

In the respective opinions of Bond Counsel to the City to be delivered upon the issuance of the Subseries 2008C1 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 Subseries 2008C1 Bonds, with which the City has certified, represented and covenanted its compliance, interest on the Subseries 2008C1 Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Subseries 2008C1 Bonds are held by a person who is a “substantial user” of the Airport System or a “related person,” as those terms are used in Section 147(a) of the Code, but is an item of tax preference in calculating the federal alternative minimum tax liability of individuals, trusts, estates and corporations. Also, in the respective opinions of Bond Counsel to the City to be delivered upon the issuance of the Subseries 2008C1 Bonds, under existing law and to the extent interest on the Subseries 2008C1 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

\$92,600,000

AIRPORT SYSTEM REVENUE BONDS, SUBSERIES 2008C1

CUSIP® No. 249181 8N1*
(AMT)

Dated: Date of Delivery

Price: 100%

Due: November 15, 2025

The Subseries 2008C1 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 Subseries 2008C1 Bonds as described herein. Capitalized terms used on this cover page are defined herein.

The Subseries 2008C1 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, the securities depository for the Subseries 2008C1 Bonds. Beneficial Ownership Interests in the Subseries 2008C1 Bonds, in non-certificated book-entry only form, may be purchased in authorized denominations (initially \$100,000 and any integral multiple of \$5,000 in excess thereof, with certain exceptions) 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 Subseries 2008C1 Bonds by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The Subseries 2008C1 Bonds will be dated the date of issuance and delivery thereof and will mature on the date specified above, subject to tender for purchase and redemption prior to maturity as described herein. The Subseries 2008C1 Bonds are variable rate securities which may bear interest from time to time, at the election of the City and subject to the conditions described herein, in one of several authorized interest rate modes, including a Daily Rate, a Weekly Rate, a Monthly Rate, a Semiannual Rate, a Term Rate, a Flexible Rate, an Auction Rate or a Fixed Rate, although no conversion from a Fixed Rate is permitted. The Subseries 2008C1 Bonds will bear interest initially at a Weekly Rate, determined in the manner and payable on the dates described herein. The interest rates for the Subseries 2008C1 Bonds will be determined by the Remarketing Agent, initially being Morgan Stanley & Co. Incorporated. *This Official Statement describes the Subseries 2008C1 Bonds only while bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate. If the Subseries 2008C1 Bonds are converted to any other Rate Period, a reoffering document will be prepared in connection with such conversion.*

The Subseries 2008C1 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 Subseries 2008C1 Bonds, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Subseries 2008C1 Bonds. The Subseries 2008C1 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.

At all times during which the Subseries 2008C1 Bonds bear interest at a Daily Rate, a Weekly Rate or a Monthly Rate, the City is required, with certain limited exceptions described herein, to maintain a credit facility to provide credit and/or liquidity support for the Subseries 2008C1 Bonds. The initial credit facility for the Subseries 2008C1 Bonds will be an irrevocable, direct pay letter of credit issued by KBC Bank N.V., acting through its New York Branch.



The initial Subseries 2008C1 Credit Facility provides credit and liquidity support for the Subseries 2008C1 Bonds while bearing interest only at a Weekly Rate or a Monthly Rate (but not a Daily Rate), and permits the Paying Agent to draw an amount sufficient to pay (1) the principal, the redemption price and, if not paid from remarketing proceeds, the Purchase Price of the Subseries 2008C1 Bonds plus (2) up to 43 days’ accrued interest on the Subseries 2008C1 Bonds computed at a maximum rate of 12% per annum. The initial Subseries 2008C1 Credit Facility expires on November 4, 2011, unless earlier terminated or extended in accordance with its terms, and may be replaced with a Substitute Subseries 2008C1 Credit Facility. The Subseries 2008C1 Bonds are subject to mandatory tender for purchase prior to the expiration, termination or certain replacements of the Subseries 2008C1 Credit Facility as described herein.

The purchase and ownership of Beneficial Ownership Interests in the Subseries 2008C1 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 Subseries 2008C1 Bonds will be deemed to have consented to certain proposed amendments to the City’s General Bond Ordinance as discussed herein.

The Subseries 2008C1 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 to the City, and Bookhardt & O’Toole, Denver, Colorado, Bond Counsel to the City. 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; for KBC by Chapman and Cutler LLP, Chicago, Illinois; and for the Underwriters by Brownstein Hyatt Farber Schreck, LLP, Denver, Colorado, and Kamlet Shepherd & Reichert, LLP, Denver, Colorado. It is expected that delivery of the Subseries 2008C1 Bonds will be made through the facilities of DTC on or about November 7, 2008.

MORGAN STANLEY

RAMIREZ & CO., INC.

Dated: October 31, 2008

PRELIMINARY NOTICES

This Official Statement does not constitute an offer to sell the Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

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: [HTTP://WWW.MERITOS.COM](http://www.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.

* * *

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OFFICIAL STATEMENT

RELATING TO

CITY AND COUNTY OF DENVER, COLORADO

FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION

\$92,600,000

**AIRPORT SYSTEM REVENUE BONDS, SUBSERIES 2008C1
(AMT)**

INTRODUCTION

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 \$92,600,000 Airport System Revenue Bonds, Subseries 2008C1 (the “Subseries 2008C1 Bonds”). The City also expects to issue its \$100,000,000 Airport System Revenue Bonds, Subseries 2008C2 (the “Subseries 2008C2 Bonds”), and its \$100,000,000 Airport System Revenue Bonds, Subseries 2008C3 (the “Subseries 2008C3 Bonds”), referred to herein collectively as the “Subseries 2008C2-C3 Bonds,” on or about November 4, 2008. The Subseries 2008C1 Bonds and the Subseries 2008C2-C3 Bonds were authorized to be issued pursuant to the Series 2008C Supplemental Ordinance described below under “The Subseries 2008C1 Bonds – *Authorization.*”

Unless otherwise defined herein, capitalized terms used herein are defined in “APPENDIX A – GLOSSARY OF TERMS.”

This Official Statement replaces and supersedes the Preliminary Official Statement relating to the Subseries 2008C1 Bonds dated September 22, 2008. Accordingly, prospective investors should disregard such Preliminary Official Statement and should read this Official Statement in its entirety.

The Issuer

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.

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 11th busiest airport in the world based on total passengers in 2007. 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 2007, the Airport served approximately 24.9 million enplaned passengers (passengers embarking on airplanes), the highest number in the history of the Airport and the former Stapleton International Airport (“Stapleton”). Approximately 57.1% of the passengers enplaned in 2007 were passengers originating their travel at the Airport and 42.9% were passengers making connecting flights at the Airport.

The Airport has generally experienced steady growth in both passenger traffic and revenues since it opened in 1995. The only exception to this trend was in 2001 and 2002 when 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 number of enplaned passengers at the Airport increased 5.4% in 2007 compared to 2006, and increased 3.9% through August 2008 compared to the same period in 2007. Operating revenues, consisting of facility rentals, concession revenues, parking revenues, car rentals, landing fees, aviation fuel tax and other sales and charges, have also shown steady growth since the downturns in 2001 and 2002, largely as the result of increases in passenger traffic. Operating costs have also increased during this period; however, the cost per enplaned passenger at the Airport has declined from \$15.20 in 2002 to \$10.95 in 2007.

In 2007, 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 57.8% of the Gross Revenues (as defined in “APPENDIX A – GLOSSARY OF TERMS”) of the Airport System, while non-airline revenues, including concession, car rental, parking and other revenues at the Airport, constituted approximately 42.2% of the Gross Revenues of the Airport System.

No representations are made herein regarding future levels of growth in passenger traffic at the Airport and associated revenues. 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 mergers 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 traffic at the Airport and revenues of the Airport System, see generally “RISKS AND OTHER INVESTMENT CONSIDERATIONS,” “AVIATION ACTIVITY AND AIRLINES” and “FINANCIAL INFORMATION – Historical Financial Operations – Management’s Discussion and Analysis of Financial Performance – Passenger Facility Charges.”

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. United, together with its Ted low-fare unit and its United Express commuter affiliates (collectively, the “United Group”), accounted for approximately 56.4% of passenger enplanements at the Airport in 2006 and approximately 53.3% of passenger enplanements at the Airport in 2007. The United Group also accounted for approximately 57.6% of the airline rentals, fees and charges component of the Airport System’s operating revenues in 2007. United has announced that it is eliminating its Ted product and plans to reconfigure the Ted fleet of aircraft into United’s mainline operations in 2009. United has also announced that it plans to reduce its consolidated domestic capacity during 2008 and 2009 by 12.5%-13.5% compared to 2007 and reduce its consolidated overall capacity during this period by 9%-10%, as well as significantly reduce its workforce by the end of 2008.

Frontier Airlines Inc. (“Frontier”) has the second largest market share at the Airport, which serves as Frontier’s only hub. On April 10, 2008, Frontier Airlines Holding Inc., Frontier and Lynx Aviation Inc. (“Lynx”), a Frontier subsidiary (collectively, the “Frontier Companies”), filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code as further described below under “*Bankruptcy of Frontier Companies*.” Frontier currently leases 15 full service jet gates at the Airport on Concourse A under a Use and Lease Agreement with the City, and prior to bankruptcy had been using six additional full service jet gates on Concourse A on a preferential basis and one common use international gate on Concourse A on a subordinated basis. However, pursuant to a consensual agreement between the City and Frontier (the “Frontier Stipulated Order”), which was approved by the United States Bankruptcy Court, Frontier has assumed its Use and Lease Agreement with the City, which will be amended to provide for the lease of 17 full service jet gates on Concourse A, and has relinquished its use of additional gates on Concourse A. Frontier, together with its Frontier JetExpress commuter affiliate (together, the “Frontier Group”), accounted for approximately 20.7% of passenger enplanements at the Airport in 2006 and approximately 22.7% of passenger enplanements at the Airport in 2007. The Frontier Group also accounted for approximately 15.1% of the airline rentals, fees and charges component of the Airport System’s operating revenues in 2007. Frontier has recently expanded its hubbing operations at the Airport by introducing Lynx, a new Frontier subsidiary, which is serving smaller airports in the region. Lynx commenced operations at the Airport in December 2007 with ten 74 seat capacity Bombardier Q400 turboprop aircraft. In June 2008, Frontier announced plans for a 17% system-wide reduction in its flight operations beginning in September of 2008 and a “proportional” reduction in workforce.

Southwest Airlines (“Southwest”) commenced service at the Airport in January 2006. Southwest accounted for approximately 3.3% of passenger enplanements at the Airport in 2006 and approximately 5.3% of passenger enplanements at the Airport in 2007. Southwest also accounted for approximately 3.9% of the airline rentals, fees and charges component of the Airport System’s operating revenues in 2007.

Except for the United Group, the Frontier Group and Southwest, no single airline accounted for more than 5% of passenger enplanements at the Airport in 2006 or 2007, or more than 5% of either the airline rentals, fees and charges component of the Airport System’s operating revenues or the Airport System’s Gross Revenues in 2007.

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 – Aviation Activity – Airline Information – *United – Frontier – Southwest*,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement,” “AIRLINE BANKRUPTCY MATTERS” and “*Bankruptcy of Frontier Companies*” below.

Bankruptcy of Frontier Companies. On April 10, 2008, the Frontier Companies filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (Case No. 08 11298). The Chapter 11 filing permits the Frontier Companies to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. The City makes no representations regarding the financial condition of the Frontier Companies and their future plans generally, or with regard to the Airport in particular. Investors are referred to Securities and Exchange Commission (“SEC”) filings, bankruptcy court filings and press releases made by the Frontier Companies. The SEC website is <http://www.sec.gov> and the United States Bankruptcy Court for the Southern District of New York website is <http://www.nysb.uscourts.gov>. None of the City, the Department or the Underwriters undertakes any responsibility for or makes any representations as to the accuracy or completeness of the content of information available from the SEC or the bankruptcy court, including, but not limited to, updates of such information or links to other internet sites accessed through the SEC or bankruptcy court

web sites. No assurances can be given as to whether the efforts of the Frontier Companies to reorganize will be successful, or with regard to the future level of activity of the Frontier Group at the Airport. In the event Frontier reduces or discontinues its operations at the Airport, for whatever reason, Frontier's current level of activity at the Airport may not necessarily be replaced by other carriers.

Pursuant to the Frontier Stipulated Order, Frontier has assumed its Use and Lease Agreement with the City as a part of its reorganization proceedings, which will be amended to reduce the number of gates used by Frontier and eliminate certain administrative space used by Frontier such as ticket counters and office space. In addition, various credits due Frontier by the City will be applied to Frontier's post-petition financial obligations such as landing fees and rent. See also "AVIATION ACTIVITY AND AIRLINES – Airline Information – *Frontier*," "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements" and "AIRLINE BANKRUPTCY MATTERS."

Airport Capital Program. 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 through 2013. These capital needs 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. See "CAPITAL PROGRAM."

The Subseries 2008C1 Bonds

Authorization. The Subseries 2008C1 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 a supplemental ordinance approved by the City Council on September 15, 2008, which supplemental ordinance also authorized the issuance of the Subseries 2008C2-C3 Bonds (the "Series 2008C Supplemental Ordinance"). The General Bond Ordinance, the Series 2008C Supplemental Ordinance and any Supplemental Ordinances adopted by the City Council after the adoption of the Series 2008C Supplemental Ordinance are referred to herein collectively as the "Senior Bond Ordinance." The covenants and undertakings of the City with respect to the Subseries 2008C1 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 but not adopted by the City Council (the "Proposed Amendments"). See "Consent to Proposed Amendments to the Senior Bond Ordinance" below, "THE SUBSERIES 2008C1 BONDS – Authorization," "SECURITY AND SOURCES OF PAYMENT – Proposed Amendments to the Senior Bond Ordinance," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" and "APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

Purpose. The proceeds of the Subseries 2008C1 Bonds, together with other available Airport System moneys, will be used to current refund, redeem and defease all of the outstanding Airport System Revenue Refunding Bonds, Series 2000C, currently outstanding in the aggregate principal amount of \$100,000,000 (the "Series 2000C Bonds" or the "Refunded Bonds") and pay the costs of issuing the Subseries 2008C1 Bonds. The Refunded Bonds are variable rate bonds that currently are in a weekly rate mode and are secured by a bond insurance policy. See also "Plan of Financing" below, "APPLICATION OF PROCEEDS" and "FINANCIAL INFORMATION – Senior Bonds – Plan of Financing."

General Provisions. The Subseries 2008C1 Bonds will be issued in the principal amount specified on the cover page hereof, will be dated their date of issuance (the "Issue Date") and will mature on the date specified on the cover page hereof, subject to tender for purchase and redemption prior to maturity as provided in "THE SUBSERIES 2008C1 BONDS – Tenders – Redemption Prior to Maturity." Whenever the Subseries 2008C1 Bonds are in a Daily Rate Period, a Weekly Rate Period or a Monthly

Rate Period (each defined below), the Subseries 2008C1 Bonds are required to be in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, except that one Subseries 2008C1 Bond may be in a greater denomination as necessary to aggregate the total principal amount of the Subseries 2008C1 Bonds then outstanding (“Authorized Denominations”). The provisions of the Series 2008C Supplemental Ordinance apply independently to the Subseries 2008C1 Bonds, as well as the Subseries 2008C2 Bonds and the Subseries 2008C3 Bonds which are expected to be issued by the City on or about November 4, 2008. See “THE SUBSERIES 2008C1 BONDS – General Provisions.”

Book-Entry Only System. The Subseries 2008C1 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 Subseries 2008C1 Bonds. Ownership interests in the Subseries 2008C1 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 Subseries 2008C1 Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “THE SUBSERIES 2008C1 BONDS – DTC Book-Entry System” and “APPENDIX D – DTC BOOK-ENTRY SYSTEM.”

Zions First National Bank, Denver, Colorado, will serve as paying agent (the “Paying Agent”) and registrar (the “Registrar”) for the Subseries 2008C1 Bonds. Payments with respect to the Subseries 2008C1 Bonds will be made by the Paying Agent to Cede & Co., as the Owner of the Subseries 2008C1 Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D – DTC BOOK-ENTRY SYSTEM.”

Interest. The Subseries 2008C1 Bonds 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 daily basis (the “Daily Rate Period” or the “Daily Rate”), a weekly basis (the “Weekly Rate Period” or the “Weekly Rate”), a monthly basis (the “Monthly Rate Period” or the “Monthly 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 from time to time to change the Rate Period of the Subseries 2008C1 Bonds, although no conversion from the Fixed Rate Period is permitted. The Subseries 2008C1 Bonds will be subject to mandatory tender for purchase on the date of conversion to a different Rate Period (the “Conversion Date”) as described herein. See “THE SUBSERIES 2008C1 BONDS – Interest – Rate Periods – Conversion to a Different Rate Period – Tenders.”

This Official Statement describes the Subseries 2008C1 Bonds only while bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate. If the Subseries 2008C1 Bonds are converted to any other Rate Period, a reoffering document will be prepared in connection with such conversion.

The Subseries 2008C1 Bonds will bear interest initially at a Weekly Rate to be determined as described herein, with a maximum rate (other than with respect to Subseries 2008C1 Bonds tendered for purchase (“Tendered Subseries 2008C1 Bonds”) and purchased pursuant to a Subseries 2008C1 Credit Facility (defined below), referred to herein as “Subseries 2008C1 Credit Facility Bonds”), of 12% per annum (the “Maximum Rate”). The interest rates for the Subseries 2008C1 Bonds will be determined by a remarketing agent (the “Remarketing Agent”) for the Subseries 2008C1 Bonds pursuant to a remarketing agreement with the City (a “Remarketing Agreement”). Initially, Morgan Stanley & Co.

Incorporated will serve as the Remarketing Agent for the Subseries 2008C1 Bonds. See “THE SUBSERIES 2008C1 BONDS – Interest – Rate Periods” and “THE REMARKETING AGREEMENT.”

Tender for Purchase and Redemption Prior to Maturity. Subseries 2008C1 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate are subject to mandatory tender for purchase prior to maturity under certain circumstances, and are also subject to tender for purchase at the option of the registered owners thereof (the “Owners”) as described herein. In addition, the Subseries 2008C1 Bonds are subject to redemption prior to maturity at the option of the City. See “THE SUBSERIES 2008C1 BONDS – Tenders – Redemption Prior to Maturity.”

Security and Sources of Payment. The Subseries 2008C1 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” or the “Bonds.” The aggregate principal amount of Senior Bonds both currently outstanding and expected to be outstanding upon issuance of the Subseries 2008C1 Bonds and the refunding of the Refunded 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 Owners or Beneficial Owners of the Subseries 2008C1 Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Subseries 2008C1 Bonds. The Subseries 2008C1 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 “*Subseries 2008C1 Credit Facility*” below and “SECURITY AND SOURCES OF PAYMENT – Pledge of Net Revenues.”

Subseries 2008C1 Credit Facility. With certain limited exceptions described herein, all times during which the Subseries 2008C1 Bonds bear interest at a Daily Rate, a Weekly Rate or a Monthly Rate, the City is required to maintain a credit facility (a “Subseries 2008C1 Credit Facility”) to provide credit and/or liquidity support with respect to the Subseries 2008C1 Bonds.

Concurrently with the issuance of the Subseries 2008C1 Bonds, the City will cause to be delivered to the Paying Agent a Subseries 2008C1 Credit Facility with respect to the Subseries 2008C1 Bonds. The initial Subseries 2008C1 Credit Facility will be an irrevocable, direct pay letter of credit issued by KBC Bank N.V., acting through its New York Branch (“KBC” and the “KBC Subseries 2008C1 Letter of Credit”), pursuant to a Reimbursement Agreement (the “KBC Reimbursement Agreement”) between the City and KBC. See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY.”

The KBC Subseries 2008C1 Letter of Credit provides credit and liquidity support for the Subseries 2008C1 Bonds while bearing interest at a Weekly Rate or a Monthly Rate (but not a Daily Rate), and will permit the Paying Agent to draw an amount sufficient to pay (1) the principal or redemption price of the Subseries 2008C1 Bonds, (2) if not paid from remarketing proceeds, the purchase price (the “Purchase Price”) of the Subseries 2008C1 Bonds tendered or deemed tendered for purchase (“Tendered Subseries 2008C1 Bonds”) as described in “THE SUBSERIES 2008C1 BONDS – Tenders,” plus (3) up to 43 days’ accrued interest on the outstanding Subseries 2008C1 Bonds computed at the Maximum Rate. See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – The KBC Subseries 2008C1 Letter of Credit.”

The KBC Subseries 2008C1 Letter of Credit expires on November 4, 2011, unless earlier terminated or extended in accordance with its terms, and may be replaced with a different Subseries 2008C1 Credit Facility (a “Substitute Subseries 2008C1 Credit Facility”). The Subseries 2008C1 Bonds

are subject to mandatory tender for purchase prior to the expiration, termination or certain replacements of the Subseries 2008C1 Credit Facility. See “THE SUBSERIES 2008C1 BONDS – Tenders – *Mandatory Tenders*,” “SECURITY AND SOURCES OF PAYMENT – Subseries 2008C1 Credit Facility – *Substitute Subseries 2008C1 Credit Facility*,” “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY.”

Certain information relating to KBC has been furnished by KBC for use in this Official Statement. See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – KBC.”

Further Information. For further information regarding the Subseries 2008C1 Bonds, see generally “THE SUBSERIES 2008C1 BONDS,” “SECURITY AND SOURCES OF PAYMENT,” “THE INITIAL SERIES 2008C1 CREDIT FACILITY,” “FINANCIAL INFORMATION – Senior Bonds,” “APPENDIX A – GLOSSARY OF TERMS,” “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE,” “APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE” and “APPENDIX D – DTC BOOK-ENTRY SYSTEM”

Plan of Financing

DEPFA First Albany Securities LLC and Estrada Hinojosa & Company, Inc. (the “Financial Consultants”) have prepared the plan of financing (the “Plan of Financing”) in connection with the City’s restructuring of certain of its outstanding auction rate securities and certain of its outstanding variable rate securities, including the issuance of the Subseries 2008C1 Bonds in order to current refund and defease the Refunded Bonds. See “APPLICATION OF PROCEEDS” and “FINANCIAL INFORMATION – Senior Bonds – Subordinate Bonds and Other Obligations – Plan of Financing.”

Consent to Proposed Amendments to the Senior Bond Ordinance

Purchasers of Beneficial Ownership Interests in the Subseries 2008C1 Bonds will be deemed to have consented to the Proposed Amendments to the Senior Bond Ordinance proposed by the City as discussed in “SECURITY AND SOURCES OF PAYMENT– Proposed Amendments to the Senior Bond Ordinance.” The Proposed Amendments, which would become effective if and when a Supplemental Ordinance containing them is adopted by the City Council, are set forth in “APPENDIX C – 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 SEC 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 Subseries 2008C1 Bonds as initially issued, the City will nevertheless deliver a Continuing Disclosure Undertaking (the “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” 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 believes that it has continually complied with the requirements set forth in Rule 15c2-12 and its previous continuing disclosure undertakings, including the ongoing process of filing material event notices in connection with downgrades in the insured ratings of certain series of Senior Bonds as the result of downgrades in the ratings of the related bond insurers.

Additional Information

Brief descriptions of the Subseries 2008C1 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 Subseries 2008C1 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/ Finance and Administration, 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 Finance, at (720) 865-7116.

Investment Considerations

The purchase and ownership of Beneficial Ownership Interests in the Subseries 2008C1 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 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 “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Forward Looking Statements” and “FORWARD LOOKING STATEMENTS.”

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 Subseries 2008C1 Bonds.

APPLICATION OF PROCEEDS

The proceeds of the Subseries 2008C1 Bonds, together with other available Airport System moneys, will be used to current refund, redeem and defease the Refunded Bonds and pay the costs of issuing the Subseries 2008C1 Bonds. See also “FINANCIAL INFORMATION – Senior Bonds – Plan of Financing.”

A portion of the net proceeds of the Subseries 2008C1 Bonds, together with other available Airport System moneys, will be deposited to an irrevocable escrow account (the “Series 2000C Escrow Account”) to be established pursuant to an escrow agreement (the “Escrow Agreement”) to be entered into by and between the City and Zions First National Bank, Denver, Colorado, as escrow agent, and utilized, together with any earnings on such deposits, to redeem and pay the Refunded Bonds in accordance with the schedule set forth in the Escrow Agreement.

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Subseries 2008C1 Bonds and the refunding, redemption and defeasance of the Refunded Bonds.

Sources:

Principal amount of the Subseries 2008C1 Bonds	\$ 92,600,000
Other available Airport System moneys ¹	<u>8,884,183</u>
	<u>\$101,484,183</u>

Uses:

Deposit to the Series 2000C Escrow Account	\$100,933,333
Payment of costs of issuance ² and contingency	<u>550,850</u>
	<u>\$101,484,183</u>

¹ Includes transfers from the Refunded Bonds accounts of the Bond Fund, the Bond Reserve Fund and other available Airport System moneys.

² Includes underwriting fees, the initial fees for the Subseries 2008C1 Credit Facility, legal fees and other costs of issuance for the Subseries 2008C1 Bonds. See also “UNDERWRITING.”

THE SUBSERIES 2008C1 BONDS

The following is a summary of certain provisions of the Subseries 2008C1 Bonds during such time as the Subseries 2008C1 Bonds bear interest at a Daily Rate, a Weekly Rate or a Monthly Rate and are subject to the DTC book-entry system. Reference is hereby made to the Senior Bond Ordinance in its entirety for the detailed provisions pertaining to the Subseries 2008C1 Bonds, including provisions applicable upon conversion to a Rate Period other than a Daily Rate, a Weekly Rate or a Monthly Rate or upon discontinuance of participation in the DTC book-entry system. See also “APPENDIX A – GLOSSARY OF TERMS,” “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE” and “APPENDIX C – 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 Subseries 2008C1 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 Subseries 2008C1 Bonds.

The provisions of the Series 2008C Supplemental Ordinance apply independently to the Subseries 2008C1 Bonds, as well as to the Subseries 2008C2 Bonds and the Subseries 2008C3 Bonds expected to be issued on or about November 4, 2008.

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 Subseries 2008C1 Bonds will be issued pursuant to the Senior Bond Ordinance and, if adopted, the Proposed Amendments. See "SECURITY AND SOURCES OF PAYMENT – Proposed Amendments to the Senior Bond Ordinance" below, "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" and "APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

General Provisions

The Subseries 2008C1 Bonds will be dated the Issue Date thereof, will be issued in the aggregate principal amount and will mature on the date specified 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 Subseries 2008C1 Bonds while in a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period are \$100,000 and any integral multiple of \$5,000 in excess thereof, except that any one Subseries 2008C1 Bond may be a greater denomination as necessary to aggregate the total principal amount of the Subseries 2008C1 Bonds then outstanding.

DTC Book-Entry System

The Subseries 2008C1 Bonds will be issued in fully registered form and registered in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Subseries 2008C1 Bonds. Beneficial Ownership Interests in the Subseries 2008C1 Bonds, in non-certificated book-entry only form, may be purchased in Authorized Denominations by or through DTC Participants. 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 Owners of the Subseries 2008C1 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 D – DTC BOOK-ENTRY SYSTEM."

