ABS	63,000	$1.50 PFC
Sixth runway	20,000	$1.50 PFC
Other Senior Bonds *(a)*	175,000	$1.50 PFC
	$384,800	

(a) Amount to be defeased through 2017.

Source: The Financial Consultants.

For purposes of this report, it was assumed that, during the forecast period: (a) the portion of Bond principal shown above for the Concourse A ABS, the Concourse B ABS, and the sixth runway would be defeased, (b) a portion of the $175 million in Bond principal shown above would be defeased, and (c) Debt Service Requirements and Bond fund transfers would be reduced accordingly. The table shown above is net of approximately $90 million of Bond principal allocated to the ABS that was defeased by the City as of December 31, 2006.

DEBT SERVICE REQUIREMENTS

Exhibit C presents annual Debt Service Requirements for outstanding Bonds, the proposed 2007 Bonds, and the Future Planned Bonds. Debt Service Requirements for 2005 and 2006 are based on audited results provided by the City. Debt service is shown net of capitalized interest, certain PFC revenues, amounts in escrow to be used to economically defease certain Senior Bonds, and amounts expected to be used to defease certain Senior Bonds during the forecast period, as discussed earlier. Debt Service Requirements on Special Facilities Bonds are not payable from Net Revenues and, therefore, were not considered in this analysis.

Under interest rate exchange agreements between the City and various financial institutions, certain payments may be made to or from each financial institution equal to the difference between the fixed or variable rates payable by the City under each agreement and the fixed or variable rates payable by the financial institutions. Under these agreements, the City's obligation to make payments to the financial institutions is subordinate to the City's payment of debt service on Senior Bonds. For purposes of the financial forecasts presented in this report, however, it was assumed that such payments would be on parity with the payment of debt service on outstanding Senior Bonds.

In calculating airline rentals, fees, and charges, actual transfers required under the General Bond Ordinance to be made to the Bond Fund during the year were used rather than annual Debt Service Requirements. The total monthly transfers to the Bond Fund shown in Exhibit C each year are for the payments required on February 1 of that year through January 1 of the following year.

2007 Bonds

Debt service for the 2007A-B Bonds and the 2007D-E Bonds was estimated by the City's Financial Consultants based on the following assumptions:

	2007A-B Bonds	2007D-E Bonds
Delivery date:	August 29, 2007	August 29, 2007
Final maturity:	2032	2032
Assumed interest rate:	5.1%	5.1%

Future Planned Bonds

Debt service for the Future Planned Bonds reflects (1) allowances for future changes in bond interest rates and (2) varying bond terms of 20 and 30 years.

Allocation of Debt Service to Cost Centers

Exhibit C-1 summarizes the allocation of debt service (annual total of monthly transfers to the Bond Fund) to Airport System cost centers in accordance with procedures and formulas specified in the Airport use and lease agreements.

OPERATION AND MAINTENANCE EXPENSES

Exhibit D presents forecast Operation and Maintenance Expenses by object type and by cost center. The amounts for 2005 and 2006 reflect audited financial results for the Airport. The amounts for 2007 and 2008 reflect the City's operating budgets for those years.

The City establishes an operating budget target each year that takes into account (1) year-to-date O&M Expenses for the then-current fiscal year as well as budgeted expenses for that year, (2) expectations regarding passenger traffic for the budget year, (3) projected non-airline revenues, and (4) changes in City priorities or initiatives.

Historically, personnel services have represented the single largest category of expense at the Airport, which is typical of most U. S. airports. Personnel services include all salaries, wages, and benefits for filled personnel positions; for budgeting purposes, the same types of expenses were included for vacant positions.

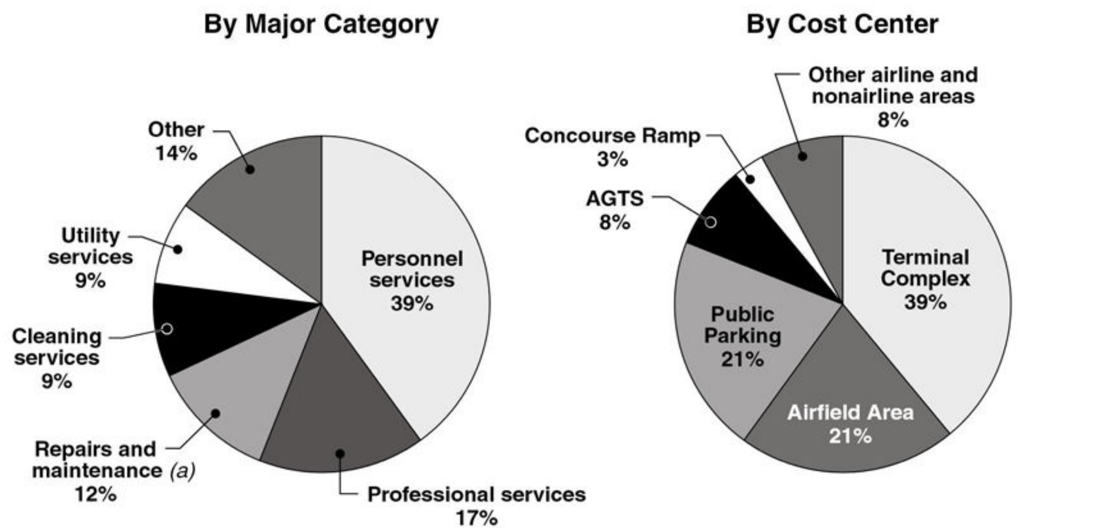
2007 Operation and Maintenance Expenses

In 2007, budgeted personnel services represent approximately 39% of the total O&M Expenses budgeted for the Airport, as shown on Figure 20.

Figure 20

2007 BUDGETED OPERATION AND MAINTENANCE EXPENSES

Denver International Airport



(a) Includes maintenance costs for the AGTS.

Source: Airport management records.

The next largest category of expense at the Airport is professional services, which includes management and other contracts for the provision of services at the Airport, including:

- AMPCO System Airport Parking, which operates and manages the public parking facilities at the Airport under a contract that allows AMPCO to be reimbursed for its expenses and to receive a management and incentive fee.

- AMPCO Transportation Services, which provides shuttle bus service from remote parking lots to the terminal complex. The City reimburses AMPCO for the actual cost of providing this service.

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

O&M Expenses are allocated to Airport System cost centers by Department staff based on historical Airport System operations, airport industry practices, provisions in the Airport use and lease agreements, and other considerations. As shown on Figure 19 for 2007, O&M Expenses in the Terminal Complex and Airfield Area account for 60% of total Airport O&M Expenses.

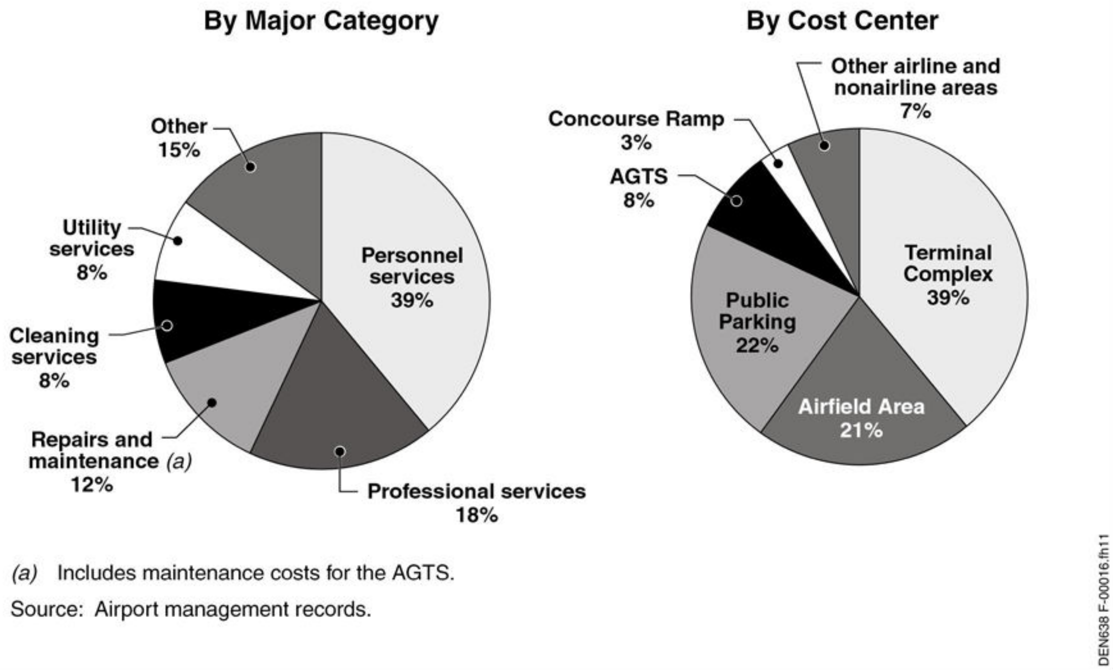
2008 Operation and Maintenance Expenses

The City recently completed its preliminary operating budget for 2008, which is approximately 8.3% higher than its original 2007 operating budget, reflecting, in part, increased personnel services expenses and contractual costs for security, parking shuttle bus, janitorial, and other services. The public parking contract, which is with AMPCO System Airport Parking, was also increased as a result of expected increases in parking activity. The major categories of O&M Expenses for 2008 and the distribution of expenses among Airport System cost centers are shown on Figure 21.

Figure 21

2008 BUDGETED OPERATION AND MAINTENANCE EXPENSES

Denver International Airport



(a) Includes maintenance costs for the AGTS.

Source: Airport management records.

2009-2013 Operation and Maintenance Expenses

O&M Expenses for the remaining years of the forecast period reflect the following:

- Budgeted 2008 O&M Expenses were assumed to represent an appropriate baseline level of expense for forecasting future O&M Expenses.
- Additional expenses associated with projects expected to be completed during the forecast period, including additional O&M Expenses associated with the 10-gate expansion on Concourse C and construction of a new commuter facility on Concourse C.
- Certain O&M Expense line items were assumed to increase with forecast increases in enplaned passengers, as presented in previous sections.
- Inflation for all O&M Expenses was assumed to be approximately 3% per year, which is higher than the average rate of inflation* in the Denver area for the 5-year period, 2001-2006 of 1.75% per year.

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*Source: U.S. Department of Labor, Bureau of Labor Statistics, from www.bls.gov, July 13, 2007.

GROSS REVENUES

Table 20 presents the major sources of Gross Revenues for the City in 2006 based on actual data and forecast for 2013. Line-item details for the two significant categories of Gross Revenues—airline rentals, fees, and charges and nonairline revenues—are shown in Exhibits E and F, respectively.

Table 20

GROSS REVENUES
Denver International Airport

	Actual 2006		Forecast 2013	
	Revenues (thousands)	Percent of total	Revenues (thousands)	Percent of total
Airline rentals, fees, and charges				
Landing fees	$ 92,191	15.8%	$128,723	16.6%
Terminal Complex rentals	66,713	11.4	111,569	14.3
Tenant finishes and equipment charges	53,766	9.2	71,813	9.2
Baggage system fees	33,041	5.7	38,410	4.9
Other	68,486	11.7	97,235	12.7
Total airline revenues	$314,197	53.7%	$447,750	57.7%
Nonairline revenues				
Terminal concessions *(a)*	$ 34,305	5.9%	$ 48,490	6.2%
Public automobile parking	105,262	18.0	134,847	17.3
Rental car privilege fees	32,678	5.6	41,308	5.3
Other terminal revenues *(b)*	17,940	3.1	17,289	2.2
Building and ground rentals	15,459	2.6	16,975	2.2
Other	22,251	3.8	31,808	4.1
Total nonairline revenues	$227,896	39.0%	$290,717	37.3%
Interest income	42,520	7.3	39,154	5.0
Total Gross Revenues *(c)*	$584,613	100.0%	$777,622	100.0%

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

(a) Includes revenue from food and beverage, merchandise, and terminal services.
(b) Includes revenue from employee parking, rental car service and storage areas, ground transportation, and other terminal space rentals.
(c) The amount shown for 2006 does not match the amount reported in Table 24 because of the manner in which certain year-end settlements and adjustments are calculated for rentals, fees, and charges.

Source: Airport management records.

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

AIRLINE RENTALS, FEES, AND CHARGES

Airline rentals, fees, and charges are an important source of revenue for the City. In 2006, airline rentals, fees, and charges represented 53.7% of Airport Gross Revenues.

Historical and forecast airline rentals, fees, and charges, in total and expressed on a per-enplaned-passenger basis, for the Airport, for United Airlines, and for other airlines, are shown in Exhibit E. As stated earlier, United's cost per enplaned revenue passenger is not expected to exceed the $20 "cap" under its use and lease agreement with the City during the forecast period (see Exhibit E).

Required Airport costs in the airline rate base include:

1. Operation and Maintenance Expenses

2. Debt service on Bonds issued for (a) the Airport, net of PFC revenues paid from the PFC Debt Service Account, and (b) Airport land acquisition

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

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

Amortization charges for certain City investments are calculated over 30 years (except for certain equipment that is to be amortized over 5 years) at the weighted average, effective interest cost on all fixed-rate Bonds issued on behalf of the Airport. City investments after the Airport opened in 1995 are amortized over 15 years.

Payments that the City expects to make to the Financing Companies under the Purchase Agreements, net of AIP grants-in-aid and Transportation Security Administration (TSA) grants, are included as a "rate-base" cost in the forecast of airline rentals, fees, and charges presented in this report.

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

As discussed in the earlier section entitled "Airport Use and Lease Agreements," the City is obligated to meet certain rentals, fees, and charges cost reduction goals under various amendments to United's use and lease agreement, which were assumed to be in effect during the forecast period.

The following subsections summarize the rate-making methodologies and assumptions used to forecast airline rentals, fees, and charges, as presented in Exhibits E-1 through E-4.

Landing Fees

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

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

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

Terminal Complex Rentals

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

As stated earlier, the City is planning to extend Concourse C by approximately 10 mainline gates to the west, and construct a new commuter jet facility on the east side of Concourse C. It is expected that the 10-gate expansion will become operational on January 1, 2011, and the new commuter jet facility will become operational on January 1, 2009. According to the City, debt service and O&M

Expenses associated with the expansions are to be included in the calculation of airline rentals, fees, and charges.

For purposes of this analysis, the following were assumed:

- Effective January 1, 2009, Great Lakes Aviation would relocate to Concourse C and use the new commuter jet facility. Under the Airport use and lease agreements, the rentals, fees, and charges for the Concourse C commuter jet facility are to be assessed based on the City's estimate of full use of the facility.

- Southwest Airlines and/or other airlines would lease 2 gates and associated space when the 10-gate expansion becomes operational on January 1, 2011.

- The airlines operating on Concourse C would lease one additional gate and associated space in 2012 and in 2013.

- Effective January 1, 2011, Continental Airlines would relocate from Concourse A to Concourse C and would continue to lease the same amount of gates and space. The vacated gates on Concourse A would be used and/or leased by Frontier Airlines.

As a result of these and other assumptions, the City is expected to realize additional rentals and charges associated with the Concourse Ramp Area and Concourse C tenant finishes.

Tenant Finishes and Equipment

Exhibit E-3 shows the calculation of charges to recover the costs of tenant finishes and equipment (including baggage sortation space and equipment). In meeting its cost reduction goals under certain amendments to the Airport use and lease agreement with United, the City intends to write off the book value associated with $17.5 million of reimbursements from the Capital Fund to United for costs associated with certain modifications to the baggage system on Concourse B.

Although not part of the other Airport use and lease agreements, the City has agreed in principle to reduce Concourse C tenant finish charges by approximately 3% through 2010, which is the last year of the Airport use and lease agreements with the airlines operating on Concourse C. The reduction is to be achieved by applying a portion of the interest savings on the Bond refundings, discussed earlier, against Concourse C tenant finish costs.

Under an amendment to the Airport use and lease agreement with United, debt service and other costs associated with the Concourse B regional jet facility are allocable to Concourse B tenant finish charges and are to be recovered through facility rentals. As United occupies 96% of Concourse B, a significant portion of the annual cost of this project is to be recovered from United each year. The new facility became operational on April 24, 2007.

Baggage System Fees

Exhibit E-4 shows the calculations of the automated baggage system fee and the conventional baggage system fee assessed to recover the terminal space and equipment costs, operating expenses, debt service, and amortization charges allocated to the two baggage systems.

In 2005, United discontinued use of the ABS and currently uses the conventional baggage system to transport all of its bags to and from the Landside Terminal. United had been the only airline using the ABS, which was subsequently shut down by the City.

Under the Airport use and lease agreements, the airlines on Concourse A and Concourse B have agreed to pay the net requirements of the ABS, which is allocated 35% to Concourse A and 65% to Concourse B, even though the ABS is inoperable. Debt service and amortization charges associated with the ABS reflect the City's intent during the forecast period to (a) defease the Bonds associated with the ABS and (b) write off Capital Fund investments in the ABS made by the City.

The conventional baggage system is maintained by a third party, which charges the airlines directly. Therefore, utility costs are the only operating expense associated with the baggage system to be incurred by the City and recovered from the airlines.

Other Airline Fees and Charges

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

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

NONAIRLINE REVENUES

Exhibit F summarizes historical and forecast revenues from nonairline tenants and services.

Terminal Concessions

Space for concessions and services is provided in the Landside Terminal and the concourses. The City leases such space pursuant to concession agreements, which provide for payment to the City of the greater of a percentage of gross revenue or a minimum annual guarantee. The concession agreements also contain a re-establishment clause that allows the City to adjust rental rates, within certain parameters, if necessary to satisfy the Rate Maintenance Covenant.

Unlike most concession programs at U.S. airports, at Denver International Airport, the City has not contracted with one or two "master concessionaires" which, in turn, sublease the concessions to others. The Airport's concessions program has emphasized direct contracting with individual concessionaires, providing opportunities for local small businesses, greater competition, more choices for consumers, and more revenue to the Airport. Currently, approximately 60 concessionaires operate at the Airport in more than 140 locations.

Some of these concession agreements are scheduled to expire during the forecast period. As these agreements expire, the City intends to enter into new agreements with similar terms and conditions.

In 2006, revenues from Terminal Complex concessions represented 5.9% of Gross Revenues. In general, the forecasts of Terminal Complex concession and terminal services revenues were based on (1) forecasts of enplaned passengers presented earlier in this report, (2) recent historical trends in concessions revenues paid to the City, expressed on a per enplaned passenger basis, (3) allowances for inflation of 2.0% per year, and (4) the terms and conditions of agreements with the City. Exceptions to these factors are noted below.

Food and Beverage. The minimum annual guarantee for food and beverage space is $59 per square foot per year. The food and beverage concession agreements provide for percentage fee revenues to the City ranging from 10% to 20% of gross revenues. Recent performance trends were taken into account in forecasting food and beverage concession revenues, and revenues were computed at the higher of the estimated percentage fee or minimum annual guarantee.

Specialty Retail. The minimum annual guarantee for retail space is approximately $70 per square foot per year. The merchandise concession agreements provide for percentage revenues to the City that range from 10% to 20% of gross revenues. Recent performance trends were taken into account in forecasting merchandise revenues, and revenues were computed at the higher of the estimated percentage fee or minimum annual guarantee.

Services. Services include telephones, advertising, baggage carts, insurance, shoeshine stands, vending machines, bag storage facilities, automated bank teller machines, and other services. In general, these services are provided by concessionaires that pay the City the higher of a percentage of gross revenues or a minimum annual guarantee of $36 per square foot per year, depending on the type of service provided. For most concessionaires, the estimated percentage fee is greater than the minimum annual guarantee, with percentage fees ranging from 10% to 12% of gross revenues.

Outside Nonairline Revenues

Outside nonairline revenues include public automobile parking, rental cars, and ground transportation services.

Public Automobile Parking. Public automobile parking at the Airport is accommodated in parking structures, surface lots adjacent to the Landside Terminal, and a remote parking lot. In 2006, public parking revenues accounted for 18.0% of total Gross Revenues.

Table 21 lists the City-owned parking facilities at the Airport, the number of spaces in each facility owned by the City, and parking rates in the facilities, which are adjusted by the City from time-to-time. As stated earlier, AMPCO System Airport Parking operates and manages the public parking facilities under a management contract with the City. Under this contract, the City retains all rights to implement, among other things, parking rate increases.

Table 21

CURRENT AIRPORT PUBLIC PARKING FACILITIES AND RATES

Parking facilities	Number of spaces	24-hour rate	Hourly rate
Short-term (close-in) parking			
Garages *(a)*	12,329	$18	$2
Short-term lots	208	*(b)*	$3
Valet	657	$27	$11 first hour $2 each additional hour
Long-term surface parking	8,301	$9	$1
Remote surface parking	8,963	$5	$1

Note: The Mt. Elbert remote shuttle lot, not included above, has 8,616 spaces and has historically been used for overflow parking. In November 2007, the Mt. Elbert lot will be available for full-time use following the completion of certain parking improvements included in the Airport Capital Program.

(a) The City expects to open a new parking structure adjacent to the Landside Terminal with approximately 1,700 parking spaces by December 2007.
(b) Short-term (close-in) parking is assessed at the same hourly rate regardless of the length of stay.

Source: Airport management records.

In general, parking transactions—a measure of customer use—and parking revenues per transaction—a measure of how long customers park—increased from 2001 through the first 3 months of 2007. Transactions and revenues by lot type at the Airport for 2006 and the first 3 months of 2007 are shown below in Table 22.

Table 22

PARKING TRANSACTIONS AND REVENUES

Parking facilities	2006 Transactions—percent of total	 Parking revenues—percent of total
Garages	68%	61%
Valet	2	4
Long-term surface parking	18	23
Remote surface parking	12	12
Total	100%	100%
	First 3 months of 2007 Transactions—percent of total	 Parking revenues—percent of total
Garages	67%	63%
Valet	2	4
Long-term surface parking	20	23
Remote surface parking	11	10
Total	100%	100%

Source: Airport management records.

To meet the demand for public parking facilities at the Airport, the City is in the process of constructing a new public parking structure adjacent to the Landside Terminal. The new structure is expected to (a) be operational by December 2007, (b) have the same parking rates as existing parking garages, and (c) provide approximately 1,700 public parking spaces.

Since the Airport opened in 1995, privately operated off-Airport parking lot sizes and competition have increased. Many airports in the United States face parking competition from off-airport parking facilities, which are typically owned and operated by private entities that provide courtesy vehicle services to and from the airport terminal building for their customers at no cost. In 2006, one of the largest off-Airport parking operators that serve the Airport doubled its number of covered spaces to 1,100. Published rates at this parking facility are approximately $7 and $12 per day for uncovered and covered parking (net of online coupons available at no charge or restrictions), respectively, compared to $5 and $18 per day for similar facilities at the Airport. Parking revenues per passenger during the forecast period are expected to increase, but at diminishing rates, consistent with on-Airport trends in recent years. Given the Airport property size and the courtesy vehicle travel distances for off-Airport parking operators to the Landside Terminal, competition from these off-Airport parking operators is not expected to result in year-to-year parking revenue decreases during the forecast period.

The City has an agreement with LRW Investment Company, scheduled to expire on October 31, 2009, to operate WallyPark, an automobile parking lot located on Airport property, and to provide courtesy vehicle service between WallyPark and the Airport terminal building for its customers. Published daily rates for the approximate 1,500 parking spaces at this facility are $10.95 for self-parking and $13.95 for valet parking. Pursuant to the agreement with the owner of WallyPark, the City is to receive the greater of (a) a minimum annual guarantee equal to 85% of the previous year's guaranteed payment to the City (estimated to be approximately $247,000 in 2007) or (b) a percentage of gross revenues, ranging from 18% to 24% during the term of the agreement. For purposes of this report, it was assumed that WallyPark would continue to operate at the Airport under similar terms and conditions following expiration of the LRW Investment Company agreement with the City.

Public automobile parking revenues were forecast on the basis of (a) a review of yearly trends in parking revenues per originating passenger and per transaction from 2001 through the first 3 months of 2007, (b) moderate increases in the ratio of long-term parkers to originating passenger and average revenue per originating passenger as the City adjusts public parking rates, and (c) forecast increases in the number of originating passengers.

Rental Cars Privilege Fees. The City has concession agreements with the following rental car companies to provide service at the Airport through January 1, 2014: Advantage, Avis, Budget, Dollar, Enterprise, Hertz, Payless, Thrifty, and Alamo and National, which operate as rental car brands under Vanguard Car Rentals USA, Inc. In 2006, rental car privilege fee revenues accounted for 5.6% of Gross Revenues.

In March 2007, Enterprise entered into an agreement to acquire Vanguard Car Rentals USA, Inc., and stated that the acquisition of Vanguard is expected to close in the third or fourth quarter of 2007. On the basis of data for the first 3 months of 2007, the combined company would be the second largest rental car operation at the Airport based on gross revenues.

Figure 22 presents the market shares of the rental car companies that have concession agreements with the City for 2006 and the first 3 months of 2007.

Under the concession agreements, each rental car company pays the City 10% of its annual gross revenues or a minimum annual guarantee, whichever is greater. The minimum annual guarantee is equal to 85% of the percentage rent payable in the preceding year, but no less than the highest minimum annual guarantee for any previous year.

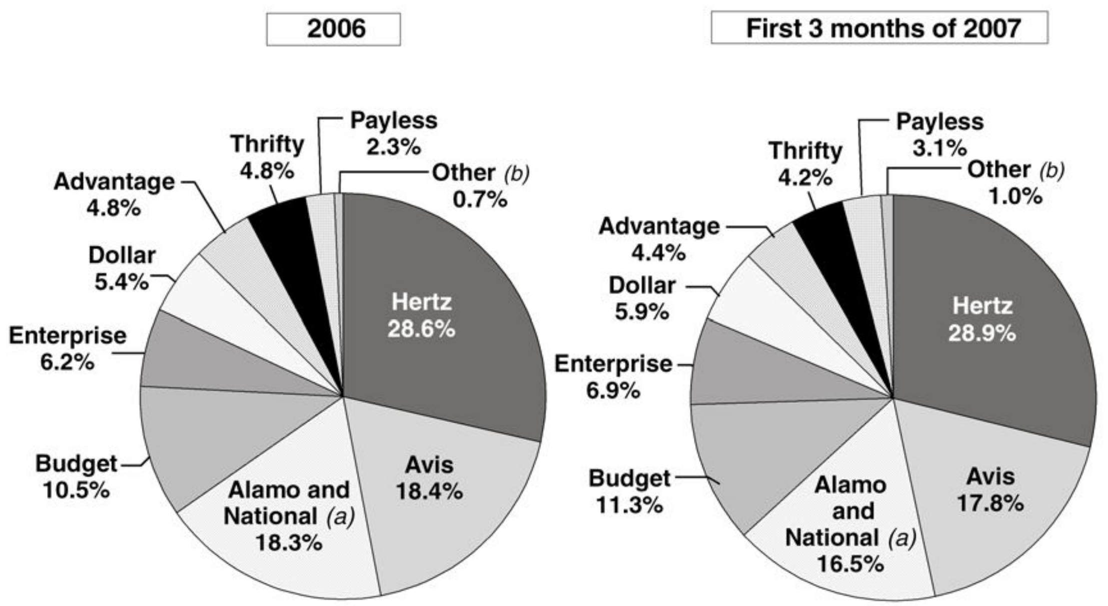
Rental car privilege fee revenues were forecast on the basis of (a) forecast numbers of originating passengers, (b) trends in the average gross rental car revenues per originating passenger for the last 5 complete fiscal years (2002-2006) and the first

3 months of 2007, which ranged between $21 and $25 per originating passenger, and (c) moderate increases in the average revenue per rented car as the on-Airport rental car companies adjust their daily rates. The acquisition of Vanguard by Enterprise is not expected to have a material effect on privilege fees paid to the City, which are forecast to be greater than the minimum annual guarantee in each year of the forecast period.

Figure 22

RENTAL CAR COMPANY MARKET SHARES

Denver International Airport



(a) Alamo and National operate as rental car brands under Vanguard Car Rentals USA,Inc.

(b) Includes E-Z Rent-A-Car and Fleet Solutions.

Source: Airport management records.

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

Other Terminal Revenues

Other terminal revenues include employee parking fees, rental car service and storage area rentals and additional building rentals, and other terminal space rentals. Other terminal revenues accounted for 3.1% of Gross Revenues in 2006.

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

Rental Car Service and Storage Areas. In 1999, the City issued Taxable Special Facilities Revenue Bonds and Airport Development Revenue Bonds to finance the design, acquisition, construction, and equipping of certain terminal area improvements, rental car facilities, vehicles, and equipment at the Airport. A portion of the net proceeds of these bonds was also used to refund bonds issued by the City in 1993 to finance existing rental car facilities.

All of the rental car companies serving the Airport have a Special Facilities and Ground Lease with the City, under which each company pays:

- Facilities rentals to cover its pro rata share of debt service on the Taxable Special Facilities Revenue Bonds and Airport Development Revenue Bonds issued to finance Airport improvements for the rental car companies
- Administrative expenses
- Ground rentals for land leased from the City north of Peña Boulevard
- Additional rentals in an annual amount equal to 10% of the depreciated cost of constructing the original facilities

The ground rentals and additional rentals paid by the rental car companies under the Special Facilities and Ground Leases are considered Gross Revenues of the Airport System. The other rentals and fees paid by the rental car companies are related to Special Facilities Bonds and are not considered Gross Revenues.

Future Airport Hotel. In June 2007, the City received several proposals from qualified participants in response to its request for proposals for an owner, manager, financer, and/or constructor of a first-class hotel property (i.e., the Airport Hotel) to be immediately adjacent and attached to the Landside Terminal, on land owned by the City. For purposes of this report, no additional Gross Revenues were assumed during the forecast period from the Airport Hotel.

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

Airfield Area Revenues

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

Building and Ground Rentals

Building and ground rentals include rentals for cargo, airline maintenance, and general aviation facilities at the Airport. In Exhibit F, these revenues are summarized as follows: North Airline Support Area, South Airline Support Area, South Cargo Area, and General Aviation Area. Most of the facilities in the north and south airline support and cargo areas were financed with the net proceeds of Senior Bonds and Special Facilities Bonds. In 2006, building and ground rentals accounted for 2.6% of Gross Revenues.