Payments with respect to the Subseries 2008C1 Bonds will be made by the Paying Agent to Cede & Co., as the Owner of the Subseries 2008C1 Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D – DTC BOOK-ENTRY SYSTEM.”

None of the City, the Department, the Underwriters, the Paying Agent or the Registrar 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 Subseries 2008C1 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 Subseries 2008C1 Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Subseries 2008C1 Bonds or (5) any other related matter.

Interest

General. The Subseries 2008C1 Bonds will bear interest from time to time at a Daily Rate, a Weekly Rate, a Monthly Rate, a Semiannual Rate, a Term Rate, a Flexible Rate, an Auction Rate or a Fixed Rate. All Subseries 2008C1 Bonds, except for Subseries 2008C1 Credit Facility Bonds, are required to bear interest for the same Rate Period. The City may elect periodically to change the Rate Period of the Subseries 2008C1 Bonds, in which event the Subseries 2008C1 Bonds will be subject to mandatory tender for purchase on the Conversion Date. Conversion to a different Rate Period is subject to a number of conditions. See “Conversion to a Different Rate Period” and “Tenders – *Mandatory Tenders*” below.

This Official Statement describes the Subseries 2008C1 Bonds only while bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate. If the Subseries 2008C1 Bonds are converted to any other Rate Period, a reoffering document will be prepared in connection with such conversion.

Daily Rate Periods. The Remarketing Agent for the Subseries 2008C1 Bonds bearing interest at the Daily Rate is to establish the Daily Rate by 10:00 a.m., New York City time, on each Business Day. The Daily Rate for any day that is not a Business Day is to be the Daily Rate established for the immediately preceding Business Day. Upon conversion from a Daily Rate Period to a different Rate Period, the last Daily Rate Period prior to conversion is to be the day immediately preceding the Conversion Date. Each Daily Rate is to be made available by the Remarketing Agent by telephonic or electronic notice to the Treasurer, the Paying Agent and the provider of the Subseries 2008C1 Credit Facility (the “Subseries 2008C1 Credit Facility Provider”). On the last Business Day of each month during which the Subseries 2008C1 Bonds have borne interest at a Daily Rate, the Remarketing Agent is to give notice to the Paying Agent by Electronic Means (as defined in “APPENDIX A – GLOSSARY OF TERMS”) of the Daily Rates that were in effect for each day of such month for which the Subseries 2008C1 Bonds bore interest at the Daily Rate.

Weekly Rate Periods. Weekly Rate Periods generally will commence on a Wednesday and end on Tuesday of the following week. However, the initial Weekly Rate Period following conversion from a Daily Rate Period or a Monthly Rate Period is to commence on the Conversion Date and end on Tuesday of the following week; and the last Weekly Rate Period prior to conversion to a different Rate Period 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 Weekly Rate 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 telephonic or electronic notice thereof to be given by the Remarketing Agent to the Paying Agent by the close of business on such Business Day. The Paying Agent is to promptly notify the Treasurer and any Subseries 2008C1 Credit Facility Provider by Electronic Means of the Weekly Rate so determined.

Monthly Rate Periods. Monthly Rate Periods generally will commence on the first day of each calendar month and be effective to but not including the first day of the following calendar month. However, the initial Monthly Rate Period following conversion from a Daily Rate Period or a Weekly Rate Period is to commence on the Conversion Date; and the last Monthly Rate Period prior to conversion to a different Rate Period is to end on the last day immediately preceding the Conversion Date. The Monthly Rate for each Monthly Rate Period is to be effective from and including the commencement date of such Monthly Rate Period and remain in effect through and including the last day thereof. Each Monthly Rate is to be determined by the Remarketing Agent no later than the Business Day immediately preceding the commencement date of the Monthly Rate Period to which it relates, with telephonic or electronic notice thereof to be given by the Remarketing Agent to the Paying Agent by the close of business on such Business Day. The Paying Agent is to promptly notify the Treasurer and any Subseries 2008C1 Credit Facility Provider by Electronic Means of the Monthly Rate so determined.

Determination of Interest Rates. The rate of interest for the Subseries 2008C1 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate (other than Subseries 2008C1 Credit Facility Bonds) is required to be determined by the Remarketing Agent for such Subseries as the lesser of: (1) the minimum rate of interest that, in the judgment of the Remarketing Agent, would cause the Subseries 2008C1 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. All determinations of interest rates by the Remarketing Agents are conclusive and binding upon the City, the Paying Agent, the Subseries 2008C1 Credit Facility Provider and the Owners of the Subseries 2008C1 Bonds.

In the event that the Remarketing Agent is unable or fails to determine or notify the Paying Agent of the interest rate for a Rate Period, the interest rate for the Subseries 2008C1 Bonds is to automatically, without notice or mandatory tender, convert to a Weekly Rate. Until the interest rate is again determined by the Remarketing Agent and notification thereof is delivered to the Paying Agent, the interest rate is to be equal to the Alternate Rate (as defined in “APPENDIX A – GLOSSARY OF TERMS”), but in no event in excess of the Maximum Rate.

Interest on Subseries 2008C1 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate 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 is payable on the first Business Day of each calendar month following a month in which interest for such Rate Period has accrued (each an “Interest Payment Date”). The first Interest Payment Date for the Subseries 2008C1 Bonds will be the first Business Day of December 2008. If any payment in respect of the Subseries 2008C1 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 Subseries 2008C1 Credit Facility Bonds will be those specified in the related Subseries 2008C1 Credit Facility.

Subseries 2008C1 Credit Facility Bonds. Subseries 2008C1 Credit Facility Bonds will bear interest at the rates calculated in the manner and payable on the dates set forth in the Subseries 2008C1 Credit Facility. Subseries 2008C1 Credit Facility Bonds may be remarketed when and as provided in the Subseries 2008C1 Credit Facility and the Series 2008C Supplemental Ordinance, and if remarketed will no longer bear interest as Subseries 2008C1 Credit Facility Bonds. See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – The KBC Reimbursement Agreement.”

Conversion to a Different Rate Period

The City may from time to time convert the Subseries 2008C1 Bonds to a different Rate Period. The Conversion Date for conversion from a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period to any other Rate Period is to be an Interest Payment Date for the Rate Period from which conversion is being made. On the Conversion Date, the Subseries 2008C1 Bonds of the affected

Subseries are subject to mandatory tender for purchase as described in “Tenders – *Mandatory Tenders*” below.

Conversions are subject to a number of conditions, including the requirement that there be provided to the Paying Agent and the applicable Remarketing Agent a Favorable Opinion of Bond Counsel (as defined in “APPENDIX A – GLOSSARY OF TERMS”) to the effect that the proposed conversion will not adversely affect the validity of the Subseries of the Subseries 2008C1 Bonds being converted or any exclusion from gross income for federal income tax purposes to which interest on such Subseries would otherwise be entitled. In the event that the conditions for conversion are not satisfied, the Subseries 2008C1 Bonds of the Subseries are still to be purchased on the proposed Conversion Date, but the new Rate Period will not take effect and the Subseries 2008C1 Bonds will remain in the Rate Period then in effect. Reference is made to the Series 2008C Supplemental Ordinance for the other conditions applicable to conversion of Subseries 2008C1 Bonds.

Not less than 15 days prior to the proposed Conversion Date, 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 the duration of the 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 Subseries 2008C1 Bonds will be subject to mandatory tender for purchase on the Conversion Date, (6) the time at which such Subseries 2008C1 Bonds are to be tendered for purchase and the address to which the Subseries 2008C1 Bonds are to be delivered, and (7) a description of the consequences of the failure to obtain the Favorable Opinion of Bond Counsel.

Tenders

Optional Tenders. The Beneficial Owners of Subseries 2008C1 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate may elect to have their Subseries 2008C1 Bonds (or portions thereof in amounts equal to Authorized Denominations) purchased at a price (the “Purchase Price”) equal to 100% of the principal amount of such Subseries 2008C1 Bonds (or portions thereof) plus accrued interest to the purchase date. Such Subseries 2008C1 Bonds may be tendered for purchase, at the applicable Purchase Price payable in immediately available funds, on any Business Day prior to conversion to a different Rate Period upon delivery of an irrevocable written notice of tender to the applicable Remarketing Agent and the Paying Agent (1) not later than 11:00 a.m., New York City time, on a Business Day in the case of Subseries 2008C1 Bonds bearing interest at a Daily Rate or (2) 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 in the case of Subseries 2008C1 Bonds bearing interest at a Weekly Rate or a Monthly Rate.

Each irrevocable written notice of tender (1) is to be delivered in accordance with the procedures established by DTC (or successor 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 Subseries 2008C1 Bond to which such irrevocable written notice relates, (b) that the Owner demands purchase of such Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bond to be purchased in whole or in part for other Subseries 2008C1 Bonds in an equal aggregate principal amount so as to facilitate the sale of such Subseries 2008C1 Bond (or portion thereof to be purchased) and (d) an acknowledgment that such Owner will have no further rights with respect to such Subseries 2008C1 Bond (or portion thereof) upon payment of the Purchase Price thereof by the Paying Agent to the owner thereof on the purchase date, upon surrender of such Subseries 2008C1 Bond to the Paying Agent except 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 will be conclusive and binding upon the Owner of the Subseries 2008C1 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 Subseries 2008C1 Bonds, and upon receipt by the Paying Agent of (1) the aggregate Purchase Price of the Tendered Subseries 2008C1 Bonds and (2) the Tendered Subseries 2008C1 Bonds by the times specified in the Series 2008C Supplemental Ordinance, the Paying Agent is to pay the Purchase Price of the Tendered Subseries 2008C1 Bonds to the Owners thereof. Such payments are to be made by wire transfer of immediately available funds. The Paying Agent is to apply in order (1) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Subseries 2008C1 Bonds by such Remarketing Agent, (2) moneys paid to it for such purpose by the Subseries 2008C1 Credit Facility Provider, if any, under the terms of the Subseries 2008C1 Credit Facility and (3) other moneys made available by the City. ***If funds available for the purchase of all Tendered Subseries 2008C1 Bonds on any purchase date are insufficient, none of the Tendered Subseries 2008C1 Bonds will be purchased. In such event, the Paying Agent is to return all Tendered Subseries 2008C1 Bonds to the Owners thereof, which will thereupon bear interest at the Maximum Rate from such date until all the Subseries 2008C1 Bonds are further remarketed in accordance with the Series 2008C Supplemental Ordinance, return all moneys received for the purchase of such Tendered Subseries 2008C1 Bonds to the persons providing such moneys and notify the City and the Remarketing Agent of the return of such Tendered Subseries 2008C1 Bonds and moneys and the failure to make payment for such Tendered Subseries 2008C1 Bonds.*** See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – The KBC Reimbursement Agreement” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Factors Related to the Initial Subseries 2008C1 Credit Facility.”

Mandatory Tenders. The Subseries 2008C1 Bonds are required to be tendered by the Owners thereof to the Paying Agent for purchase at a Purchase Price equal to the principal amount thereof plus accrued interest to the purchase date upon the occurrence of the following events:

- (1) upon conversion of the Subseries 2008C1 Bonds to another Rate Period;
- (2) on the 5th day immediately preceding the day on which a Subseries 2008C1 Credit Facility providing liquidity and/or credit support with respect to such Subseries expires or terminates in accordance with its terms and is not replaced with a Substitute Subseries 2008C1 Credit Facility that is effective on or before such termination date;
- (3) on the 5th day immediately preceding the day on which a Substitute Subseries 2008C1 Credit Facility becomes effective (a “Subseries 2008C1 Credit Facility Substitution Date”);
- (4) on the Business Day following the day on which the Paying Agent receives from the Subseries 2008C1 Credit Facility Provider, in accordance with the Subseries 2008C1 Credit Facility providing liquidity and/or credit support with respect to the Subseries 2008C1 Bonds, notice that a termination event or default under the Subseries 2008C1 Credit Facility has occurred and pursuant to which the Subseries 2008C1 Credit Facility Provider may require a mandatory tender of the Subseries 2008C1 Bonds;

(5) on the Business Day following the day on which the Paying Agent receives from the Subseries 2008C1 Credit Facility Provider, in accordance with a Subseries 2008C1 Credit Facility providing liquidity and/or credit support with respect to the Subseries 2008C1 Bonds, notice of non-reinstatement of the Subseries 2008C1 Credit Facility; or

(6) 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 Subseries 2008C1 Bonds are otherwise required to be purchased pursuant to the Subseries 2008C1 Credit Facility.

The Paying Agent is required to give notice to the Owners of the Subseries 2008C1 Bonds subject to mandatory tender by Electronic Means or, if such is not practicable, by first class mail, (a) not later than 15 days prior to the mandatory tender date in the case of a mandatory tender pursuant to paragraph (2) above, or (b) not later than the Business Day preceding the purchase date (in the case of paragraphs (3) or (4) above), stating that the Subseries 2008C1 Bonds will be subject to mandatory purchase, the purchase date, the time at which the Subseries 2008C1 Bonds are to be tendered for purchase and the address to which the Subseries 2008C1 Bonds are to be delivered. See also “Conversion to a Different Rate Period” above with respect to notice of mandatory tender in connection with a notice of conversion.

Payment of the Purchase Price of the Subseries 2008C1 Bonds to be purchased upon mandatory tender is to be made by the Paying Agent by wire transfer of immediately available funds. The Paying Agent is to apply in order (1) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Subseries 2008C1 Bonds by the Remarketing Agent, (2) moneys paid to it for such purpose by the Subseries 2008C1 Credit Facility Provider, if any, under the terms of any Subseries 2008C1 Credit Facility and (3) other moneys made available by the City. ***If funds available for the purchase of all Tendered Subseries 2008C1 Bonds on any purchase date are insufficient, none of the Tendered Subseries 2008C1 Bonds will be purchased. In such event, the Paying Agent is to return all Tendered Subseries 2008C1 Bonds to the Owners thereof, which will thereupon bear interest at the Maximum Rate from such date until all the Subseries 2008C1 Bonds are further remarketed in accordance with the Series 2008C Supplemental Ordinance, return all moneys received for the purchase of such Tendered Subseries 2008C1 Bonds to the persons providing such moneys and notify the City and the Remarketing Agent of the return of such Tendered Subseries 2008C1 Bonds and moneys and the failure to make payment for such Tendered Subseries 2008C1 Bonds.*** See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – The KBC Reimbursement Agreement” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Factors Related to the Initial Subseries 2008C1 Credit Facility.”

Failure to Deliver Subseries 2008C1 Bonds for Purchase. Interest on any Subseries 2008C1 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 Subseries 2008C1 Bond will be deemed to have been purchased on the date fixed for the purchase thereof, and ownership of such Subseries 2008C1 Bond (or portion thereof subject to tender) is to be transferred to the purchaser thereof. Any Owner of a Subseries 2008C1 Bond who fails to deliver such Subseries 2008C1 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 Subseries 2008C1 Bond from moneys held by the Paying Agent for such payment.

Subseries 2008C1 Credit Facility Bonds and City Bonds Not Subject to Tender. Subseries 2008C1 Credit Facility Bonds and Subseries 2008C1 Bonds purchased by the City with amounts paid by the City or in respect of which reimbursements have been made by the City to a Subseries 2008C1 Credit Facility Provider as provided in the Series 2008C Supplemental Ordinance (“City Bonds”) are not subject to the tender provisions of the Series 2008C Supplemental Ordinance.

Remarketing and Purchase. The Remarketing Agent for the Subseries 2008C1 Bonds is required to use its best efforts to remarket the Tendered Subseries 2008C1 Bonds on any optional or

mandatory tender date. However, the Remarketing Agent is not required to purchase any such Tendered Subseries 2008C1 Bonds so remarketed. The Purchase Price of Tendered Subseries 2008C1 Bonds is to be paid from (1) moneys derived from the remarketing of such Tendered Subseries 2008C1 Bonds, (2) if such remarketing proceeds are insufficient, from moneys requested for the purchase of such Tendered Subseries 2008C1 Bonds under the Subseries 2008C1 Credit Facility and (3) to the extent moneys described in (1) and (2) are not sufficient, Net Revenues of the Airport System and certain funds and accounts as provided in the Senior Bond Ordinance.

Resale of Subseries 2008C1 Credit Facility Bonds and City Bonds. Subseries 2008C1 Credit Facility Bonds may be sold as provided in the Subseries 2008C1 Credit Facility. The Remarketing Agent for the Subseries 2008C1 Bonds is to offer for sale and use its best efforts to sell 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 Subseries 2008C1 Credit Facility will thereafter be in effect and (3) the Subseries 2008C1 Credit Facility Provider consents thereto.

Summary of Certain Interest and Tender Provisions

The following table provides a brief summary of various provisions of the Subseries 2008C1 Bonds applicable during a Daily Rate Period, Weekly Rate Period or Monthly Rate Period. All times are New York, New York, time. While the Subseries 2008C1 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 Subseries 2008C1 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 D – DTC BOOK-ENTRY SYSTEM.”

	DAILY RATE	WEEKLY RATE	MONTHLY RATE
Interest Payment Dates	First Business Day of each calendar month.	First Business Day of each calendar month.	First Business Day of each calendar month.
Interest Rate Determination	10:00 a.m. on each Business Day.	No later than Tuesday or next Business Day preceding the effective date of the interest rate.	No later than the Business Day preceding the first day of each calendar month.
Effective Date of Interest Rate	Each Business Day, and for non-Business Day, the preceding Business Day.	Wednesday of each week. ¹	First day of each calendar month.
Written Notice from Paying Agent to Owners of a Rate Period Change	Mailed at least 15 days prior to the effective date.	Mailed at least 15 days prior to the effective date.	Mailed at least 15 days prior to the effective date.
Optional Tender Dates; Notice of Optional Tender	Any Business Day prior to conversion. Notice to Paying Agent not later than 11:00 a.m. on a Business Day.	Any Business Day prior to conversion. Notice to Paying Agent not later than 5:00 p.m. on a Business Day not fewer than 7 days prior to the purchase date.	Any Business Day prior to conversion. Notice to Paying Agent not later than 5:00 p.m. on a Business Day not fewer than 7 days prior to the purchase date.
Mandatory Tender Date Upon Conversion of Rate Period	Conversion Date.	Conversion Date.	Conversion Date.
Delivery of Tendered Subseries 2008C1 Bonds	In accordance with the procedures of DTC.	In accordance with the procedures of DTC.	In accordance with the procedures of DTC.
Payment for Tendered Subseries 2008C1 Bonds	By close of business on the purchase date.	By close of business on the purchase date.	By close of business on the purchase date.

¹ 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. See “Interest – Weekly Rate Periods” above.

Redemption Prior to Maturity

Optional Redemption. The Subseries 2008C1 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: (1) if the Subseries 2008C1 Bonds are in a Daily Rate Period or a Weekly Rate Period, on any Business Day; (2) and if the Subseries 2008C1 Bonds are in a Monthly Rate Period, on any Interest Payment Date.

Notice of Redemption. Notice of the prior redemption of any Subseries 2008C1 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 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 prior to the redemption date to (a) the underwriters of the Subseries 2008C1 Bonds, or any successor thereof known to the Treasurer, (b) the Paying Agent, the Registrar, the Remarketing Agent and the Subseries 2008C1 Credit Facility Provider or any successors thereof known to the Treasurer and (c) to any Owner of any such Subseries 2008C1 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 Subseries 2008C1 Bond will affect the validity of any proceedings for redemption of any other Subseries 2008C1 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 Subseries 2008C1 Bonds, to any rating agency that is then maintaining a rating on such Subseries 2008C1 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 Subseries 2008C1 Bonds is required to be given, moneys sufficient to redeem all of such Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 2008C 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 Subseries 2008C1 Bonds only to Cede & Co. (or subsequent nominee of DTC) as the 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 D – 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 Subseries 2008C1 Bonds properly called for redemption or any other action premised on that notice.

Redemption of Subseries 2008C1 Credit Facility Bonds. The Series 2008C Supplemental Ordinance provides that the City is to redeem the outstanding Subseries 2008C1 Credit Facility Bonds as provided in the Subseries 2008C1 Credit Facility.

SECURITY AND SOURCES OF PAYMENT

Pledge of Net Revenues

The Subseries 2008C1 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 Subseries 2008C1 Bonds also are payable under certain circumstances from the Bond Reserve Fund as discussed in “Bond Reserve Fund” below. The City has irrevocably pledged the Net Revenues and funds on deposit in the Bond Fund and the Bond Reserve Fund to the payment of the Senior Bonds. See “CAPITAL PROGRAM.” The Subseries 2008C1 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 Subseries 2008C1 Bonds. None of the properties of the Airport System has been pledged or mortgaged to secure payment of the Subseries 2008C1 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 A – GLOSSARY OF TERMS” and “APPENDIX B – 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 (as defined in the Senior Bond Ordinance) on Senior Bonds through December 31, 2013, as further discussed in “FINANCIAL INFORMATION – Passenger Facility Charges – *Irrevocable Commitment of Certain PFCs to Debt Service Requirements.*”

Subseries 2008C1 Credit Facility

Requirement to Maintain a Subseries 2008C1 Credit Facility. With certain limited exceptions, at all times during which the Subseries 2008C1 Bonds bear interest at a Daily Rate, a Weekly Rate or a Monthly Rate, the City is required to maintain one or more Subseries 2008C1 Credit Facilities to provide credit and/or liquidity support with respect to such Subseries.

A Subseries 2008C1 Credit Facility that is a liquidity facility or a direct pay letter of credit is required to provide that the Paying Agent is authorized to draw moneys sufficient to pay all of: (1) if such Subseries 2008C1 Credit Facility is to provide liquidity support, the principal portion of the Purchase Price of the Subseries 2008C1 Bonds due or to become due through the next date on which all of such Subseries 2008C1 Bonds are subject to purchase as discussed in “THE SUBSERIES 2008C1 BONDS – Tenders” above and any interest portion of the Purchase Price of such Subseries 2008C1 Bonds due or to become due through the next Interest Payment Date and such additional number of days after such date as required by any rating agency then rating the Subseries 2008C1 Bonds; and (2) if such Subseries 2008C1 Credit Facility is a direct pay letter of credit, in addition to amounts as described in clause (1) above, the principal of such Subseries 2008C1 Bonds and interest thereon to become due through the next Interest Payment Date and such additional number of days after such date as required by any rating agency then rating the Subseries 2008C1 Bonds. In addition, the City covenants and agrees that, except as provided in “Subseries 2008C1 Credit Facility Not Required in Certain Circumstances” below, at all times while any Subseries 2008C1 Bonds are outstanding and bear interest at a Daily Rate, a Weekly Rate or a Monthly Rate, if the rating of the Subseries 2008C1 Credit Facility Provider is lowered by any of Moody’s Investor Services, Inc. (“Moody’s”), Standard & Poor’s Ratings Services (“S&P”) or Fitch, Inc. (“Fitch”) below the top two short-term rating categories assigned by such rating agency (without giving effect to numeric or other qualifiers), the City will obtain a Substitute Subseries 2008C1 Credit Facility Subseries meeting such rating requirement. See “Substitute Subseries 2008C1 Credit Facility” below.

Initial Subseries 2008C1 Credit Facility. Concurrently with the issuance of the Subseries 2008C1 Bonds, the City will cause to be delivered to the Paying Agent a Subseries 2008C1 Credit Facility with respect to the Subseries 2008C1 Bonds. The initial Subseries 2008C1 Credit Facility will be the KBC Letter of Credit issued by KBC pursuant to the KBC Reimbursement Agreement. See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY.”

Substitute Subseries 2008C1 Credit Facility. Upon the receipt by the Paying Agent of a written request of the City stating that the amount available under a Subseries 2008C1 Credit Facility may be reduced in compliance with the Series 2008C Supplemental Ordinance, the Paying Agent is to direct or send appropriate notice to the Subseries 2008C1 Credit Facility Provider requesting or directing that such amount be reduced and specifying the amount that is to thereafter be available under the Subseries 2008C1 Credit Facility, subject to any requirements of the Subseries 2008C1 Credit Facility. In no event is the Subseries 2008C1 Credit Facility securing the Subseries 2008C1 Bonds bearing interest at a Variable Rate (other than the Subseries 2008C1 Bonds bearing interest at a Term Rate) or a Flexible Rate to be reduced to an amount which is less than the outstanding principal amount of the Subseries 2008C1 Bonds plus an amount equal to interest thereon at the Interest Rate and for the number of days then required by any rating agency then rating the Subseries 2008C1 Bonds, unless the City has deposited a Substitute Subseries 2008C1 Credit Facility with the Paying Agent in accordance with the terms of the Series 2008C Supplemental Ordinance, or unless the requirements set forth in “Subseries 2008C1 Credit Facility Not Required in Certain Circumstances” below are satisfied. In no event may any Substitute Subseries 2008C1 Credit Facility replace any then current Subseries 2008C1 Credit Facility only in part. Notwithstanding the foregoing, immediately after payment in full has been made on any Subseries 2008C1 Bond, either at its maturity date, by optional redemption or otherwise, the Paying Agent is to direct or send appropriate notice to the Subseries 2008C1 Credit Facility Provider requesting or directing that the amount available under the Subseries 2008C1 Credit Facility be reduced by an amount equal to

the principal so paid plus the amount of interest theretofore provided for under the Subseries 2008C1 Credit Facility on that principal amount.

Prior to the conversion of the Subseries 2008C1 Bonds to a Fixed Rate or an Auction Rate, a Substitute Subseries 2008C1 Credit Facility may be delivered and become effective on any Business Day (a "Subseries 2008C1 Credit Facility Substitution Date"). The City is to cause a draft of any Substitute Subseries 2008C1 Credit Facility in substantially final form and a commitment letter with respect thereto, together with written evidence from each rating agency then rating the Subseries 2008C1 Bonds prior to the Subseries 2008C1 Credit Facility Substitution Date of the rating on the applicable series of the Subseries 2008C1 Bonds after the Subseries 2008C1 Credit Facility Substitution Date, to be delivered to the Paying Agent and the Remarketing Agent not less than 15 days prior to the proposed Subseries 2008C1 Credit Facility Substitution Date. On each Subseries 2008C1 Credit Facility Substitution Date, the City, the Remarketing Agent and the Paying Agent are also to receive (1) an opinion of counsel for the Substitute Subseries 2008C1 Credit Facility Provider regarding the enforceability of the Substitute Subseries 2008C1 Credit Facility in substantially the form delivered to the Paying Agent upon execution and delivery of the Subseries 2008C1 Credit Facility then in effect, (2) a Favorable Opinion of Bond Counsel to the effect that the substitution of the Subseries 2008C1 Credit Facility then in effect will not adversely affect the validity of the Subseries 2008C1 Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Subseries 2008C1 Bonds would otherwise be entitled and (3) written evidence from each rating agency then maintaining a rating on the Subseries 2008C1 Bonds that the ratings on the Subseries 2008C1 Bonds following the substitution of the Subseries 2008C1 Credit Facility then in effect will not be reduced or withdrawn. No Substitute Subseries 2008C1 Credit Facility is to become effective unless the then current Subseries 2008C1 Credit Facility Provider certifies to the City and the Paying Agent that all obligations owing to the Subseries 2008C1 Credit Facility Provider under the Subseries 2008C1 Credit Facility being substituted for have been paid in full.