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

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

Facilities Financed with Senior Bonds. As part of the new Airport project, the City financed the construction of cargo buildings, cargo ramp, and ground service equipment areas, which are leased to the tenants listed in Table 23 under cargo use and lease agreements. The lease expiration date for each tenant is also shown in Table 23.

Table 23

CARGO USE AND LEASE AGREEMENTS

Air General (December 2010)	DHL Worldwide Express (February 2015)
ABX Air (December 2009)	FedEx (February 2023)
America West Airlines/US Airways (February 2005) *(a)*	Frontier Airlines (May 2005) *(a)*
American Airlines (December 2010)	Kitty Hawk Air Cargo (July 2011)
Air Transport International (April 2009)	Northwest Airlines (February 2005) *(a)*
Delta Air Lines (February 2005) *(a)*	Southwest Airlines (December 2010)
	UPS Air Cargo (February 2010)

(a) The holdover provision of these agreements is in effect. The City expects new agreements to be executed by the tenants. America West Airlines and US Airways merged in September 2005.

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

Facilities Financed with Special Facilities Bonds. In addition to issuing Special Facilities Bonds to finance rental car facilities at the Airport, the City has issued Special Facilities Bonds to finance (1) a line maintenance hangar and other facilities for United Airlines, and (2) a multipurpose cargo project for WorldPort at DIA. As stated earlier, Debt Service Requirements on Special Facilities Bonds are not payable from Net Revenues of the Airport.

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

The City has a Master Special Facilities and Ground Lease (the Master Lease) with WorldPort at DIA Owners LLC (WorldPort LLC), whereby the City has leased to WorldPort LLC land west and south of the South Airline Support Area for cargo, warehousing, office, and distribution facilities. Under the Master Lease, the City receives ground rentals for the 50-acre site, and percentage rent (1.5% of gross revenues received by WorldPort LLC).

Two of the seven buildings that were planned to be developed as part of WorldPort at DIA have been completed. Only one of the buildings has been leased.

On June 26, 2007, a Notice to Redeem the outstanding WorldPort Special Facility Bonds was sent to HSBC Bank, as Trustee. It is expected that these bonds will be redeemed on August 1, 2007, by JP Morgan Chase Bank, the letter of credit provider for the Special Facility Bonds. The City and JP Morgan Chase Bank are negotiating an agreement in which, following the redemption, the City would buy out or terminate the Master Lease, assume the existing subleases, and use other parts of the buildings for Airport purposes.

For purposes of this report, it was assumed that the City would receive only the amount of actual rental revenue received from the one building leased by WorldPort LLC in 2006 in each year of the forecast period.

Other Facilities. The United States Postal Service (USPS) financed its sorting and distribution facility at the Airport. Under an agreement with the City, which is scheduled to expire in May 2013, USPS pays ground rent for the areas of the Airport that it uses.

General Aviation Area revenues shown in Exhibit F include the ground rentals and aircraft fees paid by Signature Flight Support under a 30-year agreement with the City, which is scheduled to expire in March 2025. Signature leases a 12.4-acre site and provides fixed base operator (FBO) services for corporate and similar sized aircraft.

In December 2005, the City issued a request for proposals for a developer of 17 acres of land on the north side of Pena Boulevard as the first phase of a planned 500-acre commercial development initiative. In April 2006, the City announced the selection of CMCB Development Co. of Denver to develop the site, known as the "Landings at DIA." Work on the Landings at DIA is expected to begin in summer 2007, with Phase 1 of the development expected to be operational in summer 2008.

Possible tenants of Landings at DIA include a 200-room limited service hotel, food providers, banks, specialty retail stores, and other service providers. For purposes of this report, it was assumed that the City would receive ground rentals for developed land, assessed at $1.50 per square foot per year. All 17 acres were assumed to be developed by 2011. No additional payments to the City resulting from a percentage of gross revenues were assumed in the financial forecasts in this report.

In general, building and ground rentals were forecast on the basis of the following assumptions: (1) the amount of leased building and ground space as of January 1, 2007, is an appropriate basis for estimating occupancy during the forecast period, (2) the City is to continue to establish ground rentals in a manner consistent with its adopted policy (as described earlier), and (3) cargo building rentals are to be established each year based on the costs discussed earlier.

Other Revenues

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

Interest Income

Interest income on investments of moneys held in all funds and accounts (other than the Project Fund, PFC Fund, and Bond Reserve Fund) is defined as Gross Revenues under the General Bond Ordinance. In 2006, interest income accounted for 7.3% of Gross Revenues.

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

STAPLETON DISPOSITION AND REDEVELOPMENT

Under the General Bond Ordinance, the site of the former air carrier airport (Stapleton) that served the region is part of the Airport System. In accepting the grant assurances of the FAA (as they relate to the receipt of airport grants) and in entering into Airport use and lease agreements with the airlines, the City agreed to use net proceeds from the sale of the Stapleton site to retire Airport System debt.

The City and the nonprofit Stapleton Development Corporation (SDC) have an agreement (the Disposition Agreement) that provides for SDC to redevelop and dispose of the 4,051-acre Stapleton site. As property is sold by SDC, it is released from the terms of the Disposition Agreement, which is scheduled to expire in June 2013. As of the date of this report, SDC had sold approximately 1,330 acres of Stapleton property for a total of approximately $44.3 million, and the sale of approximately 292 acres in the amount of approximately $9.6 million is pending. An additional 437 acres of open space have been dedicated for parks and other public use space. The proceeds from the Stapleton land sales, net of closing costs, have been deposited to the Capital Fund.

The Disposition Agreement provides for the payment of all Stapleton property O&M Expenses of SDC from the City's annual deposit to the Capital Improvement Account, to the extent that such amount is available in that account.

The City has agreements with nine airlines that provide, among other things, the framework for the City to (1) pay for Stapleton disposition expenditures and (2) recover those payments through airline landing fees at the Airport for 25 years. Also under the agreement, three airlines agreed to fund the costs of certain environmental clean-up at Stapleton, which has occurred. Please refer to the section of the Official Statement entitled "FINANCIAL INFORMATION—Stapleton" for additional information about the Disposition Agreement and the agreement between the City and the airlines.

For the financial forecasts, it was assumed that (1) the City would not receive revenues from future development at Stapleton, (2) all O&M Expenses associated with Stapleton are to be paid by SDC, and (3) the City would continue to fund certain Stapleton disposition costs and amortize those costs in the Airfield Area cost center over 25 years.

APPLICATION OF REVENUES

Exhibit G presents the forecast application of Gross Revenues to the various funds and accounts under the General Bond Ordinance, as described below and shown on Figure 23.

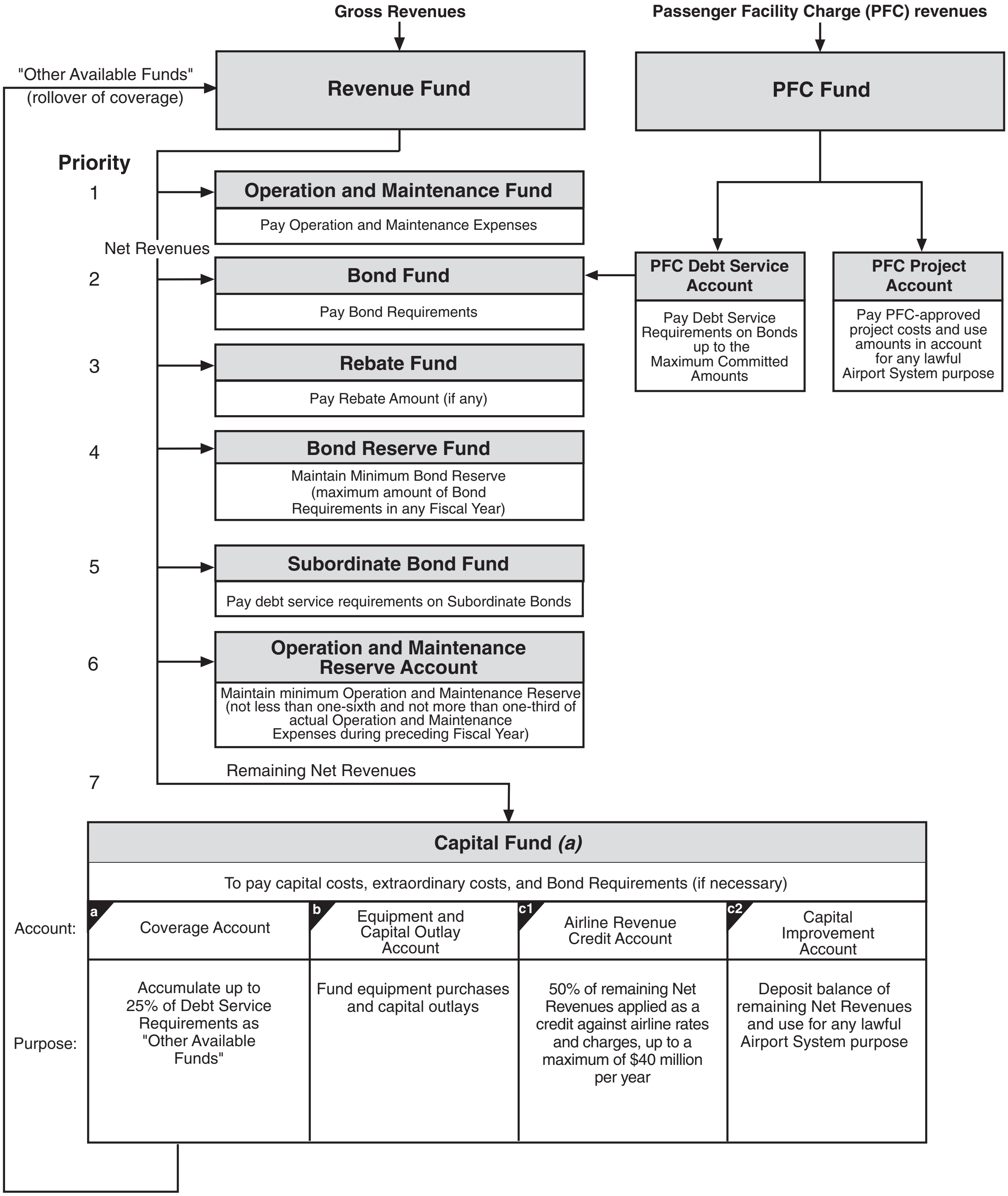
The General Bond Ordinance provides that the Gross Revenues of the Airport System are to be deposited into the Revenue Fund. Moneys held in the Revenue Fund are then to be deposited into the funds and accounts established under the General Bond Ordinance.

Gross Revenues remaining after the payment of Operation and Maintenance Expenses, Debt Service Requirements on Senior Bonds and Subordinate Bonds, and other fund deposit requirements are transferred to the Capital Fund at the end of each fiscal year. Under the Airport use and lease agreements, certain accounts were established within the Capital Fund, as also shown on Figure 23.

Moneys flowing into the Capital Fund each year are to be deposited and used in the following priority:

- To the *Coverage Account,* to replenish this account and maintain a balance equal to 25% of Debt Service Requirements on Senior Bonds. This amount is defined in the General Bond Ordinance as Other Available Funds and is to be "rolled over" each year and applied toward meeting the Rate Maintenance Covenant, as discussed earlier.

  As shown in Exhibit G, additional deposits to the Coverage Account to meet the 25% coverage requirement were assumed to be provided from remaining Net Revenues before the split between the Capital Improvement and Airline Revenue Credit accounts, which are discussed below.



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

Figure 23

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

City and County of Denver

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- To the *Equipment and Capital Outlay Account* to fund equipment purchases and capital outlays that were expensed during the year and leased from the Financing Companies, as described below.

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

Remaining moneys are to flow as follows: 50%, up to a maximum of $40 million, to the *Airline Revenue Credit Account* to be applied as a credit against Signatory Airline rentals, fees, and charges in the following year. Moneys deposited in the Airline Revenue Credit Account are to be credited to each airline signatory to an Airport use and lease agreement based on its share of total airline rentals, fees, and charges paid by all airlines signatory to Airport use and lease agreements.

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

DEBT SERVICE COVERAGE

Exhibit H shows forecast Net Revenues and the calculation of debt service coverage according to the Rate Maintenance Covenant of the General Bond Ordinance for Senior Bonds. Taking into consideration the balance forecast to be available in the Coverage Account, Net Revenues together with Other Available Funds are forecast to exceed the 125% requirement of the Rate Maintenance Covenant in each year of the forecast period.

For reference, Table 24 provides historical data on debt service coverage.

Table 24

HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE UNDER THE GENERAL BOND ORDINANCE
Denver International Airport
Fiscal Years ended December 31
(dollars in thousands)

Calculation of debt service coverage		2002	2003	2004	2005	2006
Gross Revenues *(a)*		$499,435	$527,567	$543,044	$567,853	$584,613
Operation and Maintenance Expenses		216,791	201,573	220,254	231,733	257,623
Net Revenues		$282,644	$325,994	$322,790	$336,120	$326,990
Other Available Funds		46,751	50,807	54,849	55,173	49,788
Total amount available for Debt Service Requirement	[A]	$329,395	$376,801	$377,639	$391,293	$376,778
Debt service coverage on Senior Bonds						
Debt Service Requirement *(b)*	[B]	$202,797	$204,897	$221,453	$223,331	$199,151
Debt service coverage	[A/B]	162%	184%	171%	175%	189%
Debt Service Coverage Requirement		125%	125%	125%	125%	125%

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

(a) The amount shown in this table for 2006 does not match the amount shown in Table 20 because of the manner in which certain year-end settlements and adjustments to rentals, fees, and charges are calculated.

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

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

Exhibit A

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

	Gross project cost	Funding sources for projects: Federal grants-in-aid (a)	Series 2007A-B Bonds	Series 2007D-E Bonds	Future Planned Bonds
Airfield Area					
Rehabilitate taxiways and runways	$196,497	$93,368	$4,254	$38,458	$60,418
Upgrade runway and taxiway safety areas	10,025	5,535	-	-	4,490
Rehabilitate apron area	32,160	-	-	4,902	27,258
Snow management plan	6,984	-	-	-	6,984
Replace airfield lighting	4,640	-	500	-	4,140
Other projects	9,753	1,500	1,833	4,298	2,122
	$260,059	$100,403	$6,587	$47,658	$105,411
Terminal Complex					
Expand Concourse C	$177,828	$ --	$ --	$125,539	$52,289
Improve baggage system	98,450	-	3,800	-	94,650
Improve building systems	68,088	-	10,295	8,367	49,426
Construct FasTracks rail station	57,150	-	-	-	57,150
Concourse C tenant finishes, and equipment	40,132	-	-	-	40,132
Construct Concourse B regional jet facility	37,786	-	36,274	-	1,512
Improve AGTS	29,453	-	2,353	-	27,100
Replace and rehabilitate loading bridges	32,712	-	3,883	-	28,829
Improve aircraft parking	17,710	-	3,000	14,710	-
Improve restrooms	13,678	-	2,149	-	11,529
Concessions and seating	10,063	-	2,300	-	7,763
Design FIS expansion	10,350	-	900	-	9,450
Expand security screening	6,700	-	-	-	6,700
Ramp area drainage mitigation	4,280	-	856	-	3,424
Other projects	52,729	-	43,666	-	9,063
	$657,108	$ --	$109,475	$148,617	$399,016
Roadways, Parking, and Ground Transportation					
Construct new public parking garages	$106,539	$ --	$47,339	$ --	$59,200
Construct new shuttle public parking lot	17,750	-	-	-	17,750
Improve Pena boulevard	15,333	-	7,399	-	7,934
Moisture protection	11,959	-	6,309	-	5,650
Rehabilitate roadway pavement	10,485	-	5,535	-	4,950
Improve landscape	6,280	-	250	-	6,030
Resurface public and employee parking	2,331	-	2,331	-	-
Other projects	11,482	-	5,225	946	5,311
	$182,160	$ --	$74,388	$946	$106,825
Cargo and Support Facilities					
Construct equipment storage facility	$12,800	$ --	$ --	$ --	$12,800
Expand stock room	11,500	-	-	-	11,500
Expand paint shop	2,013	-	-	-	2,013
Upgrade and improve ARFF stations	554	-	554	-	-
Other projects	11,884	-	5,226	-	6,658
	$38,750	$ --	$5,780	$ --	$32,970
Other projects					
Communications, electronics, fire, and security	$37,043	$ --	$1,238	$ --	$35,806
Professional services	23,208	-	-	4,479	18,728
Central plant improvements	14,133	-	-	-	14,133
Environmental, utilities, and drainage	12,116	-	2,702	-	9,414
	$86,500	$ --	$3,940	$4,479	$78,081
	$1,224,575	$100,403	$200,170	$201,700	$722,303

Note: Gross project costs include construction administration costs, contingencies, and architectural and engineering fees, as appropriate.
(a) Includes federal grants-in-aid under the Airport Improvement Program.

Exhibit B

ESTIMATED PLAN OF FINANCE

Denver International Airport
(in thousands)

	2007 Bonds			Future	
	2007A-B Bonds	2007D-E Bonds	Total	Planned Bonds	Total
SOURCES OF FUNDS					
Principal amount of Bonds	$224,016	$250,020	$474,036	$922,100	$1,396,136
Interest earnings	9,086	14,494	23,579	--	23,579
Federal grants-in-aid	-	-	-	100,403	100,403
Total sources of funds	**$233,102**	**$264,513**	**$497,615**	**$1,022,503**	**$1,520,118**
USES OF FUNDS					
Project costs funded from bond proceeds	$130,170	$201,700	$331,870	$722,303	$1,054,173
Project costs funded from federal grants	-	-	-	100,403	100,403
Reimburse Airport equity	40,000	-	40,000	--	40,000
Refund Commercial Paper Notes	30,000	-	30,000	--	30,000
	$200,170	$201,700	$401,870	$822,706	$1,224,576
Bond Reserve Fund	16,990	18,965	35,955	84,227	120,182
Capitalized interest account	10,497	37,772	48,268	101,268	149,536
Costs of issuance	5,445	6,076	11,522	14,302	25,824
Total uses of funds	**$233,102**	**$264,513**	**$497,615**	**$1,022,503**	**$1,520,118**

Note: May not add due to rounding.
See the Report of the Airport Consultant for additional information on the Plan of Finance.

Source: First Albany Capital Inc., Plan of Financing dated July 2007.

Exhibit C

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

	Actual 2005 (a)	Actual 2006 (a)	Estimated 2007	Forecast 2008	2009	2010	2011	2012	2013
DEBT SERVICE REQUIREMENTS (b)									
Senior Bonds									
Series 1990A	$13,450	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Series 1991A	3,710	11,415	11,411	11,417	--	--	--	--	--
Series 1991D	21,207	21,207	21,212	21,209	21,212	21,209	21,208	21,208	6,411
Series 1992D-G (variable rate)	2,299	3,269	3,217	3,165	3,312	3,352	3,388	3,420	3,447
Series 1995A	9,816	--	--	--	--	--	--	--	--
Series 1995B	7,484	--	--	--	--	--	--	--	--
Series 1995C	5,553	691	691	691	691	4,011	4,010	4,015	--
Series 1996A-B	23,557	14,365	--	--	--	--	--	--	--
Series 1996C-D	18,137	11,908	--	--	--	--	--	--	--
Series 1997E	22,338	21,824	21,106	20,903	20,739	20,576	38,135	26,403	26,549
Series 1998A-B	15,503	15,411	14,290	13,153	13,044	13,044	13,044	13,044	13,044
Series 2000A	28,187	28,185	28,184	27,696	27,123	26,558	26,074	26,071	26,071
Series 2000B-C (variable rate)	14,239	14,239	14,239	14,239	14,239	14,239	14,239	14,239	14,239
Series 2001A-B	45,314	29,475	31,933	18,996	15,993	21,813	18,742	26,673	42,228
Series 2001D	5,651	5,647	6,037	6,037	6,039	6,039	6,036	6,034	6,036
Series 2002A1-A3 (variable rate) (c)	13,683	18,247	17,293	23,373	23,464	22,458	11,235	11,298	11,436
Series 2002C-D (variable rate)	12,717	2,889	2,941	2,989	2,933	2,976	3,016	3,052	3,183
Series 2002E	7,322	17,742	20,645	14,584	14,392	13,146	13,113	13,128	13,187
Series 2003A-B (d)	14,657	14,269	13,737	26,087	33,055	30,123	11,223	11,223	11,223
Series 2004A-B (variable rate)	4,561	8,187	11,073	10,969	11,264	10,905	11,024	11,104	7,784
Series 2005A	2,529	11,382	11,733	11,562	11,272	11,002	12,557	12,562	12,562
Series 2005B-C (variable rate)	531	12,901	13,261	13,582	13,480	10,479	14,430	14,637	25,375
Series 2006A-B	--	5,461	40,066	40,180	40,248	40,337	43,167	43,408	35,630
Series 2007A-B	--	--	--	5,738	8,607	11,477	16,987	16,987	16,988
Series 2007D-E	--	--	--	--	--	816	17,816	18,961	18,956
Future Planned Bonds (Concourse C portion only)	--	--	--	--	--	--	11,868	12,886	12,886
Future Planned Bonds (all other projects)	--	--	--	--	--	--	22,343	22,343	43,008
	$292,443	$268,713	$283,070	$286,569	$281,107	$284,559	$333,654	$332,695	$350,241
Continental support facilities bonds (e)	5,416	5,423	5,416	5,416	5,423	5,414	5,417	5,417	5,418
	$297,859	$274,136	$288,486	$291,985	$286,529	$289,973	$339,071	$338,113	$355,660
Less: Committed Passenger Facility Charges revenue (f)	(55,952)	(63,556)	(66,429)	(68,451)	(70,031)	(71,100)	(72,175)	(73,087)	(73,695)
Transfer from the PFC Project Account (g)	(11,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)
Debt Service Requirements -- Senior Bonds	**$230,272**	**$208,945**	**$220,422**	**$221,899**	**$214,864**	**$217,238**	**$265,262**	**$263,390**	**$280,330**

Exhibit C (page 2 of 2)

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

	Actual	Actual	Estimated	Forecast					
	2005 (a)	**2006 (a)**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
DEBT SERVICE REQUIREMENTS (b)									
Subordinate Bonds									
Series 2001C	$11,806	$11,806	$11,806	$11,806	$11,806	$11,806	$11,806	$11,806	$11,806
Total Debt Service Requirements	**$242,078**	**$220,751**	**$232,228**	**$233,705**	**$226,670**	**$229,044**	**$277,067**	**$275,196**	**$292,136**
ANNUAL TOTAL OF MONTHLY TRANSFERS TO BOND FUND (b)									
Gross debt service	$307,222	$290,180	$289,818	$282,126	$279,212	$294,707	$350,449	$355,357	$373,675
Less: Committed Passenger Facility Charges revenue (f)	(55,952)	(63,556)	(66,429)	(68,451)	(70,031)	(71,100)	(72,175)	(73,087)	(73,695)
Transfer from the PFC Project Account (g)	(11,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)
Required transfers from Gross Revenues (h)	**$239,635**	**$224,990**	**$221,754**	**$212,040**	**$207,546**	**$221,972**	**$276,639**	**$280,635**	**$298,345**
COVERAGE REQUIREMENT ON BONDS (i)									
Airport portion	$56,214	$50,880	$53,752	$54,121	$52,360	$52,956	$64,961	$64,493	$68,728
Continental portion	1,354	1,356	1,354	1,354	1,356	1,354	1,354	1,354	1,355
	$57,568	$52,236	$55,106	$55,475	$53,716	$54,310	$66,315	$65,847	$70,083

(a) Source: Airport management records. Based on audited financial results.
(b) Net of capitalized interest. For bond fund transfers, reflects the 12 monthly payments required on February 1 of that year through January 2 of the following year. The amounts shown are also net of funds in escrow to economically defease certain Senior Bonds.
(c) Between 2008 and 2010, the City intends to optionally redeem the principal outstanding of the Sereis 2003 Bonds, which will have the effect of reamortizing this debt. Source for reamortized principal: First Albany Capital.
(d) Reflects the proposed defeasance of approximately $175 million in principal outstanding to mitigate costs associated with the 10-gate Concourse C expansion. The specific series of Bonds to be refunded has not been decided by the City.
(e) Includes debt service on Senior Bonds allocable to Continental's support facilities at the Airport.
(f) Reflects two-thirds (generally equal to $3) of forecast PFC revenue and associated interest income, as provided under a PFC Supplemental Bond Ordinance.
(g) Reflects $1.50 PFC revenue (or the non-Committed Passenger Facility Charges revenue) that are used to pay Debt Service Requirements. See the Report of the Airport Consultant for additional information.
(h) Debt service for purposes of calculating airline rates and charges.
(i) Equal to 25% of Debt Service Requirements on Senior Bonds.

Exhibit C-1

ALLOCATION OF DEBT SERVICE TO COST CENTERS

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

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
ANNUAL TRANSFERS TO BOND FUND (b)									
Senior Bonds and Subordinate Bonds	$307,222	$290,180	$289,818	$282,126	$279,212	$294,707	$350,449	$355,357	$373,675
Less: Committed Passenger Facility Charges revenue (b)	(55,952)	(63,556)	(66,429)	(68,451)	(70,031)	(71,100)	(72,175)	(73,087)	(73,695)
Transfer from the PFC Project Account (b)	(11,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)	(1,635)
	$239,635	**$224,990**	**$221,754**	**$212,040**	**$207,546**	**$221,972**	**$276,639**	**$280,635**	**$298,345**
ALLOCATION TO COST CENTERS									
Airline cost centers									
Terminal Complex	$89,734	$90,665	$93,584	$96,605	$95,476	$101,479	$121,614	$123,564	$128,997
Tenant Finishes and Equipment									
Landside Terminal	3,209	3,314	3,335	3,287	3,343	3,536	3,953	3,964	4,024
Concourse A	8,014	6,833	7,111	6,610	6,492	6,732	8,598	8,647	8,917
Concourse B	20,239	16,857	15,853	14,367	13,793	14,855	17,081	17,097	17,158
Concourse C	3,330	2,152	1,813	1,588	1,561	2,151	5,395	5,645	6,581
Loading Bridges	282	416	483	585	652	713	799	779	681
International Facilities	1,530	1,578	1,577	1,457	1,430	1,461	1,560	1,561	1,562
Common Use Terminal Equipment	36	30	39	39	39	39	39	39	39
Concourse A commuter facility	134	134	134	134	134	134	134	134	134
Concourse C commuter facility	--	--	--	--	21	566	2,793	2,941	2,940
Baggage Claim	1,424	1,468	1,470	1,373	1,357	1,396	1,501	1,502	1,503
Automated Baggage Systems	8,598	3,968	1,506	--	--	--	--	--	--
Conventional Baggage Systems	9,709	10,014	9,846	9,806	10,107	10,724	13,409	13,812	16,153
International Facilities	962	1,240	1,285	1,160	1,161	1,212	1,514	1,465	1,359
AGTS	3,633	3,597	3,785	3,887	3,947	4,180	5,100	5,234	5,942
Concourse Ramp Area	2,273	2,081	1,941	1,372	1,192	1,392	2,383	2,339	2,203
Airfield Area	26,690	19,366	17,396	10,744	7,472	9,152	20,300	20,849	25,638
Fueling System	10,088	10,385	10,389	9,609	9,435	9,641	10,306	10,311	10,322
	$189,885	$174,097	$171,547	$162,623	$157,613	$169,363	$216,479	$219,880	$234,154
Nonairline cost centers	44,334	45,471	44,791	43,999	44,512	47,194	54,743	55,337	58,773
Continental support facilities	5,416	5,422	5,416	5,418	5,421	5,415	5,417	5,418	5,419
	$239,635	**$224,990**	**$221,754**	**$212,040**	**$207,546**	**$221,972**	**$276,639**	**$280,635**	**$298,345**

(a) Source: Airport management records. Based on audited financial results.
(b) See Exhibit C.

Exhibit D

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

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided 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, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007 (b)	2008 (b)	2009	2010	2011	2012	2013
BY OBJECT TYPE									
Personnel services	$92,744	$97,026	$102,054	$108,357	$116,609	$123,668	$131,117	$138,366	$144,817
Contractual services									
Professional services	$36,960	$39,482	$43,267	$51,153	$55,049	$58,381	$61,898	$65,320	$68,365
Utility services	19,617	19,898	22,118	21,964	23,636	25,067	26,577	28,047	29,354
Cleaning services	20,037	22,592	22,044	24,022	25,851	27,416	29,067	30,674	32,105
Other services	12,709	12,640	14,231	14,952	16,091	17,065	18,093	19,093	19,983
Repairs and maintenance (c)	24,384	27,611	31,085	34,124	35,148	36,203	37,289	38,407	39,560
Rentals	575	692	607	514	681	711	743	775	805
Insurance	3,590	3,674	3,300	3,420	3,699	3,866	4,040	4,213	4,374
Other contractual services (d)	1,305	1,560	1,924	2,271	2,156	2,253	2,355	2,456	2,550
Additional expenses (e)	--	--	--	--	711	775	11,735	12,187	12,682
	$119,177	$128,150	$138,575	$152,421	$163,021	$171,738	$191,797	$201,172	$209,778
Maintenance, supplies, and materials	15,940	18,879	18,208	19,654	21,151	22,431	23,782	25,097	26,268
	$227,861	**$244,054**	**$258,838**	**$280,433**	**$300,781**	**$317,838**	**$346,696**	**$364,636**	**$380,863**
BY COST CENTER									
Airline cost centers									
Terminal Complex (f)	$84,383	$87,703	$100,004	$107,922	$115,753	$122,317	$133,423	$140,327	$146,572
International Facilities	1,151	898	261	269	288	304	332	349	365
Automated Baggage Systems	2,979	1,664	341	365	391	413	451	474	495
Conventional Baggage Systems	1,310	1,420	1,491	1,476	1,583	1,672	1,824	1,919	2,004
Baggage Claim	--	--	--	--	--	--	--	--	--
AGTS	16,860	18,583	20,458	21,634	23,204	24,520	26,746	28,130	29,382
Common Use Terminal Equipment	2	65	122	152	163	172	188	197	206
Concourse Ramp Area	7,082	7,878	8,348	9,809	10,520	11,117	12,126	12,754	13,321
Concourse A commuter facility	583	603	677	593	636	672	734	771	806
Airfield Area	48,649	54,549	54,527	59,504	63,822	67,441	73,564	77,371	80,814
Fueling System	1,558	1,553	1,402	1,434	1,539	1,626	1,773	1,865	1,948
	$164,556	$174,917	$187,631	$203,158	$217,899	$230,256	$251,162	$264,158	$275,914
Nonairline cost centers	63,306	69,137	71,207	77,275	82,882	87,582	95,535	100,478	104,949
	$227,861	**$244,054**	**$258,838**	**$280,433**	**$300,781**	**$317,838**	**$346,696**	**$364,636**	**$380,863**
Annual rate of growth		7.1%	6.1%	8.3%	7.3%	5.7%	9.1%	5.2%	4.5%

(a) Source: Airport management records. Based on audited financial results.
(b) Source: Airport management records. Based on budgeted expenses.
(c) Excludes maintenance costs of the conventional baggage system.
(d) Includes bad debt expenses, if any, for the historical year.
(e) Reflects additional expenses associated with implementing certain projects in the Airport Capital Program.
(f) Includes expenses associated with maintaining the loading bridges. These expenses are recovered through TF&E charges.