Each Substitute Subseries 2008C1 Credit Facility is to provide for the submission of draws thereunder, and the payment of properly submitted draws, on the same timing as that of the Subseries 2008C1 Credit Facility being substituted for, unless each rating agency then maintaining a rating on the Subseries 2008C1 Bonds agrees to some other timing without reducing or withdrawing the then existing ratings.

Under the Series 2008C Supplemental Ordinance, the City agrees to provide advance notice of the proposed substitution of a Substitute Subseries 2008C1 Credit Facility to the Paying Agent, to the extent practicable, at least 15 days prior to the effective date of such substitution.

Subseries 2008C1 Credit Facility Not Required in Certain Circumstances. The Subseries 2008C1 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate are not required to have the benefit of a Subseries 2008C1 Credit Facility if, prior to the expiration or termination of the Subseries 2008C1 Credit Facility then in effect, there is delivered to the City, the Remarketing Agent and the Paying Agent (1) a Favorable Opinion of Bond Counsel to the effect that the expiration or termination of such Subseries 2008C1 Credit Facility will not adversely affect the validity of such Subseries 2008C1 Bonds or any exclusion from gross income for federal income tax purposes to which interest on such Subseries 2008C1 Bonds would otherwise be entitled, (2) written evidence from each rating agency then maintaining a rating on such Subseries 2008C1 Bonds that the ratings on such Subseries 2008C1 Bonds following the expiration or termination of the Subseries 2008C1 Credit Facility will not be reduced or withdrawn and (3) due notice of such circumstances is given by the Paying Agent to the Owners of such Subseries 2008C1 Bonds.

Upon satisfaction of the requirements described above, (1) the Paying Agent, upon receipt of a written request of the City, is to direct or send appropriate notice to the Subseries 2008C1 Credit Facility Provider requesting or directing the cancellation of the Subseries 2008C1 Credit Facility then in effect on the date (the "Subseries 2008C1 Credit Facility Cancellation Date") requested by the City, which date

may not be less than 30 days, or such longer or shorter period as is required by such Subseries 2008C1 Credit 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 tendered Subseries 2008C1 Bonds may be remarketed by the Remarketing Agent pursuant to the Remarketing Agreement without the benefit of a Subseries 2008C1 Credit Facility until such time, if any, as such Subseries is thereafter entitled to the benefits of a Subseries 2008C1 Credit Facility pursuant to the provisions of the Series 2008C Supplemental Ordinance, but only if there is delivered to the City, the Paying Agent and the Remarketing Agent a Favorable Opinion of Bond Counsel to the effect that the execution and delivery of the Subseries 2008C1 Credit Facility will not adversely affect the validity of the Subseries 2008C1 Bonds or any exclusion from gross income for federal income tax purposes to which interest the Subseries 2008C1 Bonds would otherwise be entitled.

Upon the occurrence of a Subseries 2008C1 Credit Facility Cancellation Date, the Subseries 2008C1 Bonds will be subject to mandatory tender as provided in “THE SUBSERIES 2008C1 BONDS – Tenders – *Mandatory Tenders.*”

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 calendar year (each a “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 A – 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 treated as a reduction in the Debt Service Requirements of Senior Bonds in the years 2007 through 2013. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS,” “FINANCIAL INFORMATION – Senior Bonds – Passenger Facility Charges” and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

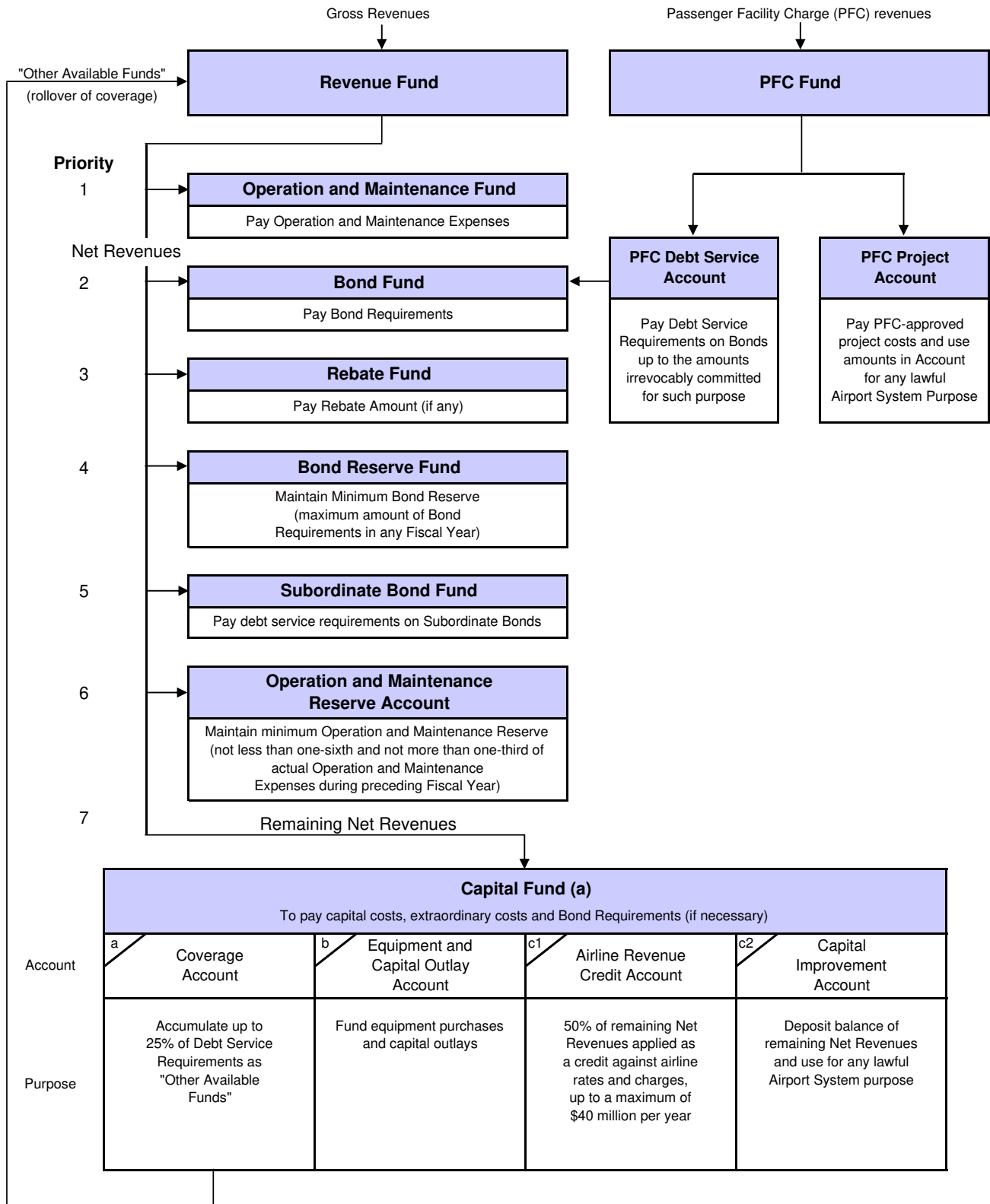
Flow of Funds

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 B – 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 A – GLOSSARY OF TERMS” and “APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

Upon the issuance of the Subseries 2008C1 Bonds, an amount at least equal to the Minimum Bond Reserve will 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 Subseries 2008C1 Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, provided that any such Subseries 2008C1 Credit Facility is required to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund. See “APPLICATION OF PROCEEDS” and “APPENDIX B – 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 B – 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.”

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 2003 through 2007 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				
	2003	2004	2005 ⁵	2006 ⁵	2007
Gross Revenues ¹	\$527,567	\$543,044	\$571,102	\$592,110	\$616,106
Operation and Maintenance Expenses ¹	201,573	220,254	231,732	256,191	282,746
Net Revenues	325,994	322,790	339,370	335,919	333,360
Other Available Funds ²	50,807	54,849	55,173	50,790	53,251
Total Amount Available for Debt Service	\$376,801	\$377,639	\$394,543	\$386,710	\$386,611
Debt Service Requirements for the Senior Bonds ^{3,4}	\$204,897	\$221,453	\$223,331	\$205,935	\$215,213
Debt Service Coverage ⁴	184%	171%	177%	184%	180%

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 A – 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 is such amount to exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year. See “APPENDIX A – 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, as well as the debt service on certain Senior Bonds that have been economically defeased. See “FINANCIAL INFORMATION – Senior Bonds – Outstanding 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.

⁵ Reflects the restatement of the Fiscal Years 2005 and 2006 financial statements as described in “FINANCIAL INFORMATION – Historical Financial Operations.”

Sources: Financial statements of the Airport System for Fiscal Years 2003-2007, 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 B – 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 C – 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 Subseries 2008C1 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 D – 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.

THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY

The initial Subseries 2008C1 Credit Facility will be the KBC Subseries 2008C1 Letter of Credit to be issued by KBC pursuant to the KBC Reimbursement Agreement. The Subseries 2008C1 Letter of Credit provides credit and liquidity support for the Subseries 2008C1 Bonds while bearing interest at a Weekly Rate or a Monthly Rate Period (but not at a Daily Rate).

The following summarizes certain provisions of the KBC Subseries 2008C1 Letter of Credit and the KBC Reimbursement Agreement. Such summaries do not purport to be a full and complete statement of the provisions of the KBC Subseries 2008C1 Letter of Credit or the KBC Reimbursement Agreement, to which reference to such documents is made for the complete provisions thereof. Prospective investors should obtain and review a copy of the KBC Subseries 2008C1 Letter of Credit and the KBC Reimbursement Agreement in order to understand all of the terms of those documents. During the offering period of the Subseries 2008C1 Bonds, a copy of the KBC Subseries 2008C1 Letter of Credit and the KBC Reimbursement Agreement may be obtained upon request from the Underwriters of the Subseries 2008C1 Bonds. The KBC Reimbursement Agreement may be amended at any time without the consent of or notice to the owners of the Subseries 2008C1 Bonds. The provisions of any Substitute Subseries 2008C1 Credit Facility and any related agreement to which such Substitute Subseries 2008C1 Credit Facility is issued may be different from those summarized below. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Factors Related to the Initial Subseries 2008C1 Credit Facility.”

The KBC Subseries 2008C1 Letter of Credit

The KBC Subseries 2008C1 Letter of Credit is an irrevocable transferable obligation of KBC. The KBC Subseries 2008C1 Letter of Credit will be issued in an amount equal to the aggregate outstanding principal amount of the Subseries 2008C1 Bonds, plus 43 days’ interest thereon at the rate of 12% per annum (the “Cap Interest Rate”). The Paying Agent, upon compliance with the terms of the KBC Subseries 2008C1 Letter of Credit, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the Subseries 2008C1 Bonds (other than Purchased Bonds (as defined in the KBC Reimbursement Agreement) and the Subseries 2008C1 Bonds bearing interest at a rate other than the Weekly Rate or the Monthly Rate (collectively, “Ineligible Bonds”)) when due, whether at maturity or upon redemption, and (ii) to pay the portion of the purchase price of the Subseries 2008C1 Bonds (other than Ineligible Bonds) delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed (a “Liquidity Drawing”) equal to the principal amount of the Subseries 2008C1 Bonds, plus (b) an amount not to exceed 43 days of accrued interest on the Subseries 2008C1 Bonds at the Cap Interest Rate (i) to pay interest on the Subseries 2008C1 Bonds (other than Ineligible Bonds) when due, and (ii) to pay the portion of the purchase price of the Subseries 2008C1 Bonds (other than Ineligible Bonds) delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on the Subseries 2008C1 Bonds.

The amount available under the KBC Subseries 2008C1 Letter of Credit will be reduced to the extent of any drawing thereunder, subject to reinstatement as described below. With respect to a drawing by the Paying Agent to pay interest on the Subseries 2008C1 Bonds, the amount available under the KBC Subseries 2008C1 Letter of Credit will be automatically reinstated effective on the 6th day from the date of such drawing unless the Paying Agent has received from KBC on or prior to the close of business on the 5th calendar day from the date of such drawing notice that KBC has not been reimbursed in full for such drawing or any other Event of Default under the KBC Reimbursement Agreement has occurred and

as a consequence thereof the KBC Subseries 2008C1 Letter of Credit will not be reinstated. With respect to a Liquidity Drawing, the KBC Subseries 2008C1 Letter of Credit will automatically be reduced by the Original Purchase Price (as hereinafter defined) of the Subseries 2008C1 Bonds (or portions thereof) purchased pursuant to such drawing. Prior to the Conversion Date (as defined in the KBC Reimbursement Agreement) upon a remarketing of the Subseries 2008C1 Bonds (or portions thereof) purchased with the proceeds of such Liquidity Drawing, the amount available under the KBC Subseries 2008C1 Letter of Credit will be automatically reinstated concurrently upon receipt by KBC of an amount equal to the Original Purchase Price of such Subseries 2008C1 Bonds (or portions thereof) received by KBC. "Original Purchase Price" means the principal amount of the Subseries 2008C1 Bonds purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on the Subseries 2008C1 Bonds paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing a drawing to pay interest) upon such purchase.

The KBC Subseries 2008C1 Letter of Credit will terminate on the earliest of KBC's close of business on: (a) the stated expiration date (November 4, 2011, unless renewed or extended); (b) the earlier of (i) the date that is five days following (A) the Fixed Rate Conversion Date (as defined in the Series 2008C Supplemental Ordinance) or (B) the date on which the rate on all of the Subseries 2008C1 Bonds has been converted to bear interest at a rate other than a Weekly Rate or a Monthly Rate as such date is specified in a certificate in the form attached to the KBC Subseries 2008C1 Letter of Credit (the "Conversion Date"), or (ii) the date on which the KBC honors a drawing under the KBC Subseries 2008C1 Letter of Credit on or after the Conversion Date; (c) the date that is five days following KBC's receipt of a certificate from the Paying Agent that no Subseries 2008C1 Bonds remain outstanding within the meaning of the General Bond Ordinance and the Series 2008C Supplemental Ordinance, all drawings required to be made under the Series 2008C Supplemental Ordinance and available under the KBC Subseries 2008C1 Letter of Credit have been made and honored, or that a Substitute Subseries 2008C1 Credit Facility has been issued in substitution for the KBC Subseries 2008C1 Letter of Credit pursuant to the General Bond Ordinance and the Series 2008C Supplemental Ordinance; or (d) the date that is 15 days following the date the Paying Agent receives a written notice from KBC specifying the occurrence of an "Event of Default" under the KBC Reimbursement Agreement and directing the Paying Agent to cause a mandatory tender or acceleration of the Subseries 2008C1 Bonds.

Events of Default and Remedies Under the KBC Reimbursement Agreement

Events of Default. Pursuant to the KBC Reimbursement Agreement, the occurrence of any of the following events, among others, will constitute an Event of Default thereunder. Reference is made to the KBC Reimbursement Agreement for a complete listing of all Events of Default:

- (a) any material representation or warranty made by the City, for and on behalf of its Department of Aviation, in the KBC Reimbursement Agreement (or incorporated therein by reference) or any material representation or warranty made by the City, for and on behalf of its Department of Aviation, in any of the other Related Documents (as defined in the KBC Reimbursement Agreement) or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the KBC Reimbursement Agreement or with any of the other Related Documents, proves to have been incorrect, incomplete or misleading in any material respect when made;
- (b) any "event of default" occurs under any of the Bond Documents (as defined in the KBC Reimbursement Agreement) (as defined respectively therein);
- (c) failure of the City, for and on behalf of its Department of Aviation, to pay when due (i) any Reimbursement Obligation (as defined in the KBC Reimbursement Agreement), (ii) any Letter of Credit Fee (as defined in the KBC Reimbursement Agreement) and such failure

continues for a period of three Business Days after written notice thereof is given to the City, for and on behalf of its Department of Aviation, by KBC, or (iii) any other Bank Obligation (as defined in the KBC Reimbursement Agreement) and such failure continues for a period of 30 Business Days after written notice thereof is given to the City, for and on behalf of its Department of Aviation, by KBC;

(d) default in the due observance or performance by the City, for and on behalf of its Department of Aviation, of certain covenants set forth in the KBC Reimbursement Agreement or (after any applicable grace period under any Related Document);

(e) default in the due observance or performance by the City, for and on behalf of its Department of Aviation, of any other term, covenant or agreement set forth in the KBC Reimbursement Agreement and the continuance of such default for 30 days after the occurrence thereof;

(f) any material provision of the KBC Reimbursement Agreement or any of the Related Documents ceases to be valid and binding, or the City, for and on behalf of its Department of Aviation, contests any such provision, or the City, for and on behalf of its Department of Aviation, or any agent or trustee on behalf of the City, for and on behalf of its Department of Aviation, denies that it has any or further liability under the KBC Reimbursement Agreement or any of the Related Documents;

(g) the City, for and on behalf of its Department of Aviation, fails to make any payment in respect to any bonds issued pursuant to the General Bond Ordinance that are secured on a parity with the Subseries 2008C1 Bonds or Obligations (as defined in the KBC Reimbursement Agreement) when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), or any event or condition occurs which results in the acceleration of the maturity of any bonds issued pursuant to the General Bond Ordinance that are secured on a parity with the Subseries 2008C1 Bonds or Obligations or enables (or with the giving of notice or lapse of time, or both, would enable) the holder of any bonds issued pursuant to the General Bond Ordinance that are secured on a parity with the Subseries 2008C1 Bonds or Obligations or any Person acting on such holder's behalf to accelerate the maturity thereof;

(h) one or more judgments against the City for the payment of money payable out of Net Revenues (as defined in the KBC Reimbursement Agreement) and not fully covered by insurance (including self-insurance to the extent evidenced by reserves in the form of liquid assets), or attachments against the property of the City which is used by or in conjunction with the Airport System (as defined in the KBC Reimbursement Agreement) or which constitutes Net Revenues, the operation or result of which, individually or in the aggregate, equals or exceeds \$10,000,000 remains unpaid, unstayed, undischarged, unbonded or undismissed for a period of 180 days;

(i) the City commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or the Airport System or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or the Airport System or any substantial part of its Property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due; or a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any obligation of the City secured by a lien, charge or encumbrance upon any Net

Revenues; or takes any action to authorize any of the foregoing; or an involuntary case or other proceeding is commenced against the City seeking liquidation, reorganization or other relief with respect to it or the Airport System or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or the Airport System or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the City under the federal bankruptcy laws as now or hereafter in effect;

(j) any event of default under and as defined in the General Bond Ordinance or in any other ordinance authorizing the issuance of Bonds (as defined in the KBC Reimbursement Agreement) occurs and is continuing;

(k) the Lien (as defined in the KBC Reimbursement Agreement) created by the General Bond Ordinance, the Series 2008C Supplemental Ordinance or by the KBC Reimbursement Agreement at any time and for any reason does not constitute a valid and perfected Lien on the Net Revenues of Funds with the priority purported to be created thereby, or the City so asserts in writing; or

(l) the date on which the rating on any Senior Bonds falls below Investment Grade or is suspended or withdrawn by any Rating Agency. Investment Grade is defined in the KBC Reimbursement Agreement as any rating in one of the four highest rating categories of any Rating Agency without regard to numerical designations or the symbols “+” and “-” (*i.e.*, currently a rating of “Baa3” (or its equivalent) or better by Moody’s and “BBB-” (or its equivalent) or better by S&P and Fitch).

Remedies. Following the occurrence of the above-described Events of Default, KBC may take any one or more of the following actions, among others. Reference is made to the KBC Reimbursement Agreement for a complete listing of all consequences of Events of Default.

(a) by notice to the City, for and on behalf of its Department of Aviation, declare all Bank Obligations (as defined in the KBC Reimbursement Agreement) to be, and such amounts will thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the City, for and on behalf of its Department of Aviation; provided that upon the occurrence of an Event of Default under paragraph (i) of “*Events of Default*” above, such acceleration will automatically occur unless such automatic acceleration is waived by KBC in writing;

(b) give notice of the occurrence of any Event of Default to the Paying Agent, directing the Paying Agent to cause a mandatory tender of the Subseries 2008C1 Bonds pursuant to the terms of the General Bond Ordinance and the Series 2008C Supplemental Ordinance, thereby causing the KBC Subseries 2008C1 Letter of Credit to expire 15 days thereafter;

(c) pursue any rights and remedies it may have under the Related Documents; or

(d) pursue any other action available at law or in equity.

KBC

The KBC Subseries 2008C1 Letter of Credit will be issued by KBC Bank N.V., acting through its New York Branch. The following information has been provided by KBC for inclusion in this Official Statement. Neither the City nor the Underwriters have reviewed such information and do not

make any representation as to its accuracy or completeness. No assurance is given by the City or the Underwriters as to KBC's ability to pay claims under the KBC Subseries 2008C1 Letter of Credit.

KBC Bank N.V., New York Branch ("KBC NYB") is an unincorporated branch of KBC Bank N.V., a naamloze vennootschap (public company of limited liability) organized under the laws of Belgium, whose principal office is located in Brussels, Belgium. KBC Bank N.V. conducts operations through additional offices and agencies in the United States and around the world. Created on June 4, 1998 through the combination of two predecessor Belgian banks, Kredietbank N.V. and CERA Bank C.V., KBC Bank N.V. is subject to regulation by the Belgium Banking Commission and to Belgian banking and accounting law. KBC Bank N.V. maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Belgium. Such records and financial statements are maintained and prepared in Euro currency (EUR).

One of the largest commercial banks in Belgium, KBC Bank N.V. operates as a universal bank, engaged in commercial and investment banking, and offers comprehensive financial services. In contrast with the two other major Belgian banks, KBC Bank N.V.'s branches in Belgium are located exclusively in Flanders and Brussels. KBC Bank N.V. is indirectly represented through CBC Banque S.A., a majority-owned subsidiary with branches in the Walloon region and Brussels.

KBC NYB was originally established in 1977 as a New York Branch of Kredietbank N.V., and has been relicensed by the Banking Department of the State of New York as a New York Branch of KBC Bank N.V. to provide a full range of services in New York. In addition to handling foreign exchange transactions, KBC NYB is active in international payment transactions and the clearing of commercial payments and professional transactions in U.S. Dollars. KBC NYB is also involved in providing financial services, particularly credit, for European (including Belgian) companies operating in the United States, as well as for United States corporations.

Selected Consolidated Financial Data of KBC Bank N.V.

Year Ended December 31, 2007
(EUR Millions)

Total Assets	EUR 355,597
Amounts Owed to Customers	192,135
Loans and Advances to Customers	147,051
Total Equity	17,348
Net Income	3,281

Conversion Rate: As of December 31, 2007, EUR 0.679 = US \$1.00.

KBC NYB will provide, upon written request and without charge, a copy of KBC Bank N.V.'s Annual Report for the year ended December 31, 2007. Written requests should be directed to: KBC Bank N.V., New York Branch, 1177 Avenue of the Americas, New York, New York 10036, Attention: Controller.

THE REMARKETING AGREEMENT

The Series 2008C Supplemental Ordinance provides that at all times during which the Subseries 2008C1 Bonds bear interest at a Daily Rate, a Weekly Rate or a Monthly Rate, the City is required to maintain a Remarketing Agent with respect to such Subseries. Pursuant to the Series 2008C Supplemental Ordinance, a Remarketing Agreement is to be entered into with respect to the Subseries 2008C1 Bonds between the City and the Remarketing Agent for the Subseries 2008C1 Bonds. Initially,

Morgan Stanley & Co. Incorporated will serve as the Remarketing Agent for the Subseries 2008C1 Bonds.

The following is a summary of certain provisions of the Remarketing Agreement to be entered into between the initial Remarketing Agent and the City with respect to the Subseries 2008C1 Bonds. The following summary does not purport to be a full and complete statement of the provisions of the Remarketing Agreement, which should be read in full for a complete understanding of all the terms and provisions thereof. A copy of the Remarketing Agreement may be obtained upon request from the Remarketing Agent. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Factors Related to the Remarketing Agent.”

The Remarketing Agent agrees to perform the duties and obligations imposed upon it as Remarketing Agent for the Subseries 2008C1 Bonds under the Series 2008C Supplemental Ordinance and the Remarketing Agreement, and agrees particularly, among other things, to: (1) determine the interest rates of the Subseries 2008C1 Bonds and give notice thereof in accordance with the Series 2008C Supplemental Ordinance; (2) 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 as the City may reasonably request; (3) use its best efforts to remarket the Subseries 2008C1 Bonds in accordance with the requirements of the Series 2008C Supplemental Ordinance; and (4) hold all moneys delivered to it under the Series 2008C Supplemental Ordinance for the benefit of the person that has delivered such moneys until the Subseries 2008C1 Bonds purchased with such moneys are delivered to the account of such person. The Remarketing Agent is not required to purchase any related Tendered Subseries 2008C1 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 Subseries 2008C1 Credit 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 2008C Supplemental Ordinance by giving at least 90 days’ written notice thereof to the City, the Paying Agent and the Subseries 2008C1 Credit 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 Subseries 2008C1 Bonds because of the occurrence of an event that materially adversely affects the market price of the Subseries 2008C1 Bonds, including, without limitation, (a) a pending or proposed change in laws affecting the exclusion from gross income of interest on the Subseries 2008C1 Bonds or the exemption of the Subseries 2008C1 Bonds or the Series 2008C 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 Subseries 2008C1 Credit 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 the Subseries 2008C1 Bonds below “AA-/A-1” by S&P, below “AA-/F-1” by Fitch or below “Aa3/VMIG 1” by Moody’s, or (f) an imposition of material restrictions on trading of the Subseries 2008C1 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 the Subseries 2008C1 Bonds are converted to an Auction Rate or a Fixed Rate or are paid in full.

No purchase, sale or transfer of any Subseries 2008C1 Bonds pursuant to the Remarketing Agreement is to constitute or be construed to be the extinguishment of such Subseries 2008C1 Bonds or the indebtedness represented thereby, or the reissuance of any such Subseries 2008C1 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 the Subseries 2008C1 Bonds, 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 Subseries 2008C1 Bonds or other obligations of the City, as freely as if it did not act in any capacity under the Remarketing Agreement.

RISKS AND OTHER INVESTMENT CONSIDERATIONS

The purchase and ownership of Beneficial Ownership Interests in the Subseries 2008C1 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 Subseries 2008C1 Bonds.

Limited Description of the Subseries 2008C1 Bonds

This Official Statement describes the Subseries 2008C1 Bonds only while bearing interest at a Daily Rate, a Weekly Rate or a Monthly Rate and subject to the DTC book-entry only system. Purchasers of the Subseries 2008C1 Bonds should not rely on this Official Statement for information in connection with a Subseries converted to a Rate Period other than a Daily Rate, a Weekly Rate or a Monthly Rate, but should look solely to the offering document to be used in connection with any such change in Rate Period.

Factors Related to the Initial Subseries 2008C1 Credit Facility

Subseries 2008C1 Credit Facility Primary Security. Owners of the Subseries 2008C1 Bonds will be substantially dependent upon KBC to honor drawings under the KBC Subseries 2008C1 Letter of Credit for both liquidity and credit support of the Subseries 2008C1 Bonds.

The Debt Service Requirements on the Subseries 2008C1 Bonds will be paid from amounts drawn by the Paying Agent under the KBC Subseries 2008C1 Letter of Credit, which amounts are to be reimbursed to KBC by the City pursuant to the KBC Reimbursement Agreement. If moneys for such purpose are not available under the KBC Subseries 2008C1 Letter of Credit, for whatever reason, the City is obligated under the Series 2008C Supplemental Ordinance to pay such amounts when due from Net Revenues of the Airport System. See “SECURITY AND SOURCES OF PAYMENT” and “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY.”