Exhibit E

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

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided 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, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual	Actual	Estimated	Forecast					
	2005 (a)	**2006 (a)**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Airline Revenues									
Landing fees--Signatory Airlines	$92,161	$90,993	$87,340	$84,420	$90,391	$96,217	$113,460	$118,796	$126,709
Landing fees--nonsignatory airlines	2,239	1,198	1,558	1,461	1,526	1,599	1,853	1,903	2,014
Terminal complex rentals	71,433	66,713	74,760	78,876	82,156	86,804	100,210	105,725	111,569
Nonpreferential, commuter, common-use gates	3,523	3,236	2,510	2,507	2,225	2,406	3,362	3,451	3,531
Tenant finishes and equipment charges (b)	51,444	53,766	55,724	54,974	56,913	60,563	67,233	69,198	71,813
Automated baggage system fees	17,746	11,727	5,817	4,737	5,049	5,359	5,761	6,018	6,273
Conventional baggage system fees	22,023	21,314	22,191	23,242	24,216	25,523	28,585	29,558	32,137
International facility fees	4,413	5,146	4,171	4,450	4,742	5,063	5,318	5,597	5,891
AGTS charges	22,089	23,020	25,156	26,624	29,513	31,045	34,131	35,888	37,611
Baggage claim charges	16,229	15,546	16,825	17,590	18,395	19,396	20,450	21,173	21,934
Interline baggage fees	679	560	745	787	827	873	920	955	992
Concourse ramp fees	8,803	8,629	9,230	10,265	11,083	11,796	13,137	13,846	14,256
Commuter ramp fees	141	156	255	276	296	313	328	340	344
Common use terminal equipment fees	15	17	99	120	128	134	145	152	158
Fueling system charges	11,974	12,176	11,966	11,238	11,199	11,499	12,303	12,428	12,519
Total rentals, fees, and charges	**$324,913**	**$314,197**	**$318,347**	**$321,566**	**$338,658**	**$358,591**	**$407,195**	**$425,030**	**$447,750**
Less: Balance in Airline Revenue Credit Account	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(40,000)**	**(34,751)**	**(35,134)**	**(32,205)**
Net rentals, fees, and charges	**$284,913**	**$274,197**	**$278,347**	**$281,566**	**$298,658**	**$318,591**	**$372,444**	**$389,896**	**$415,545**
Net rentals, fees, and charges by airline									
United	$155,644	$150,963	$145,631	$145,657	$153,527	$163,851	$182,074	$190,013	$199,782
Other airlines	129,269	123,234	132,715	135,909	145,131	154,740	190,370	199,883	215,763
	$284,913	$274,197	$278,347	$281,566	$298,658	$318,591	$372,444	$389,896	$415,545
Less: cargo carriers landing and other fees (c)	(4,931)	(4,138)	(3,799)	(3,688)	(3,951)	(4,283)	(5,131)	(5,403)	(5,908)
	$279,982	**$270,060**	**$274,548**	**$277,878**	**$294,707**	**$314,308**	**$367,313**	**$384,493**	**$409,637**
Enplaned passengers	21,702	23,665	24,602	25,351	25,936	26,332	26,730	27,068	27,293
Airline cost per enplaned passenger	**$12.90**	**$11.41**	**$11.16**	**$10.96**	**$11.36**	**$11.94**	**$13.74**	**$14.20**	**$15.01**
Maximum cost per enplaned revenue passenger for United (d) (in 1990 dollars)	**$11.33**	**$11.19**	**$9.16**	**$8.79**	**$8.89**	**$9.11**	**$9.74**	**$9.74**	**$9.81**

(a) Source: Airport management records. Based on audited financial results.
(b) Includes debt service associated with the Concourse B regional jet facility.
(c) Cargo carriers do not enplane passengers. As such, their landing fees are excluded from the calculation of the average cost per enplaned pasenger.
(d) Source for the discount factor: historical and estimated Consumer Price Index (CPI) for the Denver-Boulder-Greeley Consolidated Metropolitan Statistical Area (CMSA). An assumed 3% discount factor was used, which approximates the Denver-Boulder-Greeley CPI from 1990-2006.

Exhibit E-1

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

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided 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, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Exhibit reference	Actual 2005 (a)	Actual 2006 (a)	Estimated 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Operation and Maintenance Expenses	D	$48,649	$54,549	$54,527	$59,504	$63,822	$67,441	$73,564	$77,371	$80,814
Operation and Maintenance Reserve Account replenishment (b)		1,058	554	498	554	1,146	1,079	905	1,531	952
Equipment and capital outlays		2,521	2,285	2,304	1,722	1,774	1,827	1,882	1,938	1,997
Debt service	C-1	26,690	19,366	17,396	10,744	7,472	9,152	20,300	20,849	25,638
Variable rate bond fees (c)		752	596	479	469	459	449	439	427	413
Amortization charges		19,457	19,126	17,865	17,118	21,479	22,099	22,451	22,810	23,141
Other allocable costs		289	304	325	323	329	343	394	403	417
Capital cost of north site (50%)		1,297	1,320	1,329	1,243	1,227	1,256	1,336	1,339	1,345
Total Airfield Area requirements		**$100,713**	**$98,100**	**$94,722**	**$91,678**	**$97,708**	**$103,647**	**$121,271**	**$126,669**	**$134,716**
Less credits:										
Nonairline revenues	F	($4,246)	($3,432)	($3,434)	($3,438)	($3,442)	($3,445)	($3,449)	($3,453)	($3,456)
Nonsignatory airline landing fees (d)		(2,239)	(1,198)	(1,558)	(1,461)	(1,526)	(1,599)	(1,853)	(1,903)	(2,014)
Interest income (e)		(2,068)	(2,477)	(2,391)	(2,359)	(2,349)	(2,386)	(2,510)	(2,517)	(2,537)
Net Airfield Area requirement		$92,161	$90,994	$87,340	$84,420	$90,391	$96,217	$113,460	$118,796	$126,709
Signatory Airline landed weight (1,000 pound units) (f)		29,053	31,524	33,231	33,733	34,039	34,078	34,169	34,283	34,073
Signatory Airline landing fee rate		**$3.17**	**$2.89**	**$2.63**	**$2.50**	**$2.66**	**$2.82**	**$3.32**	**$3.47**	**$3.72**
Total Signatory Airline landing fees				**$87,340**	**$84,420**	**$90,391**	**$96,217**	**$113,460**	**$118,796**	**$126,709**

Source: Airport management records, except as noted.

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

Exhibit E-2

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

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided 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, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Exhibit	Actual	Actual	Estimated	Forecast					
	reference	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
Operation and Maintenance Expenses	D	$84,908	$87,703	$100,004	$107,922	$115,753	$122,317	$133,423	$140,327	$146,572
Less: Loading bridge maintenance expenses (b)		(658)	(1,122)	(1,190)	(1,289)	(1,382)	(1,461)	(1,593)	(1,676)	(1,750)
Operation and Maintenance Reserve Account replenishment (c)		1,723	982	914	1,005	2,078	1,958	1,641	2,776	1,726
Equipment and capital outlays		1,694	1,223	1,475	1,103	1,136	1,170	1,205	1,241	1,278
Debt service (d)	C-1	99,734	90,665	94,557	97,505	96,358	102,368	122,407	124,358	129,791
Variable rate bond fees (e)		1,806	1,638	1,223	1,198	1,172	1,148	1,121	1,092	1,055
Amortization charges		6,824	6,375	6,539	7,349	10,499	10,640	10,776	10,914	10,953
Other allocable costs		746	783	839	833	848	886	1,018	1,039	1,075
Total Terminal Complex Requirement		**$196,777**	**$188,248**	**$204,362**	**$215,626**	**$226,461**	**$239,025**	**$269,997**	**$280,072**	**$290,700**
Less credits: Interest income (f)		(5,334)	(6,388)	(6,166)	(6,084)	(6,059)	(6,155)	(6,473)	(6,492)	(6,543)
Net Terminal Complex Requirement		$191,443	$181,859	$198,196	$209,542	$220,402	$232,870	$263,524	$273,580	$284,157
Rentable space (square feet) (g)		2,327	2,323	2,323	2,325	2,328	2,328	2,502	2,502	2,502
Average rental rate per square foot		**$82.26**	**$78.30**	**$85.33**	**$90.12**	**$94.69**	**$100.05**	**$105.34**	**$109.36**	**$113.59**
Average rental rate per square foot at 100%		$82.26	$78.30	$85.33	$90.12	$94.69	$100.05	$105.34	$109.36	$113.59
Differential rate per square foot at 65%		53.47	50.89	55.47	58.58	61.55	65.03	68.47	71.09	73.83
Total airline space rentals (h)				$74,760	$78,876	$82,156	$86,804	$100,210	$105,725	$111,569

Source: Airport management records, except as noted.

(a) Source: Airport management records. Based on audited financial results.
(b) These expenses are recovered through tenant finish charges.
(c) Allocated to Airport cost centers based on Operation and Maintenance Expenses.
(d) For purposes of establishing the average terminal rental rate, debt service prior to the application of certain PFC revenue is used.
(e) Source: the City's Financial Advisors for the total variable rate bond fees, which are allocated to Airport cost centers based on debt service.
(f) Allocated to all Airport cost centers based on bond fund transfers on Bonds issued to construct the Airport.
(g) Rentable space increases during the forecast period as projects are completed.
(h) Includes exclusive, preferential, and joint-use space rentals.

Exhibit E-3

TENANT FINISHES AND EQUIPMENT CHARGES
Denver International Airport
Fiscal Years Ending December 31
(in thousands, except rates)

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided 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, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
Landside Terminal									
Debt service	$3,209	$3,314	$3,335	$3,287	$3,343	$3,536	$3,953	$3,964	$4,024
Variable rate bond fees (b)	39	48	31	31	30	29	29	28	27
Other allocable costs	24	25	27	26	27	28	32	33	34
Amortization charges	668	1,717	2,221	2,241	2,262	2,283	2,305	2,327	2,350
Total requirements	**$3,939**	**$5,105**	**$5,613**	**$5,585**	**$5,662**	**$5,876**	**$6,319**	**$6,352**	**$6,435**
Less credits: Interest income (c)	(168)	(202)	(195)	(192)	(191)	(194)	(204)	(205)	(207)
Net requirements	$3,771	$4,903	$5,419	$5,393	$5,471	$5,682	$6,114	$6,147	$6,228
Landside Terminal rentable space (square feet)	94	95	96	96	96	96	96	96	96
Rate per square foot	$40.03	$51.58	$56.45	$56.18	$56.99	$59.19	$63.69	$64.03	$64.88
Airline rented space (square feet)			55	57	57	57	57	57	57
Total charges -- Landside Terminal			**$3,081**	**$3,202**	**$3,248**	**$3,374**	**$3,630**	**$3,649**	**$3,698**
Concourse A									
Debt service (d)	$8,014	$6,833	$7,111	$6,610	$6,492	$6,732	$8,598	$8,647	$8,917
Variable rate bond fees (b)	102	124	81	79	77	76	74	72	70
Other allocable costs	61	64	68	68	69	72	83	85	88
Amortization charges	496	1,345	1,369	1,397	1,440	1,465	1,492	1,518	1,545
Total requirements	**$8,672**	**$8,365**	**$8,630**	**$8,154**	**$8,079**	**$8,346**	**$10,247**	**$10,322**	**$10,619**
Less credits: Interest income (c)	(434)	(520)	(502)	(496)	(494)	(501)	(527)	(529)	(533)
Net requirements	$8,238	$7,845	$8,127	$7,659	$7,585	$7,844	$9,720	$9,793	$10,086
Less: Baggage sortation costs recovered separately (d)	(1,452)	--	--	--	--	--	--	--	--
	$6,785	$7,845	$8,127	$7,659	$7,585	$7,844	$9,720	$9,793	$10,086
Rentable space (square feet)									
Airline rentable space	298	298	298	298	298	298	298	298	298
Less: Unfinished airline space	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
Less: baggage sortation level space	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)
Corridor office space	7	7	7	7	7	7	7	7	7
Concourse ramp tower	6	6	6	6	6	6	6	6	6
City administrative space	49	49	49	49	49	49	49	49	49
Rentable space (square feet)	325	324	324	324	324	324	324	324	324
Rate per square foot	$20.88	$24.19	$25.06	$23.61	$23.39	$24.19	$29.97	$30.19	$31.10
Plus: Loading bridge maintenance cost charge	4.40	4.24	5.67	6.80	9.10	9.44	11.90	12.09	11.98
	$25.28	$28.43	$30.73	$30.41	$32.49	$33.63	$41.87	$42.28	$43.07
Airline rented space (square feet)	115	107	128	119	113	113	94	94	94
Total rental revenue	$2,896	$3,052	$3,922	$3,631	$3,680	$3,809	$3,922	$3,961	$4,035
Plus: Baggage sortation equipment revenue (d)	1,305	1,240	--	--	--	--	--	--	--
Total charges -- Concourse A	**$4,200**	**$4,292**	**$3,922**	**$3,631**	**$3,680**	**$3,809**	**$3,922**	**$3,961**	**$4,035**

Exhibit E-3 (page 2 of 3)

TENANT FINISHES AND EQUIPMENT CHARGES
Denver International Airport
Fiscal Years Ending December 31
(in thousands, except rates)

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
Concourse B									
Debt service (e)	$20,239	$16,857	$15,853	$14,367	$13,793	$14,855	$17,081	$17,097	$17,158
Variable rate bond fees (b)	245	310	248	243	238	233	227	222	214
Other allocable costs	152	160	171	170	173	180	207	212	219
Amortization charges (f)	2,595	2,003	1,098	180	442	441	441	441	440
Total requirements	$23,231	**$19,329**	**$17,371**	**$14,961**	**$14,646**	**$15,710**	**$17,957**	**$17,971**	**$18,031**
Less credits: Interest income (c)	(1,086)	(1,301)	(1,256)	(1,239)	(1,234)	(1,253)	(1,318)	(1,322)	(1,332)
Net requirements	$22,145	$18,028	$16,115	$13,722	$13,412	$14,457	$16,638	$16,649	$16,698
Less: Baggage sortation costs recovered separately									
Baggage sortation equipment costs (e)	($7,153)	($5,520)	($1,131)	$ --	$ --	$ --	$ --	$ --	$ --
Baggage system modification costs (g) (f)	(1,561)	(1,561)	(781)	--	--	--	--	--	--
Baggage system modification costs (h) (f)	(1,254)	(1,254)	(1,685)	(771)	--	--	--	--	--
	$12,177	$9,694	$12,518	$12,950	$13,412	$14,457	$16,638	$16,649	$16,698
Rentable space (square feet)	481	479	479	479	479	479	479	479	479
Rate per square foot	$25.33	$20.26	$26.16	$27.06	$28.03	$30.21	$34.77	$34.79	$34.90
Plus: Loading bridge maintenance cost charge	1.29	2.78	2.93	3.30	4.21	4.37	4.61	4.69	4.64
	$26.61	$23.04	$29.10	$30.37	$32.24	$34.58	$39.38	$39.48	$39.54
Airline rented space (square feet)	463	460	460	460	460	460	460	460	460
Total rental revenue	$12,310	$10,605	$13,392	$13,978	$14,838	$15,916	$18,128	$18,172	$18,199
Plus: Concourse B baggage system revenue									
Baggage sortation equipment (e)	$7,153	$5,520	$1,131	$ --	$ --	$ --	$ --	$ --	$ --
Baggage sortation space (i)	29,125	27,376	29,836	31,511	33,109	34,982	36,833	38,238	39,717
Baggage system modification (g) (f)	1,561	1,561	781	--	--	--	--	--	--
Baggage system modification (h) (f)	1,254	1,254	1,685	771	--	--	--	--	--
Concourse C baggage equipment revenue (e) (j)	942	643	--	--	--	--	--	--	--
	$40,035	$36,354	$33,433	$32,282	$33,109	$34,982	$36,833	$38,238	$39,717
Total charges -- Concourse B	**$52,345**	**$46,959**	**$46,825**	**$46,260**	**$47,947**	**$50,898**	**$54,961**	**$56,411**	**$57,916**

Exhibit E-3 (page 3 of 3)

TENANT FINISHES AND EQUIPMENT CHARGES
Denver International Airport
Fiscal Years Ending December 31
(in thousands, except rates)

	Actual 2005 (a)	Actual 2006 (a)	Estimated 2007	Forecast 2008	2009	2010	2011	2012	2013
Concourse C									
Debt service (k)	$3,330	$2,152	$1,813	$1,588	$1,561	$2,151	$5,395	$5,645	$6,581
Variable rate bond fees (b)	45	51	35	34	33	32	32	31	30
Other allocable costs	25	26	28	28	28	30	34	35	36
Amortization charges	290	406	394	385	402	408	413	419	424
Total requirements	**$3,690**	**$2,635**	**$2,270**	**$2,034**	**$2,024**	**$2,621**	**$5,874**	**$6,129**	**$7,071**
Less credits:									
Interest income (c)	($178)	($213)	($206)	($203)	($202)	($206)	($216)	($217)	($219)
Transfer of Concourse C baggage sortation cost to Concourse B	(933)	(502)	--	--	--	--	--	--	--
Net requirements	$2,579	$1,920	$2,064	$1,831	$1,822	$2,415	$5,657	$5,912	$6,852
Concourse C rentable space (square feet)	137	137	137	137	137	137	250	250	250
Rate per square foot	$18.79	$14.05	$15.04	$13.34	$13.28	$17.60	$22.61	$23.63	$27.39
Plus: Loading bridge maintenance cost charge	3.72	3.76	5.79	6.19	7.88	8.18	5.02	4.79	4.48
	$22.51	$17.82	$20.83	$19.53	$21.16	$25.78	$27.63	$28.42	$31.87
Airline rented space (square feet)	95	91	91	96	96	96	171	182	193
Total charges -- Concourse C	**$2,141**	**$1,622**	**$1,896**	**$1,880**	**$2,037**	**$2,482**	**$4,720**	**$5,177**	**$6,165**
Summary									
Landside Terminal	$ --	$ --	$3,081	$3,202	$3,248	$3,374	$3,630	$3,649	$3,698
Concourse A	4,200	4,292	3,922	3,631	3,680	3,809	3,922	3,961	4,035
Concourse B	52,345	46,959	46,825	46,260	47,947	50,898	54,961	56,411	57,916
Concourse C	2,141	1,622	1,896	1,880	2,037	2,482	4,720	5,177	6,165
Total tenant finishes and equipment charges	**$58,687**	**$52,873**	**$55,724**	**$54,974**	**$56,913**	**$60,563**	**$67,233**	**$69,198**	**$71,813**

Source: Airport management records, except as noted.

(a) Source: Airport management records. Based on audited financial results.
(b) Source: the City's Financial Advisors for the total variable rate bond fees, which are allocated to Airport cost centers based on debt service.
(c) Allocated to all Airport cost centers based on bond fund transfers on Bonds issued to construct the Airport.
(d) Net of interest savings from bond refundings used to achieve 2005-2 Amendment and Concourse A reallocation plan cost reductions.
(e) Reflects defeasance of Bonds allocated to Concourses B and C baggage sortation equipment to achieve cost reductions under 2005-2 and 2006 Amendments.
(f) Reflects write-off of amortization to achieve cost reductions under 2006 Amendment.
(g) Reflects the amortization of the cost of improvements to the Concourse B baggage system.
(h) Reflects amortization of costs of baggage system modifications on Concourse B under the Stipulated Order.
(i) Reflects $10m of PFC revenues used to pay Concourse B baggage sortation space as described in 2005-1 Amendment.
(j) Recovery of costs for Concourse C baggage equipment as provided under the Airport use and lease agreements.
(k) Net of interest savings from bond refundings used to achieve same percentage cost reduction on Concourse C as achieved on Concourse A under the Concourse A reallocation plan.

Exhibit E-4

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

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

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
AUTOMATED BAGGAGE SYSTEMS									
Space costs									
Spine space (square feet)	19	19	19	19	19	19	19	19	19
Maintenance space (square feet) (b)	43	43	43	43	43	43	43	43	43
	61	61	61	61	61	61	61	61	61
Terminal Complex rental rate per square foot	$82.26	$78.30	$85.33	$90.12	$94.69	$100.05	$105.34	$109.36	$113.59
	$5,031	$4,789	$5,219	$5,512	$5,791	$6,119	$6,443	$6,689	$6,947
Less: PFCs to pay Concourse A baggage system space costs (c)	(1,325)	(977)	(973)	(900)	(883)	(889)	(793)	(793)	(794)
	$3,706	**$3,812**	**$4,246**	**$4,612**	**$4,909**	**$5,230**	**$5,650**	**$5,895**	**$6,153**
Equipment costs									
Operation and Maintenance Expenses	$2,979	$1,664	$341	$365	$391	$413	$451	$474	$495
Operation and Maintenance Reserve Account replenishment (d)	59	83	3	3	7	7	6	9	6
Equipment and capital outlays	26	6	--	--	--	--	--	--	--
Debt service (c) (e)	9,981	3,968	1,506	--	--	--	--	--	--
Variable rate bond fees (f)	177	229	145	142	139	136	133	130	125
Other allocable costs	112	118	126	125	128	133	153	157	162
Amortization charges	775	696	710	724	738	753	768	784	799
Costs allocable to International Facilities (g)	(488)	(313)	(332)	(318)	(351)	(387)	(425)	(452)	(482)
	$13,620	**$6,451**	**$2,500**	**$1,042**	**$1,053**	**$1,055**	**$1,086**	**$1,101**	**$1,106**
Less credits: Interest income (h)	(803)	(962)	(929)	(916)	(913)	(927)	(975)	(978)	(986)
Net requirements	**$16,523**	**$9,300**	**$5,817**	**$4,737**	**$5,049**	**$5,359**	**$5,761**	**$6,018**	**$6,273**
Allocation of net requirements									
Concourse A	$580	$439	$605	$944	$1,054	$1,026	$1,216	$1,296	$1,379
/ Domestic originating and destination passengers (i)	7,398	8,879	8,350	8,533	8,724	8,921	9,081	9,247	9,415
Concourse A automated baggage system rate	$0.08	$0.05	$0.07	$0.11	$0.12	$0.11	$0.13	$0.14	$0.15
Concourse B (j)	$15,885	$9,838	$5,212	$3,793	$3,995	$4,333	$4,545	$4,722	$4,894
/ Domestic originating and destination passengers (i)	8,067	8,983	8,887	8,942	8,965	9,023	9,083	9,142	9,201
Concourse B automated baggage system rate	$1.97	$1.10	$0.59	$0.42	$0.45	$0.48	$0.50	$0.52	$0.53
Total fees -- Automated baggage systems			**$5,817**	**$4,737**	**$5,049**	**$5,359**	**$5,761**	**$6,018**	**$6,273**

Exhibit E-4 (page 2 of 2)

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

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
CONVENTIONAL BAGGAGE SYSTEMS									
Space costs									
Terminal space (square feet)	134	134	134	134	134	134	134	134	134
Terminal Complex rental rate per square foot	$82.26	$78.30	$85.33	$90.12	$94.69	$100.05	$105.34	$109.36	$113.59
	$10,989	**$10,459**	**$11,398**	**$12,038**	**$12,649**	**$13,364**	**$14,072**	**$14,609**	**$15,173**
Equipment costs									
Operation and Maintenance Expenses	1,310	1,420	1,491	1,476	1,583	1,672	1,824	1,919	2,004
Operation and Maintenance Reserve Account replenishment (d)	3	121	14	14	28	27	22	38	24
Equipment and capital outlays	3	1	1	1	1	1	1	1	1
Debt service (c)	9,709	10,014	9,846	9,806	10,107	10,724	13,409	13,812	16,153
Variable rate bond fees (e)	99	123	81	79	77	76	74	72	70
Other allocable costs	54	57	61	60	61	64	74	75	78
Amortization charges	966	1,243	1,802	2,258	2,270	2,283	2,296	2,309	2,322
	$12,144	**$12,979**	**$13,295**	**$13,694**	**$14,128**	**$14,847**	**$17,700**	**$18,226**	**$20,651**
Less credits: Interest income (h)	(387)	(464)	(447)	(441)	(439)	(446)	(469)	(471)	(474)
Net requirements	**$22,746**	**$22,974**	**$24,247**	**$25,291**	**$26,338**	**$27,765**	**$31,303**	**$32,364**	**$35,350**
Allocation of net requirements									
Space costs			$11,398	$12,038	$12,649	$13,364	$14,072	$14,609	$15,173
Equipment costs -- United (k)			6,308	6,734	6,936	7,267	8,584	8,828	9,954
Equipment costs -- Other airlines (k)			4,485	4,470	4,630	4,891	5,929	6,122	7,010
Total fees -- Conventional baggage systems			**$22,191**	**$23,242**	**$24,216**	**$25,523**	**$28,585**	**$29,558**	**$32,137**

Source: Airport management records, except as noted.

(a) Source: Airport management records. Based on audited financial results.
(b) Reflects baggage maintenance space for the automated baggage system in the Landside Terminal and Concourses A, B, and C.
(c) Requirements shown is net of PFC revenues allocable to certain spine and space costs.
(d) Allocated to Airport cost centers based on Operation and Maintenance Expenses.
(e) Reflects defeasance of Bonds allocated to Concourses B baggage system to achieve cost reductions under 2005-2 Amendment. Also reflects defeasance of Bonds allocated to Concourse A baggage system at City's discretion.
(f) Source: the City's Financial Advisors for the total variable rate bond fees, which are allocated to Airport cost centers based on debt service.
(g) Allocated based on the percent of international originating and destination passengers to total originating and destination passengers on Concourse A.
(h) Allocated to all Airport cost centers based on bond fund transfers on Bonds issued to construct the Airport.
(i) Based on the forecast of originating passengers presented in the report.
(j) Operating costs are 100% allocable to Concourse B.
(k) Allocated according to project costs and number of leased carousels.

Exhibit F

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

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided 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, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
Terminal concession revenues									
Food and beverage	$13,218	$15,775	$16,742	$17,866	$18,827	$19,688	$20,585	$21,470	$22,298
Merchandise	10,398	11,401	12,099	12,912	13,606	14,228	14,877	15,517	16,115
Terminal services (b)	6,612	7,129	7,566	8,074	8,508	8,897	9,302	9,702	10,077
	$30,228	$34,305	$36,407	$38,851	$40,940	$42,813	$44,763	$46,689	$48,490
Outside concession revenues									
Public automobile parking	$92,636	$105,262	$111,921	$116,627	$121,470	$125,244	$129,011	$132,135	$134,847
Rental car privilege fees	27,706	32,678	34,285	35,726	37,210	38,366	39,520	40,477	41,308
Ground transportation	2,700	2,847	3,058	3,243	3,427	3,586	3,749	3,896	4,035
	$123,042	$140,788	$149,264	$155,596	$162,107	$167,196	$172,280	$176,508	$180,190
Other terminal revenues									
Employee parking fees	$5,334	$5,317	$5,317	$5,317	$5,317	$5,317	$5,317	$5,317	$5,317
Rental car									
Service and storage rentals (c)	5,767	5,264	5,655	5,996	6,337	6,630	6,931	7,203	7,460
Additional building rentals (d)	3,589	3,589	3,589	3,589	3,589	3,589	3,589	3,589	3,589
Other terminal space rentals	915	923	923	923	923	923	923	923	923
	$15,606	$15,093	$15,484	$15,825	$16,166	$16,460	$16,760	$17,033	$17,289
Airfield									
General aviation landing fees	$200	$199	$199	$199	$199	$199	$199	$199	$199
Farming income	343	192	192	192	192	192	192	192	192
Land rentals	485	485	485	485	485	485	485	485	485
Oil and gas royalty revenues	3,116	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447
Fuel flowage fees	102	108	110	114	118	121	125	129	132
	$4,246	$3,432	$3,434	$3,438	$3,442	$3,445	$3,449	$3,453	$3,456

Exhibit F (page 2 of 2)

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

	Actual	Actual	Estimated	Forecast					
	2005 (a)	2006 (a)	2007	2008	2009	2010	2011	2012	2013
Building and ground rentals									
Continental support facilities	$7,761	$7,814	$7,714	$7,689	$7,766	$7,865	$8,084	$8,166	$8,244
Other North Airline Support Area	2,060	2,134	1,612	1,595	1,641	1,708	1,844	1,896	1,945
Other South Airline Support Area	--	37	844	835	860	895	966	993	1,019
South Cargo Area	4,335	4,514	4,581	4,372	4,381	4,503	4,809	4,866	4,918
FedEx	582	582	582	582	582	582	582	582	582
General Aviation Area	266	378	266	266	266	266	266	266	266
	$15,005	$15,459	$15,600	$15,340	$15,497	$15,819	$16,551	$16,770	$16,975
Other revenues									
In-flight catering fees	$2,044	-$300	$2,365	$2,524	$2,659	$2,781	$2,908	$3,033	$3,150
Coverage--Continental Support Facilities	--	--	--	--	2	--	--	--	1
Aviation fuel tax proceeds									
City	7,275	6,486	6,596	6,700	6,763	6,776	6,790	6,797	6,778
State	9,720	6,229	6,335	6,435	6,495	6,508	6,521	6,528	6,509
Miscellaneous revenues	6,023	6,405	7,879	7,879	7,879	7,879	7,879	7,879	7,879
	$25,062	$18,819	$23,175	$23,538	$23,799	$23,944	$24,098	$24,238	$24,317
Total	**$213,189**	**$227,896**	**$243,364**	**$252,589**	**$261,952**	**$269,677**	**$277,901**	**$284,691**	**$290,717**
Annual rate of growth		6.9%	6.8%	3.8%	3.7%	2.9%	3.0%	2.4%	2.1%

(a) Source: Airport management records. Based on audited financial results.
(b) Includes telephone, advertising, luggage cart, and other in-terminal concession revenues.
(c) Reflects ground and facility rentals based, in part, on debt service requirements.
(d) Reflects additional rentals payable by the rental car companies to the City.

Exhibit G

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

The forecasts presented in this exhibit were prepared using information from the sources indicated,and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated eventes and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Exhibit	Estimated	Forecast					
	reference	2007	2008	2009	2010	2011	2012	2013
Gross Revenues								
Airline rentals, fees, and charges	E	$318,347	$321,566	$338,658	$358,591	$407,195	$425,030	$447,750
Other Airport revenues	F	243,364	252,589	261,952	269,677	277,901	284,691	290,717
Interest income		38,274	38,344	39,435	39,763	38,497	39,019	39,154
		$599,984	$612,499	$640,044	$668,031	$723,594	$748,740	$777,622
Operation and Maintenance Expenses								
Operating expenses	D	$258,838	$280,433	$300,781	$317,838	$346,696	$364,636	$380,863
Variable rate bond fees		3,390	3,320	3,247	3,180	3,106	3,026	2,924
		$262,228	$283,753	$304,028	$321,018	$349,802	$367,662	$383,787
Net Revenues		**$337,756**	**$328,746**	**$336,016**	**$347,013**	**$373,792**	**$381,078**	**$393,835**
Other Available Funds (coverage requirement)	C	55,106	55,475	53,716	54,310	66,315	65,847	70,083
Net Revenues plus Other Available Funds		$392,862	$384,221	$389,732	$401,323	$440,107	$446,925	$463,918
Less transfers to:								
Bond Fund (a)	C	$221,754	$212,040	$207,546	$221,972	$276,639	$280,635	$298,345
Reserve account for FedEx project (b)		91	91	91	91	91	91	91
Operation and Maintenance Reserve Account		2,366	2,610	5,399	5,087	4,264	7,215	4,485
Transfer to Capital Fund		**$168,651**	**$169,480**	**$176,697**	**$174,173**	**$159,113**	**$158,985**	**$160,997**
Adjustments (c)		702	702	702	702	702	702	702
Adjusted transfer to Capital Fund		**$169,353**	**$170,182**	**$177,399**	**$174,875**	**$159,815**	**$159,687**	**$161,699**

Exhibit G (page 2 of 2)

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

	Exhibit reference	Estimated 2007	Forecast 2008	2009	2010	2011	2012	2013
Allocation of Capital Fund transfer								
Rollover to Coverage Account	C	$55,106	$55,475	$53,716	$54,310	$66,315	$65,847	$70,083
Addition to Coverage Account (Continental portion)	C	--	--	--	--	--	--	--
Addition to Coverage Account (Airport portion)	C	--	--	--	--	554	--	3,768
Interest income credit to Continental Airlines (d)		59	59	59	59	59	59	59
Equipment and Capital Outlay Account								
Other equipment purchases		6,580	3,963	4,082	4,205	4,331	4,461	4,594
Set-aside for installment purchase equipment payments (e)		4,471	6,004	18,605	19,053	19,053	19,053	18,784
Capital Improvement Account (f)								
Set-aside for Stapleton improvements (g)		1,500	--	--	--	--	--	--
Other (c)		702	702	702	702	702	702	702
Remaining balance deposit for Airport improvements		60,233	63,276	59,533	55,844	33,348	33,730	30,802
Airline Revenue Credit Account		40,000	40,000	40,000	40,000	34,751	35,134	32,205
		$168,651	**$169,480**	**$176,697**	**$174,173**	**$159,113**	**$158,985**	**$160,997**

(a) Required annual total of monthly transfers to the Bond Fund, net of the PFC revenues presentd on Exhibit C, for payment of debt service on Senior Bonds and Subordinate Bonds.
(b) Reflects the difference between the rentals paid by FedEx and actual debt service allocable to the FedEx facilities. The deposit will be used to fund debt service payments in the future that are in excess of annual FedEx rental payments.
(c) Reflects an adjustment to remove any impact from the use of Capital Improvement Account deposits to pay debt service on the hotel project from the Net Revenues available for revenue sharing.
(d) Continental receives a "rental" credit each year for interest earned on moneys it has deposited in the Coverage Account.
(e) Set-aside for payments to GE Capital and Siemens for certain equipment funded by those companies and leased by the City.
(f) Remaining Net Revenues are to be allocated to the Capital Improvement Account as follows: 50% to Signatory Airlines and 50% to the Airport. Under the Airline Agreement, remaining Net Revenues deposited in the Airline Revenue Account cannot exceed $40 million in any year.
(g) The City is obligated to pay $1.5 million per year through 2007, to the extent such amounts are available in the Capital Improvement Account to the SDC.

Exhibit H

NET REVENUES AND DEBT SERVICE COVERAGE

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

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

		Estimated	Forecast					
		2007	2008	2009	2010	2011	2012	2013
GENERAL BOND ORDINANCE								
Net Revenues and Other Available Funds (a)								
Gross Revenues		$599,984	$612,499	$640,044	$668,031	$723,594	$748,740	$777,622
Operation and Maintenance Expenses		262,228	283,753	304,028	321,018	349,802	367,662	383,787
Net Revenues		$337,756	$328,746	$336,016	$347,013	$373,792	$381,078	$393,835
Other Available Funds (coverage requirement)		55,106	55,475	53,716	54,310	66,315	65,847	70,083
	[A]	$392,862	$384,220	$389,733	$401,323	$440,107	$446,925	$463,917
Debt Service Requirements (b)								
Senior Bonds	[B]	$220,422	$221,899	$214,864	$217,238	$265,262	$263,390	$280,330
Subordinate Bonds		11,806	11,806	11,806	11,806	11,806	11,806	11,806
	[C]	$232,228	$233,705	$226,670	$229,044	$277,067	$275,196	$292,136
Debt service coverage on Senior Bonds	[A/B]	**178%**	**173%**	**181%**	**185%**	**166%**	**170%**	**165%**
Debt service coverage on Senior and Subordinate Bonds	[A/C]	**169%**	**164%**	**172%**	**175%**	**159%**	**162%**	**159%**

(a) See Exhibit G.
(b) Net of certain PFC revenues. See Exhibit C.

APPENDIX B

ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2006 AND 2005

This appendix includes the following sections from the 2006 Annual Financial Report of the Airport System: Independent Auditors' Report (pages 8 and 9); Management's Discussion and Analysis (pages 10 through 23); Financial Statements and Notes thereto (pages 24 through 61); and Supplemental Information (pages 62 through 67). The Introduction (pages 1 through 7) and Annual Financial Information (pages 68 through 70) have not been included but are available from the sources set forth in "Request for Information" on page 23 of this appendix.

BKD LLP

Independent Accountants' Report on Financial Statements and Supplementary Information

The Honorable John W. Hickenlooper, Mayor
Members of the City Council
The Honorable Dennis J. Gallagher, Auditor
Members of the Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the City and County of Denver's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Airport System as of and for the year ended December 31, 2005, were audited by other accountants whose report dated May 5, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of City and County of Denver that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City and County of Denver as of December 31, 2006 and 2005, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The Honorable John W. Hickenlooper, Mayor
Members of the City Council
The Honorable Dennis J. Gallagher, Auditor
Members of the Audit Committee
City and County of Denver

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section; the Schedule of Compliance with Rate Maintenance Covenant as Defined in the 1984 Airport System General Bond Ordinance Airport Revenue Account; the Schedule of Required Deposits to the Bond Account, Bond Reserve Account, and the Operation and Maintenance Reserve Account as Defined in the 1984 Airport System General Bond Ordinance; the Summary of Insurance Coverage; and the Annual Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section; the Schedule of Compliance with Rate Maintenance Covenant as Defined in the 1984 Airport System General Bond Ordinance Airport Revenue Account; the Schedule of Required Deposits to the Bond Account, Bond Reserve Account, and the Operation and Maintenance Reserve Account as Defined in the 1984 Airport System General Bond Ordinance; the Summary of Insurance Coverage; and the Annual Financial Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKD, LLP

July 2, 2007

Management's Discussion and Analysis

The following discussion and analysis of the financial position of and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2006 and 2005. The Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

Operating revenues at the Airport were $500.8 million for the year ended December 31, 2006, an increase of $6.3 million (1.3%), as compared to December 31, 2005. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in concession, parking, and car rental revenues. Passenger traffic increased 9.1% for the year ended December 31, 2006.

Operating expenses, exclusive of depreciation, were $256.1 million for the year ended December 31, 2006, an increase of $25.0 million (10.8%) as compared to December 31, 2005. The increase was attributable to an increase in personnel costs, snow removal (due to December 2006 blizzards), guard services, janitorial services and repair and maintenance costs.

Overview of the Financial Statements

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

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

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Management's Discussion and Analysis (Unaudited)
December 31, 2006 and 2005

Summary of Revenues, Expenses, and Changes in Net Assets

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2006, 2005, and 2004 (in thousands):

	2006	2005	2004
Operating revenues	$ 500,810	$ 494,491	$ 477,665
Operating expenses before depreciation, amortization and impairment losses	(256,147)	(231,129)	(221,214)
Operating income before depreciation, amortization and impairment losses	244,663	263,362	256,451
Depreciation and amortization	(143,506)	(146,922)	(130,379)
Impairment losses	—	(85,286)	(18,007)
Operating income	101,157	31,154	108,065
Nonoperating revenues	150,223	120,063	84,766
Nonoperating expenses	(217,995)	(227,328)	(223,346)
Capital contributions	29,188	31,547	62,205
Increase (decrease) in net assets	62,573	(44,564)	31,690
Net assets, beginning of year	640,196	684,760	653,070
Net assets, end of year	$ 702,769	$ 640,196	$ 684,760

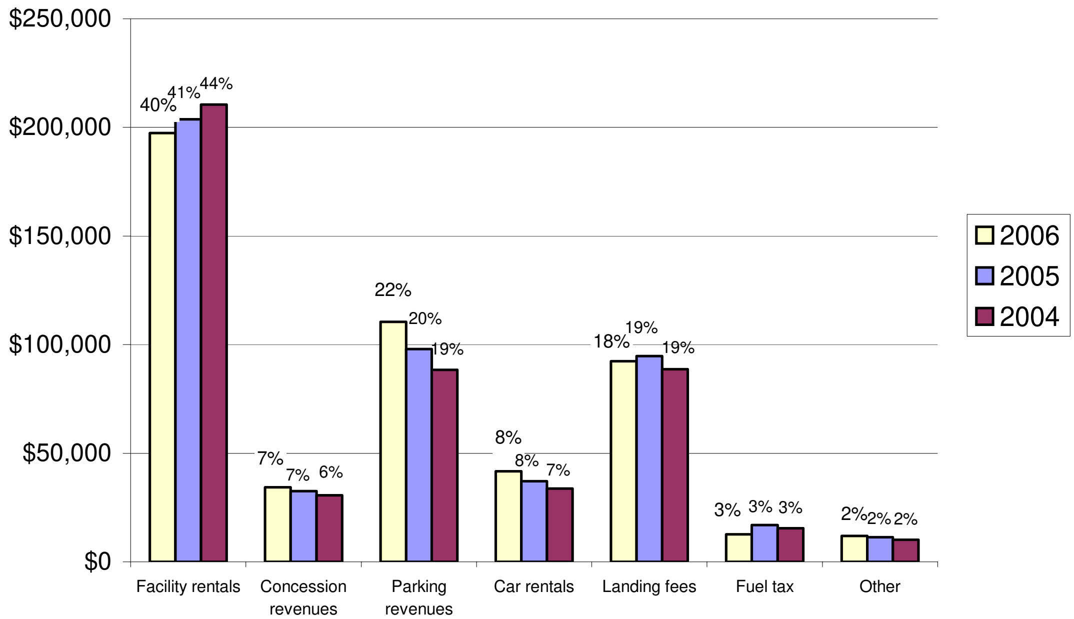
Operating Revenues

(In thousands)

	2006	2005	2004
Operating revenues:			
Facility rentals	$ 197,353	$ 203,800	$ 210,461
Concession revenues	34,305	32,566	30,638
Parking revenues	110,535	97,919	88,411
Car rental revenues	41,641	37,175	33,780
Landing fees	92,390	94,695	88,741
Aviation fuel tax	12,714	16,995	15,402
Other sales and charges	11,872	11,341	10,232
Total operating revenues	$ 500,810	$ 494,491	$ 477,665

Operating Revenues

% of Total Operating Revenues



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

The Airport System's activities increased in four areas as described below and decreased in cargo for the year ended December 31, 2006 as compared to 2005 (in thousands):

	2006	2005	Percentage Change
Enplanements	23,665	21,702	9.0%
Passengers	47,325	43,388	9.1%
Aircraft operations (1)	610	568	7.4%
Cargo (in pounds)	621,655	683,237	(9.0)%
Landed weight (in tons)	31,848	29,636	7.5%

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

The Airport System's activities increased in three areas as described below and decreased slightly in landed weight and cargo for the year ended December 31, 2005 as compared to 2004 (in thousands):

	2005	2004	Percentage Change
Enplanements	21,702	21,144	2.6%
Passengers	43,388	42,276	2.6%
Aircraft operations (1)	568	567	0.2%
Cargo (in pounds)	683,237	699,827	(2.4)%
Landed weight (in tons)	29,636	29,651	(0.1)%

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

Operating revenues increased by 1.3%, from $494.5 million in 2005 to $500.8 million in 2006, primarily due to increases in parking, concession revenues, and car rentals. The parking revenue increase of $12.6 million, or 12.9%, is attributable to an increase in originating and deplaning (O&D) passenger traffic and an increase in parking rates, discussed below. Concession revenues between 2006 and 2005 increased $1.7 million, or 5.3%. The concession revenue increase was attributable to food and beverage service and retail concession revenue growth due to an increase in passenger traffic and an increase in the spend rate per passenger. Car rental revenues increased by $4.5 million, or 12.0%, to $41.6 million due to an increase in O&D passenger traffic and increased usage charges.

Facility Rentals and Landing Fees decreased in 2006 compared to 2005 by $6.4 million (3.2%) and $2.3 million (2.4%) respectively. Charges to airlines are based on the costs of providing the facilities and services. In 2006 these costs decreased because of a reduction in the debt service allocated to airline cost centers, thereby reducing the airline revenues.

Aviation fuel tax revenue in 2006 decreased $4.3 million, or 25.2%, primarily due to a decrease in aviation fuel usage related to aircraft tanker fueling outside of the Airport.

Operating revenues increased by 3.5%, from $477.7 million in 2004 to $494.5 million in 2005, primarily due to increases in parking, landing fees, concession revenues, and car rentals. The parking revenue increase of $9.5 million, or 10.8%, is attributable to an increase in originating and deplaning (O&D) passenger traffic and a rate increase effective June 15, 2005. The Airport System increased maximum daily parking rates in the garage and valet by $3, from $15 to $18 and $21 to $24 per day, respectively. Also, there was a $2 increase in the economy parking lot, from $7 to $9 per day. The landing fees increase of $6.0 million, or 6.7%, is attributable to reductions in the year-end settlement in the landing fee rate calculation for signatory airlines. Concession revenues between 2004 and 2005 increased $1.9 million, or 6.3%. The concession revenue increase was attributable to food and beverage service and retail concession revenue growth due to an increase in passenger traffic and an increase in the spend rate per passenger. Car rental revenues increased by $3.4 million, or 10.1%, to $37.2 million due to an increase in O&D passenger traffic and increased usage charges.

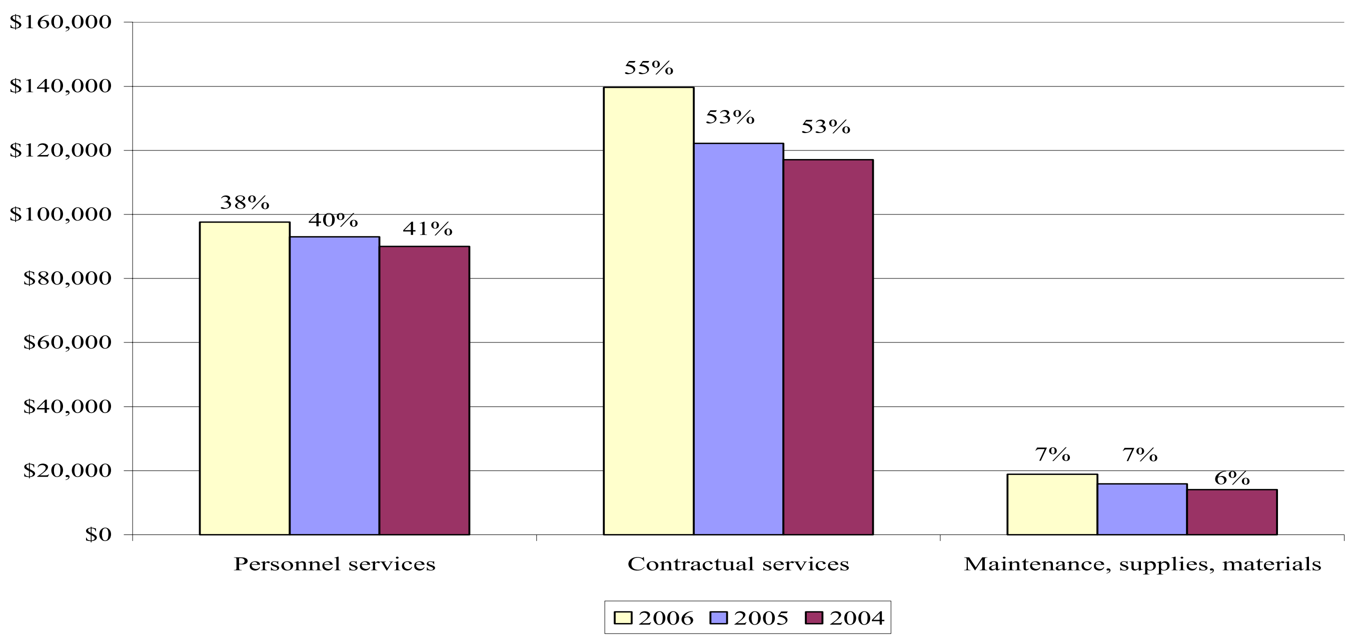
Aviation fuel tax in 2005 increased $1.6 million, or 10.3%, primarily due to an increase in aviation fuel usage and prices.

Operating Expenses Before Depreciation, Amortization and Impairment Losses

(In thousands)

	2006	2005	2004
Operating expenses before depreciation, amortization and impairment losses			
Personnel services	$ 97,592	$ 92,980	$ 90,006
Contractual services	139,652	122,193	117,091
Maintenance, supplies, and materials	18,903	15,956	14,117
Total operating expenses before depreciation, amortization, and impairment losses	$ 256,147	$ 231,129	$ 221,214

% Total Operating Expenses Before Depreciation, Amortization and Impairment Losses



2006/2005

Operating expenses before depreciation, amortization and impairment lossees increased by 10.8%, from $231.1 million in 2005 to $256.1 million in 2006. The increase in contractual services in 2006 compared to 2005 of $17.5 million was due to an increase in snow removal costs due to blizzards that occurred in December 2006, as well as an increase in janitorial services, guard services and repair and maintenance expense.

Contractual services also saw an increase in the repair and maintenance expense for the Automated Ground Transportation System (AGTS) train due to an increase in the contracted maintenance rates.

Personnel services increased by $4.6 million, or 5.0%, to $97.6 million in 2006 compared to $93.0 million in 2005. The increase in personnel costs was due in part to an increase in permanent salaries of 2.25% granted in 2006. Also, snow overtime costs relating to the December 2006 blizzards and a performance based bonus given to all personnel in December of 2006, contributed to the increase. Maintenance, supplies, and materials increased $2.9 million, or 18.5%, to $18.9 million from $16.0 million in 2005 due to an increase in runway lighting costs and plumbing supplies costs. An increase in commercial chemical solvents used during the December 2006 blizzards, heating plant repair parts and jet bridges, also contributed to the increase in 2006.

2005/2004

Operating expenses before depreciation, amortization and impairment losses increased by 4.5%, from $221.2 million in 2004 to $231.1 million in 2005. The increase in contractual services in 2005 of $5.1 million was due to an increase in electricity, gas, janitorial services, and repair and maintenance expenses offset by a decrease in aircraft noise penalty cost of $1.5 million.

Contractual services also saw an increase in the repair and maintenance expense for the Automated Ground Transportation System (AGTS) train due to an increase in the contracted maintenance rates. In addition, contract snow removal costs were higher in 2005 due to an April 2005 blizzard.

Personnel services increased by $3.0 million, or 3.3%, to $93.0 million in 2005 compared to $90.0 million in 2004. The increase in personnel and other city personnel (fire and police) costs was due in part to an increase in permanent salaries of 2.25% granted in 2005. Also, snow overtime costs relating to the April 2005 blizzard contributed to the increase.

Maintenance, supplies, and materials increased $1.8 million, or 13.0%, to $16.0 million from $14.1 million in 2004 due to the increase in runway lighting and janitorial supplies. In addition, an increase in natural gas rates, diesel fuel, and gasoline rates, as a result of increasing oil costs, also contributed to the increase in 2005.

Impairment Losses

In 2005, the Airport System concluded that sections of the automated baggage system were permanently impaired. As a result, the Airport System removed these sections of the automated baggage system, from its books, resulting in an impairment loss of $85.3 million in 2005. See further discussion regarding the write-off of the automated baggage system in the Capital Assets section below.

Nonoperating Revenues and Expenses

2006

Total nonoperating expenses, net of nonoperating revenues, decreased by $39.5 million to $67.8 million in 2006. This decrease was due to an increase in investment income of $20.3 million, or 56.7%, which was due to an increase in yields and additional investment of cash received related to notes payable. In addition, PFC revenues increased $9.5 million, or 11.3%, due to an increase in passenger traffic. Lastly, there was a decrease in other expense due to the completion of environmental costs associated with remediation of Stapleton, offset by an increase of $2.2 million of interest expense due to an increase in notes payable.

In 2006 and 2005, capital grants totaled $29.2 million and $31.5 million, respectively. The decrease in 2006 capital grants was due to the completion of the Explosive Detection System (EDS) in 2005, which was federally funded. All PFCs were reallocated to the payment of debt service related to the automated baggage system and the original cost of the Airport.

2005

Total nonoperating expenses, net of nonoperating revenues, decreased by $31.3 million to $107.2 million in 2005. This decrease was due to the increase in investment income of $13.3 million, or 59.3%, which was due to an increase in yields and more cash being invested long term. In addition, PFC revenues increased $22.0 million, or 35.4%, due to an increase in passenger traffic. Lastly, there was decrease in interest expense of $16.2 million from the refunding of debt. These factors were offset by an increase in other expense due to an additional $16.2 million in environmental costs associated with the remediation of Stapleton.

In 2005 and 2004, capital grants totaled $31.5 million and $42.1 million, respectively. The decrease in 2005 capital grants was due to the completion of the Explosive Detection System (EDS), which was federally funded. Also, in 2005, there was no capital PFC revenue while in 2004, capital PFC revenues totaled $20.1 million. The decrease in capital PFCs was due to reallocation of PFCs revenues from capital projects to the payment of debt service related to the automated baggage system.

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of December 31, 2006, 2005, and 2004 (in thousands):

	2006	2005	2004
Assets:			
Current assets	$ 242,971	$ 222,323	$ 267,237
Restricted assets, current	404,650	487,169	473,364
Noncurrent investments	187,081	197,877	136,289
Capital assets	3,342,913	3,365,021	3,490,129
Bond issue costs, net	61,331	76,112	88,743
Investments restricted	352,704	245,207	309,582
Assets held for disposition	18,807	22,724	24,500
Total assets	4,610,457	4,616,433	4,789,844
Liabilities:			
Current liabilities	119,152	124,503	120,147
Current liabilities payable from restricted assets	221,113	189,904	198,058
Bonds payable, noncurrent	3,500,817	3,619,827	3,723,510
Notes payable, noncurrent	61,488	36,646	56,763
Compensated absences payable, noncurrent	5,118	5,357	5,548
Capital lease, noncurrent	—	—	1,058
Total liabilities	3,907,688	3,976,237	4,105,084
Net assets(deficit):			
Invested in capital assets, net of related debt	(212,179)	(236,200)	(168,315)
Restricted	543,978	488,337	547,526
Unrestricted	370,970	388,059	305,549
Total net assets	$ 702,769	$ 640,196	$ 684,760

2006

Assets decreased by $.6 million in 2006 as compared to 2005. This was principally due to the decrease in capital assets of $22.1 million. The decline in capital assets was due to normal annual depreciation of approximately $143.5 million and retirements of $9.2 million**.** The decrease in capital assets was offset by purchases of machinery, equipment and additions to construction in progress of approximately $130.6 million for improvements.

Cash, cash equivalents and investments increased by $28.9 million in 2006 as compared to 2005 resulting in part from operating activities, passenger facility charges and note proceeds. This was offset by payments of debt of $123.1 million and purchases of capital assets. See the statement of cash flows for more information regarding the change in cash and investments.

Grants receivable increased by $10.4 million. Grants receivable of $9.5 million were outstanding at the end of 2006 relating to the bomb detection system project and final reimbursements due from TSA.

Lastly, deferred bond issue costs declined by $14.8 million due to the removal of costs related to the 1996 bonds that were refunded totaling $17.4 million, the addition of costs related to the 2006 bonds that were issued totaling $6.4 million and the annual amortization of the costs totaling $3.8 million.

Total liabilities decreased by $68.5 million in 2006, compared to 2005, primarily due to the decrease in bonds (which was attributable to principal payments paid during 2006) and deferred rent, offset by an increase in notes payable.

Of the Airport System's 2006 total net assets, 77.4% are restricted for future debt service. The bond reserve account and bond accounts that are externally restricted for debt service represent $544.0 million.

At December 31, 2006, the remaining net assets include unrestricted net assets of $371.0 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($212.2) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the assets' net book value.

2005

Assets decreased by $173.4 million in 2005 as compared to 2004. This was largely due to a decrease in capital assets of $125.1 million. The decline in capital assets was due to two factors: 1) the write-off of portions of the automatic baggage system and sortation systems with a net book value of approximately $43.0 million and $33.5 million, respectively, and 2) normal annual depreciation of approximately $146.9 million. These decreases in capital assets were offset by purchases of machinery, equipment, and additions to construction in progress of approximately $107.1 million.

Cash, cash equivalents, and investments also contributed to the Airport System's decrease in total assets. Cash, cash equivalents, and investments decreased by $22.8 million in 2005 as compared to 2004 due to payments of debt principal of approximately $120 million and purchases of capital assets as discussed above. These payments were offset by increased cash flows received from operating activities, passenger facility charges, and capital grant receipts. See the statement of cash flows for more information regarding the change in cash and investments.

Grants receivable declined by $21.1 million. In 2004, the Airport System was due an outstanding reimbursement from the Transportation Security Administration (TSA) to cover costs relating to the bomb detection system initially paid by the Airport System in 2004. The TSA made the reimbursement in 2005, thus relieving this receivable. Only $1.7 million in grants receivable were outstanding in 2005 related to the bomb detection system project.

Lastly, deferred bond issue costs declined by $12.6 million due to the removal of costs related to the 1995 bonds that were refunded totaling $15.4 million, the addition of costs related to the 2005 bonds that were issued totaling $6.9 million and the annual amortization of the costs totaling $2.2 million.

Liabilities decreased by $128.8 million in 2005, compared to 2004, primarily due to the decrease in bonds and notes payable, which was attributable to principal payments paid during 2005 as discussed above.

Of the Airport System's 2005 total net assets, 76.3% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent $480.0 million. The Stapleton redevelopment and sixth runway totaling $8.3 million, are restricted because the funds were received from other entities and are to be used only for specific capital projects.

At December 31, 2005, the remaining net assets include unrestricted net assets of $388.1 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($236.2) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the assets' net book value.

Long-Term Debt

As of December 31, 2006 and 2005, the Airport System had approximately $3.6 billion and $3.7 billion, respectively, in outstanding bonded debt, both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately $295.4 million in 2006. The Airport System has called or refunded over $2.0 billion in higher interest rate debt originally issued in the early 1990s. This has resulted in cumulative present value debt service savings of approximately $737.0 million.

The Airport System's senior lien debt is currently rated by Standard & Poors, Moody's, and Fitch at A+, A1 and A+, respectively, with stable outlooks as of December 2006.

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2006 and 2005 was 174% and 162%, respectively, of total debt service.

The Airport System entered into a $23.0 million and $2.0 million, for a total of $25 million, Master Installment Purchase Agreement with Koch Financial Corporation on October 26, 2006, to finance various capital equipment purchases, for ten-year and five-year terms, respectively. The Airport System also entered into a $9.0 million Master Installment Purchase Agreement with GE Capital Public Finance, Inc., on October 26, 2006, to finance four train cars, for a ten-year term.

On August 17, 2006, the Airport issued $279,585,000 and $170,005,000 of Airport System Revenue Bonds, Series 2006A and 2006B respectively, in a fixed rate mode for the purpose of currently refunding $461,860,000 of the 1996A, 1996B, 1996C and 1996D bonds.

On August 9, 2006, the Airport System amended the 2005A Swap Agreements, described below. The notional amounts of the 2005 Swap Agreements were reduced to $56.0 million, $56.0 million, $112.0 million and $56.0 million, respectively, and the aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements was reduced to 3.66%.

On August 9, 2006 the Airport System entered into interest rate Swap Agreements (the 2006B Swap Agreements) with four financial institutions in order to synthetically create variable rate debt in association with the refunding of the

Series 1996A and 1996D Bonds on August 17, 2006. The 2006B Swap Agreements have notional amounts of $56.0 million, $56.0 million, $112.0 million and $56 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a variable rate based on the Bond Market Association Index payable by the Airport System under each Agreement and a fixed rate payable by the respective financial institutions. The aggregate weighted average fixed rate payable by the financial institutions under the 2006B Swap Agreements is 4.09%. The 2006B Swap Agreements have an effective date of November 15, 2006. Payments under these Agreements commenced on December 1, 2006.