The Purchase Price of Tendered Subseries 2008C1 Bonds is payable first from remarketing proceeds and then, if necessary, from moneys drawn under the Subseries 2008C1 Credit Facility. If such amounts are insufficient, the Tendered Subseries 2008C1 Bonds are then payable from the Net Revenues of the Airport System. There can be no assurance that Net Revenues would be available for such purpose. The Series 2008C Supplemental Ordinance provides that if funds available for the purchase of all Tendered Subseries 2008C1 Bonds on any purchase date are insufficient, no Event of Default under the Senior Bond Ordinance will result. Rather, none of such Tendered Subseries 2008C1 Bonds are to be purchased and the Paying Agent is required to return all such Tendered Subseries 2008C1 Bonds to the Owners thereof. See “THE SUBSERIES 2008C1 BONDS – Tenders.” Consequently, Owners could be required to hold Subseries 2008C1 Bonds to maturity or prior redemption, if any.

The availability of Net Revenues to pay the Purchase Price of Tendered Subseries 2008C1 Bonds or the Debt Service Requirements on the Subseries 2008C1 Bonds and other outstanding Senior Bonds is subject to various risks as discussed hereafter.

Performance by the Paying Agent. Performance by KBC of its respective obligations under the KBC Subseries 2008C1 Letter of Credit is subject to the satisfaction of certain conditions by the Paying Agent as set forth in the KBC Subseries 2008C1 Letter of Credit. Owners of the Subseries 2008C1

Bonds will therefore be dependent upon the Paying Agent to properly satisfy such conditions before they will receive the benefit of the KBC Subseries 2008C1 Letter of Credit, as the case may be. 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 KBC Subseries 2008C1 Letter of Credit.

Expiration of the KBC Subseries 2008C1 Letter of Credit. The KBC Subseries 2008C1 Letter of Credit expires on November 4, 2011, subject to extension or earlier termination in certain circumstances as described therein. If the KBC Subseries 2008C1 Letter of Credit is not extended or a Substitute Subseries 2008C1 Credit Facility therefor is not obtained by the City, the Subseries 2008C1 Bonds will be subject to mandatory tender for purchase. There can be no assurance that the City will be able to obtain an extension of the KBC Subseries 2008C1 Letter of Credit or to obtain Substitute Subseries 2008C1 Credit Facility if necessary. KBC is not obligated to extend the KBC Subseries 2008C1 Letter of Credit beyond the stated expiration date thereof. See “THE SUBSERIES 2008C1 BONDS – Tenders – *Mandatory Tenders*,” and “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY.”

Obligations of KBC Unsecured. The ability of KBC to honor draws on the KBC Subseries 2008C1 Letter of Credit is based solely upon the general credit of KBC, 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 KBC assumes any liability to any Owner or Beneficial Owner of the Subseries 2008C1 Bonds as a result of any deterioration of the financial condition of KBC. Upon any insolvency of KBC, any claim by the Paying Agent or the City against KBC would be subject to bank receivership proceedings. No insurance proceeds from the Federal Deposit Insurance Corporation or any other governmental agency, instrumentality or authority of the United States or any foreign country will be available to pay the Subseries 2008C1 Bonds in the event of a default by KBC under the KBC Subseries 2008C1 Letter of Credit.

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

Prospective purchasers should evaluate the financial strength of KBC based upon the information contained and referred to in “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – KBC” and other information available upon request from KBC, and should not rely upon any governmental supervision by any regulatory entity.

Default by the City Under a Reimbursement Agreement. The terms of the KBC Reimbursement Agreement require the City to, among other things, reimburse KBC for draws under the KBC Subseries 2008C1 Letter of Credit. If the City is unable to make the payments required under the KBC Reimbursement Agreement, KBC will have the right to cause a mandatory tender of the Subseries 2008C1 Bonds. See “THE SUBSERIES 2008C1 BONDS – Tenders – *Mandatory Tenders*” and “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY – The KBC Reimbursement Agreement – *Defaults and Remedies*.”

Factors Related to the Remarketing Agent

Remarketing Agent Is Paid By the City. The Remarketing Agent's responsibilities under the Remarketing Agreement include determining the interest rate from time to time and remarketing the Subseries 2008C1 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Senior Bond Ordinance, including the Series 2008C Supplemental Ordinance, and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of current Beneficial Owners and potential purchasers of Subseries 2008C1 Bonds.

Remarketing Agent Routinely Purchases Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. A Remarketing Agent is permitted, but not obligated, to purchase Tendered Subseries 2008C1 Bonds for its own account and, in its sole discretion, may routinely acquire such Tendered Subseries 2008C1 Bonds in order to achieve a successful remarketing of such Tendered Subseries 2008C1 Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Tendered Subseries 2008C1 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Tendered Subseries 2008C1 Bonds and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Subseries 2008C1 Bonds by routinely purchasing and selling Subseries 2008C1 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Subseries 2008C1 Bonds. The Remarketing Agent may also sell any Subseries 2008C1 Bonds that it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to such Subseries 2008C1 Bonds. The purchase of Subseries 2008C1 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for such Subseries 2008C1 Bonds in the market than is actually the case. The practices described above also may result in fewer Subseries 2008C1 Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Series 2008C Supplemental Ordinance and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Subseries 2008C1 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for such Subseries 2008C1 Bonds (including whether the Remarketing Agent is willing to purchase such Subseries 2008C1 Bonds for its own account). There may or may not be Subseries 2008C1 Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Tendered Subseries 2008C1 Bonds on such date at par and the Remarketing Agent may sell the Subseries 2008C1 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Tendered Subseries 2008C1 Bonds at the remarketing price. In the event a Remarketing Agent owns any Subseries 2008C1 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Subseries 2008C1 Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Subseries 2008C1 Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Subseries 2008C1 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Subseries 2008C1 Bonds, whether in a remarketing or otherwise,

should not assume that they will be able to sell their Subseries 2008C1 Bonds other than by tendering the Subseries 2008C1 Bonds in accordance with the tender process.

The Remarketing Agent May Resign or be Removed Without a Successor Being Named. The Remarketing Agent may resign upon giving at least 10 days' notice (or such longer period as may be specified in the Remarketing Agreement, which in the case of the initial Remarketing Agreement is 30 days' prior written notice), and may be removed by the City upon being given 30 days' prior written notice, in each case without a successor having been named. In such event, the Paying Agent will be deemed to be the Remarketing Agent for all purposes of the Series 2008C Supplemental Ordinance until the appointment by the City of a successor Remarketing Agent, provided that the Paying Agent will not be required to sell related Tendered Subseries 2008C1 Bonds, determine the interest rate of the Subseries 2008C1 Bonds or determine the Flexible Rate Period of the Subseries 2008C1 Bonds converted to a Flexible Rate Period. See "THE REMARKETING AGREEMENT."

Factors Related to the Airport System

Dependence on Continued Level of Airline Traffic and Activity. The Subseries 2008C1 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 Subseries 2008C1 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 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, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline mergers, alliances and consolidations, availability and price of aviation and other fuel and capacity of the national air traffic control system and of the Airport. See also "Cost of Aviation Fuel," "Financial Condition of the Airlines; Airline Consolidation and Mergers," "Air Travel Security Concerns" and "AVIATION ACTIVITY AND AIRLINES."

Financial Condition of the Airlines; Airline Consolidation and Mergers. In recent months, record fuel prices among other things have caused most airlines to raise fares, add new fees and surcharges, reduce capacity and the size of their fleets, as well as personnel. Several airlines have filed for bankruptcy and/or ceased their operations, including the Frontier Companies, and a number of airlines are considering merging and consolidating with other airlines. For instance, Delta and Northwest merged on October 29, 2008, with Northwest becoming a wholly owned subsidiary of Delta. The City is not able to predict whether any additional mergers will occur or the impact that any merger may have on the operations of any merged carriers at the Airport.

Cost of Aviation Fuel. The price of fuel is one of the most significant factors impacting the airline industry today. According to the Air Transport Association, fuel has overtaken labor as the industry's top costs. Aviation fuel prices tend to fluctuate with crude oil prices, and the average price of crude oil continues to hover at historically high levels. In recent years, some U.S. airlines have attempted to pass the higher fuel costs to consumers by increasing the fuel surcharge or increasing the price of airfares. Despite these efforts, the significant and prolonged increases in the cost of aviation fuel have had, and are likely to continue to have, an adverse impact on the air transportation industry by increasing airline operating costs, hampering airline financial recovery plans and reducing airline profitability. The City is not able to predict how continued uncertainty with respect to the cost of aviation fuel will impact the Airport or the airlines operating at the Airport. See "Dependence on Continued Level of Airline Traffic and Activity" and "Financial Condition of the Airlines; Airline Consolidation and Mergers" above and "AVIATION ACTIVITY AND AIRLINES."

Market Share Risk. The United Group, consisting of United, its low-fare Ted product 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 in 2007 approximately 28.8% of Airport System Gross Revenues. United has announced that as a part of planned changes to reduce domestic capacity, remove older, less fuel efficient aircraft from its fleet and reduce its number of employees it plans to (1) eliminate its Ted product and reconfigure the Ted fleet of aircraft into United's mainline operations in 2009, (2) reduce its consolidated domestic capacity during 2008 and 2009 by between 12.5%-13.5% compared to 2007 and reduce its consolidated overall capacity during this period by 9%-10%, and (3) significantly reduce its workforce by the end of 2008. After the United Group, the Frontier Group is the next largest air carrier operating at the Airport. In 2007 the Frontier Group accounted for (1) over 20% of passenger enplanements at the Airport, (2) approximately 15.1% of the airline rentals, fees and charges component of the Airport System's operating revenues and (3) approximately 7.6% of the Airport System's Gross Revenues. In June 2008, Frontier, which is currently in bankruptcy, announced plans for a 17% system-wide reduction in its flight operations beginning in September of 2008 and a "proportional" reduction in workforce. The impact of these reductions on operations at the Airport is unknown. See "Risk of Future Airline Bankruptcies" and "Bankruptcy of Frontier Companies" below.

Except for the United Group, the Frontier Group and Southwest (which accounted for approximately 5.3% of passenger enplanements at the Airport in 2007), no single airline accounted for more than 5% of passenger enplanements at the Airport in 2006 or 2007, or more than 5% of either the airline rentals, fees and charges component of the Airport System's operating revenues or the Airport System's Gross Revenues in 2007. No assurances can be given with regard to the future level of activity of the United Group, the Frontier Group or Southwest at the Airport, or that, in the event that the operations of the United Group, the Frontier Group or Southwest at the Airport are reduced or discontinued, for whatever reason, such operations would be replaced by other carriers. See "INTRODUCTION – Denver International Airport – *Bankruptcy of Frontier Companies*," "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Risk of Future Airline Bankruptcies – Bankruptcy of Frontier Companies," "AVIATION ACTIVITY AND AIRLINES – Aviation Activity – Airline Information – *United – Frontier – Southwest – Other Airlines*" and "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. 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. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures could lead to both the avoidance of airline travel and the switching from air to surface transportation modes for short trips.

Bankruptcy of Frontier Companies. On April 10, 2008, the Frontier Companies filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Case No. 08 11298). The Chapter 11 filing permits the Frontier Companies to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. The City makes no representations regarding the financial condition of the Frontier Companies and their future plans generally, or with regard to the Airport in particular. Investors are referred to SEC filings, bankruptcy court filings and press releases made by the Frontier Companies. The SEC website is <http://www.sec.gov> and the United States Bankruptcy Court for the Southern District of New York website is <http://www.nysb.uscourts.gov>. None of the City, the Department or the Underwriters undertakes any responsibility for or makes any representations as to the accuracy or completeness of the content of information available from the SEC or the bankruptcy court, including, but not limited to, updates of such information or links to other internet sites accessed through the SEC or bankruptcy court web sites. No assurances can be given as to whether the efforts of the Frontier Companies to reorganize will be successful, or with regard to the future level of activity of the Frontier Group at the Airport. In the event the Frontier Group reduces or discontinues its operations at the Airport, for whatever reason, Frontier’s current level of activity at the Airport may not necessarily be replaced by other carriers.

Pursuant to the Frontier Stipulated Order, Frontier has assumed its Use and Lease Agreement with the City as a part of its reorganization proceedings, which will be amended to reduce the number of gates used by Frontier, eliminate certain administrative space used by Frontier such as ticket counters and office space and apply various credits due Frontier by the City to Frontier’s post-petition financial obligations such as landing fees and rent. See also “Risk of Future Airline Bankruptcies” below, “AVIATION ACTIVITY AND AIRLINES – Airline Information – *Frontier*,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements” and “AIRLINE BANKRUPTCY MATTERS.”

Risk of Future Airline Bankruptcies. Since 2001, several airlines with operations at the Airport, including United and Frontier, filed for bankruptcy protection, although with the exception of Midway Airlines and Vanguard Airlines, which eventually ceased operations, and Frontier, which filed for bankruptcy protection on April 10, 2008 and is continuing 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 Subseries 2008C1 Bonds. See “Bankruptcy of Frontier Companies” below and “AIRLINE BANKRUPTCY MATTERS” for a discussion of various impacts to the Airport of an airline bankruptcy.

Forward Looking Statements

This Official Statement 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.”

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, the Airport was ranked as the 5th busiest airport in the nation and the 11th busiest airport in the world based on total passengers in 2007. 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 Finance, 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, which took effect 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.

Kim Day became Manager of the Department of Aviation in March of 2008. Ms. Day has more than 30 years of experience in the aviation industry, including seven years in the public sector. She is also a registered architect in California and Washington. Prior to joining the City, Ms Day was an aviation consultant for two years with Jacobs Consultancy Inc., the Airport Consultant. She had previously served as the Executive Director of Los Angeles World Airports (“LAWA”), which is the largest airport authority in the world and the agency that manages the four airports owned and operated by the City of Los Angeles, California, including Los Angeles International Airport, after having served as Deputy Director of Project and Facilities Development for LAWA. Prior to joining LAWA, Ms. Day worked for over 20 years as an architect, specializing in the planning and design of aviation projects.

Claude J. Pumilia was appointed the City's Chief Financial Officer and Manager of Finance (formerly the Manager of Revenue) in April 2007. 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.

Stan Koniz, a Certified Public Accountant, became Deputy Manager of Aviation/Finance and Administration in August 2008, after serving as Deputy Manager of Aviation/Business and Technologies since December 2006, Acting Deputy Manager of Aviation/Business and Technologies since February 2005 and Assistant Deputy Manager of Aviation/Finance since August 1999. Prior to joining the City, Mr. Koniz worked for 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 in August 2008 after having served as Deputy Manager of Aviation/Maintenance and Engineering since October 2006. Prior to joining the City, Ms. Rodriguez 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.

David Rhodes, P.E., became Acting Deputy Manager of Aviation/Environmental, Planning and Engineering in August 2008, after having served as Assistant Deputy Manager/Director of Engineering since May 2006. Prior to joining the City, Mr. Rhodes was a Regional Manager of Properties and Facilities with United Airlines in Denver from 2000 to 2006, and held various positions with the Aviation and Industrial Division of Burns & McDonnell Engineering from 1977 to 2000, including Project Manager, Branch Office Manager and Associate.

Les Berry became Acting Deputy Manager of Aviation/Technologies in August 2008. Mr. Berry has over 12 years senior IT management experience with the City, including the Airport and the City Auditor's Office. In addition, Mr. Berry worked for the Greater Denver Chamber of Commerce, U.S. Senator Tim Wirth, Mayor Federico Peña's re-election campaign, University of Colorado Health Sciences Center and the Colorado Department of Personnel. Mr. Berry is active in the Denver community, having served on the governing boards of the University of Northern Colorado, Denver Botanic Gardens, Colorado Association of Non-Profit Organizations ("CANPO") Non Profit Resources, Inc., and the Colorado ACLU.

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 City and County of Denver since June of 1987, as a staff attorney for the Airport until 1999, as Deputy City Attorney from 2000 through 2003 and as head of Airport Legal Services since 2004. 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 new 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 currently having a total of 95 full service jet gates and 64 commuter aircraft parking positions consisting of 34 regional jet positions, including the 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 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 were recently improved in order to accommodate larger regional jet aircraft and provide various enhancements for passengers (the “Concourse B Commuter Facility Project”). Concourse C encompasses approximately 690,000 square feet and currently includes 22 full service jet gates and commuter aircraft facilities. Ten additional full service jet gates are being designed as part of the Concourse C Expansion Project discussed in “CAPITAL PROGRAM – Planned Projects in the 2008-2013 Capital Program” below. The commencement of construction of the Concourse C Expansion Program has been deferred and will be reconsidered later this year. An expansion of the commuter aircraft facilities on Concourse C has also been designed as part of the Concourse C Expansion Project but has been deferred due to a change in planned utilization of Airport facilities. 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. The Airport currently has 56 concessionaires operating at approximately 149 locations in 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 14,000 public parking spaces, and both close-in and remote surface parking lots provide in excess of 27,000 additional parking spaces. 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 on-site automobile service station. The development, known as the “Landings at DIA,” will incorporate the 45 minute waiting area and constitutes the first phase in a planned approximately 500-acre development that is designed to provide additional revenue to the Airport. CMCB will lead the development with Dunton Commercial/SullivanHayes Brokerage as leasing agent. The City entered into a ground lease agreement with DIA Landings, LLC, for this project on May 15, 2007. Grading and site development were completed in August 2008, but a groundbreaking date for the project has not been announced.

Proposed Airport Hotel

In June of 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 proposals for the ownership, management, financing and/or construction of 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. In December of 2007 the City selected Starwood Hotels and Resorts to construct and operate a Westin branded hotel. The various agreements relating to this project are currently being negotiated. The project is expected to be funded through the issuance by the City of revenue bonds payable from net revenues of the hotel, and not from Net Revenues. However, final financing arrangements have not yet been determined.

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 other Airport 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 LSG Sky Chefs (the brand name of LSG Lufthansa Service Holding AG) 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

The 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 through 2013. The City plans to reevaluate the current capital program in view of changes that have occurred and are expected to occur in the airline industry. Such reevaluation is expected to result in changes to the capital program as described below, some of which could be material.

The Concourse B Commuter Facility Project described in “DENVER INTERNATIONAL AIRPORT – Terminal Complex” above was opened in the spring of 2007, and a 1,714 parking space expansion of the west-side terminal parking structure opened in January of 2008. 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 2008 and 2013 are estimated to cost \$987.2 million 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. As a general matter the City has deferred the commencement of all new major construction projects until later this year when such projects are expected to be reconsidered.

2008-2013 Airport Capital Program Projects¹
 (Amounts expressed in 000's; totals may not add due to rounding)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
Airfield Improvements	\$ 39,332	\$ 27,901	\$27,901	\$ 27,901	\$27,045	\$27,045	\$177,125
Terminal and Concourse Improvements							
Terminal Projects	36,610	14,224	10,123	54,923	3,373	3,373	122,626
Concourse Projects	291,000	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	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	9,727	1,752	1,480	1,130	1,000	27,420
Communications, Electronics, Security and							
Fire Protection	18,511	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	28,563	500	500	500	500	35,870
Parking Systems	4,453	16,995	5,100	27,050	27,050	--	80,648
Professional Services, Infrastructure Allowance							
and Public Art	7,427	4,356	3,874	2,989	740	769	20,155
Total Planned Projects	<u>\$450,540</u>	<u>\$196,806</u>	<u>\$94,924</u>	<u>\$124,459</u>	<u>\$74,484</u>	<u>\$46,034</u>	<u>\$987,247</u>

¹ A portion of certain of these projects was funded with proceeds of certain of the Senior Bonds issued in 2007.

Source: Department of Aviation management records

Planned Projects in the 2008-2013 Capital Program

Planned Projects in the 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 and Other Funding.”

As part of an ongoing effort to upgrade the Airport’s snow removal capabilities, the Department has recently implemented a new snow removal plan, approved by City Council, that 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, installment purchase agreements, federal grants and other Airport System moneys. The total capital cost of this new plan is not yet reflected in the 2008-2013 Capital Program. See “FINANCIAL INFORMATION – Installment Purchase Agreements.”

Terminal and Concourse Improvements. The City is planning to expand Concourse C (the “Concourse C Expansion Project”) in order to add ten full service jet gates to the east end of the concourse. Also planned is a one-story commuter jet aircraft facility that is to be connected to the expanded east end of Concourse C by a pedestrian bridge. The Concourse C Expansion Project also

includes the related apron, taxiway, holding and runway paving described above under “Airfield Improvements.” The design for the entire Concourse C Expansion Project, including the commuter jet facility, is in process and is expected to be completed during the summer of 2008. The Concourse C Expansion Project, including the related airfield improvements, is expected to cost approximately \$280 million, which was partially funded with the proceeds of certain of the Senior Bonds issued in 2007. The commencement of construction of the Concourse C Expansion Project, including the construction of the commuter jet aircraft facility, has been deferred and will be reconsidered later this year.

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, regional use and sales taxes and other funding sources, 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. RTD currently estimates that construction of the 23-mile rail line and associated stations will begin in 2011 and be completed by 2014, with the rail system to become 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.

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.

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 11th busiest airport in the world based on total passengers in 2007.

The tables set forth below under “*Passenger and Revenue Growth*” and “*Summary of Aviation Activity*” provide total enplanements at the Airport since it opened and enplaned passengers by airline type and market share of individual airlines serving the Airport for the past five years and the first eight months of 2007 and 2008.

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. See “Airlines Serving the Airport” below. In 2007, the Airport served approximately 24.9 million enplaned passengers (passengers embarking on airplanes), the highest number in the history of the Airport and Stapleton. Approximately 57.1% of the passengers enplaned in 2007 were passengers originating their travel at the Airport and 42.9% were passengers making connecting flights at the Airport.

The Airport has generally experienced steady growth in both passenger traffic and revenues since it opened in 1995. The only exception to this trend was in 2001 and 2002 when 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 following table sets forth the history of enplaned passengers for the Airport.

<u>Year</u>	<u>Enplaned Passengers (millions)</u>	<u>Percent Change</u>
1995	15.62	--
1996	16.18	3.6%
1997	17.53	8.4
1998	18.44	5.2
1999	19.03	3.2
2000	19.39	1.9
2001	18.05	(6.9)
2002	17.83	(1.2)
2003	18.76	5.2
2004	21.14	12.7
2005	21.70	2.6
2006	23.66	9.0
2007	24.94	5.4

For the first eight months of 2008, the number of enplaned passengers at the Airport increased 3.9% compared to the same period in 2007.

No representations are made herein regarding future levels of growth in passenger traffic at the Airport and associated revenues. 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 mergers 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.”

The following table sets forth the number of enplaned passengers at the Airport by type of airline for the past five years and the first eight months of 2007 and 2008.

Enplaned Passengers by Airline Type¹

<u>Year</u>	<u>Major/National Airlines²</u>		<u>Regional/Commuter Airlines</u>		<u>Charter/Miscellaneous Airlines</u>		<u>Total Airlines</u>	
	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>
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
2007	20,774,889	5.6	3,945,388	4.1	220,676	10.8	24,940,953	5.4
<u>Jan.-Aug.³</u>								
2007	14,192,891	4.6%	2,676,049	4.5%	153,821	15.5%	17,022,761	4.7%
2008	14,822,720	4.4	2,734,517	2.2	127,106	(17.4)	17,684,343	3.9

¹ Includes revenue and nonrevenue enplaned passengers.

² Includes Ted beginning in 2004, Southwest Airlines beginning in 2006 and Lynx beginning in 2007; United has announced that it is eliminating its Ted product and plans to reconfigure the Ted fleet of aircraft into United’s mainline operations in 2009. Commencing with August 2008, United ceased reporting separate enplanement data for Ted.

³ Percentage changes are from the same period in 2006.

Source: Department of Aviation management records

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The following table sets forth the percentage of enplaned passengers at the Airport by airline for the past five years and the first eight months of 2007 and 2008.

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

<u>Airline</u>	<u>Calendar Year</u>					<u>January – August</u>	
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
United	51.0%	41.6%	35.8%	35.3%	33.4%	33.6%	31.4%
Ted ¹	--	6.3	7.8	8.5	7.8	8.1	6.2
United Express ²	9.2	11.1	12.8	12.6	12.1	12.1	11.0
Total United Group	60.2	59.0	56.4	56.4	53.3	53.8	48.7
Frontier ³	13.8	14.8	17.3	18.7	20.5	20.2	22.9
Lynx	--	--	--	--	--	--	1.8
Frontier JetExpress	0.8	1.8	2.2	2.0	2.1	2.0	1.2
Total Frontier Group	14.5	16.7	19.4	20.7	22.7	22.2	26.0
American Airlines ⁴	4.7	3.7	4.1	3.8	3.5	3.5	3.3
America West Airlines ⁵	1.8	1.9	1.7	1.2	--	--	--
Continental ⁴	2.7	2.3	2.4	2.3	2.2	2.2	2.1
Delta Airlines ^{4,6}	3.9	3.7	3.4	2.4	2.3	2.1	2.2
Northwest Airlines ⁶	2.8	2.9	2.8	1.9	2.1	2.0	1.9
Southwest ⁷	--	--	--	3.3	5.3	4.8	8.2
US Airways ⁵	2.0	1.8	1.8	1.3	2.2	2.2	1.8
Other	7.4	8.1	8.0	6.6	6.4	6.3	5.9
	25.2	24.3	24.2	22.9	24.0	24.0	25.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Ted commenced service at the Airport in February 2004; United has announced that it is eliminating its Ted product and plans to reconfigure the Ted fleet of aircraft into United's mainline operations in 2009. Commencing with August 2008, United ceased reporting separate enplanement data for Ted.

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 2003, Trans States Airlines in 2004 and 2005 and Air Wisconsin through 2006.

³ Frontier filed for bankruptcy protection on April 10, 2008 and is continuing operations. See "INTRODUCTION -- Denver International Airport - Bankruptcy of Frontier Companies" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS - Risk of Future Airline Bankruptcies - Bankruptcy of Frontier Companies"; Lynx commenced service at the Airport in December 2007.

⁴ Does not include commuter affiliates.

⁵ The parent companies of America West Airlines and US Airways, Inc. merged effective September 27, 2005.

⁶ Delta and Northwest merged on October 29, 2008, with Northwest becoming a wholly owned subsidiary of Delta. The two airlines will continue to operate separately but are expected to be integrated over the next 12-24 months.

⁷ Southwest commenced service at the Airport in January 2006.

Source: Department of Aviation management records

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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 eight months of 2007 and 2008.