The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A bonds, is that the Airport System will effectively pay a variable rate based on BMA plus or minus the difference between the fixed rate on the Series 2006A bonds and the fixed rate received under the 2006B Agreements on $280.0 million of obligations.

In November 2006, the 2005 Swap Agreements became effective (see "The 2005 Swap Agreements"). The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the BMA index and 70.0% of 1-month London Interbank Offered Rate (LIBOR) minus the difference of the fixed receiver rate on the 2006B Swap and the weighted average fixed payor rate on the 2005 Swap on $280.0 million of obligations.

The Airport System entered into a $20.0 million Master Installment Purchase Agreement with GE Capital Public Finance, Inc. on August 1, 2006 to finance capital equipment purchases based on a five year useful life.

On June 1, 2006 the Airport System entered into interest rate swap agreements (the "2006A Swap Agreements"), constituting Subordinate Hedge Facility Obligations, with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the refunding of the Series 1997E Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. The 2006A Swap Agreements have notional amounts of $181.0 million, $121.0 million and $60.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of LIBOR for one month deposits of U.S. dollars payable for the respective financial institutions. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap Agreements is 4.01%. The 2006A Swap Agreements have an effective date of November 15, 2007. Payments under these Agreements have not commenced.

On August 25, 2005, the Airport issued $227,740,000 of Airport System Revenue Bonds, Series 2005A in a fixed mode for the purpose of currently refunding $230,760,000 of the 1995A bonds.

On November 10, 2005, the Airport issued $91,750,000 and $87,700,000 in an auction rate mode and a variable rate mode, respectively, for the purpose of currently refunding $90,510,000 and $87,845,000 of the 1995B and 1995C bonds, respectively.

As previously discussed, on April 14, 2005, the Airport System entered into interest rate swap agreements (the 2005A Swap Agreements), constituting Subordinate Hedge Facility Obligations, with four financial institutions, in order to take advantage of and secure prevailing interest rates in contemplation of the refunding of the Series 1996A Bonds and the Series 1996D Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2006. The 2005 Swap Agreements originally had notional amounts of $120 million, $60 million, $60 million, and $60 million, respectively, prior to amendment, and provided for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each of the 2005 Swap Agreements and the floating rate equal to 70% of one month LIBOR.

In July 2005, the Airport System and United reached an agreement for United to permanently release two Concourse A gates that had been temporarily released by United under the Stipulated Order. In exchange, the Airport System agreed to allocate $10.0 million in surplus PFC revenues or other available funds to reduce the Debt Service Requirements on the automated baggage system, which is discussed below.

Capital Assets

As of December 31, 2006 and 2005, the Airport System had capital assets of approximately $3.3 billion and $3.4 billion, respectively. These amounts are net of accumulated depreciation of approximately $1.4 billion and $1.2 billion, respectively.

Explosive Detection System: On September 2, 2003, the Airport and TSA entered in to a Memorandum of Agreement (TSA MOA), regarding the implementation of screening of all checked baggage by the EDS. The total cost of the EDS project was estimated to be approximately $92.0 million. With the approval of TSA, as required under the TSA MOA, the Airport entered into a contract with Siemens Dematic Corporation for the implementation of the EDS project, designed by Logplan. The construction of the EDS baggage system commenced in 2003 and each of the Airport's six terminal modules and customs recheck areas were 100% automated in May 2005. Total cost of the project was $170.5 million, of which $71.0 million is being funded by federal grants.

Automated Baggage System: United discontinued use of the automated baggage system and reverted to the traditional tug and cart system on September 6, 2005. At December 31, 2004, the book value of the baggage system equipment was $49.6 million. The rates and charges associated with the system continued to be charged to United as the exclusive user of Concourse B. However, the Airport System began discussions with United and all airlines to explore ways to mitigate automated baggage system costs over time, consistent with the cost reduction goals and sources of funds outlined in the Stipulated Order. These discussions culminated with the 2005-2 Amendatory Agreement whereby the Airport System will reduce United's Rates and Charges up to $11.0 million per year, over three years, in exchange for certain concessions. Airport System management commissioned a study to determine what, if any, of the existing automated baggage system would be usable in a new system. Based upon this study, management concluded that the bulk of the automated baggage system was impaired and, as a result, management wrote off approximately $43.0 million of the baggage system during 2005, with a remaining book value at December 31, 2006 of $3.2 million.

2006 Amendment: In a 2006 Amendment, the Airport System agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10 million per year, using available Capital Fund moneys and other legally available Airport funds to defease associated debt. The Airport System also agreed to improve the existing commuter facilities on the east end of Concourse B in order to accommodate larger regional jet aircraft and provide new and enhanced passenger amenities. These improvements, referred to herein as the Concourse B Commuter Facility Project, are estimated to cost approximately $41.5 million. The facility opened April 24, 2007.

Under the 2006 Amendment, United will gradually relinquish its six leased gates on Concourse A. The Airport System expects that Frontier or other airlines will lease, or use on a nonpreferential basis, the gates relinquished by United as they become available. United relinquished one of the Concourse A gates on July 1, 2006, relinquished a second Concourse A gate effective November 30, 2006, and has agreed to relinquish the remaining four Concourse A gates upon the completion of the Concourse B Commuter Facility Project. The full relinquishment occurred May 1, 2007.

Baggage Sortation System: The Airport System management commissioned Aviation and Airport Professionals (AvAirPros) to study the future baggage handling system master plan. The master plan states that, at this time, the existing concourses (A, B, and C) are configured with sortation systems that were operable with the automated baggage system discussed above; however, it is not clear whether these existing systems would be capable of being integrated into a new airport-wide baggage system in the future.

Based upon this study, management believed that the sortation systems on concourses A and C were impaired and removed the assets from the books, which resulted in a loss of $11.9 million. United continues to use a portion of the concourse B sortation system, which remains on the Airport System's books with a net book value of approximately $8.7 million. The Airport System removed the unused portion of approximately $47.0 million from its books, resulting in a loss of $21.6 million.

PFC: In 1992, the PFC program authorized the imposition of a fee of $3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of $4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the rate of PFC from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2006, a total of $832.6 million has been remitted to the Airport, (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $723.9 million has been used to pay debt service on the Airport's general airport revenue bonds, and $3.7 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of January 1, 2030 or upon the collection of $3.3 billion authorized maximum amount of PFC revenues.

Construction Commitments: As of December 31, 2006, the Airport System had outstanding contractual commitments of approximately $344.9 million and had made over $98.4 million in contractual payments for the year then ended.

The Airport's current 2007-2012 Capital Program includes approximately $373.4 million of planned projects. The Airport has also identified a number of Demand Responsive Projects that will be undertaken only if there is sufficient need of such projects and they are financially viable. The 2007-2012 Capital Programs are expected to be financed with a combination of Airport Revenue bonds, commercial paper, installment purchase agreements, federal grants, Passenger Facility Charges (PFCs), and Airport System monies.

On April 6, 2006, the Airport announced that CMCB Development Company of Denver was the successful bidder on a 17-acre retail development along Pena Boulevard. The development called "The Landings" is located north of Pena Boulevard just southeast of the Conoco station and is the first phase in what could be a 500-acre retail development along the major highway in and out of Denver International Airport. The City is currently negotiating a development agreement with CMCB Development Company of Denver.

In addition, construction is proceeding on a fourth module of the parking garage on the west side of Jeppesen Terminal. Lastly, the Airport and United have agreed to a 2006 Amendatory Lease Agreement (the Agreement). According to the Agreement, United Airlines will release six Concourse A gates it currently leases over the next

9 months. Frontier Airlines, which now leases 16 gates on Concourse A, will lease all newly available Concourse A gates. United relinquished one of the Concourse A gates on July 1, 2006, and a second one on November 30, 2006. The remaining gates were released May 1, 2007.

Economic Factors

Passenger traffic was up 9.1% in 2006 compared with a national average increase of 5.1% as reported by the Airport Council International (ACI), an airline industry group. Much of this passenger growth is attributed to the increased service of low-cost carriers in the Denver market.

Southwest Airlines (Southwest) announced in October 2005 its intention to commence service to the Airport. Service began in January 2006, with an initial daily schedule of 13 departing flights, utilizing two gates on Concourse C. Effective March 1, 2006, Southwest leased a third gate and increased its schedule to 20 daily departing flights. On August 1, 2006, Southwest Airlines leased an additional gate and that brings their total number of usage to four gates.

The dominant air carrier at Denver International is United. On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permitted United to continue operations while developing a plan of reorganization to address existing debt, capital, and cost structures. In February 2006, United emerged from bankruptcy. United, together with its TED low-fare unit and its United Express commuter affiliates, accounted for approximately 56.4% and 56.0% of passenger enplanements at the Airport in 2006 and for the first three months of 2007, respectively.

As previously discussed, operating revenue was up 1.3%. Operating income before depreciation and amortization of $244.7 million represented a decrease of $18.7 million. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, was over $97.4 million, its highest level ever. The airlines will receive the maximum allocation of $40.0 million, with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

Request for Information

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

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Net Assets

December 31, 2006 and 2005

Assets		2006		2005
Current assets:				
Cash and cash equivalents	$	39,548,675	$	7,586,793
Investments		176,051,494		189,133,508
Accounts receivable (net of allowance for doubtful accounts $340,941 and $323,486, respectively)		14,519,315		14,451,382
Accrued interest receivable		7,105,769		5,423,676
Other long-term receivables		38,774		103,452
Inventories		5,536,967		5,454,318
Prepaid expenses and other		170,131		170,131
Total current unrestricted assets		242,971,125		222,323,260
Restricted assets:				
Cash and cash equivalents		271,288,130		227,053,440
Investments		100,741,748		231,647,117
Accrued interest receivable		1,899,940		897,577
Prepaid expenses and other		5,472,506		13,223,650
Grants receivable		12,492,788		2,130,831
Passenger facility charges receivable		12,754,737		12,216,716
Total current restricted assets		404,649,849		487,169,331
Total current assets		647,620,974		709,492,591
Noncurrent assets:				
Investments		187,080,957		197,876,686
Capital assets:				
Buildings		1,714,711,598		1,692,775,950
Improvements other than buildings		1,995,739,581		1,926,665,356
Machinery and equipment		557,147,936		530,719,449
		4,267,599,115		4,150,160,755
Less accumulated depreciation and amortization		(1,385,549,501)		(1,243,928,382)
		2,882,049,614		2,906,232,373
Construction in progress		165,558,343		163,483,424
Land, land rights and air rights		295,305,625		295,305,625
Total capital assets		3,342,913,582		3,365,021,422
Bond issue costs, net of accumulated amortization		61,330,980		76,111,450
Total noncurrent unrestricted assets		3,591,325,519		3,639,009,558
Investments – restricted		352,703,957		245,207,135
Assets held for disposition		18,806,825		22,724,103
Total assets		4,610,457,275		4,616,433,387

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Net Assets

December 31, 2006 and 2005

Liabilities		2006		2005
Current liabilities:				
Vouchers payable	$	31,172,356	$	32,576,135
Due to other City agencies		17,186,337		18,082,646
Compensated absences payable		1,577,340		1,165,067
Other liabilities		22,003,622		8,890,941
Revenue credit payable		40,000,000		40,000,000
Deferred rent		7,212,505		23,788,633
Total current unrestricted liabilities		119,152,160		124,503,422
Current liabilities payable from restricted assets:				
Vouchers payable		35,717,072		18,032,591
Retainages payable		17,689,100		12,875,680
Accrued interest and matured coupons		22,227,738		23,263,861
Notes payable		27,497,017		20,117,026
Capital lease liability		—		1,061,885
Other liabilities		10,896,786		16,747,604
Revenue bonds		107,085,000		97,805,000
Total current liabilities payable from restricted assets		221,112,713		189,903,647
Total current liabilities		340,264,873		314,407,069
Noncurrent liabilities:				
Bonds payable:				
Revenue bonds, net of current portion		3,762,700,000		3,885,555,000
Less:				
Deferred losses on bond refundings		(301,053,878)		(275,304,950)
Net unamortized premiums		39,170,459		9,576,996
Total bonds payable, noncurrent		3,500,816,581		3,619,827,046
Notes payable		61,488,469		36,646,298
Compensated absences payable		5,118,304		5,357,007
Total noncurrent liabilities		3,567,423,354		3,661,830,351
Total liabilities		3,907,688,227		3,976,237,420
Net Assets(Deficit)				
Invested in capital assets, net of related debt		(212,178,928)		(236,200,039)
Restricted for:				
Capital projects		—		8,296,639
Debt service		543,978,207		480,040,793
Unrestricted		370,969,769		388,058,574
Total net assets	$	702,769,048	$	640,195,967

See accompanying notes to financial statements.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
Operating revenues:		
Facility rentals	$ 197,353,089	$ 203,800,286
Concession revenues	34,304,468	32,565,648
Parking revenues	110,534,937	97,918,928
Car rental revenues	41,641,365	37,175,320
Landing fees	92,389,849	94,694,946
Aviation fuel tax	12,714,401	16,995,501
Other sales and charges	11,871,715	11,340,736
Total operating revenues	500,809,824	494,491,365
Operating expenses:		
Personnel services	97,592,363	92,979,459
Contractual services	139,652,041	122,193,155
Maintenance, supplies, and materials	18,903,028	15,956,243
Total operating expenses before depreciation, amortization and impairment losses	256,147,432	231,128,857
Operating income before depreciation, amortization and impairment losses	244,662,392	263,362,508
Depreciation and amortization	143,505,675	146,922,302
Impairment losses	—	85,286,382
Operating income	101,156,717	31,153,824
Nonoperating revenues (expenses):		
Passenger facility charges	93,509,920	83,999,814
Investment income	56,146,884	35,823,022
Interest expense	(207,385,378)	(205,141,929)
Grants	565,853	240,500
Other expense	(10,609,244)	(22,186,773)
Total nonoperating revenues (expenses), net	(67,771,965)	(107,265,366)
Income (loss) before capital contributions	33,384,752	(76,111,542)
Capital contributions:		
Capital grants	29,188,329	31,547,273
Increase (decrease) in net assets	62,573,081	(44,564,269)
Net assets, beginning of year	640,195,967	684,760,236
Net assets, end of year	$ 702,769,048	$ 640,195,967

See accompanying notes to financial statements.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Cash Flows

Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from customers	$ 499,604,612	$ 481,817,118
Payments to suppliers	(145,688,172)	(100,028,981)
Interfund activity payments to other funds	(12,181,634)	(12,239,690)
Payments to employees	(96,338,970)	(92,729,306)
Net cash provided by operating activities	245,395,836	276,819,141
Cash flows from noncapital financing activities:		
Operating grants received	313,814	240,500
Net cash provided by noncapital financing activities	313,814	240,500
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	—	2,376,840
Proceeds from note payable	54,000,000	—
Principal paid on notes payable	(21,777,838)	(19,449,588)
Principal paid on revenue bonds	(101,305,000)	(101,370,000)
Interest paid on revenue bonds	(190,453,776)	(220,329,010)
Principal paid on capital lease	(1,061,885)	(2,052,794)
Bond issuance costs paid	(2,074,724)	(6,834,114)
Interest paid on notes payable	(2,487,809)	—
Capital grant receipts	19,078,411	52,664,919
Passenger Facility Charges	92,971,899	82,754,169
Purchases of capital assets	(81,945,591)	(107,112,083)
Payments from accrued expenses for capital assets	(22,497,901)	(266,506)
Payments to escrow for current refunding of debt	(8,331,179)	(10,378,589)
Proceeds from sale of capital assets	487,822	582,523
Net cash used in capital and related financing activities	(265,397,571)	(329,414,233)
Cash flows from investing activities:		
Purchases of investments	(6,492,915,029)	(8,162,358,749)
Proceeds from sales and maturities of investments	6,542,146,541	8,006,414,109
Proceeds from sales of assets held for disposition	3,917,278	1,776,126
Payments to maintain assets held for disposal	(8,933,727)	(12,156,812)
Interest and dividends on investments and cash equivalents	51,669,430	39,975,086
Net cash provided by (used) in investing activities	95,884,493	(126,350,240)
Net increase (decrease) in cash and cash equivalents	76,196,572	(178,704,832)
Cash and cash equivalents, beginning of year	234,640,233	413,345,065
Cash and cash equivalents, end of year	$ 310,836,805	$ 234,640,233

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Cash Flows

Years ended December 31, 2006 and 2005

	2006	2005
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 101,156,717	$ 31,153,824
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	143,505,675	146,922,302
Miscellaneous income	1,924,205	1,845,549
Impairment losses	—	85,286,382
Changes in assets and liabilities:		
Receivables, net of allowance	(3,255)	545,904
Inventories	(82,649)	50,451
Prepaid expenses and other	517,166	(347,035)
Vouchers and other payables	3,855,982	8,069,434
Deferred rent	(16,576,128)	(1,102,460)
Due to other City agencies	(896,309)	10,988,361
Compensated absences	173,570	163,553
Other operating liabilities	11,820,862	(6,757,124)
Net cash provided by operating activities	$ 245,395,836	$ 276,819,141

Noncash activities:

The Airport System issued bonds in the amount of $449,590,000 and $407,190,000 in 2006 and 2005, respectively, in order to refund debt. Net bond proceeds of $465,989,377 and $415,715,139 for 2006 and 2005, respectively, were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts. Original issue premiums on bonds of $20,731,149 and $10,901,979 were realized on the issuance of bonds in 2006 and 2005, respectively.

See accompanying notes to financial statements.

(1) Organization and Reporting Entity

(a) Nature of Operations

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

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2006. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

During the year ended December 31, 2006, the Airport System adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The impact of this standard on the Airport System was immaterial.

During the year ended December 31, 2005, the Airport System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.* This Statement addresses common deposit and investment risks and requires governmental entities to provide disclosures related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This information is designed to inform financial statement users about deposit and investment risks that could affect the Airport System's ability to provide services and meet its obligations as they become due.

(b) Cash and Cash Equivalents

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

(c) Investments

Investments, which the City manages, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2006 and 2005. The Airport System's investments are maintained in segregated pools at the City and include U.S. Treasury securities, U.S. Agency securities, commercial paper, and repurchase agreements.

(d) Inventories

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

(e) Capital Assets

Capital assets are recorded at cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Costs associated with ongoing construction activities of Denver International are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2006 and 2005 was $4,547,332 and $4,696,585, respectively. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life.

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

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

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

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

(g) Assets Held for Disposition

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

(h) Compensated Absences Payable

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

(i) Deferred Rent

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

(j) Net Assets

2006

The Airport System's assets exceeded liabilities by $702,769,048 as of December 31, 2006, a $62,573,081 increase in net assets from the prior year-end. Of the Airport System's 2006 net assets, 77.4% are restricted for future debt service. The bond reserve account and bond accounts represent $543,978,207 which is externally restricted for debt service. The net assets restricted for the Stapleton and sixth runway capital projects represent $0.

The remaining net assets include unrestricted net assets of $370,969,769 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($212,178,928) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2005

The Airport System's assets exceeded liabilities by $640,195,967 as of December 31, 2005, a $44,564,269 decrease in net assets from the prior year-end. Of the Airport System's 2005 net assets, 76.3% were restricted for future debt service and capital construction. The bond reserve account and bond accounts represented $480,040,793 that was externally restricted for debt service. The net assets restricted for the Stapleton and sixth runway capital projects represented $8,296,639.

The remaining net assets included unrestricted net assets of $388,058,574 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($236,200,039) represented the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(k) Restricted and Unrestricted Resources

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

(l) Operating Revenues and Expenses

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

(m) Governmental Grants

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

(n) Rates and Charges

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2006 and 2005, the Airport System had accrued a liability, included in current other liabilities, of $14,799,763 and $3,259,726, respectively.

For the years ended December 31, 2000 through 2005, 75% of Net Revenues (as defined by the bond ordinance) remaining at the end of each year were to be credited in the following year to the passenger airlines signatory to use and lease agreements; and thereafter it is 50%, capped at $40,000,000 for all years. The Net Revenues credited to the airlines totaled $40,000,000 for both 2006 and 2005. Liabilities for these amounts were accrued as of December 31, 2006 and 2005, respectively, and are reported in the statement of net assets as revenue credit payable.

(o) Use of Estimates

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

(p) Reclassifications

Certain 2005 balances have been reclassified to conform with the 2006 financial statements presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Deposits

The Airport System's deposits are commingled with the City's and are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's investment policy requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the PDPA. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name."

At December 31, 2006, the carrying amount of the Airport System's deposits, excluding certificates of deposit, was $0 and the bank balance was $0. At December 31, 2006, the Airport System owned $11,354,644 of certificates of deposit issued by Colorado Business Bank, a certified eligible public depository.

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

St. Paul/Travelers Insurance (St. Paul) manages an owner-controlled insurance plan on behalf of the Airport System. St. Paul pays claims from an escrow account held in the Airport System's name that is uninsured, uncollateralized, and subject to custodial credit risk. The balance of the account at December 31, 2006 was $236,881. All other deposits are not subject to custodial credit risk since they are deposited in certified eligible public depositories under the PDPA.

(b) Investments

The Airport System's investments are managed by the City and are subject to the Investment Policy of the City. It is the policy of the City to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands. The City's Investment Policy applies to all investment activity of the City under the control of the Manager of Revenue (the Manager), including investments of certain monies related to business-type activities, and trust and agency funds. The City's investment policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the Manager for investment shall also be administered in accordance with the Investment Policy. The City does not currently invest with external investment pools.

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

At December 31, 2006 and 2005, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

		December 31, 2006		December 31, 2005
Money Market Funds	$	55,796	$	43,507
Certificate of Deposit		11,355		—
Commercial paper		246,001		305,092
Repurchase agreements		125,706		142,035
U.S. Treasury securities		87,446		190,203
U.S. Agency securities		601,111		417,668
	$	1,127,415	$	1,098,505

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2006, is as follows (amount expressed in thousands).

		December 31, 2006		December 31, 2005
Cash on hand	$	—	$	103
Cash and cash equivalents		39,549		7,587
Investments		363,132		387,010
Restricted cash equivalents		271,288		226,951
Restricted investments		453,446		476,854
	$	1,127,415	$	1,098,505

Interest Rate Risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for the investment under the control of the manager by limiting the maximum maturity of investments. Bond reserve proceeds that are invested in U.S. Treasury and U.S. Agency securities can have a maximum maturity of ten years. All other U.S. Treasury and U.S. Agency securities can have a maximum maturity of five years. Repurchase agreements are open repurchase agreements and not exposed to interest rate risk.

At December 31, 2006, the Airport System's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

		Investments maturity in years			
Investment type	**Fair value**	**Less than 1**	**1-5**	**6-10**	**Greater than 10****
Discount Commercial Paper	$ 246,001	$ 246,001	$ —	$ —	$ —
U.S. Treasury securities	87,445	—	63,321	24,124	—
U.S. Agency securities	601,111	144,203	255,010	157,533	44,365
Total	$ 934,557	$ 390,204	$ 318,331	$ 181,657	$ 44,365

The Airport System's portfolio of U.S. agency securities includes callable securities with scheduled interest changes. If a callable investment is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2006, the Airport System owned callable securities with a fair value of $250,489,681. Of these, securities with scheduled increases to predetermined interest rates had a fair value of $102,772,048.

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

Credit Risk: Credit risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Airport System. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government. The City's Investment Policy requires that commercial paper and bankers' acceptances be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's, and Fitch, respectively, at the time of purchase.

As of December 31, 2006, the Airport System owned $ 246,000,560 in commercial paper that had minimum ratings of A-1, D-1 and F-1, by two rating agencies.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name. None of the Airport System's investments owned at December 31, 2006, were subject to custodial credit risk.

In accordance with the City's Investment Policy, all of the City's repurchase agreements are collateralized at 102% of the market value of the portfolio by U.S. Government agency securities at the time of purchase. Collateral valuation is calculated and adjusted at least once per week and adjusted on an as needed basis. Collateral for all repurchase agreements are held by the City's custodian, J.P. Morgan. None of the Airport System's repurchase agreements owned at December 31, 2006 were subject to custodial risk.

Concentration of Credit Risk: The City's Investment Policy states that a maximum of 5% of the portfolio may be invested in commercial paper or certificates of deposit issued by any one provider. As of December 31, 2006, all investments in commercial paper and certificates of deposit are in compliance with this policy.

(4) Accounts Receivables

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2006 and 2005, an allowance of $340,941 and $323,486, respectively, had been established. No amount is reserved for United Airlines (United) in 2006. See further discussion regarding United in note 21 of the financial statements.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2006 and 2005 were as follows (in thousands):

	2006				
	January 1, 2006	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2006
Depreciable:					
Buildings	$ 1,692,776	$ —	$ 26,318	$ (4,382)	$ 1,714,712
Improvements other than buildings	1,926,666	—	73,569	(4,496)	1,995,739
Machinery and equipment	530,719	4,808	23,420	(1,799)	557,148
	4,150,161	4,808	123,307	(10,677)	4,267,599
Less accumulated depreciation and amortization	(1,243,928)	(143,506)	—	1,885	(1,385,549)
	2,906,233	(138,698)	123,307	(8,792)	2,882,050
Nondepreciable:					
Construction in progress	163,483	125,763	(123,307)	(381)	165,558
Land, land rights, and air rights	295,306	—	—	—	295,306
Total capital assets	$ 3,365,022	$ (12,935)	$ —	$ (9,173)	$ 3,342,914

	2005				
	January 1, 2005	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2005
Depreciable:					
Buildings	$ 1,669,551	$ —	$ 23,317	$ (92)	$ 1,692,776
Improvements other than buildings	1,907,899	—	18,767	—	1,926,666
Machinery and equipment	681,753	8,122	29,626	(188,782)	530,719
	4,259,203	8,122	71,710	(188,874)	4,150,161
Less accumulated depreciation and amortization	(1,200,725)	(146,922)	—	103,719	(1,243,928)
	3,058,478	(138,800)	71,710	(85,155)	2,906,233
Nondepreciable:					
Construction in progress	136,214	98,979	(71,710)	—	163,483
Land, land rights, and air rights	295,437	—	—	(131)	295,306
Total capital assets	$ 3,490,129	$ (39,821)	$ —	$ (85,286)	$ 3,365,022

In 2004, the Airport System implemented GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB No. 42 describes the impairment of a capital asset as "a significant, unexpected decline in the service utility of a capital asset." The significant and unexpected decline is based on events or changes in circumstances that were not anticipated when the capital asset was placed in service.

For the years ended December 31, 2006 and 2005, the Airport System experienced impairments of capital assets of $0 and $85.3 million, respectively. Capital assets which incurred significant impairment losses, and which comprise a majority of the $85.3 million, included the Automated Baggage System and the Concourse A, B, and C sortation systems.

Automated Baggage System (ABS)

In September 2005, United Airlines discontinued use of the ABS and reverted to the traditional tug and cart system.

No other airlines used the ABS; therefore, this asset was no longer being used by the Airport System. Based on the requirements of GASB No. 42, there had been a significant, unexpected change in the service utility of the ABS. In order to determine if the ABS was temporarily or permanently impaired, the Airport System hired a consultant to identify what portion, if any, of the ABS should remain to support a future baggage system. Based upon the consultant's findings, management concluded that a small portion (net book value of $3.2 million) of structural steel and electrical infrastructure would be used to support a new system; therefore, this portion was judged temporarily impaired and retained on the books. The remaining net book value of the ABS of $43.0 million was impaired and written off in September 2005.

Sortation Systems

During 2005, the Airport System hired a consultant to determine if the idle sortation systems in Concourses A and C could be used for a future baggage handling system. Based upon the results of this study, management determined that the idle assets would not be used; thus, should be impaired for the remaining net book value.

In addition, United Airlines discontinued use of sections of the sortation system in Concourse B when it discontinued use of the ABS in September 2005. Based upon an investigation performed by management, the Airport System determined that the sections still in use totaled a net book value of $8.7 million. This amount was not impaired and will be depreciated using the original useful life of the sortation system as management's expectation is that the remaining section of the system will continue to be used. The remaining net book value was considered impaired.

As a result, the Airport System recognized impairment losses in 2005 on the three sortation systems for approximately $33.5 million.

(6) Assets Held for Disposition

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

As a result of the long-term nature of the development plan, the timing and ultimate amount of net proceeds from the disposition of Stapleton's existing plant and improvements is not presently determinable. The carrying value of Stapleton was $18,806,825 and $22,724,103 at December 31, 2006 and 2005, respectively. The current accrued environmental liability for Stapleton was $3,474,011 and $8,033,010 at December 31, 2006 and 2005, respectively.

(7) Due to Other City Agencies

The City provides various services to the Airport System, including data processing, investing, financial services, budgeting, and engineering. Billings from the City, both direct and indirect, during 2006 and 2005 totaled $12,181,634 and $12,239,690, respectively, and have been included in operating expenses.

In addition to the above services, the Airport System also pays directly salaries and wages for police, fire and other city personnel which are reflected as Personnel services expenses. The total services paid for City service and personnel are $38,883,126 and $39,213,224 at December 31, 2006 and 2005, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $17,186,337 and $18,082,646 at December 31, 2006 and 2005, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2006 and 2005 were as follows (in thousands):

	2006				
	January 1, 2006	Additions	Refunded debt	Retirements	December 31, 2006
Airport System revenue bonds	$ 3,928,480	$ 449,590	$ (539,123)	$ (101,305)	$ 3,737,642
Economic defeasance	54,880	—	—	—	54,880
Baggage defeasance	—	77,263	—	—	77,263
Less deferred loss on bonds	(275,305)	(43,778)	—	18,029	(301,054)
Plus unamortized premiums	9,577	20,731	13,946	(5,084)	39,170
Total bond debt	$ 3,717,632	$ 503,806	$ (525,177)	$ (88,360)	3,607,901
Less current portion					(107,085)
Noncurrent portion					$ 3,500,816

	2005				
	January 1, 2005	Additions	Refunded debt	Retirements	December 31, 2005
Airport System revenue bonds	$ 4,031,775	$ 407,190	$ (409,115)	$ (101,370)	$ 3,928,480
Economic defeasance	54,880	—	—	—	54,880
Less deferred loss on bonds	(244,015)	(44,425)	—	13,135	(275,305)
Plus unamortized premiums	(12,880)	12,766	12,081	(2,390)	9,577
Total bond debt	$ 3,829,760	$ 375,531	$ (397,034)	$ (90,625)	3,717,632
Less current portion					(97,805)
Noncurrent portion					$ 3,619,827

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest is payable semi-annually. The variable rate bonds are issued in weekly mode. Auction rate bonds carry interest rates that are periodically reset for either 7 or 35-day periods. As such, the actual interest rate on the bonds will vary weekly, based on market conditions in the short-term tax-exempt bond market. The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2006 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding
Airport system revenue bonds			
Series 1991A			
Term Bonds	November 15, 2008	14.00%	$ 18,795,000
Series 1991D			
Term bonds	November 15, 2013	7.75%	96,708,140
Series 1992F,G*	November 15, 2025	3.95%	48,000,000
Series 1995C			
Term bonds	November 15, 2012	6.50%	10,625,000
Series 1997E			
Serial bonds	Annually November 15, 2011 and 2015	5.125-6.00%	87,882,258
Term bonds	November 15, 2017, 2023 and 2025	5.25-5.50%	310,685,000
Series 1998A			
Term bonds	November 15, 2025	5.00%	202,970,000
Series 1998B			
Term bonds	November 15, 2025	5.00%	103,395,000
Series 2000A			
Serial bonds	Annually November 15, 2006 to 2019	4.80-6.00%	236,240,000
Term bonds	November 15, 2023	5.625%	31,495,000
Series 2000B*	November 15, 2025	4.05%	200,000,000
Series 2000C*	November 15, 2025	3.95%	100,000,000
Series 2001A			
Serial bonds	Annually November 15, 2011 to 2017	5.00-5.625%	248,081,334
Series 2001B			
Serial bonds	Annually November 15, 2013 to 2016	4.70-5.50%	16,675,000
Series 2001D			
Serial bonds	Annually November 15, 2007 to 2024	5.00-5.50%	59,465,000
Series 2002A1 A3*	November 15, 2032	3.65-3.85%	273,975,000
Series 2002C*	November 15, 2024	3.95%	41,100,000
Series 2002E			
Serial bonds	Annually November 15, 2006 to 2023	4.00-5.50%	182,855,000

Bond	Maturity	Interest Rate	Amount Outstanding
Series 2003A			
Term bonds	November 15, 2026 and 2031	5.00%	161,965,000
Series 2003B			
Serial bonds	Annually November 15, 2016 to 2017	5.75%	8,540,000
Term bonds	November 15, 2033	5.00-5.50%	100,460,000
Series 2004A*	November 15, 2024	3.92%	73,300,000
Series 2004B*	November 15, 2024	3.96%	73,300,000
Series 2005A	Annually November 15, 2011 to 2025	4.00-5.00%	227,740,000
Series 2005B1-B2*	November 15, 2017	3.85%	88,800,000
Series 2005C1-C2	November 15, 2025	3.97-4.05%	85,000,000
Series 2006A	Annually November 15, 2015 to 2025	4.00-5.00%	279,585,000
Series 2006B	Annually November 15, 2007 to 2015	5.00%	170,005,000
Airport System subordinate revenue bonds			
Series 2001C1-C4*	November 15, 2022	3.64-3.75%	200,000,000
Economic defeasance LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%	54,880,000
ABS baggage defeasance		5.00-7.75%	77,263,268
Total revenue bonds			3,869,785,000
Less current portion			(107,085,000)
Net unamortized discount			39,170,459
Deferred loss on refundings			(301,053,878)
Total bonds payable noncurrent			$3,500,816,581

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

*The variable rates are as of December 31, 2006

Economic Defeasance

On November 1, 1999, the Airport System entered into an economic defeasance of $54,880,000 from certain 1998 and 1999 federal grant proceeds from the United States Department of Transportation under the 1990 Letter of Intent. These funds were set aside in special escrow accounts (Escrow A and Escrow B) held by the

City. Escrow A proceeds will be used to defease $40,080,000 of the Series 1992C maturing on November 15, 2025. Escrow B proceeds will be used to defease $14,800,000 of the Series 1991D maturing on November 15, 2013. These bonds are considered defeased for bond ordinance purposes; however, the defeasance was not considered a legal defeasance or an in-substance defeasance under accounting principles generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

On December 27, 2006, the Airport entered into an economic defeasance of $90,000,000 funded by PFC and net revenues. These funds were set aside in a special escrow account ABS Baggage System defeasance held by the City. The proceeds will be used to defease a portion of the Airport System Revenue bonds related to the ABS baggage system.

Bond Issuances

On August 17, 2006, the Airport issued $279,585,000 and $170,005,000 of Airport System Revenue Bond Series 2006A and 2006B, respectively, in a fixed rate mode for the purpose of currently refunding $461,860,000 of the 1996A, 1996B, 1996C and 1996D bonds.

On August 25, 2005, the Airport issued $227,740,000 of Airport System Revenue Bond Series 2005A in a fixed rate mode for the purpose of currently refunding $230,760,000 of the Airport 1995A bonds.

On November 10, 2005, the Airport issued $91,750,000 and $87,700,000 in an auction rate mode and a variable rate mode, for the purpose of currently refunding $90,510,000 and $87,845,000 of the 1995B and 1995C bonds, respectively.

Deferred Refunding

The proceeds of the 2006A-B bonds were used, together with other Airport monies, to currently refund all of the outstanding Series 1996A, 1996D and all but $12,605,000 of the 1996B and 1996C Airport System Revenue Bonds. Series 2006A-B bonds are structured to provide the Airport with maximum interest savings through 2010 which will be applied to meet a portion of the airline rates and cost reduction goals in the United Stipulated Order. Interest savings for refunding is $39,808,609 and debt service savings is $53,303,609 (including principal). The economic gain resulting from the transaction was $32,671,373. The Airport realized a cash flow savings of $985,173 with this transaction in 2006. The current refunding resulted in a defeasance of debt between the reacquisition price of $474,320,556 and the net carrying amount less the unamortized portion of $430,542,581, which resulted in a deferred loss on refunding amount of $43,777,975. The deferred loss on refunding is being amortized over the remaining life of the old debt.

The proceeds of the 2005A, B1-B2 and C1-C2 bonds were used together with other Airport monies, to currently refund all of the outstanding series 1995A, 1995B, and all but $10,625,000 of the 1995C Airport System Revenue Bonds. The Series 2005A bonds interest requirements are based on interest rates of 4.05% to 5.0%. The series 2005B1-B2 and 2005C1-C2 bonds are based on an assumed interest rate of 3.4%. Series 2005A, B1-B2, and C1-C2 bonds are structured to provide the Airport maximum interest savings through 2010 for purposes of the Stipulated Order by matching the principal amortization of the refunding bonds with that of the refunded bonds. The interest savings of $70,425,785 and debt savings of $63,056,480 (including principal), are expected to be achieved based upon the interest rate assumptions. The economic gain resulting from the transaction was $45,502,306. The Airport realized a cash flow savings of $1,176,945 with these transactions in 2005. The current refunding resulted in a defeasance of debt between the reacquisition price of $426,093,727 and the net carrying amount less the unamortized portion of $381,669,202 which resulted in a deferred loss on refunding amount of $44,424,525. The deferred loss on refunding amount is being amortized over the remaining life of the defeased debt, which is shorter than the life of the refunding debt.

Defeased Bonds

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2006 and 2005, respectively, $32,180,000 and $32,180,000 of bonds outstanding are considered defeased.

(9) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2006 are as follows:

	Principal	Interest
Year:		
2007	$ 107,085,000	$ 191,059,701
2008	102,979,756	184,558,291
2009	100,158,339	178,314,618
2010	105,629,846	173,093,046
2011	128,981,929	167,449,534
2012 – 2016	768,891,862	726,337,496
2017 – 2021	1,033,520,000	505,916,076
2022 – 2026	1,143,460,000	211,339,097
2027 – 2031	169,495,000	45,786,750
2032 – 2033	77,440,000	6,032,000
Total	$ 3,737,641,732	$ 2,389,886,609

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2006, are as follows:

	Principal	Interest
Year:		
2007	$ —	$ 3,601,900
2008	—	3,601,900
2009	—	3,601,900
2010	—	3,601,900
2011	—	3,601,900
2012 – 2016	14,800,000	14,568,500
2017 – 2021	—	12,274,500
2022 – 2025	40,080,000	8,345,925
Total	$ 54,880,000	$ 53,198,425

Debt service requirements for the economic defeasance ABS Baggage system of the Airport System to maturity as of December 31, 2006, are as follows:

	Principal	Interest
Year:		
2007	$ —	$ 4,496,304
2008	50,244	4,496,304
2009	3,636,661	4,492,470
2010	6,575,154	4,292,454
2011	7,608,071	3,869,204
2012 – 2016	34,063,138	12,358,992
2017 – 2021	21,635,000	4,034,642
2022 – 2026	3,695,000	568,500
Total	$ 77,263,268	$ 38,608,870

(b) Notes Payable

The Airport System entered into a $60 million Master Installment Purchase Agreement with Siemens Financial Services on November 5, 2003 to fund the reimbursable portion of the construction of the in-line EDS baggage screening system. Payments are due annually in advance beginning December 31, 2006. The interest rate is 3.4% and is based on a 30/360 calculation. The Airport System entered into two Master Installment Purchase Agreements on March 15, 2004, one with Siemens Financial Services for $20 million and one with GE Capital Public Finance Inc. for $13 million, to finance various capital equipment purchases at rates and terms of 3.46% and 3.6448% based on a 30/360 calculation for 2004. Payments are due semiannually to Siemens Financial Services and quarterly to GE Capital Public Finance. The Airport System entered into three Master Installment Purchase Agreements on October 26, 2006, and one on August 1, 2006. Two agreements with Koch Financial Corporation for $23.0

million and $2.0 million for a total of $25.0 million and two agreements with GE Capital Public Finance for $9.0 million and $20.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16% and 4.67% based on a 30/360 calculation for 2006. Under the Master Installment Purchase Agreements, the financing companies have a security interest in equipment purchased with the proceeds until the loans are repaid.

The payment schedule relating to note requirements as of December 31, 2006 is as follows:

	Principal	Interest
Year:		
2007	$ 27,497,017	$ 3,423,670
2008	12,146,762	2,403,466
2009	11,477,785	1,911,463
2010	11,563,556	1,438,698
2011	9,194,019	949,031
2012 – 2016	17,106,347	1,870,769
	$ 88,985,486	$ 11,997,097

Changes in notes payable for the years ended December 31, 2006 and 2005 were as follows:

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
Notes payable	$ 56,763,324	$ 54,000,000	$ (21,777,838)	$ 88,985,486
Less current portion				(27,497,017)
Noncurrent portion				$ 61,488,469

	Balance January 1, 2005	Additions	Retirements	Balance December 31, 2005
Notes payable	$ 76,212,912	$ —	$ (19,449,588)	$ 56,763,324
Less current portion				(20,117,026)
Noncurrent portion				$ 36,646,298

(10) Demand Bonds

Included in long-term debt are $48,000,000 for Series 1992F,G; $200,000,000 for Series 2000B; $100,000,000 for Series 2000C; $41,100,000 for Series 2002C; $73,300,000 for Series 2004A; $73,300,000 for Series 2004B; $85,000,000 for Series 2005C1-C2 of Airport System Revenue Bonds Series respectively, which bear interest at flexible or weekly rates and are subject to mandatory redemption upon conversion of the interest rate to a different rate type or rate period. If the bonds are in a weekly (or monthly) mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. Each series has an irrevocable letter of credit or standby bond purchase agreement which the remarketing agent for the bonds can draw upon to purchase the bonds. If the bonds purchased by the remarketing agent could not be resold within a designated period of time, each irrevocable letter of credit and standby bond purchase agreement contains provisions for a take out agreement which would convert the obligation to an installment loan with the provider of that agreement. If the take out agreement were to be exercised, the Airport System would be required to pay interest amounts on the loan that are expected to be higher than the interest amount on the bonds.

Irrevocable letters of credit were issued as collateral for the Series 1992F, 1992G, and 2002C revenue bonds in the amounts as follows:

Bonds	Par amount outstanding	Letter of credit amount	Annual commitment fee	Letter of credit expiration date
Series 1992F	$ 26,200,000	$ 31,059,400	0.370%	September 24, 2009
Series 1992G	21,800,000	25,829,467	0.370%	September 24, 2009
Series 2002C	41,100,000	51,232,000	0.370%	October 8, 2009

As of December 31, 2006 and 2005, no amounts have been drawn under any of the existing agreements.

(11) Bond Ordinance Provisions

Additional Bonds

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

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, all bond series, except for the Series 2001 C1-C4 Bonds, (the Senior Bonds) are collateralized by a first lien on the Net Revenues of the Airport System. Under the terms of the Subordinate Bond Ordinance, the Series 2001 C1-C4 Bonds are collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

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

(12) Swap Agreements

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. In accordance with GAAP, the fair value of swap agreements is not reported in the financial statements.

Summary of Interest Rate Swap Transactions

Counterparty	Trade date	Effective date	Notional amount (in millions)	Bond/Swap termination date	Associated debt series	Payable swap rate	Variable receivable swap rate	Fair values December 31, 2006
1998 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	1/22/98	10/4/00	$ 100	11/15/25	2000B	4.7600%	Bond rate	$ (12,400,000)
Lehman Bros. Special Financing Inc.	1/22/98	10/4/00	100	11/15/25	2000B	4.7600	Bond rate	(12,400,000)
Societe Generale, New York, Branch	1/22/98	10/4/00	100	11/15/25	2000C	4.7190	Bond rate	(11,900,000)
1999 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	7/22/99	10/4/01	100	11/1/22	2001C1-4	5.6179	BMA	(20,150,000)
Merrill Lynch Capital Services, Inc.	7/22/99	10/4/01	50	11/1/22	2001C1-4	5.5529	BMA	(9,760,000)
RFPC, LTD.	7/22/99	10/4/01	50	11/1/22	2001C1-4	5.6229	BMA	(10,100,000)
2002 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	4/11/02	4/15/02	100	11/01/22	2001C1-4	BMA	76.33% LIBOR	1,500,000
RFPC, LTD.	4/11/02	4/15/02	100	11/01/22	2001C1-4	BMA	76.00% LIBOR	1,330,000
2005 Swap Agreements								
Royal Bank of Canada	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6560	70% LIBOR	(365,000)
JP Morgan Chase Bank, N.A.	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6874	70% LIBOR	(365,000)
Jackson Financial Products, LLC	4/14/05	11/15/06	111.834	11/15/25	2006A	3.6560	70% LIBOR	(1,160,000)
Piper Jaffray Financial Products, Inc.	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6600	70% LIBOR	(365,000)
2006B Swap Agreements								
Royal Bank of Canada	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	1,140,000
JP Morgan Chase Bank, N.A.	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	1,140,000
Jackson Financial Products, LLC	8/9/06	11/15/06	111.834	11/15/25	2006A	BMA	4.0855%	2,280,000
Piper Jaffray Financial Products, Inc.	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	1,140,000
2006A Swap Agreements								
Forward Starting Swap Agreements								
Bear Stearns Capital Markets Inc	6/1/06	11/15/07	180.850	11/15/25	(1)	4.0085	70% LIBOR	(6,928,000)
Lehman Bros. Special Financing	6/1/06	11/15/07	120.567	11/15/25	(1)	4.0085	70% LIBOR	(4,618,000)
GKB Financial Services Corp. II	6/1/06	11/15/07	60.283	11/15/25	(1)	4.0085	70% LIBOR	(2,309,000)

(1) The associated debt series for the 2006 swap agreement are the proposed issuance of Airport System Revenue Refunding Bonds for the 1997E bonds.

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and BMA swap curves as of December 31, 2006. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2006. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

Risks Associated with the Swap Agreements

The following risks are generally associated with swap agreements:

Credit Risk – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated, in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2006, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a stable outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below).

The ratings of the counterparties, or their credit support providers, as of December 31, 2006 are as follows:

Counterparty (credit support provider)	Ratings of the counterparty or its credit support provider		
	S&P	**Moody's**	**Fitch**
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	AA-	Aa3	AA-
Lehman Brothers Special Financing Inc. (Lehman Brothers Holdings Inc.)	A+	A1	A+
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	AA-	Aa3	AA-
RFPC, LTD. (Ambac Assurance Corp.)	AAA	Aaa	AAA
Societe Generale, New York Branch	AA	Aa2	AA
Royal Bank of Canada	AA-	Aaa	AA
JP Morgan Chase Bank, N.A.	AA-	Aa2	AA-
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A+	Aa3	AA-
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services Morgan Stanley)	A+	Aa3	AA-

As of December 31, 2006, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives fair value.

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

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

Description of the Swap Agreements and Associated Debt

The 1998 Swap Agreements and Associated Debt – On January 1, 1998, the Airport System entered into interest rate swap agreements (the 1998 Swap Agreements) with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of certain senior bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2000. Each 1998 Swap Agreement has a notional amount of $100 million and provides for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the prevailing variable rate on certain of the Airport System's variable rate bonds payable by the respective financial institutions. Upon the occurrence of certain events, a counterparty to a 1998 Swap Agreement may elect to apply an alternative variable rate, 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) plus 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the Bond Markets Association Index (BMA) and LIBOR such that the daily average BMA Index as a percentage of daily average LIBOR exceeds 80% for a period of 90 consecutive days or 75% for a period of 120 consecutive days. The effect of a counterparty applying the alternative rate would be to increase the basis risk for the swap. There would be a greater likelihood of differences between the variable rate paid by the Airport System on the associated debt and variable payments received from the counterparty under the swap. There was no such taxability event nor a downgrade of the short-term ratings for the year ended December 31, 2006.

In August 2000, the Airport System issued the Series 2000B and the Series 2000C Bonds in order to refund a portion of the Series 1990A Bonds, and treated such 1998 Swap Agreements as relating to the payments due on the Series 2000B Bonds and the Series 2000C Bonds (the associated debt), thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The aggregate weighted average fixed rate payable by the Airport System under the 1998 Swap Agreements is 4.7463%. The 1998 Swap Agreements became effective on October 4, 2000, and payments under these 1998 Swap Agreements commenced on November 1, 2000.

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

On October 4, 2001, the Airport System issued the Series 2001 C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The net effect of the 1999 Swap Agreements, when considered together with the variable rate Series 2001 C1-C4 Subordinate Bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2001 C1-C4 Subordinate Bonds and the Bond Market Association Index, on $200 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.6029%. The 1999 Swap Agreements became effective on October 4, 2001, and payments under these Agreements commenced on November 1, 2001.

The 2002 Swap Agreements and Associated Debt – On April 11, 2002, the Airport System entered into interest rate Swap Agreements (the 2002 Swap Agreements) with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the Bond Market Association Index (BMA) to a percentage of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR). The 2002 Swap Agreements have a notional amount of $200 million, relate to the 2001 C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between BMA payable by the Airport System and a percentage of LIBOR payable by the respective financial institutions. The net effect of the 2002 Swap Agreements, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.165% of LIBOR, rather than BMA, to offset the actual rate paid on the Series 2001 C1-C4 bonds.

The Airport System is exposed to basis risk under the 1999 and 2002 Swap Agreements, due to the differences in indices between the variable interest rate it pays on the associated debt and 76.165% of LIBOR received under the 2002 Swap Agreements. The 2002 Swap Agreements became effective on April 15, 2002 and payments under these Agreements commenced on May 1, 2002.

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

In August 2006, the Airport System issued the Series 2006A bonds in order to refund the Series 1996A and 1996D bonds, and entered into the 2006B Swap Agreements (described below under *"The 2006B Swap Agreements").* The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the BMA index and 70% of 1-month LIBOR on $280 million of obligations.

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

The 2006A Swap Agreements – On June 1, 2006, the City entered into interest rate swap agreements (the "2006A Swap Agreements") with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the refunding of the Series 1997E bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. The 2006A Swap Agreements have notional amounts of approximately $181.0 million, $121.0 million and $60.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of London Interbank Offered Rate (LIBOR) for one month deposits of U.S. dollars payable for the respective financial institutions.

The Airport System is exposed to market-access risk under the 2006A Swap Agreements. Market-access risk is the risk that the Airport System will not be able to enter the credit markets or that costs associated with entering the credit market will increase. If the 2006A Swap Agreements become effective and proposed refunding bonds are not issued, the Airport System would make net swap payments as required under the Swap Agreement. The Airport System would make fixed payments to the counterparties and receive variable payments of 70% of LIBOR. If the proposed variable rate bonds are issued, actual savings ultimately recognized by the transaction will be affected by the terms of the proposed variable rate refunding bonds and the net effect of the variable rate payments received under the swap and the payments on the bonds.

If the proposed variable rate refunding bonds are issued, and the 2006A Swap Agreements become effective, the Airport System will be exposed to basis risk under the 2006A Swap Agreements, due to the differences between the variable interest rate to be paid on the associated debt and 70% of LIBOR to be received under the 2006A Swap Agreements.

If the 2006A Swap Agreements become effective, the net effect, when considered together with the proposed variable rate refunding bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate of the variable rate refunding bonds and 70% of LIBOR on $362.0 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap Agreements is 4.01%. The 2006A Swap Agreements have an effective date of November 15, 2007. Payments under these Agreements have not commenced.

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

In August 2006, the Airport System issued the Series 2006A bonds in order to refund the Series 1996A and 1996D bonds. The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A bonds, is that the Airport System will effectively pay a variable rate based on BMA plus or minus the difference between the fixed rate on the Series 2006A bonds and the fixed rate received under the 2006B Agreements on $280.0 million of obligations. In November 2006, the 2005 Swap Agreements became effective (see “The 2005 Swap Agreements”). The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the BMA index and 70.0% of 1-month LIBOR, minus the difference of the fixed receiver rate on the 2006B Swap and the weighted average fixed payor rate on the 2005 Swap on $280.0 million of obligations.

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

Swap Payments and Associated Debt

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2006, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, were as follows:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2007	$ —	$ 33,230,200	$ 4,621,069	$ 37,851,269
2008	—	33,230,200	4,621,069	37,851,269
2009	—	33,230,200	4,621,069	37,851,269
2010	—	33,230,200	4,621,069	37,851,269
2011	—	33,230,200	4,621,069	37,851,269
2012-2016	31,695,000	165,738,850	23,126,849	220,560,699
2017-2021	385,975,000	135,504,485	19,451,249	540,930,734
2022-2025	361,915,000	39,967,171	2,405,317	404,287,488
Total	$ 779,585,000	$ 507,361,506	$ 68,088,760	$ 1,355,035,266

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2006.

(13) Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2006 and 2005, Special Facility Revenue Bonds outstanding totaled $327,610,000 and $332,320,000, respectively.

(14) Capital Lease

The Airport System entered into a capital lease agreement for runway equipment with GE Capital Public Finance on July 1, 2003. The capital lease was paid off in 2006. Amortization of the capital lease is included in depreciation expense. The related net book value of the equipment as of December 31, 2005 was as follows:

Equipment	$	6,009,746
Less accumulated depreciation		(3,240,972)
Net book value	$	2,768,774

Changes in capital lease for the years ended December 31, 2006 and 2005 were as follows:

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
Capital lease	$ 1,061,885	$ —	$ (1,061,885)	$ —
Less current				—
Noncurrent portion				$ —

	Balance January 1, 2005	Additions	Retirements	Balance December 31, 2005
Capital lease	$ 3,114,679	$ —	$ (2,052,794)	$ 1,061,885
Less current				(1,061,885)
Noncurrent portion				$ —

(15) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2006 and 2005 are as follows:

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
Compensated Absences payable	$ 6,522,074	$ 1,002,609	$ (829,039)	$ 6,695,644
Less current				(1,577,340)
Noncurrent portion				$ 5,118,304

	Balance January 1, 2005	Additions	Retirements	Balance December 31, 2005
Compensated Absences payable	$ 6,358,521	$ 701,537	$ (537,984)	$ 6,522,074
Less current				(1,165,067)
Noncurrent portion				$ 5,357,007

(16) Pension Plan

Plan Description

Employees of the Airport System, as well as substantially all of the general employees of the City, are covered under the Denver Employees Retirement Plan (DERP). The following is a brief description of the retirement plan. Plan participants should refer to the appropriate source documents or publicly available financial reports for more complete information.

The DERP is a cost sharing multiple-employer, defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. The DERP is administered by the DERP Board of Trustees in accordance with sections 18.401 through 18.433.4 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vest the authority for the benefit and contribution provision with the City Council. The DERP Board of Trustees acts as the trustee of the plan's assets. As of January 1, 2006, the date of the last actuarial valuation, the plan was underfunded; however, there is no net pension obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the plan. The Retirement Board monitors the plan continually to ensure an appropriate level of funding.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report is available by contacting:

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Pension Plan's Funding Policy and Annual Pension Cost

For DERP, The City contributes 8.50% of covered payroll and employees make a pre –tax contribution of 2.50% in accordance with Section 18-407 of the revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2006, 2005 and 2004 were $36,036,000, $35,036,000 and $33,108,000, respectively, which equaled the required contributions each year.

The City's annual pension cost for the current year and related information for the plan is as follows (dollar amounts expressed in thousands):

Actuarially determined	DERP	DERP health benefits
Contribution rates (as a percentage of covered payroll):		
Employer	8.31%	0.82%
Plan members	2.48%	0.25%
Annual pension cost	$53,428	$5,292
Total contributions made	$49,245	$5,264
Actuarial valuation date	1-1-06	1-1-06
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open basis	Level dollar, open basis
Remaining amortization period	28 years	28 years
Asset valuation method	5-year smoothed mkt.	5-year smoothed mkt.
Actuarial assumptions:		
Investment rate of return*	8.0%	8.0%
Projected salary increases*	3.0-7.7%	3.0-7.7%
*Includes inflation at	3.0%	0.0%
Cost of living adjustments	None	None
Health insurance benefit inflation	—	—

Three-year trend information (dollar amounts expressed in thousands):

	Year beginning 1-Jan		Annual pension cost (APC)	Percentage of APC contributed		Net pension obligation
DERP Pension Benefits	2004	$	51,480	86.6	%	—
	2005		48,734	99.7		—
	2006		53,428	92.2		
DERP Health Benefits	2004		4,072	96.5		—
	2005		4,723	96.7		—
	2006		5,292	99.5		

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Projected Unit Credit (b)	Underfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll (b-a)/(c)
DERP-Pension Benefits						
1/1/04	$ 1,572,938,437	$ 1,604,530,172	$ 31,591,735	98.0%	$ 501,966,050	6.3%
1/1/05	1,651,090,641	1,665,540,822	14,450,181	99.1%	495,003,210	3.0%
1/1/06	1,735,208,838	1,782,504,943	47,296,105	97.3%	495,285,185	9.5%
DERP-Health Benefits						
1/1/04	87,110,400	105,478,904	18,368,504	82.6%	501,966,050	3.7%
1/1/05	88,527,589	116,567,764	28,040,175	75.9%	485,003,210	5.8%
1/1/06	90,227,891	123,775,074	33,547,183	72.9%	495,285,185	6.8%

(17) Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

(18) Commitments and Contingencies

(a) Commitments

At December 31, 2006, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$ 124,489,128
Construction projects to be funded by bonded debt	208,771,710
Projects related to remediation – Stapleton	11,672,406
Total commitments	$ 344,933,244

(b) *Noise Litigation*

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

As of December 31, 2006, the Airport System accrued $.5 million in the accompanying financial statements for noise violations and penalties.

(c) *Claims and Litigation*

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

(d) *Denver International Assets under Operating Leases*

The Airport leases portions of its buildings and improvements to airline and concession tenants under noncancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2006 and 2005 was $61,479,426 and $53,393,400, respectively.

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

2007	$ 45,635,800
2008	42,615,500
2009	41,786,300
2010	40,905,500
2011	38,868,900
2012-2016	80,636,200
2017-2021	52,600
Total minimum future rentals	$ 290,500,800

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds $20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2006 or 2005. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(e) Federal grants

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

(19) Insurance

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

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

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

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

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

(20) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airline's landing and facility rental fees (airline operating revenue). For the years ended December 31, 2006 and 2005, United Airlines represented approximately 59% and 59%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 13% and 12% of the Airport System's airline operating revenue. No other airline represented more than 10% of the Airport System's airline operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

(21) United Airlines

The dominant air carrier at Denver International Airport is United Airlines, one of the world's largest airlines. The Airport currently is the second largest connecting hub in United's route system, both in terms of passengers and flight operations. Pursuant to the United Use and Lease Agreement, United currently leases 43 of the 95 full-service gates at the Airport. In addition, United together with its United Express commuter affiliates, accounted for 56.4% and 56.4% of enplaned passengers at the Airport in 2006 and 2005.

In May 2005, the Airport System and United reached an agreement in principle for United to permanently release two Concourse A gates that had been temporarily released by United under the Stipulated Order. In exchange, the Airport System allocated $10.0 million in surplus PFC revenues or other available funds to reduce the Debt Service Requirements on United's automated baggage system.

In the 2005-2 Amendment to the United Use and Lease Agreement, the Airport System agreed to a reduction in United's rates and charges associated with the automated baggage system of $4.9 million in 2006, $8.5 million in 2007 and $11.0 million in 2008 through 2025, the last year of the term of the United Use and Lease Agreement in exchange for United's agreement to grow the Denver hub. This agreed reduction will be achieved by defeasing outstanding debt with available $1.50 PFCs.

In the 2006 Amendment, the Airport System agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10.0 million per year, using available Capital Fund moneys and other legally available Airport funds. The Airport System also agreed to improve the existing commuter facilities on the east end of Concourse B in order to accommodate larger regional jet aircraft and provide new enhanced passenger amenities. These improvements, referred to herein as the Concourse B Commuter Facility Project, are estimated to cost approximately $41.5 million. The Concourse B Commuter Facility Project was completed April 23, 2007.

Under the 2006 Amendment, United will gradually relinquish its six leased gates on Concourse A. The Airport System expects that Frontier or other airlines will lease, or use on a nonpreferential basis, the gates relinquished by United as they become available. United relinquished one of the Concourse A gates on July 1, 2006, and has relinquished a second Concourse A gate on November 30, 2006 and the remaining four Concourse A gates upon completion of the Concourse B Commuter Facility Project.