	Calendar Year ¹					January – August	
	2003	2004	2005	2006	2007	2007	2008
Enplaned Passengers (millions)							
United	9.575	8.802	7.775	8.365	8.324	5.720	5.558
Ted ²	--	1.340	1.690	2.011	1.955	1.372	1.105
United Express	1.721	2.337	2.776	2.971	3.018	2.066	1.952
Total United Group	11.295	12.479	12.241	13.347	13.297	9.158	8.615
Frontier ³	2.581	3.130	3.749	4.427	5.118	3.434	4.042
Lynx Aviation	--	--	--	--	--	--	0.333
Frontier Jet Express	0.149	0.391	0.468	0.478	0.533	0.346	0.216
Total Frontier Group	2.729	3.521	4.217	4.904	5.651	3.780	4.591
Other	4.736	5.144	5.244	5.414	5.993	4.084	4.479
Total	18.761	21.144	21.702	23.665	24.941	17.023	17.684
Percent Change from Prior Year	5.2%	12.7%	2.6%	9.0%	5.4%	4.7%	3.9%
Total Originating Passengers (millions)	10.266	11.395	11.984	13.249	14.243	9.750	9.981
Percent of Total Enplaned	54.7%	53.9%	55.2%	56.0%	57.1%	57.3%	56.4%
United Group Percent of Total Originating	38.9%	39.4%	40.3%	41.2%	39.2%	39.1%	35.5%
Frontier Group Percent of Total Originating	17.5%	18.3%	19.0%	21.0%	22.7%	22.5%	23.5%
Total Connecting Passengers (millions)	8.495	9.749	9.718	10.416	10.698	7.273	7.703
Percent Connecting of Total Enplaned	45.3%	46.1%	44.8%	44.0%	42.9%	42.7%	43.6%
United Group Percent of Total Connecting	86.0%	82.0%	76.2%	75.7%	72.1%	73.5%	65.8%
Frontier Group Percent of Total Connecting	10.9%	14.7%	20.0%	20.3%	22.6%	21.8%	29.1%
United Group Passengers ² :							
Percent Originating	35.3%	36.0%	39.5%	40.9%	42.0%	41.7%	41.2%
Percent Connecting	64.7%	64.0%	60.5%	59.1%	58.0%	58.3%	58.8%
Frontier Group Passengers ³ :							
Percent Originating	65.9%	59.4%	54.0%	56.8%	57.2%	58.0%	51.2%
Percent Connecting	34.1%	40.6%	46.0%	43.2%	42.8%	42.0%	48.8%
Average Daily Departures:							
Passenger Airlines:							
United and Ted ²	233	238	213	230	229	232	221
United Express	119	156	182	191	194	199	194
Frontier ³	80	94	107	125	137	138	171
Frontier JetExpress	11	21	25	24	27	27	15
Other	195	208	194	203	219	216	234
Total Passenger Airlines	638	719	722	772	806	811	835
All-Cargo Airlines	29	31	30	28	27	27	25
Total	666	750	752	801	833	838	860
Percent Change from Prior Year	1.2%	12.5%	0.4%	6.4%	4.1%	3.6%	2.6%
Landed Weight (billion pounds):							
Passenger Airlines:							
United and Ted ²	13.173	13.418	12.254	13.364	12.808	8.694	8.253
United Express	2.054	2.731	3.282	3.512	3.636	2.470	2.437
Frontier ³	3.630	4.434	5.222	6.087	6.695	4.475	5.056
Frontier JetExpress	0.181	0.526	0.616	0.617	0.699	0.451	0.263
Other	6.663	7.025	6.734	6.834	7.633	5.023	5.748
Total Passenger Airlines	25.701	28.134	28.108	30.415	31.471	21.113	21.757
All-Cargo Airlines	1.495	1.516	1.541	1.430	1.363	0.890	0.873
Total	27.195	29.651	29.649	31.844	32.834	22.003	22.630
Enplaned Cargo (million pounds) ⁴	326.843	321.204	312.663	280.534	262.724	173.792	169.926
Percent Change from Prior Year	(0.4)%	(1.7)%	(2.7)%	(10.3)%	(6.3)%	(9.6)%	(2.2)%
Total Aircraft Operations (Landings/Take-Offs):							
Air Carriers	323,610	330,674	384,552	428,794	451,228	301,790	313,940
Air Taxi/Commuter/Military/General Aviation	186,665	235,847	183,006	180,723	168,086	113,230	113,353
Total	510,275	566,521	567,558	609,517	619,314	415,020	427,293
Percent Change from Prior Year	0.2%	11.0%	0.2%	7.4%	1.6%	0.8%	3.0%

¹ See "AVIATION ACTIVITY AND AIRLINES."

² Ted commenced service at the Airport in February 2004; United has announced that it is eliminating its Ted product and plans to reconfigure the Ted fleet of aircraft into United's mainline operations in 2009. Commencing with August 2008, United ceased reporting separate enplanement data for Ted.

³ Frontier filed for bankruptcy protection on April 10, 2008 and is continuing operations. See "INTRODUCTION – Denver International Airport – Bankruptcy of Frontier Companies" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Bankruptcy of Frontier Companies – Risk of Future Airline Bankruptcies."

⁴ 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.

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 2007, approximately 10.4 million passengers (42.9%) of the approximately 24.9 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. The United Group and the Frontier Group accounted for approximately 72.1% and 22.6%, respectively, of the connecting passengers at the Airport in 2007. See “Aviation Activity – *Summary of Aviation Activity*” above.

Airlines Serving the Airport

As of August 31, 2008, the following airlines provided scheduled passenger service at the Airport:

<u>Major/National</u>	<u>Regional/Commuter</u>	<u>Foreign Flag</u>
AirTran Airways	Comair (operating as Delta Connection)	Aeromexico
Alaska Airlines	ExpressJet (operating as Continental Express and Delta Connection)	Air Canada
American Airlines	GoJet Airline (operating as United Express)	British Airways
Continental	Great Lakes Aviation	Lufthansa German Airlines
Delta ¹	Lynx ²	Mexicana de Aviacion
Frontier ²	Mesaba Airlines	
JetBlue Airways	Mesa Airlines (operating as United Express and America West Express)	
Midwest Airlines	Pinnacle Northwest Airlines	
Northwest ¹	Shuttle America (operating as United Express)	
Southwest	Southern Skyways	
United/Ted ³	SkyWest Airlines (operating as United Express and Delta Connection)	
US Airways	Trans States Airlines (operating as United Express)	

¹ Delta and Northwest merged on October 29, 2008, with Northwest becoming a wholly owned subsidiary of Delta. The two airlines will continue to operate separately but are expected to be integrated over the next 12-24 months.

² Frontier filed for bankruptcy protection on April 10, 2008 and is continuing operations. See “INTRODUCTION – Denver International Airport – *Bankruptcy of Frontier Companies*,” “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Risk of Future Airline Bankruptcies – Bankruptcy of Frontier Companies,” “Airline Information – *Frontier*” below and “AIRLINE BANKRUPTCY MATTERS.” Lynx is a subsidiary of Frontier. Frontier rejected its Airline Services Agreement with the parent of Republic Airlines, under which Republic Airlines operated at the Airport as Frontier JetExpress. Under its agreement with Frontier, Republic Airlines ceased operating at the Airport as Frontier JetExpress on June 30, 2008.

³ United has announced that it is eliminating its Ted product and plans to reconfigure the Ted fleet of aircraft into United’s mainline operations in 2009. Commencing with August 2008, United ceased reporting separate enplanement data for Ted.

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, Air Transport International,

DHL Worldwide Express, FedEx, Kalitta, Key Lime Air, UPS Air Cargo and Volga Antonov, 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 product 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 eight months of 2007 and 2008, 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.

United Group Percent of Airport Operations

	Fiscal Year					January – August	
	2003	2004	2005	2006	2007	2007	2008
Percent of Total Enplanements at the Airport	60.2%	59.0%	56.4%	56.4%	53.3%	53.8%	48.7%
United Group Percent Originating Passengers	35.3	36.0	39.5	40.9	42.0	41.7	41.2
United Group Percent Connecting Passengers	64.7	64.0	60.5	59.1	58.0	58.3	58.8
Percent of Airport Originating Passengers	38.9	39.4	40.3	41.2	39.2	39.1	35.5
Percent of Airport Connecting Passengers	86.0	82.0	76.2	75.7	72.1	73.5	65.8
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues	66.3	61.3	58.6	59.3	57.6	Not Available	
Percent of Airport System Gross Revenues	39.4	36.3	33.5	31.8	28.8	Not Available	

Source: Department of Aviation management records

United has announced that it is eliminating its Ted product and plans to reconfigure the Ted fleet of aircraft into United’s mainline operations in 2009. United has also announced that it plans to reduce its consolidated domestic capacity during 2008 and 2009 by 12.5%-13.5% compared to 2007 and reduce its consolidated overall capacity during this period by 9%-10%, as well as significantly reduce its workforce by the end of 2008. 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.”

Frontier. Frontier has the second largest market share at the Airport, which serves as Frontier’s only hub. Frontier filed for bankruptcy protection on April 10, 2008 and is continuing operations. See “INTRODUCTION – Denver International Airport – Bankruptcy of Frontier Companies.” Frontier currently leases 15 full service jet gates at the Airport on Concourse A under a Use and Lease Agreement with the City, and prior to bankruptcy had been using six additional full service jet gates on Concourse A on a preferential use basis and one common use international gate on Concourse A on a subordinated basis. However, pursuant to the Frontier Stipulated Order, Frontier has assumed its Use and Lease Agreement with the City, which will be amended to provide for the lease of 17 full service jet gates on Concourse A, and has relinquished its use of additional gates on Concourse A.

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 eight months of

2007 and 2008, 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.

The City makes no representations regarding the financial condition of the Frontier Companies and their future plans generally, or with regard to the Airport in particular. The City’s accounts (unaudited) reflect the following information concerning amounts owed by, and credits due to, Frontier: (1) prepetition charges (landing fees and other charges) – \$3.361 million, (2) share of 2007 revenue credit – \$6.347 million and (3) share of 2004-2006 fuel tax refund – \$1.997 million. Frontier is current on its post petition obligations. The City currently holds a letter of credit provided by Frontier in the amount of \$3 million as security for its obligations under the terms of its Use and Lease Agreement.

Pursuant to the Frontier Stipulated Order, Frontier has assumed its Use and Lease Agreement, as well as certain ground service and cargo leases, with the City as a part of its reorganization proceedings. The Use and Lease Agreement will be amended to reduce the number of gates used by Frontier and eliminate certain administrative space used by Frontier such as ticket counters and office space. In addition, the revenue credit and certain other credits due Frontier by the City will be applied to Frontier’s post-petition financial obligations such as landing fees and rent.

See “Aviation Activity – Originating and Connecting Passengers” in this section, “INTRODUCTION – Denver International Airport – *Bankruptcy of Frontier Companies*,” “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Risk of Future Airline Bankruptcies – Bankruptcy of Frontier Companies” and “AIRLINE BANKRUPTCY MATTERS.”

Frontier Group Percent of Airport Operations

	Fiscal Year					January – August	
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
Percent of Total Enplanements at the Airport	14.5%	16.7%	19.4%	20.7%	22.7%	22.2%	26.0%
Frontier Group Percent Originating Passengers	65.9	59.4	54.0	56.8	57.2	58.0	51.2
Frontier Group Percent Connecting Passengers	34.1	40.6	46.0	43.2	42.8	42.0	48.8
Percent of Airport Originating Passengers	17.5	18.3	19.0	21.0	22.7	22.5	23.5
Percent of Airport Connecting Passengers	10.9	14.7	20.0	20.3	22.6	21.8	29.1
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues	8.3	10.3	12.1	13.0	15.1	Not Available	
Percent of Airport System Gross Revenues	4.9	6.1	6.9	6.9	7.6	Not Available	

Source: Department of Aviation management records

Frontier had recently expanded its hubbing operations at the Airport by introducing Lynx Aviation, a new Frontier subsidiary, which is serving smaller airports in the region. Lynx commenced operations at the Airport in December 2007 with ten 74 seat capacity Bombardier Q400 turboprop aircraft. However, in June 2008, Frontier announced plans for a 17% system-wide reduction in its flight operations beginning in September of 2008 and a “proportional” reduction in workforce.

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 5.3% of passenger enplanements at the Airport in 2007, which exceeded the passenger enplanements of any airline other than the United Group and the Frontier Group serving the Airport in 2007. In 2007, Southwest also accounted for approximately 3.9% of the airline rentals, fees and charges component of the Airport System’s operating revenues and approximately 2.0% of Airport System Gross Revenues.

Other Airlines. Other than the United Group, the Frontier Group and Southwest, no single airline currently accounts for more than 5% of any of passenger enplanements at the Airport. In 2007, American accounted for approximately 3.5% of passenger enplanements at the Airport, and Delta, Continental and Northwest currently account for approximately 2.3%, 2.2% and 2.1%, 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 Corporation, Frontier and Southwest, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, 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 (the “DOT”). 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 undertakes 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 80 leased gates, 15 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.

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Passenger Airlines Use and Lease Agreements with Leased Gates

<u>Airline</u>	<u>Number of Gates</u>	<u>Concourse</u>	<u>Lease Expiration</u>
Alaska Airlines	1	C	December 2010
American Airlines	3	C	December 2010
Continental	3	A	February 2010
Delta	3	C	December 2010
Frontier ¹	15	A	February 2010
Midwest Airlines	1	C	December 2010
Northwest	3	C	December 2010
Southwest	5	C	December 2010
United	43	B	February 2025
US Airways	3	C	December 2010
	<u>80</u>		

¹ Prior to bankruptcy Frontier has been using six additional full service jet gates on Concourse A on a preferential basis and one common use international gate on Concourse A on a subordinated basis. Pursuant to the Frontier Stipulated Order, Frontier has assumed its Use and Lease Agreement, which will be amended to provide for the lease of 17 full service jet gates on Concourse A, and has relinquished its use of additional gates on Concourse A. See "INTRODUCTION – Denver International Airport – *Bankruptcy of Frontier Companies*," "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Frontier Bankruptcy – Risk of Future Airline Bankruptcies," "AVIATION ACTIVITY AND AIRLINES – Airline Information – *Frontier*" and "AIRLINE BANKRUPTCY MATTERS."

The following airlines have executed Use and Lease Agreements with the City that do not include leased or preferential gates but in some cases include other leased premises such as ticket counters and offices: Aeromexico, AirTran Airways, Air Canada, ATA, Atlantic Southeast Airlines, British Airways, Chautauqua Airlines, Comair, ExpressJet, GoJet, Great Lakes Aviation, Horizon, JetBlue, Lufthansa German Airlines, Mesa Airlines, Mexicana de Aviacion, Midwest Airlines, Pinnacle, Republic Airlines, Shuttle America, SkyWest and Trans States Airlines. These airlines use gates pursuant to their affiliation with airlines leasing gates at the Airport, use City-managed gates or use common use international gates on Concourse A. These Use and Lease Agreements expire between 2008 and 2012. Frontier rejected its Airline Services Agreement with the parent of Republic Airlines, under which Republic Airlines operates at the Airport as Frontier JetExpress. Under its agreement with Frontier, Republic Airlines ceased operating at the Airport as Frontier JetExpress on June 30, 2008, but still maintains its Use and Lease Agreement with the Airport. See "AVIATION ACTIVITY AND AIRLINES – Airlines Serving the Airport."

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. The Net Revenues to be credited to the Airline Revenue Credit Account for Fiscal Year 2007 are expected to be the maximum of \$40 million, although this amount will not be finally determined until the fall of 2008. 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 “United 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. See also “FINANCIAL INFORMATION – Rentals, Fees and Charges for the Airport.”

As a result of the United 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 annually in each of years 2004 through 2010, for 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 that commenced April 1, 2001 (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 2007. Because the net amount available for revenue sharing in 2004, 2005, 2006 and 2007 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.

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 – 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.

In the 2005 amendment 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, 7.9 million revenue connecting passengers in 2006 and 7.7 million revenue connecting passengers in 2007. 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.

Cargo Operations Leases

The City has executed Use and Lease Agreements with the following all-cargo airlines, which also constitute Signatory Airlines: ABX Air, Air Transport International, Ameriflight, ASTAR Air Cargo, DHL Worldwide Express, FedEx, Key Lime Air, UPS Air Cargo and Volga Antonov, 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.

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. In addition, in February 1995 the City leased a 12.4-acre site for 30 years to Signature Flight Support (formerly 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. 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. Revenues from terminal complex concessions constituted approximately 5.9% of Airport Gross Revenues in 2006 and approximately 6.5% of Airport Gross Revenues in 2007.

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 56 concessionaires operating at approximately 149 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.” Public parking revenues constituted approximately 18.0% of Airport Gross Revenues in 2006 and approximately 18.1% of Airport Gross Revenues in 2007.

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. Rental car privilege fee revenues constituted approximately 5.6% of Airport Gross Revenues in 2006 and approximately 5.9% of Airport Gross Revenues in 2007.

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 2007 and the first six months of 2007 and 2008. See also “APPENDIX E – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2007 AND 2006” “APPENDIX F – UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007” and “Management’s Discussion and Analysis of Financial Performance” below.

The figures for 2005 and 2006 include several prior period adjustments that are reflected in the 2007 financial statements. These adjustments were made to reflect: (1) an increase of approximately \$10.7 million in aviation fuel tax receipts discovered as the result of an audit of State aviation fuel tax receipts; (2) the re-categorization of approximately \$14.6 million of capital expenditures to operation and maintenance expenses; and (3) the addition of approximately \$196.8 million of assets financed with Special Facilities Bonds, and associated depreciation, to the Airport financial statements. See “Aviation Fuel Tax” and “Special Facilities Bonds” below.

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 Ended December 31 ¹					Six Months Ended June 30 (Unaudited)	
	2003	2004	Restated 2005	Restated 2006	2007	2007	2008
Operating revenues:							
Facility rentals	\$207,540	\$210,461	\$203,800	\$197,353	\$205,638	\$ 99,846	\$ 98,182
Concession income	25,933	30,638	32,566	34,304	40,599	19,814	20,817
Parking income	80,381	88,411	97,919	110,535	116,326	58,091	60,691
Car rentals	33,530	33,780	37,175	41,641	44,998	21,551	21,577
Landing fees	88,473	88,741	94,695	92,390	87,282	43,050	45,150
Aviation fuel tax	12,104	15,402	20,245	20,211	23,385	6,256	10,846
Other sales and charges	9,133	10,232	11,341	11,872	11,922	6,222	6,975
Total operating revenues	457,093	477,665	497,741	508,307	530,151	254,831	264,238
Operating expenses:							
Personnel services	88,414	90,005	92,979	97,592	104,321	50,889	53,832
Contractual services	112,339	117,091	130,469	146,019	165,044	65,989	90,779
Maintenance, supplies and materials	11,160	14,117	15,956	18,903	21,408	11,682	12,512
Bad debt (revenue) expense ²	--	--	--	--	--	--	--
Total operating expenses	211,913	221,214	239,405	262,514	290,773	128,561	157,122
Operating income before depreciation and amortization and asset impairment	245,180	256,451	258,336	245,792	239,378	126,270	107,116
Depreciation and amortization ³	144,758	130,379	191,650	151,506	159,309	74,716	82,075
Impairment losses ⁴	--	18,007	85,286	--	--	--	--
Operating income	100,422	108,065	(18,600)	94,286	80,069	51,554	25,041
Nonoperating revenues (expenses)							
Passenger facility charges ⁵	64,057	62,040	84,000	93,510	97,191	52,004	52,820
Investment income	25,762	22,486	35,823	56,147	82,249	24,328	28,080
Interest expense	(213,762)	(221,296)	(205,142)	(207,385)	(220,064)	(104,205)	(105,941)
Grants	373	241	241	566	324	146	164
Other revenue (expense) ⁶	(11,700)	(2,051)	(22,187)	(10,609)	(8,827)	(14,663)	(12,352)
Net operating revenues (expenses)	(135,271)	(138,581)	(107,265)	(67,772)	(49,127)	(42,389)	(37,228)
Change in net assets before capital contributions	(34,849)	(30,515)	(125,865)	26,514	30,942	9,164	(12,188)
Capital contributions:							
Capital grants ⁷	26,029	42,083	31,547	29,188	1,894	--	1,421
Capital contributions ^{7,8}	6,625	--	196,795	--	532	--	400
Capital passenger facility charges ⁵	7,888	20,122	--	--	--	--	--
Change in net assets	\$ 5,693	\$ 31,690	\$102,477	\$ 55,702	\$ 33,368	\$ 9,164	\$ (10,368)

¹ See "Management's Discussion and Analysis of Financial Performance" below.

² This constitutes the net prepetition receivable of United that was recognized in 2002 and paid in 2003.

³ 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").

⁴ In accordance with Governmental Accounting Standards Board ("GASB") Statement 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."

⁵ 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, 2006 and 2007, all capital PFC revenue was reallocated to the payment of debt service related to the automated baggage system and the original cost of the Airport. See "Passenger Facility Charges" below.

⁶ Includes expenses incurred since February 1995 to maintain and preserve Stapleton. See "Stapleton" below for further information.

⁷ Capital contributions in 2003 constitute capital grants 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 and others amounts received from FAA grants. The amount received in 2003 was classified as capital contributions; the amounts received in 2004, 2005 and 2006 were classified as capital grants.

⁸ Capital contributions recognized in 2005 constitute the addition of certain assets financed with Special Facilities Bonds, and associated depreciation, to the Airport financial statements.

Sources: Audited financial statements of the Airport System for Fiscal Years 2003-2007, and Department of Aviation for unaudited figures for the six months ended June 30, 2007 and 2008

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 2003 through 2007 and the six months ended June 30, 2008 and 2007. The effects of the restatement of the 2005 and 2006 financial statements are included in the discussion. All figures presented below are approximate unless otherwise stated.

Six Months Ended June 30, 2008 vs. Six Months Ended June 30, 2007. Operating revenues at the Airport were \$264.2 million for the six-month period ended June 30, 2008, an increase of \$9.4 million (3.7%) as compared to the same period in 2007. The increase in revenue was primarily related to the increase in non-airline revenue which resulted from an increase in passenger traffic, which led to an increase in concession, car rental and parking revenues. Passenger traffic increased by 4.4% for the six-month period ended June 30, 2008, compared to the same period in 2007.

Operating expenses, exclusive of depreciation, were \$157.1 million for the six-month period ended June 30, 2008, an increase of \$28.6 million (22.2%) as compared to the same period in 2007. The increase was attributable to an increase in personnel costs, snow removal, shuttle bus operations, engineering services, repairs and maintenance expenses.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for the first six months of 2008 compared to the same period in 2007 is included as part of the financial statements of the Airport System appearing as "APPENDIX F – UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007."

2007 vs. 2006. Operating revenues at the Airport were \$530.2 million for the year ended December 31, 2007, an increase of \$21.9 million (4.3%), as compared to December 31, 2006. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in concession, parking, fuel tax and car rental revenues. Passenger traffic increased 5.4% for the year ended December 31, 2007.

Operating expenses, exclusive of depreciation, were \$290.8 million for the year ended December 31, 2007, an increase of \$28.3 million (10.8%) as compared to December 31, 2006, and an increase of \$26.8 million (10.1%) as compared to the original 2007 operations and maintenance budget. The increase was attributable to an increase in personnel costs, snow removal, other City agency costs associated with snow removal, janitorial services and repair and previously capitalized maintenance costs that were determined to be non-capital expenditures. The preliminary 2008 Budget was revised for the same reasons.

Total nonoperating expenses, net of operating revenues, decreased by \$18.6 million to \$49.1 million in 2007. This was due to an increase in investment income of \$26.1 million (46.5%) resulting from an increase in yields and additional investments of cash received from the Senior Bonds issued in 2007 and an increase in PFC revenues of \$3.7 million (3.9%) resulting from an increase in passenger traffic. Stapleton costs decreased \$5.3 million related to the reimbursement of insurance costs to complete the remediation of certain environmental conditions at Stapleton. The reduction in total nonoperating expense, net of nonoperating revenues was partially offset by an increase in interest expense of \$12.7 million associated with the Senior Bonds issued in 2007. See "Stapleton" below.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for 2007 compared to 2006 (excluding the impact of the restatements discussed above) is included as part of the financial statements of the Airport System appearing as "APPENDIX E – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2007 AND 2006."

2006 vs. 2005. Operating revenues at the Airport were \$508.3 million for the year ended December 31, 2006, an increase of \$10.6 million (2.1%), 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 \$262.5 million for the year ended December 31, 2006, an increase of \$23.1 million (9.7%) 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 previously capitalized maintenance costs that were determined to be non-capital expenditures.

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.

2005 vs. 2004. Operating revenues at the Airport were \$497.7 million, an increase of \$20.1 million (4.2%) 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 \$239.4 million, an increase of \$18.2 million (8.3%) 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 previously capitalized maintenance costs that were determined to be non-capital expenditures.

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 increased by \$102.5 million, compared to an increase of \$31.7 million in 2004. Income from operations decreased \$126.7 million due to an increase in operating expenses of \$18.2

million and an increase in depreciation and impairment loss of \$128.6 million as a result of the write down of a portion of the automated baggage system.

In 2005, the City added approximately \$196.8 million of assets financed with Special Facilities Bonds, and associated depreciation, to the Airport financial statements.

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.

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 Subseries 2008C1 Bonds, the Subseries 2008C2-C3 Bonds and the related current refunding and defeasance of the Refunded Bonds and the Series 2000C Bonds. See also "Plan of Financing" below.

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Outstanding Senior Bonds

<u>Issue</u>	<u>Currently Outstanding</u>	<u>After Issuance of the Subseries 2008C1 Bonds and the Subseries 2008C2-C3 Bonds</u>
Series 1991A Bonds ¹	\$ 10,015,000	\$ 10,015,000
Series 1991D Bonds ^{1,2}	104,140,000	104,140,000
Series 1992C Bonds ²	40,080,000	40,080,000
Series 1992F Bonds ³	25,500,000	25,500,000
Series 1992G Bonds ³	21,200,000	21,200,000
Series 1995C Bonds	10,625,000	10,625,000
Series 1997E Bonds	54,470,000	54,470,000
Series 1998A Bonds	206,665,000	206,665,000
Series 1998B Bonds	103,395,000	103,395,000
Series 2000A Bonds	255,215,000	255,215,000
Series 2000B Bonds ^{3,4,5}	200,000,000	--
Series 2000C Bonds ^{3,4,5}	100,000,000	--
Series 2001A Bonds	265,250,000	265,250,000
Series 2001B Bonds	16,675,000	16,675,000
Series 2001D Bonds	56,560,000	56,560,000
Series 2002C Bonds ³	39,800,000	39,800,000
Series 2002E Bonds	166,205,000	166,205,000
Series 2003A Bonds	161,965,000	161,965,000
Series 2003B Bonds	91,460,000	91,460,000
Series 2005A Bonds	227,740,000	227,740,000
Series 2006A Bonds ⁴	279,585,000	279,585,000
Series 2006B Bonds	152,280,000	152,280,000
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 ^{3,4,6}	52,000,000	52,000,000
Subseries 2007F2 Bonds ^{3,4,6}	52,000,000	52,000,000
Subseries 2007F3 Bonds ^{3,4,6}	52,000,000	52,000,000
Subseries 2007F4 Bonds ^{3,4,6}	52,025,000	52,025,000
Subseries 2007G1 Bonds ^{3,4}	74,200,000	74,200,000
Subseries 2007G2 Bonds ^{3,4}	74,300,000	74,300,000
Subseries 2008A1 Bonds	221,215,000	221,215,000
Subseries 2008A2 Bonds ³	111,000,000	111,000,000
Subseries 2008A3 Bonds ³	181,965,000	181,965,000
Subseries 2008A4 Bonds ³	94,660,000	94,660,000
Series 2008B Bonds ³	81,800,000	81,800,000
Subseries 2008C1 Bonds ^{3,5}	--	92,600,000
Subseries 2008C2 Bonds ^{3,5}	--	100,000,000
Subseries 2008C3 Bonds ^{3,5}	--	100,000,000
	<u>\$4,110,390,000</u>	<u>\$4,102,990,000</u>

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 \$54.88 million of Series 1991D Bonds and Series 1992C Bonds. In 2006 and 2007, the City used Airport Net Revenues and revenues from PFCs to establish escrows to defease \$141.23 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 2007 appended to this Official Statement.

³ These constitute variable interest rate obligations. Except for the Subseries 2008A2-A4 Term Rate Bonds, these Senior Bonds are 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 The Series 2000B Bonds, the Series 2000C Bonds, the 2006A Bonds, the Series 2007F1-F4 Bonds and the Series 2007G1-G2 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 2007 appended to this Official Statement, effectively converting the floating rates of the Series 2000B Bonds, the Series 2000C Bonds, the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds to fixed rates and converting the fixed rates of the Series 2006A Bonds to variable rates.

⁵ The Series 2000B Bonds are expected to be current refunded with the proceeds of the Subseries 2008C2-C3 Bonds and other Airport System moneys on or about November 4, 2008. The Series 2000C Bonds will be current refunded with the proceeds of the Subseries 2008C1 Bonds and other Airport System moneys. See "APPLICATION OF PROCEEDS" and "Plan of Financing" below.

⁶ The Series 2007F1-F4 Bonds currently are in an auction rate period and are planned to be converted to a different variable interest rate mode.

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 following the issuance of the Subseries 2008C1 Bonds and the Subseries 2008C2-C3 Bonds and related defeasance of the Refunded Bonds and the Series 2000B 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.

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Estimated Senior Bonds Debt Service Payment Schedules^{1,2,3}
(Totals may not add due to rounding)

<u>Year</u>	<u>Prior to Issuance of Subseries 2008C1 Bonds and Subseries 2008C2-C3 Bonds</u>	<u>After Issuance of Subseries 2008C1 Bonds and Subseries 2008C2-C3 Bonds</u>
2008	\$ 307,806,640	\$ 308,093,184
2009	308,370,527	308,021,321
2010	310,651,016	310,301,810
2011	327,022,018	326,672,812
2012	326,125,832	325,774,634
2013	337,319,215	336,970,965
2014	340,651,985	340,303,736
2015	340,737,216	340,388,010
2016	341,355,366	341,006,079
2017	340,785,607	340,436,401
2018	332,697,011	331,497,870
2019	325,857,498	324,636,262
2020	321,336,586	320,108,328
2021	317,561,237	316,327,959
2022	349,965,142	348,729,865
2023	364,072,939	363,691,255
2024	375,609,246	374,366,455
2025	371,706,741	370,457,975
2026	80,608,125	80,608,125
2027	80,524,250	80,524,250
2028	80,430,375	80,430,375
2029	80,350,250	80,350,250
2030	80,756,125	80,756,125
2031	80,671,250	80,671,250
2032	80,586,125	80,586,125
2033	41,527,500	41,527,500
	<u>\$6,645,085,821</u>	<u>\$6,633,238,921</u>

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 4.25%.

³ Interest on the Series 2000B Bonds, the 2000C Bonds, the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds, associated 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. No Subordinate Bonds are currently outstanding.

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 (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 (62.893%) and Bayerische Landesbank, acting through its New York Branch ("Bayern LB"), individually and as agent (37.107%), in the original stated amount of \$127.2 million. There currently are \$100 million of Tax-Exempt Commercial Paper Notes outstanding.

Subordinate Hedge Facility Obligations. In 1998, 1999, 2002, 2005, 2006 and 2007, 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 2007 appended to this Official Statement. See "APPENDIX E – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2007 AND 2006."

Two of these swap agreements, associated with the Series 2000B Bonds, the Series 2007F1-F4 Bonds and the Series 2007G1-G2 Bonds, are with Lehman Brothers Special Financing Inc. (“Lehman”). Lehman’s credit support provider under these swap agreements, Lehman Brothers Holdings, Inc., recently declared bankruptcy. The City currently is the net payer under the Lehman swap agreements. As a result of the bankruptcy of Lehman Brothers Holdings, Inc., the City believes that it has a right to terminate the Lehman swap agreements due to an event of default thereunder. Such event of default under the Lehman swap agreements does not, however, result in an automatic termination of the Lehman swap agreements.

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 \$39,880,000. 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.

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. The aggregate outstanding principal amount of the Master Installment Purchase Agreements as of December 31, 2007, was \$61,671,055. The City entered into an installment purchase agreement on August 5, 2008, with Chase Equipment Leasing Inc. in order to acquire a portion of its new snow removal equipment in the principal amount of approximately \$15.3 million. See "CAPITAL PROGRAM – Planned Projects in the 2008-2013 Capital Program *Airfield Improvements*."

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 and Estrada Hinojosa & Company, Inc. have prepared the Plan of Financing in connection with the City's restructuring of certain of its outstanding auction rate securities and certain of its outstanding variable rate securities, all of which are secured by bond insurance. The Plan of Financing includes the issuance of the Subseries 2008C1 Bonds in order to current refund and defease the Refunded Bonds, as well as the prior issuance in 2008 of Tax-Exempt Commercial Paper Notes, the Series 2008A1-A4 Bonds and the Series 2008B Bonds in order to current refund and defease all of the then outstanding Subordinate Bonds and a number of series of then outstanding Senior Bonds bearing interest at auction rates and variable rates.

The Plan of Financing also includes the proposed issuance of the Subseries 2008C2-C3 Bonds on or about November 4, 2008, in order to current refund the Series 2000B Bonds, the proposed conversion of the Series 2007F1-F4 Bonds from an auction rate to a variable rate in accordance with the provisions of the Supplemental Ordinance relating to the Series 2007F1-F4 Bonds, and 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."

Capital Fund

The amount on deposit in the Capital Fund as of June 30, 2008, was approximately \$198.0 million, which has been designated by the City as follows: (1) \$67.1 million for the Coverage Account (constituting Other Available Funds); (2) \$23.6 million to cover existing obligations and contingencies; and (3) \$107.3 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.”

The City believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable. However, 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 “SECURITY AND SOURCES OF PAYMENT – Rate Maintenance Covenant” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements – United Use and Lease Agreement.”

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, 2006 and 2007 and the first six months of 2008 increased 14.2%, 2.2%, 11.3%, 3.9% and 1.6%, respectively, compared to the corresponding prior periods. See also “APPENDIX A – GLOSSARY OF TERMS” and “APPENDIX B – 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 2007, the City

had collected an aggregate of approximately \$922.3 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 A – 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. See also "APPENDIX B – 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.

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. State aviation fuel tax receipts remitted to the Airport in 2006 and 2007 were approximately \$13.7 million (restated from the 2006 financial statements to include an additional \$7.5 million discovered by an audit of State tax receipts) and \$15.7 million, respectively.

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 and 2007 were approximately \$6.5 million and \$7.6 million, respectively.

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. This third temporary extension of the Act expired on June 30, 2008. 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. 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.

Stapleton

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 1,422 acres of Stapleton property for a total of approximately \$46.8 million, and there are approximately 145 acres of pending sales in the amount of approximately \$5.6 million. An additional 474 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 \$20 million to date for such additional remediation, and does not expect to incur 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.

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, 13 annual noise reports for the period commencing with the opening of the Airport in February 1995 through December 31, 2007, 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, 2006 and 2007 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 any of those three years. 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 A – 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 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 and Frontier, have filed for bankruptcy protection, although with the exception of Midway Airlines and Vanguard Airlines, which eventually ceased operations and Frontier, which filed for bankruptcy protection on April 10, 2008 and is continuing 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 Subseries 2008C1 Bonds. See also “AVIATION ACTIVITY AND AIRLINES – Airline Information – *Frontier*,” “RISKS AND OTHER INVESTMENT CONSIDERATIONS” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements.” 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. Generally, a debtor airline has 120 days to make the decision to assume or reject its agreements but make request an extension of up to an additional 90 days. A debtor may not extend the time to make a decision beyond 210 days from the petition.

Pursuant to the Frontier Stipulated Order, Frontier has assumed its Use and Lease Agreement, as well as certain ground service and cargo leases, with the City as a part of its reorganization proceedings. The Use and Lease Agreement will be amended to reduce the number of gates used by Frontier and eliminate certain administrative space used by Frontier such as ticket counters and office space. In addition, the revenue credit and certain other credits due Frontier by the City will be applied to Frontier’s post-petition financial obligations such as landing fees and rent. The City has also deferred the cure of \$3 million of prepetition claims and agreed to not draw on a \$3 million letter of credit. Even if the Use and Lease Agreement has been assumed, the Bankruptcy Code may allow the debtor or a trustee to reject the agreement later. In such event, the City would have a priority administrative claim for all amounts unpaid at the time of post-assumption rejection plus two years of additional rental payments as provided under the agreement.

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 such damages in the case of a Use and Lease Agreement or other agreement is limited by the Bankruptcy Code to unpaid amounts incurred prior to the bankruptcy filing plus the greater of (1) one year of rent or (2) 15% of the rent remaining under the lease, not to exceed three years of rent. 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, 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. In its Chapter 11 bankruptcy filings, Frontier has stated that it has established a separate account for PFCs in accordance with law, that it has not granted, nor will it grant, any security interest to a third party in the PFCs owed to the City, and that Frontier understands that collected PFCs are to be held in trust and are not considered property of its debtor estates. As of the date hereof, Frontier is current in the payment of its PFCs owed to the City.

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 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.”

RATINGS

Moody’s, S&P and Fitch have assigned their long-term and short-term ratings to the Subseries 2008C1 Bonds as follows:

	<u>Moody’s</u> ¹	<u>S&P</u> ¹	<u>Fitch</u> ¹
Long-Term Rating	Aaa	AAA	AA+
Short-Term Rating	VMIG 1	A-1+	F1+

¹ The S&P ratings have a rating outlook of “stable.” The Moody’s and Fitch ratings do not include a rating outlook.

The long-term ratings of the Subseries 2008C1 Bonds are based on the joint support for the Subseries 2008C1 Bonds provided by the KBC Subseries 2008C1 Letter of Credit and the underlying ratings of the Subseries 2008C1 Bonds. The short-term ratings of the Subseries 2008C1 Bonds are based solely on the KBC Subseries 2008C1 Letter of Credit issued by KBC. Such ratings will expire upon the termination or expiration of the KBC Subseries 2008C1 Letter of Credit. See “THE INITIAL SUBSERIES 2008C1 CREDIT FACILITY” for further information regarding the KBC Subseries 2008C1 Letter of Credit, the KBC Reimbursement Agreement, KBC and its ratings.

Moody’s, S&P and Fitch have also assigned underlying ratings to the Subseries 2008C1 Bonds of “A1,” “A+” and “A+,” respectively, in each case with a rating outlook of “stable.”

KBC and the City have furnished to these rating agencies the information contained in the Official Statement and certain other materials and information relating to the Subseries 2008C1 Bonds, the Airport System KBC, 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 respective Subseries 2008C1 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 Subseries 2008C1 Bonds.

UNDERWRITING

The Subseries 2008C1 Bonds are being purchased from the City by the underwriters set forth on the cover page hereof (the “Subseries 2008C1 Underwriters”) at a price equal to the aggregate principal

amount of the Subseries 2008C1 Bonds. The Subseries 2008C1 Underwriters are being paid a fee of \$193,999.72 for underwriting the Subseries 2008C1 Bonds. Pursuant to a Bond Purchase Agreement by and between the City, for and on behalf of the Department, and Morgan Stanley & Co. Incorporated, as representative of the Subseries 2008C1 Underwriters (the “Subseries 2008C1 Bond Purchase Agreement”), the Subseries 2008C1 Underwriters agree to accept delivery of and pay for all of the Subseries 2008C1 Bonds if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Subseries 2008C1 Bond Purchase Agreement, the approval of certain legal 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 Subseries 2008C1 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 believes that it has continually complied with the requirements set forth in Rule 15c2-12 and its previous continuing disclosure undertakings, including the ongoing process of filing material event notices in connection with downgrades in the insured ratings of certain series of Senior Bonds as the result of downgrades in the ratings of the related bond insurers.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Subseries 2008C1 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; for KBC by Chapman and Cutler LLP, Chicago, Illinois; and for the Underwriters by Brownstein Hyatt Farber Schreck, LLP, Denver, Colorado, and Kamlet Shepherd & Reichert, 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 Subseries 2008C1 Bonds and of certain federal and State income tax considerations that may be relevant to prospective purchasers of Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Subseries 2008C1 Bonds are held by a person who is a "substantial user" of the Airport System or a "related person," as those terms are used in Section 147(a) of the Code, but is an item of tax preference in calculating the federal alternative minimum tax liability of individuals, trusts, estates and corporations.

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 Subseries 2008C1 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 Subseries 2008C1 Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Subseries 2008C1 Bonds.

The opinions of Bond Counsel will also provide to the effect that, under existing law and to the extent interest on any Subseries 2008C1 Bond is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State.

If a holder purchases a Subseries 2008C1 Bond for an amount that is greater than its stated redemption price at maturity, such holder will be considered to have purchased the Subseries 2008C1 Bond with "amortizable bond premium" equal in amount to such excess. A holder must amortize such premium using a constant yield method over the remaining terms of the Subseries 2008C1 Bond, based on the holder's yield to maturity. As bond premium is amortized, the holder's tax basis in such Subseries 2008C1 Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of the Subseries 2008C1 Bond prior to its maturity. No federal income tax deduction is allowed with respect to amortizable bond premium on a Subseries 2008C1 Bond. Purchasers of Subseries 2008C1 Bonds with amortizable bond premium should consult with their own tax advisors regarding the proper computation of amortizable bond premium and with respect to state and local tax consequences of owning such Subseries 2008C1 Bonds.

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 Subseries 2008C1 Bonds. Prospective purchasers of the Subseries 2008C1 Bonds should be aware, however, that the Code contains numerous provisions under which receipt of interest on the Subseries 2008C1 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 Subseries 2008C1 Bonds or, in the case of financial institutions, that portion of a holder's interest expense allocated to interest on the Subseries 2008C1 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 Subseries 2008C1 Bonds; (3) interest on the Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the Subseries 2008C1 Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Subseries 2008C1 Bonds could adversely affect their value and liquidity.

Bond Counsel will render their opinions as of the respective Issue Dates, and will assume no obligation to update their opinions after such Issue Dates 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 Subseries 2008C1 Bonds, the exclusion of interest on the Subseries 2008C1 Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Subseries 2008C1 Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

Prospective purchasers of Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bonds and in such capacity have prepared the Plan of Financing.

FINANCIAL STATEMENTS

The financial statements of the Airport System as of and for the years ended December 31, 2007 and 2006 are attached to this Official Statement as “APPENDIX E – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2007 AND 2006.” BKD, LLP has not performed any procedures relating to this Official Statement. The consent of BKD, LLP to the inclusion of APPENDIX E 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.

The 2007 financial statements do not reflect the restatement of certain amounts as discussed in “FINANCIAL INFORMATION – Historical Financial Operations.”

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 Subseries 2008C1 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/ Kim Day
Manager of Aviation

By /s/ Claude J. Pumilia
Manager of Finance

* * *

APPENDIX A

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 C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE” for certain proposed amendments to the definitions.

“*Additional Parity Bonds*” means additional Bonds which the City issues under the Senior Bond Ordinance on a parity with the Subseries 2008C1 Bonds.

“*AGTS*” means automated guideway transit system.

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

“*Airport*” means Denver International Airport.

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

“*Airport System*” means the following facilities, whether heretofore or hereafter acquired by the City and whether located within or without the boundaries of the City: (a) Stapleton; (b) Denver International Airport; (c) all other airports, heliports or functionally similar aviation facilities; and (d) all other facilities of whatsoever nature relating to or otherwise used in connection with the foregoing, including without limitation, buildings, structures, terminals, parking and ground transportation facilities, roadways, land, hangars, warehouses, runways, shops, hotels, motels and administration offices. The 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.

“*Alternate Rate*” means, on any date on which a Variable Rate is to be determined for any Variable Rate Period, a rate per annum equal to 110% of (a) the SIFMA Municipal Swap Index of Municipal Market Data most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Municipal Swap Index is no longer published, the S&P Weekly High Grade Index (formerly the J.J. Kenny Index), or if neither the SIFMA Municipal Swap Index nor the S&P Weekly High Grade Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Municipal Swap Index just prior to when the Securities and Financial Markets Association stopped publishing the SIFMA Municipal Swap Index. The Paying Agent is to make the determinations required by this determination, upon notification from the Treasurer, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

“*Auction Rate*” means the interest rate determined for the Subseries 2008C1 Bonds on an auction rate basis in accordance with the Series 2008C Supplemental Ordinance.

“*Auction Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at an Auction Rate in accordance with the Series 2008C Supplemental Ordinance.

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

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

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

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

“*Business Day*” means, with respect to the Subseries 2008C1 Bonds, 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 any Remarketing Agent or, if a Subseries 2008C1 Credit Facility is in effect, the principal office of any Subseries 2008C1 Credit 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 any Remarketing Agent or, if a Subseries 2008C1 Credit Facility is in effect, the principal office of the Subseries 2008C1 Credit 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 Finance.

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

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

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

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

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

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

“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 the date on which the interest on the Subseries 2008C1 Bonds is converted to a different Rate Period or from a Term Rate Period of one duration to a Term Rate Period of a different duration.

“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.

“*Daily Rate*” means the interest rate determined for the Subseries 2008C1 Bonds on a daily basis in accordance with the Series 2008C Supplemental Ordinance.

“*Daily Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Daily Rate in accordance with the 2008C Supplemental Ordinance.

“*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 Subseries 2008C1 Bonds.

“*Electronic Means*” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“*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 Refunding Bonds, Series 2000C 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.

“*Event of Default*” means each of the events declared an “event of default” under the General Bond Ordinance or the Series 2008C Supplemental Ordinance.

“*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 2008C Supplemental Ordinance and will not adversely affect the exclusion of interest on the Subseries 2008C1 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 interest rate determined for the Subseries 2008C1 Bonds on a fixed rate basis in accordance with the Series 2008C Supplemental Ordinance.

“*Fixed Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Fixed Rate in accordance with the Series 2008C Supplemental Ordinance.

“*Flexible Rate*” means the interest rate determined for the Subseries 2008C1 Bonds on a flexible basis in accordance with the Series 2008C Supplemental Ordinance.

“*Flexible Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Flexible Rate in accordance with the Series 2008C Supplemental Ordinance.

“*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 2008C 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 are not to be secured under the Senior Bond Ordinance on a parity with the Bonds.

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

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

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

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

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

“*Interest Payment Date*” means, when used with respect to any Subseries 2008C1 Bonds bearing interest at a Daily Rate, Weekly Rate, or Monthly Rate, the first Business Day of each calendar month pursuant to the Series 2008C Supplemental Ordinance.

“*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, a Daily Rate, a Weekly Rate, a Monthly Rate, a Semiannual Rate, a Term Rate, a Fixed Rate or an 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 is established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (iv) repurchase agreements with banks described in subparagraph (b)(ii) of this definition and government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by depositing Federal Securities or obligations described in subparagraphs (b)(i) or (b)(iii) of this definition with an escrow agent satisfactory to the City, including, without limitation, any Federal Reserve Bank or any branch thereof; (v) banker’s acceptances that are rated at the time of purchase in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and that mature not more than 180 days after the date of purchase; (vi) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under a contract with the Federal Government; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the Federal Government; (vii) obligations issued by the City which are rated “A” (or its equivalent) or better by one or more nationally recognized rating agencies, but excluding any Bonds or Subordinate Bonds; (viii) commercial paper that is rated at the time of purchase in the highest short-term rating category of, or is otherwise approved by, the Rating Agencies and that matures not more than 270 days after the date of purchase; (ix) investments in (1) money market funds which are rated, at the time of purchase, in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and (2) public sector investment pools operated pursuant to Rule 2a-7 promulgated by the Securities and Exchange Commission in which the issuer’s deposit must not exceed 5% of the aggregate pool balance at any time, if the pool is rated, at the time of purchase, in one of the two highest short-term rating categories by, or is otherwise approved by, the Rating Agencies; (x) any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and either: (A) that are rated, on the date of purchase, based on the irrevocable escrow account or fund (the “escrow”), in the highest long-term rating category by, or are otherwise approved by, the Rating Agencies; or (B) as to which the following apply: (1) such bonds or other obligations are fully secured as to principal, interest and any redemption premium by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of the

principal, interest and any redemption premium on those bonds or other obligations on their maturity date or dates or the specified redemption date or dates in accordance with those irrevocable instructions, as appropriate; and (2) the escrow is sufficient, as verified by an independent certified public accountant, to pay principal, interest and any redemption premium on the bonds or other obligations described in this paragraph (x) on the maturity date or dates or the specified redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; (xi) obligations issued by any state of the United States of America or any agency, instrumentality or local government unit of such state, and which obligations have on the date of purchase a rating in one of the two highest rating categories of, or are otherwise approved by, the Rating Agencies, without regard to any numerical or positive or negative designation; (xii) Investment Agreements with: (A) a Broker/Dealer (or its parent) either (1) having uninsured, unsecured and unguaranteed debt rated, at the time of investment, investment grade by, or is otherwise approved by, the Rating Agencies (in which case the agreement must provide that, if the provider is downgraded below investment grade by at least two of the Rating Agencies, the City may terminate the agreement) or (2) providing an investment agreement which is fully secured by Federal Securities which are (a) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (b) held by any Federal Reserve Bank or a depository acceptable to the City, (c) subject to a perfected first lien on behalf of owners of the Bonds, and (d) free and clear from all third-party liens; (B) a bank having long-term uninsured, unsecured and unguaranteed debt rated, at the time of investment, in one of the two highest rating categories by, or is otherwise approved by, the Rating Agencies (the agreement must provide that, if the bank is downgraded below "A-" (or its equivalent) by at least two Rating Agencies, the City may terminate the agreement); (C) an insurance company having an uninsured, unsecured, and unguaranteed claims paying ability rated, at the time of investment, in the highest rating category by, or otherwise approved by, the Rating Agencies (the agreement must provide that, if the insurance company is downgraded below the highest rating category by at least two Rating Agencies, the City may terminate the agreement); and (D) a corporation whose principal business is to enter into investment agreements, if that corporation has been assigned, at the time of investment, a counterparty rating in the highest rating category by, or is otherwise approved by, the Rating Agencies, or the Rating Agencies have, at the time of the investment, rated the investment agreements of such corporation in the highest rating category or have otherwise approved such investment agreements (the agreement must provide that, if either the corporation's counterparty rating or that corporation's investment agreements rating is downgraded by at least two of the Rating Agencies, the City may terminate the agreement); and (xiii) such other investments as the Treasurer may be authorized to make with the general funds of the City.

"Issue Date" means the date on which the Subseries 2008C1 Bonds are first delivered to the initial purchasers against payment therefor.

"KBC" means KBC Bank N.V., acting through its New York Branch, the issuer of the KBC Subseries 2008C1 Letter of Credit.

"KBC Reimbursement Agreement" means the Reimbursement Agreement between KBC and the City pursuant to which the KBC Subseries 2008C1 Letter of Credit is issued.

"KBC Subseries 2008C1 Letter of Credit" means the irrevocable, direct pay letter of credit issued by KBC pursuant to the KBC Reimbursement Agreement and which constitutes the initial Subseries 2008C1 Credit Facility.

"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 any Subseries 2008C1 Bonds, the lower of (i) the maximum rate at which the interest on any Subseries 2008C1 Bond secured by a Subseries 2008C1 Credit Facility is computed for purposes of determining the interest component under such Subseries 2008C1 Credit 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 will be assumed for purposes of determining the Minimum Bond Reserve that (a) such series of Bonds matures over a twenty-year term from its date of issuance, (b) bears interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined is not to be less than the actual rate or rates borne by such series of Bonds, and (c) is payable on a substantially level annual debt service basis assuming the rate so determined. *This definition would be changed by the Proposed Amendments. See “APPENDIX C – 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.

“*Monthly Rate*” means the interest rate determined for the Subseries 2008C1 Bonds on a monthly basis in accordance with the Series 2008C Supplemental Ordinance.

“*Monthly Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Monthly Rate in accordance with the Series 2008C Supplemental Ordinance.

“*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 C – 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*” 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, Ordinance No. 625, Series of 2007; the Series 2007G1-G2 Supplemental Ordinance, Ordinance No. 626, Series of 2007; the Series 2008A Supplemental Ordinance, Ordinance No. 179, Series 2008; the Series 2008B Supplemental Ordinance, Ordinance No. 322, Series 2008; the Series 2008C 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 is such amount to exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year.

“*Outstanding*” when used with reference to any Bonds and as of any particular date means all such Bonds in any manner theretofore or thereupon issued, except: (a) any Bonds canceled or paid by or on behalf of the City on or before such date; (b) any Bonds which are deemed to be paid pursuant to the Senior Bond Ordinance or for which sufficient moneys are held in trust pursuant to the Senior Bond Ordinance; (c) any Bonds in lieu of or in substitution for which other Bonds have been executed and

delivered; and (d) any Option Bonds deemed tendered or purchased as provided by Supplemental Ordinance. In determining whether the owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver, Bonds owned by the City are to be disregarded and deemed not to be Outstanding.

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

“*Paying Agent*” means any entity providing paying agency services for the Subseries 2008C1 Bonds, initially being Zions First National Bank, Denver, Colorado, and any successor or assign thereof. Any references herein to the Paying Agent means the Paying Agent for the Subseries 2008C1 Bonds to which such reference relates.

“*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 C – 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.

“*Rate Period*” means a Daily Rate Period, a Weekly Rate Period, a Monthly Rate Period, a Semiannual Rate Period, Flexible Rate Period, a Term Rate Period, a Fixed Rate Period or an Auction Rate Period.

“*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.

“*Refunded Bonds*” means all of the outstanding Series 2000C Bonds.

“*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 Subseries 2008C1 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 a Remarketing Agent appointed and engaged by the City pursuant to the Series 2008C Supplemental Ordinance and a Remarketing Agreement to remarket the Subseries 2008C1 Bonds, and any successor remarketing agent appointed pursuant to the Series 2008C Supplemental Ordinance. Initially, Morgan Stanley & Co. Incorporated will serve as the Remarketing Agent for the Subseries 2008C1 Bonds.

“*Remarketing Agreement*” means an agreement entered into between the City and a Remarketing Agent relating to the remarketing of the Subseries 2008C1 Bonds.

“*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 Subseries 2008C1 Bonds, and includes any nominee or successor thereof.

“*Semiannual Rate*” means the interest rate determined for the Subseries 2008C1 Bonds on a semiannual basis in accordance with the Series 2008C Supplemental Ordinance.

“*Semiannual Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Semiannual Rate in accordance with the Series 2008C Supplemental Ordinance.

“*Senior Bond Ordinance*” means the Ordinance, as amended and supplemented by any Supplemental Ordinance that may be adopted by the City Council after the adoption of the Series 2008C 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 in the original aggregate principal amount of \$30,000,000 and additionally secured by a direct pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

“*Series 1992G Bonds*” means the Airport System Revenue Bonds, Series 1992G, issued on September 24, 1992, as variable rate bonds in the original aggregate principal amount of \$25,000,000 and additionally secured by a direct pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

“*Series 1995C Bonds*” means the Airport System Revenue Bonds, Series 1995C, issued on November 28, 1995, in the original aggregate principal amount of \$107,585,000 and, except for Series 1995C Bonds maturing in 2016, additionally secured by municipal bond insurance constituting a Credit Facility.