United emerged from bankruptcy in February 2006.

(22) Subsequent Events

The Airport System is seeking proposals from qualified participants to own, manage, finance and/or build a 500 room, four star, four diamond hotel to be connected to Jeppesen Terminal.

In April of 2007, the Airport drew on the Airport System Subordinate Commercial Paper 2006A notes with an outstanding principal of $30 million.

The Airport is assisting United in refinancing its Special Facility bond obligations in the amount of $270,000,000.

Delta Airlines emerged from Chapter 11 bankruptcy on April 30, 2007.

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CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Schedule of Compliance with Rate Maintenance Covenant
as Defined in the 1984 Airport System General Bond Ordinance
Airport Revenue Account (Unaudited)

Year ended December 31, 2006

Gross revenue:		
Facility rentals	$	237,394,015
Concession income		34,304,468
Parking income		110,534,937
Car rental income		41,641,365
Landing fees		92,389,849
Aviation fuel tax		12,714,401
Other sales and charges		11,871,715
Interest income		42,519,679
Miscellaneous income		1,242,752
Gross revenues as defined in the ordinance		584,613,181
Operation and maintenance expenses:		
Personnel services		97,592,363
Contractual services		139,652,041
Maintenance, supplies and materials		18,879,094
Miscellaneous expense		1,500,000
Operation and maintenance expenses as defined in the ordinance		257,623,498
Net revenue		326,989,683
Other available funds		49,787,669
Net revenue plus other available funds as defined in the ordinance	$	376,777,352
Debt service requirements as defined in the ordinance (1)	$	215,989,302
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)		174%

(1) Net of irrevocably committed Passenger Facility Charges of $74,702,000 applied under Supplemental Bond Ordinance.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Schedule of Required Deposits to the Bond Account,
Bond Reserve Account, and the Operation and Maintenance
Reserve Account as Defined in the 1984
Airport System General Bond Ordinance (Unaudited)

Year ended December 31, 2006

(1) Bond Account

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

(a) Interest Account

Required deposit monthly to the Bond Interest Account, commencing on the first day of the month immediately succeeding the issuance of any bonds, an amount which if made in substantially equal installments thereafter would be sufficient to pay the next maturing installment of interest on such series of bonds.

Bond series	Interest payment date	Balance interest due	Required interest account balance at December 31, 2006
Series 1991A	05/15/07	$ 1,315,650	$ 219,275
Series 1991D	05/15/07	3,975,750	662,625
Series 1992F-G	01/01/07	152,918	152,918
Series 1995C	05/15/07	345,313	57,552
Series 1997E	05/15/07	11,168,913	1,861,485
Series 1998A	05/15/07	5,166,625	861,104
Series 1998B	05/15/07	2,584,875	430,813
Series 2000A	05/15/07	7,832,099	1,305,350
Series 2000B	01/01/07	656,603	656,603
Series 2000C	01/01/07	324,822	324,822
Series 2001A	05/15/07	7,778,416	1,296,403
Series 2001B	05/15/07	456,563	76,094
Series 2001D	05/15/07	1,566,113	261,019
Series 2002A1-A3	01/01/07	982,276	982,276
Series 2002C	01/01/07	140,325	140,325
Series 2002E	05/15/07	4,705,688	784,281
Series 2003A	05/15/07	4,049,125	674,854
Series 2003B	05/15/07	3,279,525	546,588
Series 2004A	01/01/07	236,729	236,729
Series 2004B	01/01/07	238,074	238,074
Series 2005A	05/15/07	5,690,975	948,496
Series 2005B1-B2	01/01/07	250,349	250,349
Series 2005C1-C2	01/01/07	255,105	255,105
Series 2006A	05/15/07	6,920,350	1,153,392
Series 2006B	05/15/07	4,250,125	708,354
			$ 15,084,886

(b) *Principal Account*

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

Bond series	Principal payment date	Balance principal due	Required principal account balance at December 31, 2006
Series 1991A	11/15/07	$ 8,780,000	$ 731,667
Series 1991D	11/15/07	13,260,000	1,105,000
Series 1992 F, G	11/15/07	1,300,000	108,333
Series 2000A	11/15/07	12,520,000	1,043,333
Series 2001A	11/15/07	17,370,000	1,447,500
Series 2001D	11/15/07	2,905,000	242,083
Series 2002A1-A3	11/15/07	6,350,000	529,167
Series 2002C	11/15/07	1,300,000	108,333
Series 2002E	11/15/07	16,650,000	1,387,500
Series 2004A	11/15/07	1,300,000	108,333
Series 2004B	11/15/07	1,300,000	108,333
Series 2005B1-B2	11/15/07	3,525,000	293,750
Series 2005C1-C2	11/15/07	2,800,000	233,333
Series 2006B	11/15/07	17,725,000	1,477,083
Total principal account requirement			$ 8,923,748

(c) *Sinking Account*

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

(d) Redemption Account

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

As of December 31, 2006, the redemption account had a balance of $17.1 million for the sixth runway and baggage system.

(e) Bond Account Summary

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

Aggregate required Bond Account balance	$	24,008,634
Bond Account balance at December 31, 2006		24,008,634
Underfunded	$	—

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2006 is $325,070,055. The minimum Bond Reserve Account requirement is $325,070,055.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The Airport System is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2007.

(Continued)

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Schedule of Required Deposits to the Bond Account,
Bond Reserve Account, and the Operation and Maintenance
Reserve Account as Defined in the 1984
Airport System General Bond Ordinance (Unaudited)

Year ended December 31, 2006

Computation of minimum operation and maintenance reserve:

2005 Operation and maintenance expenses	$	231,128,857
Minimum operations and maintenance reserve requirement for 2005		38,521,476
Operation and maintenance reserve account balance at December 31, 2006 (1)		59,733,489
Overfunded	$	21,212,013

(1) Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to three times the prior year's monthly average. The City is in the process of increasing the reserve.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Summary of Insurance Coverage (Unaudited)

December 31, 2006

Policy number	Company	Item covered	Expiration date	Annual premium	Coverage
ESP2000-274	Quanta Speciality Lines	Pollution and remediation legal liability	12/23/07	$ 246,465(1)	$ 10,000,000
XSR 310244	Clarendon American	Excess auto	01/01/07	107,896	1,000,000
FL 254	FM Global	Property/boiler and machinery	01/01/07	2,478,342	1,000,000,000
L9900439	Lloyds of London	Excess liability	01/01/07	381,429	450,000,000
AAPN 00981771003	ACE Property and Casualty	Primary liability	01/01/07	572,398	50,000,000
Multi-participation	ACE American/AXA Art Ins./Lloyds Underwriters ACE American/AXA Art	Fine Arts	01/01/07	173,100/8,655(2)	250,000,000

(1) This is a three year prepaid amount. The policy term is 12/23/04 to 12/23/07.
(2) This is a multi-participation policy with coverage shared by DIA.

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APPENDIX C

GLOSSARY OF TERMS

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

"*AGTS*" means automated guideway transit system.

"*AIP*" means the Federal Aviation Administration's Airport Improvement Program.

"*Additional Parity Bonds*" means additional Bonds which the City issues under the Senior Bond Ordinance on a parity with the Series 2007G1-G2 Bonds.

"*Airport*" means Denver International Airport.

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

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

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

"*Auction Rate Conversion Date*" means each day on which any Series 2007G1-G2 Bonds bear interest at an Auction Rate which is immediately preceded by a day on which such Series 2007G1-G2 Bonds did not bear interest at an Auction Rate.

"*Auction Rate Period*" means the period during which any Series 2007G1-G2 Bonds bear interest at an Auction Rate.

"*Bank*" means Morgan Stanley Bank, being the Liquidity Facility Provider with respect to the Standby Bond Purchase Agreement.

"*Bank Bondowner*" means the Liquidity Facility Provider in its capacity as owner of Bank Bonds pursuant to the Liquidity Facility and any Assignee or other Person (as such terms are defined in the Liquidity Facility) to whom the Liquidity Facility Provider has sold Bank Bonds pursuant to the Liquidity Facility.

"*Bank Bonds*" means Series 2007G1-G2 Bonds purchased by the related Liquidity Facility Provider under the related Liquidity Facility until such Series 2007G1-G2 Bonds cease to bear interest at the Bank Rate (as such term is defined in the Liquidity Facility) pursuant to the Liquidity Facility or ceases to be Outstanding upon the redemption, repayment or other payment thereof pursuant to the Liquidity Facility or otherwise.

"*Bank Rate*" means, with respect to any Bank Bond, the lesser of (i) the maximum rate at which interest on such Bank Bond is computed under the Liquidity Facility, or (ii) the maximum rate allowed by law.

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

"*Bond Insurance Policy*" means a municipal bond insurance policy that guarantees payment of principal of and interest on a Subseries of the Series 2007G1-G2 Bonds, and initially means the Financial Guaranty Insurance Policy to be issued by Assured Guaranty Corp. with respect to all the Series 2007G1-G2 Bonds.

"*Bond Insurer*" means any entity providing a Bond Insurance Policy, which initially will be Assured Guaranty Corp., and any successor and assign thereof.

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

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

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

"*Business Day"* means any day other than (i) a Saturday or Sunday, or (ii) a day of which the New York Stock Exchange is closed, or (iii) a day on which banking institutions in Denver, Colorado, New York, New York or in any other city in which the principal corporate trust office of the Paying Agent or the principal office of the Remarketing Agent or, if a Liquidity Facility is in effect, the principal office of the Liquidity Facility Provider is located, are required or authorized by law (including executive order) to close, or (iv) a day of which the principal corporate trust office of the Paying Agent or the principal office of the Remarketing Agent or, if a Liquidity Facility is in effect, the principal office of the Liquidity Facility Provider, is closed for reasons not related to financial reasons.

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

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

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

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

"*City*" means the City and County of Denver, Colorado.

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

"*City Council*" means the City Council of the City.

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

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

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

"*Consent Agent*" means American National Bank (formerly The Bank of Cherry Creek, a Branch of Western National Bank) and any successor and assign thereof.

"*Conversion Date*" means, as the context requires, the date on which the interest on any Series 2007G1-G2 Bonds is converted to a Flexible Rate, a Weekly Rate, a Semiannual Rate, a Term Rate, a Fixed Rate or an Auction Rate.

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

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

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

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

"*Debt Service Requirements*" for any period means the sum of: (i) the amount required to pay the interest on any Bonds during such period; (ii) the amount required to pay the principal, Redemption Price or Purchase Price of any Bonds during such period, whether at stated or theretofore extended maturity, upon mandatory redemption, upon the exercise of any option to redeem or require tender of such Bonds if the City has irrevocably committed itself to exercise such option, or by reason of any other circumstance which will, with certainty, occur during such period; and (iii) the amount of any Credit Facility Obligations required to be paid and any Regularly Scheduled Hedge Payments to be made by the City with respect to any Hedge Facility secured under the Senior Bond Ordinance during such period, in each case computed as follows: (a) no payments required for any Option Bonds, other Bonds, or Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, shall be included in any computation of Debt Service Requirements prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments shall be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; (b) except for any historical period for which the actual rate or rates are determinable and except as otherwise provided herein, Variable Rate Bonds, and Obligations which bear interest at a variable rate, shall be deemed to bear interest at a fixed annual rate equal to the prevailing rate of such Variable Rate Bonds or Obligations on the date of computation; provided that in any computation (i) of Minimum Bond Reserve; (ii) relating to the issuance of additional Bonds required by the Senior Bond Ordinance; or (iii) required by the rate maintenance covenant of the Senior Bond Ordinance, Variable Rate Bonds shall be deemed to bear interest at a fixed annual rate equal to (y) the average of the daily rates of such Bonds during the 365 consecutive days (or any lesser period such Bonds have been Outstanding) next preceding the date of computation; or (z) with respect to any Variable Rate Bonds which are being issued on the date of computation, the initial rate of such Bonds upon issuance; (c) further, in any computation relating to the issuance of additional Bonds required by the Senior Bond Ordinance and any computation required by the rate maintenance covenant in the Senior Bond Ordinance, there shall be excluded from the computation of Debt Service Requirements amounts which are irrevocably committed to make the payments described in clauses (i), (ii), and (iii) above during such period, including without limitation any amounts in an Escrow Account and any proceeds of Bonds deposited to the credit of the Capitalized Interest Account; and (d) any Variable Rate Bonds with respect to which there exists a Hedge Facility that obligates the City to pay a fixed interest rate shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Hedge Facility for the full term of such Hedge Facility. In the case of any Bonds that bear interest at a fixed rate and with respect to which there exists a Hedge Facility that obligates the City to pay a floating interest rate the Debt Service Requirement shall be deemed for the full term of the Hedge Facility to include the interest payable on such Bonds, less the fixed amounts received by the City under the Hedge Facility, plus the amount of the floating payments (using the conventions described in (b) above) to be made by the City under the Hedge Facility.

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

"*DTC*" means The Depository Trust Company, New York, New York, which will be the registered owner of all the Series 2007G1-G2 Bonds.

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

"*Escrow Agreement*" means the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 1997E Escrow Agreement," by and between the City and the Escrow Bank.

"*Escrow Bank*" means Zions First National Bank, Denver, Colorado, and any successor and assign thereof.

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

"*Favorable Opinion of Bond Counsel*" means an opinion of an attorney or firm of attorneys, selected by the City, whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, to the effect that the action proposed to be taken is authorized or permitted by the laws of the State, the General Bond Ordinance and the Series 2007G1-G2 Supplemental Ordinance and will not adversely affect the exclusion of interest on the Series 2007G1-G2 Bonds from gross income for federal income tax purposes.

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

"*First PFC Application*" means the City's 1992 PFC Application as amended by the FAA in October 2000.

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

"*Fitch*" means Fitch, Inc. and its successors.

"*Fixed Rate*" means the rate of interest borne by any Series 2007G1-G2 Bonds from and including the Fixed Rate Conversion Date to the maturity date thereof, which rate may be different for Series 2007G1-G2 Bonds of different maturities.

"*Fixed Rate Conversion Date*" means the date on which the interest rate on any Series 2007G1-G2 Bonds is converted to a Fixed Rate.

"*Fixed Rate Period*" means the period during which the Series 2007G1-G2 Bonds bear interest at a Fixed Rate.

"*Flexible Rate*" means, when used with respect to any Series 2007G1-G2 Bond, the interest rate determined for each Flexible Rate Period applicable to such Series 2007G1-G2 Bond.

"*Flexible Rate Conversion Date*" means each day on which the interest rate on any Series 2007G1-G2 Bonds is converted to a Flexible Rate.

"*Flexible Rate Period*" means the period during which the Series 2007G1-G2 Bonds bear interest at a Flexible Rate.

"*General Bond Ordinance*" means the General Bond Ordinance approved by the City Council on November 29, 1984, as amended and supplemented prior to the adoption of the Series 2007G1-G2 Supplemental Ordinance.

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

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

"*Hedge Facility Obligations*" means payment obligations of the City in respect of Hedge Facilities, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under the Senior Bond Ordinance; but only if such obligations have a lien on the Net Revenues of the Airport System on the same priority as the lien thereon of Bonds; provided that Hedge Termination Payments to be made by the City shall not be secured under the Senior Bond Ordinance on a parity with the Bonds.

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

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

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

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

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

"*Interest Payment Date*" means (i) when used with respect to any Series 2007G1-G2 Bonds bearing interest at the Weekly Rate, the first Business Day of each calendar month following a month in which interest at such rate has accrued; (ii) when used with respect to any Series 2007G1-G2 Bonds bearing interest at a Semiannual Rate, a Term Rate or Fixed Rates, the date designated as the first Interest Payment Date pursuant to the Series 2007G1-G2 Supplemental Ordinance and the 15th day of each May and November thereafter; (iii) when used with respect to any Series 2007G1-G2 Bonds bearing interest at Flexible Rates, the Business Day next following the last day of each Flexible Rate Period applicable thereto; (iv) when used with respect to any Bank Bonds, the dates specified in the Liquidity Facility; (v) when used with respect to any Series 2007G1-G2 Bonds bearing interest at an Auction Rate, the date defined as the "Interest Payment Date" in Exhibit B to the Series 2007G1-G2 Supplemental Ordinance; and (vi) (except with respect to any Series 2007G1-G2 Bonds bearing interest in a Flexible Rate or an Auction Rate) in no event shall more than one Interest Payment Date for the Series 2007G1-G2 Bonds occur in any one calendar month (and the City may not undertake any modification of any interest mode applicable to the Series 2007G1-G2 Bonds which might cause such to result).

"*Interest Period*" means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

"*Interest Rate*" means a Flexible Rate, Weekly Rate, Semiannual Rate, Term Rate, Fixed Rate or Auction Rate.

"*Investment Securities*" means, to the extent the following are permitted investments under the City's investment policy, as such investment policy may be amended from time to time: (a) Federal Securities; and (b) if the laws applicable to the City permit any of the following investments to be made at the time such investment is made, any of the following: (i) Certificates or any other evidences of an ownership interest in Federal Securities or the interest thereon; (ii) interest bearing bank time deposits evidenced by certificates of deposit issued by banks incorporated under the laws of any state (including the State) or the Federal Government, or any national banking association that is a member of the Federal Deposit Insurance Corporation, and interest bearing savings and loan association time deposits evidenced by certificates of deposit issued by savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation, if (1) such deposits are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (2) the shareholders' equity (*e.g.*, capital stock, surplus, and undivided profits), however denominated, of such bank or savings and loan association is at least equal to $10,000,000.00, or (3) such deposits are secured by Federal Securities, by obligations described in subparagraphs (b)(i) or (b)(iii) of this definition, or by tax-exempt, unlimited general obligation bonds of a state or municipal government rated "A" (or its equivalent) or better by one or more nationally recognized rating agencies, having at all times a market value in the aggregate (exclusive of accrued interest) at least equal to the amount of such deposits so secured, including accrued interest (or by any combination thereof); (iii) bonds, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks; the Export-Import Bank of the United States; Federal Land Banks; the Federal National Mortgage Association; the Tennessee Valley Authority; the Government National Mortgage Association; the Federal Financing Bank; the Farmers Home Administration; the Federal Home Loan Bank; or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (iv) repurchase agreements with banks described in subparagraph (b)(ii) of this definition and government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by depositing Federal Securities or obligations described in subparagraphs (b)(i) or (b)(iii) of this definition with an escrow agent satisfactory to the City, including, without limitation, any Federal Reserve Bank or any branch thereof; (v) banker's acceptances that are rated at the time of purchase in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and that mature not more than 180 days after the date of purchase; (vi) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under a contract with the Federal Government; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the Federal Government; (vii) obligations issued by the City which are rated "A" (or its equivalent) or better by one or more nationally recognized rating agencies, but excluding any Bonds or Subordinate Bonds; (viii) commercial paper that is rated at the time of purchase in the highest short-term rating category of, or is otherwise approved by, the Rating Agencies and that matures not more than 270 days after the date of purchase; (ix) investments in (1) money market funds which are rated, at the time of purchase, in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and (2) public sector investment pools operated pursuant to Rule 2a-7 promulgated by the Securities and Exchange Commission in which the issuer's deposit must not exceed 5% of the aggregate pool balance at any time, if the pool is rated, at the time of purchase, in one of the two highest short-term rating categories by, or is otherwise approved by, the Rating Agencies; (x) any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and either: (A) that are rated, on the date of purchase, based on the irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category by, or are otherwise approved by, the Rating Agencies; or (B) as to which the following apply: (1) such bonds or other obligations are fully secured as to principal, interest and any redemption premium by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of the principal, interest and any redemption premium on those bonds or other obligations on their maturity date or dates or the specified redemption date or dates in accordance with those irrevocable instructions, as appropriate; and (2) the escrow is sufficient, as verified by an independent certified public accountant, to pay principal, interest and any redemption premium on the bonds or other obligations described in this paragraph (x) on the maturity date or dates or the specified redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; (xi) obligations issued by any state of the United States of America or any agency, instrumentality or local government unit of such state, and which obligations have on the date of purchase a rating in one of the two highest rating categories of, or are otherwise approved by, the Rating Agencies, without regard to any numerical or positive or negative designation; (xii) Investment Agreements with: (A) a Broker/Dealer (or its parent) either (1) having uninsured, unsecured and unguaranteed debt rated, at the time of investment, investment grade by, or is otherwise approved by, the Rating Agencies (in which case the agreement must provide that, if the provider is downgraded below investment grade by at least two of the Rating Agencies, the City may terminate the agreement) or (2) providing an investment agreement which is fully secured by Federal Securities which are (a) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (b) held by any Federal Reserve Bank or a depository acceptable to the City, (c) subject to a perfected first lien on behalf of owners of the Bonds, and (d) free and clear from all third-party liens; (B) a bank having long-term uninsured, unsecured and unguaranteed debt rated, at the time of investment, in one of the two highest rating categories by, or is otherwise approved by, the Rating Agencies (the agreement must provide that, if the bank is downgraded below "A-" (or its equivalent) by at least two Rating Agencies, the City may terminate the agreement); (C) an insurance company having an uninsured, unsecured, and unguaranteed claims paying ability rated, at the time of investment, in the highest rating category by, or otherwise approved by, the Rating Agencies (the agreement must provide that, if the insurance company is downgraded below the highest rating category by at least two Rating Agencies, the City may terminate the agreement); and (D) a corporation whose principal business is to enter into investment agreements, if that corporation has been assigned, at the time of investment, a counterparty rating in the highest rating category by, or is otherwise approved by, the Rating Agencies, or the Rating Agencies have, at the time of the investment, rated the investment agreements of such corporation in the highest rating category or have otherwise approved such investment (the agreement must provide that, if either the corporation's counterparty rating or that corporation's investment agreements rating is downgraded by at least two of the Rating Agencies, the City may terminate the agreement); and (xiii) such other investments as the Treasurer may be authorized to make with the general funds of the City.

"*Liquidity Facility*" means the Standby Bond Purchase Agreement and any Substitute Liquidity Facility for a Subseries of the Series 2007G1-G2 Bonds.

"*Liquidity Facility Obligations*" means reimbursement or other obligations incurred by the City pursuant to a Liquidity Facility (other than the principal and interest payable on Bank Bonds under such Liquidity Facility), which obligations are deemed to constitute Obligations for purposes of the General Bond Ordinance.

"*Liquidity Facility Provider*" means any entity providing a Liquidity Facility for a Subseries of the Series 2007G1-G2 Bonds, which initially will be the Bank, or any successor or assign thereof for both

Subseries, and thereafter means the Liquidity Facility Provider then obligated under any Substitute Liquidity Facility at the time in effect.

"*Liquidity Facility Substitution Date*" means the day on which a Substitute Liquidity Facility becomes effective.

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

"*Maximum Rate*" means, in the case of a Subseries of the Series 2007G1-G2 Bonds, the lower of (i) the maximum rate at which the interest on such Series 2007G1-G2 Bonds secured by a Liquidity Facility is computed for purposes of determining the interest component under such Liquidity Facility, which rate is 12% per annum, and (ii) the maximum rate allowed by law.

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

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

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

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

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

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

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

"*Obligations*" means Credit Facility Obligations and Hedge Facility Obligations.

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

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

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

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

"*Ordinance*" or "*Senior Bond Ordinance*" means the General Bond Ordinance of the City approved on November 29, 1984, Ordinance No. 626, Series of 1984, as supplemented and amended by the 1984 Airport System Supplemental Bond Ordinance, Ordinance No. 627, Series of 1984; the Series 1985 Airport System Supplemental Bond Ordinance, Ordinance No. 674, Series of 1985; the Series 1990A Airport System Supplemental Bond Ordinance, Ordinance No. 268, Series of 1990; the

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

"*Other Available Funds*" means for any Fiscal Year the amount determined appropriate by the Manager to be transferred from the Capital Fund to the Revenue Fund; but in no event shall such amount exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year.

"*Outstanding*" when used with reference to any Bonds and as of any particular date means all such Bonds in any manner theretofore or thereupon issued, except: (a) any Bonds canceled or paid by or on behalf of the City on or before such date; (b) any Bonds which are deemed to be paid pursuant to the Senior Bond Ordinance or for which sufficient moneys are held in trust pursuant to the Senior Bond Ordinance; (c) any Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered; and (d) except any Bonds held as Bank Bonds any Option Bonds deemed tendered or purchased as provided by Supplemental Ordinance. In determining whether the owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver, Bonds owned by the City shall be disregarded and deemed not to be Outstanding.

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

"*Paying Agent*" means any entity providing paying agency services for a Subseries of the Series 2007G1-G2 Bonds, initially being Zions First National Bank, Denver, Colorado, and any successor or assign thereof for each Subseries.

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

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

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

"*PFC Supplemental Ordinance*" means the Supplemental Ordinance which provides for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund.

"*Pledged Revenues*" means all or a portion of the Gross Revenues. The designated term indicates a source of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification.

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

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

"*Proposed Amendments*" means the proposed amendments to the Senior Bond Ordinance as set forth in "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

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

"*Purchase Price Payments*" means the payments to be made to pay the Purchase Price of Series 2007G1-G2 Bonds.

"*Rate Period*" means each period during which a particular type of Interest Rate, or, in the case of any Term Rate, for a particular Term Rate Period, determined for the Series 2007G1-G2 Bonds is to remain in effect.

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

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

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

"*Redemption Price*" means, when used with respect to a current interest Bond, the principal amount thereof, plus the applicable premium, if any, payable on a Redemption Date, or when used with respect to a Capital Appreciation Bond, the accreted value, plus the applicable premium, if any, payable on a Redemption Date.

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

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

"*Registrar*" means, when used with respect to the Series 2007G1-G2 Bonds, Zions First National Bank, Denver, Colorado, and any successors and assigns thereof.

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

"*Remarketing Agent*" means any remarketing agent appointed pursuant to the Series 2007G1-G2 Supplemental Ordinance to remarket a Subseries of the Series 2007G1-G2 Bonds, and initially means Bear, Stearns & Co. Inc., as Remarketing Agent for the Subseries 2007G1 Bonds, and UBS Securities LLC, as Remarketing Agent for the Subseries 2007G2 Bonds.

"*Remarketing Agreement*" means an agreement entered into between a remarketing agent and the City relating to the remarketing of a Subseries of the Series 2007G1-G2 Bonds, and initially means the separate Remarketing Agreements entered into between the initial Remarketing Agents and the City relating to the remarketing of the Series 2007G1-G2 Bonds.

"*Report of the Airport Consultant*" means the report of the Airport Consultant entitled "Report of the Airport Consultant on the proposed issuance of City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2007," prepared for the City by Jacobs Consultancy Inc., which is attached to this Official Statement as "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

"*Regular Record Date*" means, with respect to a particular series of Bonds, the record date for determining Bond ownership for the purpose of paying interest as it becomes due, as such date is provided by Supplemental Ordinance.

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

"*S&P*" means Standard & Poor's Ratings Service, Inc. and its successors.

"*Second PFC Application*" means the City's PFC application which was approved by the FAA in January 2001.

"*Securities Depository*" means DTC, designated as the depository for the Series 2007G1-G2 Bonds, and includes any nominee or successor thereof.

"*Semiannual Rate*" means the interest rate to be determined for any Series 2007G1-G2 Bonds with respect to a Semiannual Period.

"*Semiannual Rate Conversion Date*" means each day on which any Series 2007G1-G2 Bonds bear interest at a Semiannual Rate which is immediately preceded by a day on which such Series 2007G1-G2 Bonds did not bear interest at a Semiannual Rate.

"*Semiannual Rate Period*" means each period during which any Series 2007G1-G2 Bonds bear interest at a particular Semiannual Rate.

"*Senior Bond Ordinance*" means the General Bond Ordinance, as amended and supplemented by the Series 2007G1-G2 Supplemental Ordinance and any Supplemental Ordinance that may be adopted by the City Council after the adoption of the Series 2007G1-G2 Supplemental Ordinance.

"*Serial Bonds*" means any Bonds other than Term Bonds.

"*Series 1991A Bonds*" means the Airport System Revenue Bonds, Series 1991A, issued on April 25, 1991, in the original aggregate principal amount of $500,003,523.35.

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

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

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

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

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

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

"*Series 1997E Bonds Escrow Account*" means the special and separate Escrow Account designated as the "City and County of Denver, Colorado, for and on behalf of the Department of Aviation, Airport System Revenue Bonds, Series 1997E Escrow Account" created by the Series 2007F1-F4 Supplemental Ordinance and the Series 2007G1-G2 Supplemental Ordinance.

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

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

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

"*Series 2000B Bonds*" means the Airport System Revenue Refunding Bonds, Series 2000B, issued on August 24, 2000, as variable rate bonds, and additionally secured by a liquidity facility and municipal bond insurance, in the original aggregate principal amount of $200,000,000.

"*Series 2000C Bonds*" means the Airport System Revenue Refunding Bonds, Series 2000C, issued on August 24, 2000, as variable rate bonds, and additionally secured by a liquidity facility and municipal bond insurance, in the original aggregate principal amount of $100,000,000.

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

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

"*Series 2001D Bonds*" means the Airport System Revenue Refunding Bonds, Series 2002D, issued on August 6, 2001, and additionally secured by municipal bond insurance, in the original aggregate principal amount of $70,540,000.

"*Series 2002A1-A3 Bonds*" means the Airport System Revenue Refunding Bonds, Series 2002A1-A3, issued on September 12, 2002, in three subseries as auction rate bonds and additionally secured by municipal bond insurance, in the original aggregate principal amount of $300,000,000.

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

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

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

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

"*Series 2004A Bonds*" means the Airport System Revenue Bonds, Series 2004A, issued on October 21, 2004, as variable rate bonds and additionally secured both by a liquidity facility and municipal bond insurance, in the original aggregate principal amount of $75,000,000.

"*Series 2004B Bonds*" means the Airport System Revenue Bonds, Series 2004B, issued on October 21, 2004, as variable rate bonds and additionally secured both by a liquidity facility and municipal bond insurance, in the original aggregate principal amount of $75,000,000.

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

"*Series 2005B1-B2 Bonds*" means the Airport System Revenue Bonds, Series 2005B1-B2, issued on October 31, 2005, in two subseries as auction rate bonds and additionally secured by municipal bond insurance, in the original aggregate principal amount of $91,750,000.

"*Series 2005C1-C2 Bonds*" means the Airport System Revenue Bonds, Series 2005C1-C2, issued on October 31, 2005, in two subseries as variable rate bonds and additionally secured by municipal bond insurance, in the original aggregate principal amount of $87,700,000.

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

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

"*Series 2007 Bonds*" means the Series 2007A Bonds, the Series 2007B Bonds, the Series 2007C Bonds, the Series 2007D Bonds, the Series 2007D2 Bonds, the Series 2007E Bonds, the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds.

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

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

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

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

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

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

"*Series 2007F1-F4 Bonds*" means the Airport System Revenue Bonds, Series 2007F1-F4, to be issued on or about the date of issuance of the Series 2007G1-G2 Bonds as auction rate bonds and additionally secured by municipal bond insurance, in the original aggregate principal amount of $208,025,000, consisting of the Subseries 2007F1 Bonds, the Subseries 2007F2 Bonds, the Subseries 2007F3 Bonds and the Subseries 2007F4 Bonds.

"*Series 2007F1-F4 Supplemental Ordinance*" means the Series 2007F1-F4 Airport System Supplemental Bond Ordinance, as amended and supplemented from time to time by any other Supplemental Ordinance.

"*Series 2007G1-G2 Bonds*" means the Airport System Revenue Bonds, Series 2007G1-G2, consisting of the Subseries 2007G1 Bonds and the Subseries 2007G2 Bonds, offered pursuant to this Official Statement.

"*Series 2007G1-G2 Supplemental Ordinance*" means the Series 2007G1-G2 Airport System Supplemental Bond Ordinance, as amended and supplemented from time to time by any other Supplemental Ordinance.

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

"*Sinking Fund Requirements*" means for any period amounts required by the Senior Bond Ordinance or by Supplemental Ordinance to be credited to the Sinking Fund Account.

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

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

"*Standby Bond Purchase Agreement*" means the Standby Bond Purchase Agreement dated as of November 1, 2007, entered into among the City, for and on behalf of its Department of Aviation, the Paying Agent and the Bank with respect to both Subseries of the Series 2007G1-G2 Bonds, as it may be amended and supplemented.

"*Stapleton*" means Stapleton International Airport, which is part of the Airport System.

"*State*" means the State of Colorado.

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

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

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

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

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

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

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

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

"*Subseries*" means the Subseries 2007G1 Bonds or the Subseries 2007G2 Bonds.

"*Subseries 2007F1 Bonds*" means the subseries of the Series 2007F1-F4 Bonds designated as the "Airport System Revenue Bonds, Subseries 2007F1," in the original aggregate principal amount of $52,000,000.

"*Subseries 2007F2 Bonds*" means the subseries of the Series 2007F1-F4 Bonds designated as the "Airport System Revenue Bonds, Subseries 2007F2," in the original aggregate principal amount of $52,000,000.

"*Subseries 2007F3 Bonds*" means the subseries of the Series 2007F1-F4 Bonds designated as the "Airport System Revenue Bonds, Subseries 2007F3," in the original aggregate principal amount of $52,000,000.

"*Subseries 2007F4 Bonds*" means the subseries of the Series 2007F1-F4 Bonds designated as the "Airport System Revenue Bonds, Subseries 2007F4," in the original aggregate principal amount of $52,025,000.

"*Subseries 2007G1 Bonds*" means the subseries of the Series 2007G1-G2 Bonds designated as the "Airport System Revenue Bonds, Subseries 2007G1," in the original aggregate principal amount of $74,200,000, offered pursuant to this Official Statement.

"*Subseries 2007G2 Bonds*" means the subseries of the Series 2007G1-G2 Bonds designated as the "Airport System Revenue Bonds, Subseries 2007G2," in the original aggregate principal amount of $74,300,000, offered pursuant to this Official Statement.

"*Substitute Liquidity Facility*" means a Liquidity Facility provided by a Substitute Liquidity Facility Provider that replaces a Liquidity Facility then in effect.

"*Substitute Liquidity Facility Provider*" means one or more commercial banks, trust companies or financial institutions obligated under any Substitute Liquidity Facility.

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

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

"*Term Rate*" means the interest rate to be determined for Series 2007G1-G2 Bonds with respect to a Term Rate Period.

"*Term Rate Conversion Date*" means each day on which the Series 2007G1-G2 Bonds bear interest at a Term Rate which is immediately preceded by a day on which such Series 2007G1-G2 Bonds did not bear interest at a Term Rate or bore interest at a Term Rate for a Term Rate Period of a different duration.

"*Term Rate Period*" means each period during which any Series 2007G1-G2 Bonds bear interest at a particular Term Rate.

"*Treasurer*" or "*City Treasurer*" means the manager of the City's Department of Revenue, *ex-officio* Treasurer, or his or her designee, and his or her successor in functions, if any.

"*Twenty-first and Twenty-seventh Supplemental Ordinances*" means the Supplemental Ordinances which provide for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund. The procedures for the administration of PFCs set forth in the Twenty-first and Twenty-seventh Supplemental Ordinances are replaced and superceded to the extent provided in the PFC Supplemental Ordinance.

"*Underwriters*" means, with respect to the Series 2007G1-G2 Bonds, Bear, Stearns & Co. Inc. and UBS Securities LLC.

"*Variable Rate*" means, as the context requires, the Weekly Rate, the Semiannual Rate or the Term Rate applicable to any Series 2007G1-G2 Bonds.

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

"*Variable Rate Conversion Date*" means each day on which any Series 2007G1-G2 Bonds bear interest at a Variable Rate for a Variable Rate Period which is immediately preceded by a day on which such Series 2007G1-G2 Bonds did not bear interest at a Variable Rate in a like Variable Rate Period.

"*Variable Rate Period*" means each period during which any Series 2007G1-G2 Bonds bear interest at a Variable Rate.

"*Weekly Rate*" means the interest rate to be determined for Series 2007G1-G2 Bonds with respect to a Weekly Rate Period.

"*Weekly Rate Conversion Date*" means each day on which any Series 2007G1-G2 Bonds bear interest at a Weekly Rate which is immediately preceded by a day on which such Series 2007G1-G2 Bonds did not bear interest at a Weekly Rate.

"*Weekly Rate Period*" means the period during which the Series 2007G1-G2 Bonds bear interest at a Weekly Rate.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE

The following statements are summaries of certain provisions of the Senior Bond Ordinance, including, without limitation, the PFC Supplemental Ordinance, and are in addition and complementary to the summary found under "THE SERIES 2007G1-G2 BONDS."

Several of the provisions and defined terms used in this summary would be changed by the Proposed Amendments. See "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Description of the Bonds

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

The Supplemental Ordinances relating to the issuance of the Outstanding Senior Bonds and the Series 2007G1-G2 Bonds each provide that so long as Senior Bonds are registered in the name of the Securities Depository, all payments of the Debt Service Requirements or Redemption Price and all notices with respect to the Bonds are to be made and given in the manner provided in the letter of representation from the City to the Securities Depository.

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

Bonds which have been called for redemption are due and payable on the Redemption Date stated in the notice of redemption at the applicable Redemption Price, plus interest accrued to the Redemption Date; and upon presentation and surrender thereof, together with a written instrument of transfer duly executed by the owner or by his duly authorized attorney, such Bonds are to be paid. If on the Redemption Date sufficient moneys are held by or on behalf of the Paying Agent for the redemption of the called Bonds, and if notice of redemption has been duly published and mailed, then from and after the Redemption Date such Bonds will cease to bear interest and no longer will be considered Outstanding.

Additional Parity Bonds

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

(a) a certificate or opinion of an Independent Accountant, setting forth for the last audited Fiscal Year or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such series of additional Bonds, (i) the Net Revenues, together with any Other Available Funds, for such period and (ii) the aggregate Debt Service

Requirements for such period; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amount needed to make the required deposits to the credit of the several subaccounts in the Bond Fund and to the credit of the Bond Reserve Fund and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate Debt Service Requirements for such period;

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

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

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

Security

Subject only to the right of the City to pay Operation and Maintenance Expenses of the Airport System, the Gross Revenues and all moneys and securities paid or to be paid to, or held or to be held in, any fund or account under the Senior Bond Ordinance (except moneys and securities held in any Escrow Account and except as otherwise provided in the Senior Bond Ordinance) are irrevocably pledged to secure the payment of the Bond Requirements of the Bonds, Credit Facility Obligations and Hedge Facility Obligations. No preference, priority or distinction will exist between Bonds except as otherwise expressly provided in the Senior Bond Ordinance. The Bond Requirements of the Bonds are not to be considered or held to be general obligations of the City but are to constitute its special obligations. The City has not pledged its full faith and credit and taxing power for the payment of the Bond Requirements of the Bonds.

The payment of the Bond Requirements of any Bonds is not secured by an encumbrance, mortgage, or other pledge of property of the City, except the Net Revenues and other funds pledged for their payment.

The Airport System Fund

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

Application of Revenues

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

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

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

(c) with the same priority as the Principal Account, to the Sinking Fund Account of the Bond Fund, monthly, commencing on the first day of the twelfth calendar month prior to the date on which the City is required to pay any Term Bonds, one-twelfth of the amount necessary to pay the Redemption Price or principal of Outstanding Term Bonds, scheduled to be retired in any year by mandatory redemption, at fixed maturity, or otherwise, except to the extent any other moneys, including without limitation, moneys in any Escrow Account, are available therefor;

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

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

(f) to the Subordinate Bond Fund, from any moneys remaining in the Revenue Fund amounts which are required for the payment of any Subordinate Bonds, including any reasonable reserves therefor, as provided by any Supplemental Ordinance or other instrument;

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

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

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

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

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

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

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

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

PFC Fund

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

(a) First, to the PFC Debt Service Account in each Fiscal Year through 2013, inclusive, the lesser of (i) all Committed Passenger Facility Charges received in each such Fiscal Year, and (ii) that portion of Committed Passenger Facility Charges received in each such Fiscal Year which, together with other available amounts credited to the PFC Debt Service Account, will be sufficient to make the payments from the PFC Debt Service Account to the Bond Fund required in each such Fiscal Year, as set forth below; and

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

The following amounts, to the extent credited to the PFC Debt Service Account, will be irrevocably committed under the PFC Supplemental Ordinance to the payment of Debt Service Requirements on Senior Bonds in each Fiscal Year through 2013, inclusive:

2007	$107,930,000
2008	111,707,000
2009	115,617,000
2010	119,664,000
2011	123,852,000
2012	128,188,000
2013	132,673,000

If no payments to the PFC Debt Service Account are required, no Passenger Facility Charges are required to be deposited to the credit of the PFC Debt Service Account. Any amounts remaining in the PFC Debt Service Account on December 31, 2013, are to be credited to the PFC Project Account.

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

The PFC Supplemental Ordinance is applicable only to the Passenger Facility Charges, as defined therein.

Project Fund

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

Payments from the Project Fund can be made only after the Manager has certified that such payment will comply with Section 142 of the Tax Code and upon voucher drawn by the Manager and filed with the Auditor. For each Fiscal Year after the delivery of any Bonds, until the termination of each Improvement Project, the City will cause an audit to be made by an Independent Accountant of all receipts and money then on deposit in the Project Fund and all disbursements made pursuant to the provisions of the Senior Bond Ordinance.

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

Alterations of, additions to, and deletions from any Improvement Project may be made prior to the withdrawal of all moneys accounted for in the applicable subaccount in the Project Fund, but, in the Airport Consultant's opinion, any such alterations, additions and deletions will neither render the City incapable of meeting its rate maintenance covenant nor increase the estimated Cost of such Improvement Project, as fixed by Supplemental Ordinance, by more than 25% (excluding from such determination of Cost any capitalized interest, funded reserves, purchase discounts, or costs of issuance).

Investments

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

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

Insurance

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

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

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

Records, Reports and Audits

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

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

Defeasance

When all principal, interest, and any prior redemption premiums due in connection with the Bonds have been duly paid, or provision made therefor in accordance with the Senior Bond Ordinance, all covenants, agreements and other obligations of the City to the owners of the Bonds will thereby terminate, become void and be discharged and satisfied.

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

As to Variable Rate Bonds, the amount required for the interest thereon will be calculated at the maximum rate which such Variable Rate Bonds may bear; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and such Federal Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Variable Rate Bonds, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing such Variable Rate Bonds or otherwise existing under the Senior Bond Ordinance. See also "Series 2007G1-G2 Supplemental Ordinance" below.

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

This provision would be changed by the Proposed Amendments. See "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Modification of the Senior Bond Ordinance

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

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

This provision would be changed by the Proposed Amendments. See "APPENDIX E – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Events of Default

The Senior Bond Ordinance provides that each of the following events is an "Event of Default": (a) the City's failure to pay when due the principal of any Bond, or any prior redemption premium in connection therewith, or both, or any failure to pay any installment of interest after it is due and payable; (b) the City is rendered incapable of fulfilling its obligations under the Senior Bond Ordinance; (c) the City's failure to perform (or begin the performance of) all acts required of it under any contract relating to the Pledged Revenues, the Airport System, or otherwise, which failure continues for 60 days after notice of such failure; (d) the City discontinues, delays, or fails to carry out the repair, reconstruction or replacement of any material part of the Airport System (which, if not promptly repaired, would have a material adverse effect on the Pledged Revenues) which is destroyed or damaged; (e) an order or decree is entered with the City's consent appointing a receiver for the Airport System or the Pledged Revenues derived therefrom, or having been entered without the consent of the City, such order or degree is not vacated, discharged, or stayed on appeal within 60 days after entry; (f) the City defaults in the due and punctual performance of any other covenants, agreements, and provisions contained in any Bonds or in the Senior Bond Ordinance on its part to be performed, and such default has continued for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the owners of 10% in principal amount of all Bonds then Outstanding; (g) the City files a petition pertaining to its Airport System and seeking a composition of indebtedness under the Federal Bankruptcy Law, or under any other applicable law or statute of the United States of America or the State; and (h) such other Event of Default as is set forth in any Supplemental Ordinance; provided, however, that it shall not be an Event of Default under clauses (c) or (f) if the Manager determines that corrective action has been instituted within the 60-day period and is being diligently pursued.

Remedies of Owners of Bonds

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

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

Covenant Against Competing Facilities

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

Corporate Existence

The City has covenanted that it will maintain its corporate identity and existence so long as any Bonds remain Outstanding, unless another body corporate and politic, by operation of law or by contract, succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the City with respect to the Airport System without, in an attorney's opinion, adversely and materially affecting the privileges and rights of any owner of any Outstanding Bond.

Disposal of Airport Property

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

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

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

Tax Covenant

The City has covenanted that it will not take (or omit to take) or permit or suffer any action to be taken if the result thereof would cause any Bonds to become arbitrage bonds within the meaning of Section 148 of the Tax Code, or to be "private activity bonds" within the meaning of Section 141 of the Tax Code. The City further has covenanted that it will not (a) make any use of the proceeds of any Bonds, any fund reasonably expected to be used to pay the principal of or interest on any Bonds, or any other funds of the City, (b) make any use of any Facilities, or (c) take (or omit to take) any other action with respect to any Bonds, if such use, action or omission would, under the Tax Code, cause the interest on any Bonds to be included in gross income for federal income tax purposes. Notwithstanding, the City may issue Bonds the interest on which is intended to be included in gross income for federal income tax purposes.

Miscellaneous

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

Series 2007G1-G2 Supplemental Ordinance

The undertakings, covenants, agreements, obligations, warranties and representations of the City in the Senior Bond Ordinance in respect of the Series 2007G1-G2 Bonds are the undertakings, covenants, agreements, obligations, warranties and representations of the City, for and on behalf of the Department.

The Series 2007G1-G2 Supplemental Ordinance includes provisions required by the Bond Insurer, including, without limitation, the right of the Bond Insurer to consent to any amendment of the Senior Bond Ordinance affecting the Series 2007G1-G2 Bonds; the designation of the Bond Insurer as the sole holder of the Series 2007G1-G2 Bonds for purposes of events of default and remedies and consents or directions under the Senior Bond Ordinance (such as the right of the Bond Insurer to consent to the acceleration of the payment of the Series 2007G1-G2 Bonds in the event of a default); and the subrogation of the Bond Insurer to the rights of recipients of payments made by the Bond Insurer in respect of the Series 2007G1-G2 Bonds. See also "BOND INSURANCE."

The Series 2007G1-G2 Supplemental Ordinance provides that notwithstanding the provisions of the Senior Bond Ordinance, if the Series 2007G1-G2 Bonds are defeased while such Series 2007G1-G2 Bonds bear interest at a Variable Rate, the defeasance period is to end upon the first tender or redemption date for the Series 2007G1-G2 Bonds or the City shall receive written evidence from each Rating Agency then maintaining a rating on the Series 2007G1-G2 Bonds that the ratings on the Series 2007G1-G2 Bonds following such defeasance will not be withdrawn or reduced below the ratings on the Series 2007G1-G2 Bonds immediately prior to such defeasance. See "Defeasance" above.

* * *

APPENDIX E

PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE

The amendments to the Senior Bond Ordinance that have been proposed but not yet adopted are set forth below. These Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council. The City Council is under no obligation to adopt any of these Proposed Amendments, and no representation is made herein regarding which of the remaining Proposed Amendments, if any, may eventually be adopted. By purchase and acceptance of the Series 2007G1-G2 Bonds, the Owners and Beneficial Owners thereof are deemed to have consented to the adoption of the Proposed Amendments, either in whole or in part, substantially in the form set forth below and to the appointment of American National Bank as their agent with irrevocable instructions to file a written consent to that effect at the time and place and in the manner provided by the Senior Bond Ordinance. The purchasers of all Senior Bonds issued by the City in 2000 and thereafter have likewise been deemed to have consented to the Proposed Amendments. See also "SECURITY AND SOURCES OF PAYMENT – Proposed Amendments to the Senior Bond Ordinance." ***The Proposed Amendments are shown in blackline.***

DEFINITIONS–Section 102 A.

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

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

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

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

Bonds then Outstanding; provided that if no Bonds issued prior to August 1, 2000 remain Outstanding, the Minimum Bond Reserve may be reduced to the maximum amount which is permitted to be capitalized for such purpose from the proceeds of such Bonds under then current law in order to maintain the exclusion from gross income for federal income tax purposes of interest on such Bonds; and provided further that no Minimum Bond Reserve shall be required for any Short Term/Demand Obligations. With respect to any series of Bonds, ~~25%~~ **50%** or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, if such principal (or stated face amount) is not required to be redeemed or prepaid prior to such date of payment, it shall be assumed for purposes of determining the Minimum Bond Reserve that ~~(i) such~~**(x) such** series of Bonds matures over a ~~twenty~~ **thirty**-year term from its date of issuance, ~~(ii) bears~~**(y) bears** interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined shall not be less than the actual rate or rates borne by such series of Bonds, and ~~(iii) is~~**(z) is** payable on a substantially level annual debt service basis assuming the rate so determined.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER PROVISIONS

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

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

A new Section 709 is to be added as follows:

Section 709. Contract Obligations.

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

A new Section 806 is to be added as follows:

Section 806. Loan Agreements for Special Facilities Bonds.

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

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

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

A new Section 1106 is to be added as follows:

Section 1106. Notice to Rating Agencies.

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

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

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

OTHER CHANGES

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

* * *

APPENDIX F

DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and the DTC book-entry system has been obtained from sources believed to be reliable, but the City and the Department take no responsibility for the accuracy or completeness thereof. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the City, the Department, the Paying Agent, the Registrar or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2007G1-G2 Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2007G1-G2 Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2007G1-G2 Bonds or (5) any other related matter.

DTC will act as securities depository for the Series 2007G1-G2 Bonds. The Series 2007G1-G2 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 bond certificate will be issued for each Subseries of the Series 2007G1-G2 Bonds, each in the aggregate principal amount of such Subseries, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. 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 S&P's highest rating: "AAA." The DTC Rules applicable to Direct Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned website.

Purchases of the Series 2007G1-G2 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2007G1-G2 Bonds on DTC's records. The ownership interest of each Beneficial Owner will in turn 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 2007G1-G2 Bonds will 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 2007G1-G2 Bonds.

To facilitate subsequent transfers, all Series 2007G1-G2 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007G1-G2 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 2007G1-G2 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007G1-G2 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2007G1-G2 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007G1-G2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2007G1-G2 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2007G1-G2 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007G1-G2 Bonds at any time by giving reasonable notice to the City, or the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2007G1-G2 Bonds are required to be printed and delivered as provided in the Senior Bond Ordinance.

* * *

APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this "Disclosure Undertaking") is executed and delivered by the CITY AND COUNTY OF DENVER, COLORADO (the "City"), in connection with the issuance of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2007F1-F4," in four subseries in the aggregate principal amount of $208,025,000 (the "Series 2007F1-F4 Bonds") and the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2007G1-G2," in two subseries in the aggregate principal amount of $148,500,000 (the "Series 2007G1-G2 Bonds" and, together with the Series 2007F1-F4 Bonds, the "Bonds"), by the City, for and on behalf of its Department of Aviation (the "Department"). The Bonds are being issued pursuant to Ordinance No. 626, Series of 1984, as heretofore amended and supplemented and as further supplemented by Ordinance No. 625, Series of 2007 and Ordinance No. 626, Series of 2007, both adopted by the City Council of the City on November 5, 2007 (collectively, the "Ordinance").

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

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

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

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

"*Bondowner*" or "*Owner of the Bonds*" means the registered owner of the Bonds, and so long as the Bonds are subject to the Book Entry System, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Bonds, which includes the power to dispose, or direct the disposition, of the Bonds.

"*Central Post Office*" means Disclosure USA, a website accessible at www.disclosureusa.org or any other national central repository authorized by the Commission for continuing disclosure filings by issuers of municipal securities pursuant to the Rule.

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

"*Events*" means any of the events listed in Section 3(a) of this Disclosure Undertaking.

"*MSRB*" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

"*National Repository*" means all of the Nationally Recognized Municipal Securities Information Repositories designated by the Commission pursuant to the Rule and currently listed on the Internet on the following website: www.sec.gov/info/municipal/nrmsir.htm.

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

"*Official Statement*" means (i) the final Official Statement dated November 5, 2007 together with any supplements thereto prior to the date the Series 2007F1-F4 Bonds are issued, delivered in connection with the original issue and sale of the Series 2007F1-F4 Bonds and (ii) the final Official Statement dated November 5, 2007 together with any supplements thereto prior to the date the Series 2007G1-G2 Bonds are issued, delivered in connection with the original issue and sale of the Series 2007G1-G2 Bonds.

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

"*Repository*" or "*Repositories*" means each National Repository and the State Repository.

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

"*State Repository*" shall mean the public or private repository or entity, if any, designated by the State of Colorado as a state information depository for purposes of the Rule. As of the date of this Disclosure Undertaking, there is no State Repository for the State of Colorado.

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

Section 2. Provision of Annual Financial Information.

(a) Commencing with the Fiscal Year ended December 31, 2007, and annually while the Bonds remain outstanding, the Treasurer shall provide or cause to be provided to the Repositories or the Central Post Office, Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System. No such Annual Financial Information shall be deemed an official act of the City without the approval of the Treasurer.

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

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

(d) The City acknowledges that United Airlines ("United") is the only Obligated Person other than the City, at present, that is required by federal law to file Annual Financial Information with the Commission. The City and the Treasurer take no responsibility for the accuracy or completeness of such filings by United or by any future Obligated Person. Unless no longer required by the Rule to do so, the City and the Treasurer agree to use their reasonable best efforts to cause United (to the extent United is not otherwise required under federal law to do so), and any future Obligated Person, to make Annual Financial Information available as contemplated by this Section 2. Any change in Obligated Persons shall be reported by the Treasurer in connection with the Annual Financial Information.

Section 3. Reporting of Events.

(a) This Section 3 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) nonpayment related defaults;

(iii) unscheduled draws on the Bond Reserve Fund created by the Ordinance or any surety bond relating thereto reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancement relating to the Bonds reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or other event affecting the tax exempt status of the Bonds;

(vii) modifications to rights of the owners of the Bonds;

(viii) notice of optional or unscheduled redemption of any Bonds;

(ix) defeasance of the Bonds or any portion thereof;

(x) release, substitution or sale of property securing repayment of the Bonds; and

(xi) rating changes.

(b) Whenever the Treasurer obtains knowledge of the occurrence of an Event, the Treasurer shall as soon as possible determine if such Event would constitute material information for owners of Bonds, provided, that any Event under subsection (a)(viii), (ix) or (xi) will always be deemed to be material.

(c) If the Treasurer determines that knowledge of the occurrence of an Event would be material, the Treasurer shall file or cause to be filed, in a timely manner, a notice of such occurrence with the MSRB and either the Central Post Office or the Repositories, and no such notice shall be deemed an official notice from the City without the approval of the Treasurer. Notwithstanding the foregoing, notice of Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Ordinance.

(d) At any time the Bonds are outstanding, the Treasurer shall provide or cause to be provided, in a timely manner, to the MSRB and either the Central Post Office or the Repositories, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2 hereof. No such notice shall be deemed an official notice from the City without the approval of the Treasurer.

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

Section 5. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived (a) if such amendment occurs prior to the actual issuance and delivery of the Bonds and the Underwriter consents thereto, (b) if such amendment is consented to by the owners of no less than a majority in aggregate principal amount of the Bonds obtained in the manner prescribed by the Ordinance, or (c) if such amendment or waiver is otherwise consistent with the Rule. Written notice of any such amendment or waiver shall be provided by the Treasurer to either the Repositories or the Central Post Office and the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

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

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

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

* * *

Schedule 1

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

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APPENDIX H

FORM OF OPINION OF BOND COUNSEL

Hogan & Hartson LLP
and
Bookhardt & O'Toole
Denver, Colorado

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

Bear, Stearns & Co. Inc.
as Representative of the Series 2007G1-G2 Underwriters
listed in Schedule 1 of the Series 2007G1-G2 Bond Purchase Agreement
383 Madison Avenue
New York, NY 10179

City and County of Denver, Colorado
for and on behalf of its Department of Aviation
Airport System Revenue Bonds
Series 2007G1-G2 - $148,500,000

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Denver, Colorado (the "City"), in connection with the City's issuance, for and on behalf of its Department of Aviation (the "Department"), of $148,500,000 principal amount of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2007G1-G2" (the "Series 2007G1-G2 Bonds"), pursuant to Ordinance No. 626, Series of 1984, as supplemented and amended by certain supplemental ordinances, including Ordinance No. 626, Series of 2007 (collectively, the "Ordinance"). All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Series 2007G1-G2 Bonds are being issued as fully registered bonds and are dated the date of issuance. The Series 2007G1-G2 Bonds mature, bear interest, are payable and are subject to redemption, prior to maturity, in the manner and upon the terms set forth therein and in the Ordinance.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including, without limitation, Article XX of the Colorado Constitution, the Supplemental Public Securities Act, title 11, article 57, part 2, Colorado Revised Statutes, as amended (the "Supplemental Public Securities Act"), the Charter of the City, Ordinance No. 755, Series of 1993, designating the Department as an "enterprise" within the meaning of Section 20, Article X of the Colorado Constitution, the resolution of the Manager of the Department authorizing, approving, and requesting the issuance of the Series 2007G1-G2 Bonds, a certified transcript of the record of proceedings of the City Council of the City taken preliminary to and in the authorization of the Series 2007G1-G2 Bonds, the form of the Series 2007G1-G2 Bonds, the Report of the Airport Consultant dated July 25, 2007, and certificates of officers of the City (specifically including a tax certificate and a pricing certificate) and of others delivered in connection with the issuance of the Series 2007G1-G2 Bonds.

We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2007G1-G2 Bonds, and we express no opinion herein relating to such matters. As to questions of fact material to our opinion, we have relied upon the representations of the City and other parties contained in the Ordinance, certified proceedings, reports, certificates and other instruments (and have assumed the genuineness of signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of original documents and the conformity with original documents of copies submitted to us) without undertaking to verify the same by independent investigation.

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

1. The City validly exists as a body corporate and politic and political subdivision of the State of Colorado (the "State"), with the power to adopt the Ordinance and issue the Series 2007G1-G2 Bonds for and on behalf of the Department.

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

3. The Series 2007G1-G2 Bonds have been duly authorized, executed and delivered by the City, for and on behalf of the Department, and are valid and binding special obligations of the City, for and on behalf of the Department, payable solely from the sources provided therefor in the Ordinance.

4. The Ordinance creates, pursuant to the home rule powers of the City under Article XX of the Colorado Constitution and the Supplemental Public Securities Act, an irrevocable and first lien (but not necessarily an exclusive lien) on the Net Revenues of the Airport System for the benefit of the Series 2007G1-G2 Bonds, on a parity with the lien thereon of Bonds (and any Obligations in respect thereof) heretofore or hereafter issued by the City, or by the City, for and on behalf of the Department.

5. The interest on the Series 2007G1-G2 Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and except as provided in the following sentence, corporations. For corporations only, interest on the Series 2007G1-G2 Bonds is taken into account in determining adjusted current earnings for the purposes of the adjustment to alternative minimum taxable income used in computing the alternative minimum tax on corporations (as defined for alternative minimum tax purposes). The opinion set forth in the first sentence of this paragraph assumes compliance by the City 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 2007G1-G2 Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with such requirements of the Code. Failure to comply with such requirements could cause the interest on the Series 2007G1-G2 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007G1-G2 Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2007G1-G2 Bonds.

6. To the extent interest on the Series 2007G1-G2 Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State. We express no opinion regarding other State or local tax consequences arising with respect to the Series 2007G1-G2 Bonds, including whether interest on the Series 2007G1-G2 Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

It is to be understood that the rights of the owners of the Series 2007G1-G2 Bonds and the enforceability of the Series 2007G1-G2 Bonds and the Ordinance may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted; and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Ordinance are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the City, for and on behalf of the Department, to pay the principal of, and premium, if any, and interest on, the Series 2007G1-G2 Bonds from the Net Revenues of the Airport System.

We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion.

We are advised that Assured Guaranty Corp. has issued a financial guaranty insurance policy relating to the Series 2007G1-G2 Bonds. We express no opinion as to the validity or enforceability of such financial guaranty insurance policy, the protections afforded thereby, or any other matters pertaining thereto.

Respectfully submitted,

* * *

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APPENDIX I

SPECIMEN BOND INSURANCE POLICY

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:___________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel

CITY AND COUNTY OF DENVER

SEAL