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

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

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

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

“*Series 2000B Bonds*” means the Airport System Revenue Refunding Bonds, Series 2000B, issued on August 24, 2000, as variable rate bonds in the original aggregate principal amount of \$200,000,000 and additionally secured both by municipal bond insurance and a standby bond purchase agreement constituting Credit Facilities.

“*Series 2000C Bonds*” means the Airport System Revenue Refunding Bonds, Series 2000C, issued on August 24, 2000, as variable rate bonds in the original aggregate principal amount of \$100,000,000 and additionally secured both by municipal bond insurance and a standby bond purchase agreement constituting Credit Facilities.

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

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

“*Series 2001D Bonds*” means the Airport System Revenue Refunding Bonds, Series 2002D, issued on August 6, 2001, in the original aggregate principal amount of \$70,540,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2002C Bonds*” means the Airport System Revenue Refunding Bonds, Series 2002C, issued on October 9, 2002, as variable rate bonds, in the original aggregate principal amount of \$49,000,000 and additionally secured by a direct pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

“*Series 2002E Bonds*” means the Airport System Revenue Refunding Bonds, Series 2002E, issued on October 9, 2002, in the original aggregate principal amount of \$203,565,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Series 2008C Supplemental Ordinance*” means the “Series 2008C1-C3 Airport System Supplemental Bond Ordinance,” as amended and supplemented from time to time by any other Supplemental Ordinance, which authorizes the issuance of the Subseries 2008C1 Bonds and the Subseries 2008C2-C3 Bonds.

“*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 C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

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

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

“*State*” means the State of Colorado.

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

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

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

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

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

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

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

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

“*Subseries 2008C1 Bonds*” means the “Airport System Revenue Bonds, Subseries 2008C1,” authorized to be issued pursuant to the Series 2008C Supplemental Ordinance in the original aggregate principal amount of \$92,600,000, offered pursuant to this Official Statement.

“*Subseries 2008C1 Credit Facility*” means the Subseries 2008C1 Credit Facility in effect for the Subseries 2008C1 Bonds from time to time in accordance with the Series 2008C Supplemental Ordinance. The initial Subseries 2008C1 Credit Facility will be the KBC Subseries 2008C1 Letter of Credit.

“Subseries 2008C1 Credit Facility Bonds” means each Subseries 2008C1 Bond purchased by a Subseries 2008C1 Credit Facility Provider under its Subseries 2008C1 Credit Facility until such Subseries 2008C1 Bond ceases to bear interest at the Subseries 2008C1 Credit Facility Rate as provided in such Subseries 2008C1 Credit Facility or ceases to be Outstanding upon the redemption, repayment or other payment thereof pursuant to the provisions of the Series 2008C Supplemental Ordinance or of the Subseries 2008C1 Credit Facility or otherwise.

“Subseries 2008C1 Credit Facility Bondowner” means a Subseries 2008C1 Credit Facility Provider in its capacity as owner of Subseries 2008C1 Credit Facility Bonds pursuant to the related Subseries 2008C1 Credit Facility and any assignee or other person to whom such Subseries 2008C1 Credit Facility Provider has sold such Subseries 2008C1 Credit Facility Bonds as provided in the Subseries 2008C1 Credit Facility.

“Subseries 2008C1 Credit Facility Obligations” means obligations incurred by the City pursuant to a Subseries 2008C1 Credit Facility (other than the principal and interest payable on Subseries 2008C1 Credit Facility Bonds under a Subseries 2008C1 Credit Facility), which obligations will be deemed to constitute Obligations for purposes of the General Bond Ordinance.

“Subseries 2008C1 Credit Facility Obligations Account” means the special subaccount by that name established in the Bond Fund pursuant to the Series 2008C Supplemental Ordinance.

“Subseries 2008C1 Credit Facility Provider” means any entity providing a Subseries 2008C1 Credit Facility or any successor or assign thereof.

“Subseries 2008C1 Credit Facility Rate” means the applicable rate of interest to be borne by the Subseries 2008C1 Bonds while they constitute Subseries 2008C1 Credit Facility Bonds as provided in the related Subseries 2008C1 Credit Facility.

“Subseries 2008C1 Refunding Project” means the project to be financed with a portion of the proceeds of the Subseries 2008C1 Bonds to (i) currently refund the Refunded Bonds by paying the principal of, premium, if any, and interest on the Refunded Bonds, (ii) make any required deposit in the Bond Reserve Fund, if any, and (iii) pay certain costs relating to the issuance of the Subseries 2008C1 Bonds. The Subseries 2008C1 Refunding Project constitutes a Refunding Project within the meaning of the General Bond Ordinance.

“Subseries 2008C2 Bonds” means the “Airport System Revenue Bonds, Subseries 2008C2,” authorized to be issued pursuant to the Series 2008C Supplemental Ordinance in the original aggregate principal amount of \$100,000,000 and expected to be issued on or about November 4, 2008.

“Subseries 2008C2-C3 Bonds” means the Subseries 2008C2 Bonds and the Subseries 2008C3 Bonds.

“Subseries 2008C3 Bonds” means the “Airport System Revenue Bonds, Subseries 2008C3,” authorized to be issued pursuant to the Series 2008C Supplemental Ordinance in the original aggregate principal amount of \$100,000,000 and expected to be issued on or about November 4, 2008.

“Substitute Subseries 2008C1 Credit Facility” means a Subseries 2008C1 Credit Facility provided by a Substitute Subseries 2008C1 Credit Facility Provider that replaces the Subseries 2008C1 Credit Facility then in effect.

“Substitute Subseries 2008C1 Credit Facility Provider” means one or more commercial banks, trust companies or financial institutions obligated under any Substitute Subseries 2008C1 Credit 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 determined for the Subseries 2008C1 Bonds on a term basis in accordance with the Series 2008C Supplemental Ordinance.

“*Term Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Term Rate in accordance with the Series 2008C Supplemental Ordinance.

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

“*Twenty-first and Twenty-seventh Supplemental Ordinances*” means the Supplemental Ordinances which provide for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund. The procedures for the administration of PFCs set forth in the Twenty-first and Twenty-seventh Supplemental Ordinances are replaced and superceded to the extent provided in the PFC Supplemental Ordinance.

“*Underwriters*” means, as to the Subseries 2008C1 Bonds, means Morgan Stanley & Co. Incorporated and Ramirez and Co., Inc.

“*Variable Rate*” means, with respect to the Subseries 2008C1 Bonds, a Daily Rate, a Weekly Rate, a Monthly Rate, a Semiannual Rate or a Term Rate.

“*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 Period*” means, with respect to the Subseries 2008C1 Bonds, a Daily Rate Period, a Weekly Rate Period, a Monthly Rate Period, a Semiannual Rate Period or a Term Rate Period.

“*Weekly Rate*” means the interest rate determined for the Subseries 2008C1 Bonds on a weekly basis in accordance with the Series 2008C Supplemental Ordinance.

“*Weekly Rate Period*” means each period during which the Subseries 2008C1 Bonds bear interest at a Weekly Rate in accordance with the Series 2008C Supplemental Ordinance.

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APPENDIX B

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 SUBSERIES 2008C1 BONDS.”

Several of the provisions and defined terms used in this summary would be changed by the Proposed Amendments. See “APPENDIX C – 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 Subseries 2008C1 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 36th month thereafter (taking into account, in all such cases, the known minimum gain from Investment Securities to be received by the City over such period); and

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

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

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

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

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

addition, no Credit Facility may be deposited in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, pursuant to the Senior Bond Ordinance, unless the then current rating of the provider of such Credit Facility by Moody's or by S&P is in one of the two highest rating categories of such rating agency.

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

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

PFC Fund

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

(a) First, to the PFC Debt Service Account in each Fiscal Year through 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 2008C 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 C – 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 C – 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 decree is not vacated, discharged, or stayed on appeal within 60 days after entry; (f) the City defaults in the due and punctual performance of any other covenants, agreements, and provisions contained in any Bonds or in the Senior Bond Ordinance on its part to be performed, and such default has continued for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the owners of 10% in principal amount of all Bonds then Outstanding; (g) the City files a petition pertaining to its Airport System and seeking a composition of indebtedness under the Federal Bankruptcy Law, or under any other applicable law or statute of the United States of America or the State; and (h) such other Event of Default as is set forth in any Supplemental Ordinance; provided, however, that it will not be an Event of Default under clauses (c) or (f) if the Manager determines that corrective action has been instituted within the 60-day period and is being diligently pursued. See "Series 2008C Supplemental Ordinance" below.

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. 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 2008C Supplemental Ordinance

The undertakings, covenants, agreements, obligations, warranties and representations of the City in the Senior Bond Ordinance in respect of the Subseries 2008C1 Bonds are the undertakings, covenants, agreements, obligations, warranties and representations of the City, for and on behalf of the Department.

The Series 2008C Supplemental Ordinance provides that, in addition to the Events of Default specified in “Events of Default” above, an Event of Default will occur in respect of the Subseries 2008C1 Bonds: (1) if payment of the Purchase Price by the City in respect of any Subseries 2008C1 Bond is not made within 10 days after the date when the same becomes due and payable under the Series 2008C Supplemental Ordinance; (2) upon the receipt by the Paying Agent, the City and the Remarketing Agent of a written notice from the Subseries 2008C1 Credit Facility Provider stating that a termination under the related Subseries 2008C1 Credit Facility has occurred and declaring an Event of Default with respect to the Subseries 2008C1 Bonds under the Senior Bond Ordinance; or (3) upon the receipt by the Paying Agent of a notice of non-reinstatement of the Subseries 2008C1 Credit Facility from the Subseries 2008C1 Credit Facility Provider in accordance with such Subseries 2008C1 Credit Facility providing liquidity and/or credit support with respect to the Subseries 2008C1 Bonds pursuant to which such Subseries 2008C1 Credit Facility Provider may require a mandatory tender of the Subseries 2008C1 Bonds.

The Series 2008C Supplemental Ordinance provides that notwithstanding the provisions of the Senior Bond Ordinance, if the Subseries 2008C1 Bonds are defeased while they bear interest at a Variable Rate, the defeasance period is to end upon the first tender or redemption date for the Subseries 2008C1 Bonds and sufficient funds are to be deposited at the Maximum Rate in order to satisfy such tender or redemption, or the City receives written evidence from each Rating Agency then maintaining a rating on the Subseries 2008C1 Bonds that the ratings on the Subseries 2008C1 Bonds following such defeasance will not be withdrawn or reduced below the ratings on the Subseries 2008C1 Bonds immediately prior to such defeasance. See “Defeasance” above.

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APPENDIX C

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 Subseries 2008C1 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 D

DTC BOOK-ENTRY SYSTEM

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

None of the City, the Department, the Paying Agent, the Registrar or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Subseries 2008C1 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 Subseries 2008C1 Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Subseries 2008C1 Bonds or (5) any other related matter.

DTC will act as securities depository for the Subseries 2008C1 Bonds. The Subseries 2008C1 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 Subseries 2008C1 Bond certificate will be issued for each maturity of the Subseries 2008C1 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Subseries 2008C1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subseries 2008C1 Bonds on DTC's records. The

ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Subseries 2008C1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Subseries 2008C1 Bonds except in the event that use of the book-entry system for the Subseries 2008C1 Bonds is discontinued.

To facilitate subsequent transfers, all Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subseries 2008C1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Subseries 2008C1 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Subseries 2008C1 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Bond Ordinance. For example, Beneficial Owners of Subseries 2008C1 Bonds may wish to ascertain that the nominee holding the Subseries 2008C1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Subseries 2008C1 Bonds within a maturity of the Subseries 2008C1 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Subseries 2008C1 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Subseries 2008C1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Subseries 2008C1 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Subseries 2008C1 Bonds to Cede & Co., or to 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.

The requirement for physical delivery of the Subseries 2008C1 Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Subseries 2008C1 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Subseries 2008C1 Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Subseries 2008C1 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Subseries 2008C1 Bond certificates representing the Subseries 2008C1 Bonds are required to be printed and delivered as provided in the Senior Bond Ordinance.

The City may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Subseries 2008C1 Bonds. In that event, Subseries 2008C1 Bond certificates representing the Subseries 2008C1 Bonds will be printed and delivered to DTC.

* * *

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APPENDIX E

ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2007 AND 2006

This appendix includes the following sections from the 2007 Annual Financial Report of the Airport System: Independent Auditors' Report (pages 7 and 8); Management's Discussion and Analysis (pages 9 through 23); Financial Statements and Notes thereto (pages 24 through 61); and Supplemental Information (pages 62 through 67). The Introduction (pages 1 through 6) and Annual Financial Information (pages 69 through 71) have not been included but are available from the sources set forth in "Request for Information" on page 23 of this appendix.

The 2007 financial statements do not reflect the restatement of certain amounts as discussed in "FINANCIAL INFORMATION – Historical Financial Operations."

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Independent Accountants' Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), as of and for the years ended December 31, 2007 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2007 and 2006, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22, the Airport System corrected previously reported capital asset and aviation fuel tax amounts by retroactively restating prior years' financial statements.

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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section and Supplementary Information Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

June 11, 2008

City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

Management's Discussion and Analysis (MD&A)

The following discussion and analysis of the financial position of and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2007 and 2006. 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 \$530.2 million for the year ended December 31, 2007, an increase of \$21.8 million (4.3%), as compared to the year ended December 31, 2006. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in concession, parking, fuel tax and car rental revenues. Passenger traffic increased 5.4% for the year ended December 31, 2007.

Operating expenses, exclusive of depreciation, were \$290.8 million for the year ended December 31, 2007, an increase of \$28.3 million (10.8%) as compared to the year ended December 31, 2006. The increase was attributable to an increase in personnel costs, snow removal, other city agency costs associated with snow removal, janitorial services and repair and maintenance expenses.

Overview of the Financial Statements

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

The Airport System's financial statements consist of its statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and notes to financial statements. The statements of net assets present information on the Airport System's assets 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.

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – the current year, the prior year and the year preceding the prior year (i.e. 2007, 2006 and 2005).

City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

Additionally, as discussed in note 22, the Airport has restated its 2006 financial statements to correct certain errors impacting prior years' financial statements. In the MD&A, because 2005 financial statement information is presented for comparative purposes, as discussed above, the applicable 2005 financial information has also been restated because it is the earliest year presented in the MD&A.

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, 2007, 2006, and 2005 (in thousands):

	<u>2007</u>	<u>2006 (as restated)</u>	<u>2005 (as restated)</u>
Operating revenues	\$ 530,151	\$ 508,307	\$ 497,177
Operating expenses before depreciation, amortization and impairment losses	<u>(290,773)</u>	<u>(262,514)</u>	<u>(239,405)</u>
Operating income before depreciation, amortization and impairment losses	239,378	245,793	257,772
Depreciation and amortization	(159,309)	(151,507)	(150,823)
Impairment losses	<u>—</u>	<u>—</u>	<u>(85,286)</u>
Operating income (loss)	80,069	94,286	21,663
Nonoperating revenues	179,764	150,223	120,063
Nonoperating expenses	(228,891)	(217,994)	(227,328)
Capital contributions	<u>2,426</u>	<u>29,188</u>	<u>31,547</u>
Increase (decrease) in net assets	33,368	55,703	(54,055)
Net assets, beginning of year	<u>840,622</u>	<u>784,919</u>	<u>838,974</u>
Net assets, end of year	<u>\$ 873,990</u>	<u>\$ 840,622</u>	<u>\$ 784,919</u>

Operating Revenues
(In thousands)

	<u>2007</u>	<u>2006 (as restated)</u>	<u>2005 (as restated)</u>
Operating revenues:			
Facility rentals	\$ 205,639	\$ 197,353	\$ 203,800
Concession revenues	40,599	34,305	32,566
Parking revenues	116,326	110,535	97,919
Car rental revenues	44,998	41,641	37,175
Landing fees	87,282	92,390	94,695
Aviation fuel tax	23,385	20,211	20,245
Other sales and charges	<u>11,922</u>	<u>11,872</u>	<u>11,341</u>
Total operating revenues	<u>\$ 530,151</u>	<u>\$ 508,307</u>	<u>\$ 497,741</u>

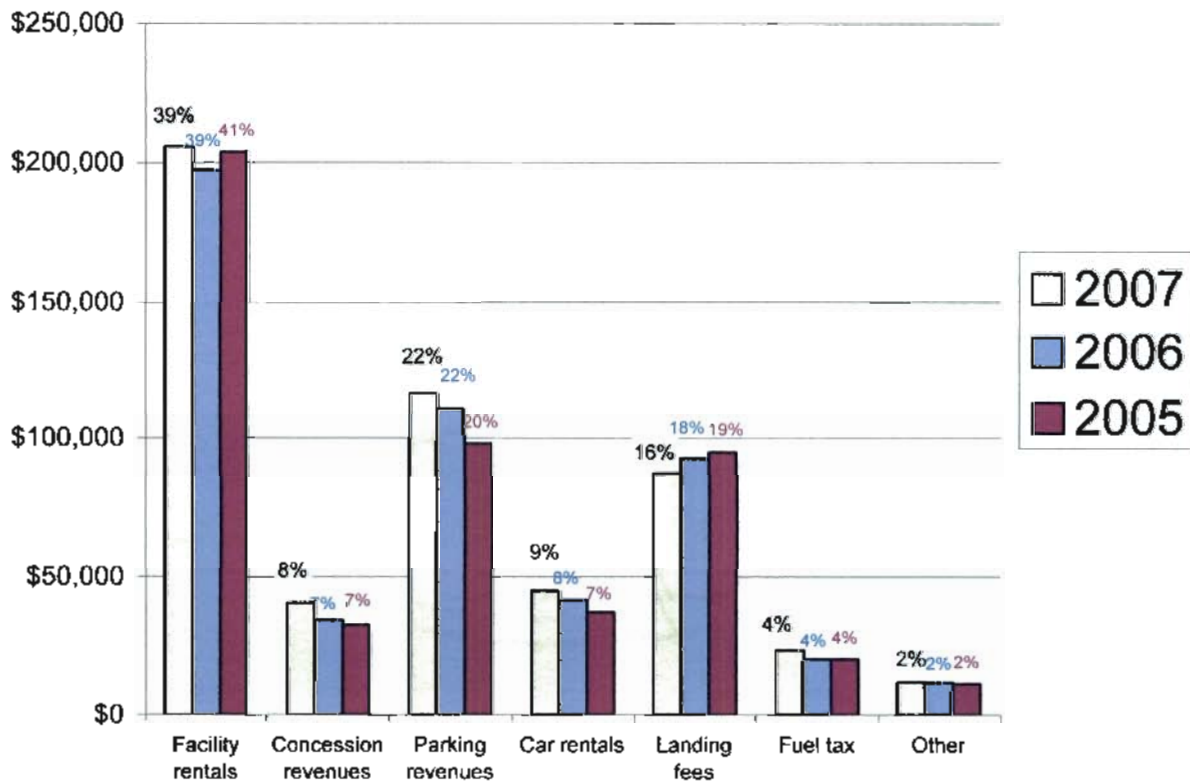
City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

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, 2007 as compared to 2006 (in thousands):

	2007	2006	Percentage change
Enplanements	24,941	23,665	5.4%
Passengers	49,863	47,327	5.4%
Aircraft operations (1)	619	610	1.4%
Cargo (in pounds)	589,402	621,655	(5.2)%
Landed weight (in tons)	32,834	31,848	3.1%

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

City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

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	47,327	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.

2007

Operating revenues increased by 4.3% from \$508.3 million in 2006 to \$530.2 million in 2007, primarily due to increases in parking, concession revenues, car rentals and fuel tax. The parking revenues increase of \$5.8 million or 5.2%, is attributable to an increase in originating and deplaning (O&D) passenger traffic. Concession revenues between 2007 and 2006 increased \$6.3 million, or 18.3%. The concession revenues increase was attributable to food and beverage service and retail concession revenues growth due to an increase in passenger traffic and increase in the spend rate per passenger from \$9.72 to \$9.77. Car rental revenues increased by \$3.4 million or 8.1%, to \$45.0 million due to an increase in O&D passenger traffic. Passenger traffic increased 5.4% for the year ended December 31, 2007.

Aviation fuel tax revenue increased in 2007 by \$3.2 million, or 15.7% due to the increase in usage and prices.

Facility Rentals increased by \$8.3 million. The increase was attributed to an increase in the charges per square foot for space rented. An example is the preferential and non-preferential use fees increase from \$85.28 to \$85.90 per square foot for preferential and \$102.336 to \$103.08 per square foot for non-preferential.

Landing Fees decreased by \$5.1 million, or 5.5%, which is attributable to the reduction in landing fee rates per 1,000 pounds landed weight from \$2.80 for signatory (an airline that has entered into a lease/use agreement with the Airport System) and \$3.36 for non-signatory (an airline that has entered into a Non-Signatory Airline Operating Agreement with the Airport System) airlines in 2006 to \$2.65 for signatory and \$3.18 for non-signatory airlines in 2007. The rate reduction stems from a reduction in the cost recovery requirements of the airfield cost center.

2006

Operating revenues increased by 2.1%, from \$497.7 million in 2005 to \$508.3 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 O&D passenger traffic and an increase in parking rates. 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

City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

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.

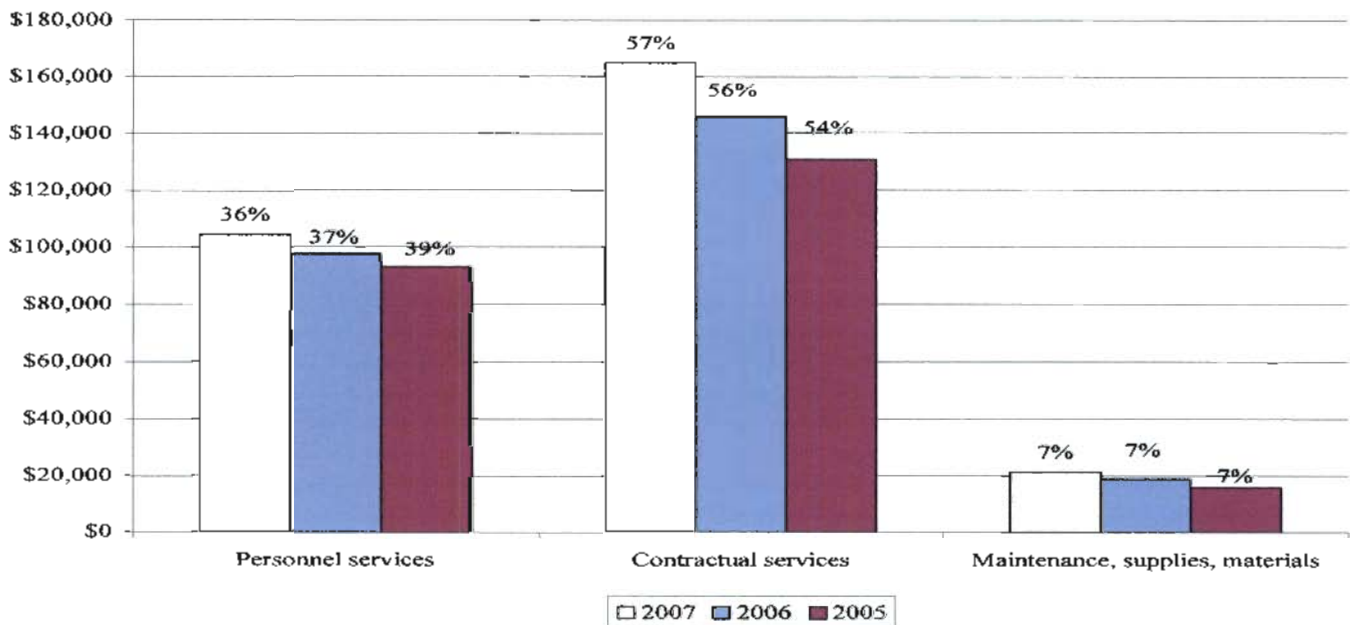
Facility Rentals and Landing Fees decreased in 2006 compared to 2005 by \$6.4 million (3.2%) and \$2.3 million (2.4%), respectively. Charges to airlines are based on the costs of providing the facilities and services. In 2006 these costs decreased because of a reduction in the debt service allocated to airline cost centers, thereby reducing the airline revenues.

Operating Expenses Before Depreciation, Amortization and Impairment Losses

(In thousands)

	<u>2007</u>	<u>2006 (as restated)</u>	<u>2005 (as restated)</u>
Operating expenses before depreciation, amortization and impairment losses			
Personnel services	\$ 104,321	\$ 97,592	\$ 92,980
Contractual services	165,044	146,019	130,469
Maintenance, supplies, and materials	21,408	18,903	15,956
Total operating expenses before depreciation, amortization, and impairment losses	<u>\$ 290,773</u>	<u>\$ 262,514</u>	<u>\$ 239,405</u>

% Total Operating Expenses Before Depreciation, Amortization and Impairment Losses



City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

2007/2006

Operating expenses before depreciation, amortization and impairment losses increased by 10.8%, from \$262.5 million in 2006 to \$290.8 million in 2007. Personnel services increased by \$6.7 million, or 6.9%, to \$104.3 million in 2007 compared to \$97.6 million in 2006. The increase in personnel costs permanent salaries of \$6.7 million or 6.8% was due to an increase in personnel cost, permanent salaries and overtime costs, particularly relating to snow removal.

Contractual services increased in 2007 compared to 2006 by \$19.0 million due principally to an increase in contractual snow removal, guard services, janitorial services and repair and maintenance costs.

Maintenance, supplies and materials increased \$2.5 million, or 13.3%, to \$21.4 million from \$18.9 million in 2006 due to increases in road construction and janitorial supplies. An increase in gasoline, diesel and natural gas costs due to the increase in fuel costs also contributed to the increase in 2007.

2006/2005

Operating expenses before depreciation, amortization and impairment losses increased by 9.7%, from \$239.4 million in 2005 to \$262.5 million in 2006. The increase in contractual services in 2006 compared to 2005 of \$15.6 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 Guideway 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 and costs for heating plant repair parts and jet bridges also contributed to the increase in 2006.

Nonoperating Revenues and Expense

2007/2006

Total nonoperating expenses, net of nonoperating revenues, decreased by \$18.6 million to \$49.1 million in 2007. The decrease was due to an increase in investment income of \$26.1 million, or 46.5%, which was due to an increase in yields, additional notes payable being invested during the year and the unrealized gain on investments of \$18.7 million. In addition, PFC revenues increased \$3.7 million, or 3.9% due to an increase in passenger traffic. Stapleton costs decreased \$5.3 million related to the reimbursement of insurance costs to complete the remediation of certain environmental conditions at Stapleton. The reduction in total nonoperating expenses, net of nonoperating revenues, was partially offset by an increase in interest expense of \$12.7 million associated with the Series 2007 bonds.

City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

In 2007 and 2006, capital grants totaled \$1.9 million and \$29.2 million, respectively. The decrease was due to the completion of the Explosive Detection System (EDS) in 2005, which was federally funded, and funding ceased in 2006. No grants relating to this project were received in 2007. In 2007, there was a capital contribution related to two donated airplanes.

2006/2005

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 expense due to the reduction 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. All PFCs were reallocated to the payment of debt service related to the automated baggage system and the original cost of the Airport.

City and County of Denver, Colorado
Municipal Airport System

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of December 31, 2007, 2006, and 2005 (in thousands):

	<u>2007</u>	<u>2006</u> <u>(as restated)</u>	<u>2005</u> <u>(as restated)</u>
Assets:			
Current assets, unrestricted	\$ 320,616	\$ 253,717	\$ 225,572
Restricted assets, current	571,245	404,650	487,169
Noncurrent investments	121,443	187,081	197,877
Capital assets, net	3,472,238	3,470,020	3,506,495
Bond issue costs, net	59,633	61,331	76,112
Investments restricted	541,593	352,704	245,207
Assets held for disposition	14,095	18,807	22,724
Total assets	<u>5,100,863</u>	<u>4,748,310</u>	<u>4,761,156</u>
Liabilities:			
Current liabilities, unrestricted	121,258	119,152	124,503
Current liabilities payable from restricted assets	200,385	221,113	189,904
Bonds payable, noncurrent	3,850,321	3,500,817	3,619,827
Notes payable, noncurrent	49,532	61,488	36,646
Compensated absences payable, noncurrent	5,377	5,118	5,357
Total liabilities	<u>4,226,873</u>	<u>3,907,688</u>	<u>3,976,237</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	(131,740)	(79,505)	(94,726)
Restricted	676,271	584,464	488,337
Unrestricted	329,459	335,663	391,308
Total net assets	<u>\$ 873,990</u>	<u>\$ 840,622</u>	<u>\$ 784,919</u>

2007/2006

Total assets increased by \$352.6 million in 2007 as compared to 2006. This was primarily due to the increase in cash, cash equivalents and investments of \$354 million in 2007 associated with the Series 2007 bonds and the increase in unrealized gain on investments of \$18.7 million. There was also an increase in accounts receivable, capital assets, and inventories, which were offset by a decrease in grants receivable, accrued interest receivable and prepaid expenses.

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Total liabilities increased \$319.2 million in 2007 compared to 2006. An increase of \$336.7 million was associated with the Series 2007 bonds, net of refunded debt (Note 8). There was also an increase of \$16.6 million in deferred revenue related to advance rental receipts received in 2007, and an increase in restricted other liabilities of \$2.8 million. The offset was related to a decrease of notes payable, vouchers payable and unrestricted other liabilities.

Of the Airport System's 2007 total net assets, 77.4% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent \$657.5 million and \$18.8 million for capital projects, respectively.

At December 31, 2007, the remaining net assets include unrestricted net assets of \$329.5 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67.3 million of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$131.7) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2006/2005

Total assets decreased by \$12.8 million in 2006 as compared to 2005. This was principally due to the decrease in capital assets of \$36.5 million. The decline in capital assets was due to normal annual depreciation of approximately \$151.5 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 \$124.2 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 was 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, 69.5% are restricted for future debt service and capital projects. The bond reserve account and bond accounts that are externally restricted for debt service represent \$572.0 million and \$12.5 million for capital projects, respectively.

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At December 31, 2006, the remaining net assets include unrestricted net assets of \$335.7 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, (\$79.5) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

Long-Term Debt

As of December 31, 2007 and 2006, the Airport System had approximately \$4.2 billion and \$3.9 billion, respectively, in outstanding bonded debt (exclusive of deferred loss on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately \$340.8 million in 2007. Since 1996, the Airport System has called or refunded over \$4.1 billion in higher interest rate debt. This has resulted in cumulative present value debt service savings of approximately \$719.0 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 2007.

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, 2007 and 2006 was 168% and 176%, respectively, of total debt service.

On December 21, 2007, the Airport entered into interest rate swap agreements (the "2007A Swap Agreements") with two financial institutions to effectively change the amounts it receives under the 2002 Swap Agreements from a percentage of one-month London Interbank Offered Rate (LIBOR) to a percentage of ten-year LIBOR. The 2007A Swap Agreements have notional amounts of \$150 million and \$50 million, relate to the 2001C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the Series 2001C1-C4 bonds ("the 1999 Swap Agreement and Associated Debt" and "the 2002 Swap Agreements and Associated Debt"). The 2007A Swap Agreements have an effective date of May 1, 2010 and payments under these agreements have not commenced.

In November 2007, the 2006A Swap Agreements became effective ("the 2006A Swap Agreements"). The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 Bonds is that the Airport will pay a fixed rate plus or minus the difference between the variable rates on the bonds and 70% of LIBOR on \$356.5 million of obligations.

On November 14, 2007, the Airport issued \$208,025,000 and \$148,500,000 of Airport System Revenue Bonds Series 2007F1-F4 and 2007G1-G2 bonds in auction rate mode and variable rate mode, respectively, for the purpose of current refunding a portion of the 1997E bonds.

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On October 4, 2007, the Airport issued \$31,950,000 and \$47,400,000 of Airport System Revenue Bonds Series 2007D2 and 2007E in a fixed rate mode for the purpose of funding new money for capital improvement projects.

On October 3, 2007, the Airport substituted the Letter of Credits for the 1992F, 1992G and 2002C Airport System Revenue bonds.

On August 29, 2007, the Airport issued \$188,350,000, \$24,250,000, and \$34,635,000 of Airport System Revenue Bonds Series 2007A, 2007B, and 2007C in a fixed mode for the purpose of refunding Commercial Paper Notes, advance refunding the 2003B bonds and funding new money for capital improvement projects.

On August 29, 2007, the Airport issued \$147,815,000 of Airport System Revenue Bonds Series 2007D in a fixed mode for the purpose of funding new money for capital improvement projects.

In April of 2007, the Airport drew on the Airport System Subordinate Commercial Paper 2006A notes with an outstanding principal of \$30 million and was refunded on August 29, 2007, with the 2007A and 2007 B Series.

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 also 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 became effective 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.

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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.

In November 2006, the 2005 Swap Agreements became effective ("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.

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 million, \$121 million and \$60 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%.

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

Capital Assets

As of December 31, 2007 and 2006, the Airport System had capital assets of approximately \$3.5 billion. These amounts are net of accumulated depreciation of approximately \$1.6 billion and \$1.4 billion, respectively.

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, leaving a remaining book value at December 31, 2007 of \$3.4 million.

2006 Amendment: In the 2006 Amendment to United's Use and Lease Agreement, 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

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passenger amenities. These improvements, referred to herein as the Concourse B Commuter Facility Project, cost \$41.3 million. The facility opened April 24, 2007.

Under the 2006 Amendment, United agreed to gradually relinquish its six leased gates on Concourse A.

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 in 2005. 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 in 2005 leaving a remaining book value at December 31, 2007 of \$7.9 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, 2007, a total of \$931.6 million has been remitted to the Airport, (including interest earned on late payments), of which \$105.0 million has been expended on approved projects, \$818.5 million has been used to pay debt service on the Airport's general airport revenue bonds, and \$8.4 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, 2007, the Airport System had outstanding contractual construction and professional services commitments of approximately \$135.5 million and had made over \$111.7 million in contractual payments for the year then ended.

The Airport's current 2008-2013 Capital Program includes approximately \$987.2 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 2008-2013 Capital Programs are expected to be financed with a combination of Airport Revenue bonds, commercial paper, installment purchase agreements, federal grants, and Airport System monies.

In June of 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 proposals for the ownership, management, financing and/or construction of 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 Airport. In December of 2007, the Airport selected Starwood Hotels and Resorts to construct and operate a Westin brand hotel. The various agreements relating to this project are currently being negotiated. The project is expected to be

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funded through the issuance by the Airport of revenue bonds payable from net revenues of the hotel, and not from Net Revenues. However, final financing arrangements have not yet been determined.

In 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 commercial development along the major highway in and out of Denver International Airport. The Airport entered into a ground lease agreement with CMCB for this project in May of 2007. Groundbreaking for the project is expected to occur in the second quarter of 2008, with the first phase of the development expected to be completed by the end of 2008.

In addition, the fourth module of the parking garage on the west side of Jeppesen Terminal opened in January of 2008.

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

Economic Factors

Passenger traffic was up 5.4% in 2007 compared with a national average increase of 6.4% as reported by the Airport Council International (ACI), an airport industry group. Much of this passenger growth is attributed to the increased service of low-cost carriers in the Denver market.

Southwest Airlines (Southwest) began service at the Airport in January of 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 leased an additional gate and on May 1, 2007, Southwest leased an additional gate bringing its total number of usage to five gates. Southwest currently operates 56 average daily flights, and is scheduled to increase service to 77 average daily flights to 23 nonstop destinations in May 2008.

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 53.3% and 49.9% of passenger enplanements at the Airport in 2007 and for the first three months of 2008, respectively.

On April 10, 2008, Frontier Airlines Holdings Inc., Frontier Airlines inc., and Lynx Aviation inc. ("Frontier") filed for bankruptcy protection under Chapter 11 of the U. S. Bankruptcy Code. A Chapter 11 filing permits Frontier to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. Frontier Airlines accounted for approximately 22.7 percent of passenger enplanements in 2007.

As previously discussed, operating revenues were up 4.3% in 2007 compared to 2006. Operating income before depreciation and amortization of \$239.4 million represented a decrease of \$6.4 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 \$88.4 million, its second 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.

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December 31, 2007 and 2006

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.

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STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u> (as restated)
Current assets:		
Cash and cash equivalents	\$ 133,419,158	\$ 39,548,675
Investments	135,544,003	176,051,494
Accounts receivable (net of allowance for doubtful accounts \$677,336 and \$340,941, respectively)	39,629,252	25,265,417
Accrued interest receivable	5,248,229	7,105,769
Other long-term receivables	10,987	38,774
Inventories	6,657,720	5,536,967
Prepaid expenses and other	107,231	170,131
Total current unrestricted assets	<u>320,616,580</u>	<u>253,717,227</u>
Restricted assets:		
Cash and cash equivalents	331,500,233	271,288,130
Investments	217,788,550	100,741,748
Accrued interest receivable	1,076,117	1,899,940
Prepaid expenses and other	3,108,013	5,472,506
Grants receivable	6,067,495	12,492,788
Passenger facility charges receivable	11,704,403	12,754,737
Total current restricted assets	<u>571,244,811</u>	<u>404,649,849</u>
Total current assets	<u>891,861,391</u>	<u>658,367,076</u>
Noncurrent assets:		
Investments	121,442,838	187,080,957
Capital assets:		
Buildings	1,972,605,864	1,913,160,010
Improvements other than buildings	2,014,223,973	1,996,859,845
Machinery and equipment	603,385,447	584,536,597
	4,590,215,284	4,494,556,452
Less accumulated depreciation and amortization	<u>(1,583,993,200)</u>	<u>(1,440,595,120)</u>
	3,006,222,084	3,053,961,332
Construction in progress	170,710,424	120,753,187
Land, land rights and air rights	295,305,625	295,305,625
Total capital assets	<u>3,472,238,133</u>	<u>3,470,020,144</u>
Bond issue costs, net of accumulated amortization	59,632,651	61,330,980
Total noncurrent unrestricted assets	<u>3,653,313,622</u>	<u>3,718,432,081</u>
Investments – restricted	541,592,871	352,703,957
Assets held for disposition	14,094,275	18,806,825
Total assets	<u>5,100,862,159</u>	<u>4,748,309,939</u>

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STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

Liabilities	2007	2006 (as restated)
Current liabilities:		
Vouchers payable	32,441,146	31,172,356
Due to other City agencies	18,240,600	17,186,337
Compensated absences payable	1,914,165	1,577,340
Other liabilities	4,840,609	22,003,622
Revenue credit payable	40,000,000	40,000,000
Deferred rent	23,821,526	7,212,505
Total current unrestricted liabilities	<u>121,258,046</u>	<u>119,152,160</u>
Current liabilities payable from restricted assets:		
Vouchers payable	24,754,561	35,717,072
Retainages payable	24,436,436	17,689,100
Accrued interest and matured coupons	21,517,067	22,227,738
Notes payable	12,138,729	27,497,017
Other liabilities	13,707,765	10,896,786
Revenue bonds	103,830,000	107,085,000
Total current liabilities payable from restricted assets	<u>200,384,558</u>	<u>221,112,713</u>
Total current liabilities	<u>321,642,604</u>	<u>340,264,873</u>
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	4,095,020,000	3,762,700,000
(Less) plus:		
Deferred losses on bond refundings	(303,121,171)	(301,053,878)
Net unamortized premiums	58,421,767	39,170,459
Total bonds payable, noncurrent	<u>3,850,320,596</u>	<u>3,500,816,581</u>
Notes payable	49,532,333	61,488,469
Compensated absences payable	5,376,998	5,118,304
Total noncurrent liabilities	<u>3,905,229,927</u>	<u>3,567,423,354</u>
Total liabilities	<u>4,226,872,531</u>	<u>3,907,688,227</u>
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(131,739,834)	(79,504,718)
Restricted for:		
Capital projects	18,772,470	12,492,788
Debt service	657,498,288	571,971,161
Unrestricted	329,458,704	335,662,481
Total net assets	<u>\$ 873,989,628</u>	<u>\$ 840,621,712</u>

See accompanying notes to financial statements.

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u> <u>(as restated)</u>
Operating revenues:		
Facility rentals	\$ 205,638,720	\$ 197,353,089
Concession revenues	40,598,943	34,304,468
Parking revenues	116,326,036	110,534,937
Car rental revenues	44,998,289	41,641,365
Landing fees	87,281,898	92,389,849
Aviation fuel tax	23,385,390	20,211,169
Other sales and charges	11,921,704	11,871,715
Total operating revenues	<u>530,150,980</u>	<u>508,306,592</u>
Operating expenses:		
Personnel services	104,321,034	97,592,363
Contractual services	165,043,912	146,018,796
Maintenance, supplies, and materials	21,407,781	18,903,028
Total operating expenses before depreciation and amortization	<u>290,772,727</u>	<u>262,514,187</u>
Operating income before depreciation and amortization	<u>239,378,253</u>	<u>245,792,405</u>
Depreciation and amortization	159,309,391	151,506,373
Operating income	<u>80,068,862</u>	<u>94,286,032</u>
Nonoperating revenues (expenses):		
Passenger facility charges	97,191,338	93,509,920
Investment income	82,249,178	56,146,884
Interest expense	(220,064,282)	(207,385,378)
Grants	323,628	565,853
Other expense	(8,826,664)	(10,609,244)
Total nonoperating revenues (expenses), net	<u>(49,126,802)</u>	<u>(67,771,965)</u>
Income before capital contributions	<u>30,942,060</u>	<u>26,514,067</u>
Capital contributions:		
Capital grants	1,894,186	29,188,329
Capital contributions	531,670	—
Change in net assets	<u>33,367,916</u>	<u>55,702,396</u>
Net assets, beginning of year, as previously reported	840,621,712	640,195,967
Adjustment for correction of capital asset carrying amount and recognition of fuel tax revenue	—	144,723,349
Net assets, beginning of year, as restated	<u>840,621,712</u>	<u>784,919,316</u>
Net assets, end of year	<u>\$ 873,989,628</u>	<u>\$ 840,621,712</u>

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u> <u>(as restated)</u>
Cash flows from operating activities:		
Receipts from customers	\$ 524,010,795	\$ 499,604,612
Payments to suppliers	(172,191,044)	(152,054,926)
Interfund activity payments to other funds	(13,417,874)	(12,181,634)
Payments to employees	(103,725,515)	(96,338,970)
Net cash provided by operating activities	<u>234,676,362</u>	<u>239,029,082</u>
Cash flows from noncapital financing activities:		
Operating grants received	382,988	313,814
Net cash provided by noncapital financing activities	<u>382,988</u>	<u>313,814</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	480,149,783	—
Proceeds from note payable	—	54,000,000
Principal paid on notes payable	(27,314,424)	(21,777,838)
Principal paid on revenue bonds	(144,835,000)	(101,305,000)
Interest paid on revenue bonds	(196,002,985)	(190,453,776)
Principal paid on capital lease	—	(1,061,885)
Bond issuance costs paid	(2,498,129)	(2,074,724)
Interest paid on notes payable	(3,412,816)	(2,487,809)
Capital grant receipts	8,260,119	19,078,411
Passenger Facility Charges	98,241,672	92,971,899
Purchases of capital assets	(133,131,809)	(75,578,837)
Payments of accrued expenses for capital assets	(39,669,472)	(22,497,901)
Payments to escrow for current refunding of debt	(12,307,402)	(8,331,179)
Proceeds from sale of capital assets	503,120	487,822
Net cash provided by (used in) capital and related financing activities	<u>27,982,657</u>	<u>(259,030,817)</u>
Cash flows from investing activities:		
Purchases of investments	(7,397,238,812)	(6,492,915,029)
Proceeds from sales and maturities of investments	7,216,180,995	6,542,146,541
Proceeds from sales of assets held for disposition	4,712,550	3,917,278
Payments to maintain assets held for disposal	(29,186,551)	(8,933,727)
Insurance recoveries for Stapleton environmental remediation	30,248,899	—
Interest and dividends on investments and cash equivalents	66,323,498	51,669,430
Net cash provided by (used in) investing activities	<u>(108,959,421)</u>	<u>95,884,493</u>
Net increase in cash and cash equivalents	<u>154,082,586</u>	<u>76,196,572</u>
Cash and cash equivalents, beginning of year	<u>310,836,805</u>	<u>234,640,233</u>
Cash and cash equivalents, end of year	<u>\$ 464,919,391</u>	<u>\$ 310,836,805</u>

(Continued)

City and County of Denver, Colorado
Municipal Airport System

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u> <u>(as restated)</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 80,068,862	\$ 94,286,032
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	159,309,391	151,506,373
Miscellaneous income	6,749,853	1,924,205
Changes in assets and liabilities:		
Receivables, net of allowance	(12,336,048)	(7,500,022)
Inventories	(1,120,753)	(82,649)
Prepaid expenses and other	580,037	517,166
Vouchers and other payables	1,268,790	3,855,982
Deferred rent	16,609,021	(16,576,128)
Due to other City agencies	1,054,263	(896,309)
Compensated absences	595,519	173,570
Other operating liabilities	(18,102,573)	11,820,862
Net cash provided by operating activities	<u>\$ 234,676,362</u>	<u>\$ 239,029,082</u>
Noncash activities:		
<p>The Airport System issued bonds in the amount of \$830,925,000 and \$449,590,000 in 2007 and 2006, respectively, in order to refund debt and fund capital projects. Net bond proceeds of \$389,846,767 and \$465,989,377 for 2007 and 2006, 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 \$17,101,088 and \$20,731,149 were realized on the issuance of bonds in 2007 and 2006, respectively.</p>		
Unrealized gain on investments	\$ 18,732,290	\$ 1,945,222
Capital assets added through incurrence of vouchers and retainages payable	36,720,227	39,669,472
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	17,919,645	16,760,908

See accompanying notes to financial statements.

City and County of Denver, Colorado
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

(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 in the United States of America (US GAAP). As an enterprise fund, the Airport System uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred (flow of economic resources measurement focus).

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2007. 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.

City and County of Denver, Colorado
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

During the year ended December 31, 2006, the Airport System adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, (an amendment of GASB Statement No. 34). 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.

(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, 2007 and 2006. 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 historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. 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 2007 and 2006 was \$1,581,504 and \$4,547,332, respectively.

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

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

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

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

City and County of Denver, Colorado
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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*

2007

The Airport System's assets exceeded liabilities by \$873,989,628 as of December 31, 2007, a \$33,367,916 increase in net assets from the prior year-end. Of the Airport System's 2007 net assets, 77.4% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$657,498,288 which is externally restricted for debt service and \$18,772,470 which is restricted for capital projects.

The remaining net assets include unrestricted net assets of \$329,458,704 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, (\$131,739,834) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2006

The Airport System's assets exceeded liabilities by \$840,621,712 as of December 31, 2006, a \$55,702,396 increase in net assets from the prior year-end. Of the Airport System's 2006 net assets, 69.5% were restricted for future debt service and capital construction. The bond reserve account and bond accounts represented \$571,971,161 that was externally restricted for debt service. The net assets restricted for capital projects represented \$12,492,788.

The remaining net assets included unrestricted net assets of \$335,662,481 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

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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

requirements. In addition, (\$79,504,718) 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, 2007 and 2006, the Airport System had accrued a liability, included in current other liabilities, of \$1,489,409 and \$14,799,763, 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 2007 and 2006. Liabilities for these amounts were accrued as of December 31, 2007 and 2006, respectively, and are reported in the statement of net assets as revenue credit payable.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

(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 2006 balances have been reclassified to conform with the 2007 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, 2007, the amount of the Airport System's deposits was \$12,369,432.

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, 2007 was \$185,521. 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 and County of Denver, Colorado
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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, 2007 and 2006, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash	\$ 12,473	\$ —
Money Market Funds	40,454	55,796
Certificate of Deposit	—	11,355
Commercial paper	425,980	246,001
Repurchase agreements	—	125,706
State & Local Government Securities	15,291	—
U.S. Treasury securities	90,768	87,446
U.S. Agency securities	896,322	601,111
	<u>\$ 1,481,288</u>	<u>\$ 1,127,415</u>

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2007 and 2006, is as follows (amount expressed in thousands).

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash on hand	\$ 104	\$ —
Cash and cash equivalents	133,419	39,549
Investments	256,987	363,132
Restricted cash equivalents	331,396	271,288
Restricted investments	759,382	453,446
	<u>\$ 1,481,288</u>	<u>\$ 1,127,415</u>

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December 31, 2007 and 2006

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, 2007, the Airport System's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

Investment type	Investments maturity in years				
	Fair value	Less than 1	1-5	6-10	Greater than 10**
Discount Commercial Paper	\$ 425,980	\$ 425,980	\$ —	\$ —	\$ —
U.S. Treasury securities	90,768	24,146	41,104	25,518	—
U.S. Agency securities	896,322	414,385	205,940	230,043	45,954
Total	\$ 1,413,070	\$ 864,511	\$ 247,044	\$ 255,561	\$ 45,954

**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.

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, 2007, the Airport System owned callable securities with a fair value of \$260,253,674. Of these, securities with scheduled increases to predetermined interest rates had a fair value of \$17,443,172.

Credit Quality Risk: Credit quality 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, 2007, the Airport System owned \$425,980,064 in commercial paper that had minimum ratings of A-1, P-1 and F-1, by recognized rating agencies.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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, 2007, were subject to custodial credit 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, 2007, 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, 2007 and 2006, an allowance of \$677,336 and \$340,941, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2007 and 2006 were as follows (in thousands):

	2007				
	January 1, 2007 (as restated)	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2007
Depreciable:					
Buildings	\$ 1,913,160	\$ —	\$ 73,723	\$ (14,277)	\$ 1,972,606
Improvements other than buildings	1,996,859	33	20,093	(2,761)	2,014,224
Machinery and equipment	584,537	22,266	7,731	(11,149)	603,385
	<u>4,494,556</u>	<u>22,299</u>	<u>101,547</u>	<u>(28,187)</u>	<u>4,590,215</u>
Less accumulated depreciation and amortization	(1,440,595)	(159,309)	—	15,911	(1,583,993)
	<u>3,053,961</u>	<u>(137,010)</u>	<u>101,547</u>	<u>(12,276)</u>	<u>3,006,222</u>
Nondepreciable:					
Construction in progress	120,753	151,504	(101,547)	—	170,710
Land, land rights, and air rights	295,306	—	—	—	295,306
Total capital assets	<u>\$ 3,470,020</u>	<u>\$ 14,494</u>	<u>\$ —</u>	<u>\$ (12,276)</u>	<u>\$ 3,472,238</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

	January 1, 2006 (as restated)	Additions	2006 Transfers of completed projects	Retirements and impairments	December 31, 2006 (as restated)
Depreciable:					
Buildings	\$ 1,891,224	---	\$ 26,318	\$ (4,382)	\$ 1,913,160
Improvements other than buildings	1,927,138	—	74,217	(4,496)	1,996,859
Machinery and equipment	543,665	4,808	37,863	(1,799)	584,537
	<u>4,362,027</u>	<u>4,808</u>	<u>138,398</u>	<u>(10,677)</u>	<u>4,494,556</u>
Less accumulated depreciation and amortization	(1,290,973)	(151,507)	—	1,885	(1,440,595)
	<u>3,071,054</u>	<u>(146,699)</u>	<u>138,398</u>	<u>(8,792)</u>	<u>3,053,961</u>
Nondepreciable:					
Construction in progress	140,135	119,397	(138,398)	(381)	120,753
Land, land rights, and air rights	295,306	—	—	—	295,306
Total capital assets	<u>\$ 3,506,495</u>	<u>\$ (27,302)</u>	<u>\$ —</u>	<u>\$ (9,173)</u>	<u>\$ 3,470,020</u>

In 2007 the Airport System recorded certain assets financed with Special Facility Bonds, and associated depreciation, and restated the 2005 financial statements to reflect the addition of \$198.4 million of buildings, \$0.5 million of improvements, \$12.9 million of equipment and \$49.2 million of depreciation. The Airport System also restated repair and maintenance costs that were in the construction in progress account to operating expenses in 2005 and 2006 (see note 22).

(6) Assets Held for Disposition

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

The carrying value of Stapleton was \$14,094,275 and \$18,806,825 at December 31, 2007 and 2006, respectively. The current and anticipated costs accrued for environmental liability for Stapleton was \$7,154,592 and \$3,474,011 at December 31, 2007 and 2006, respectively. The Airport has accrued \$2,000,000 of insurance recoveries.

(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 2007 and 2006 totaled \$13,417,874 and \$12,181,634, respectively, and have been included in operating expenses.

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December 31, 2007 and 2006

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 \$40,349,033 and \$38,883,126 at December 31, 2007 and 2006, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled \$18,240,600 and \$17,186,337 at December 31, 2007 and 2006, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2007 and 2006 were as follows (in thousands):

	2007				
	January 1, 2007	Additions	Refunded debt	Retirements	December 31, 2007
Airport System revenue bonds	\$ 3,737,642	\$ 860,925	\$ (488,740)	\$ (107,085)	\$ 4,002,742
Economic defeasance	54,880	—	—	—	54,880
Baggage defeasance	77,263	71,715	—	(7,750)	141,228
Less deferred loss on bonds	(301,054)	(22,223)	—	20,156	(303,121)
Plus unamortized premiums	39,170	17,102	8,429	(6,279)	58,422
Total bond debt	<u>\$ 3,607,901</u>	<u>\$ 927,519</u>	<u>\$ (480,311)</u>	<u>\$ (100,958)</u>	3,954,151
Less current portion					(103,830)
Noncurrent portion					<u>\$ 3,850,321</u>

	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	<u>\$ 3,717,632</u>	<u>\$ 503,806</u>	<u>\$ (525,177)</u>	<u>\$ (88,360)</u>	3,607,901
Less current portion					(107,085)
Noncurrent portion					<u>\$ 3,500,816</u>

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, 2007 are as follows:

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Bond	Maturity	Interest Rate	Amount Outstanding
Airport system revenue bonds			
Series 1991A			
Term Bonds	November 15, 2008	14.00%	\$ 10,015,000
Series 1991D			
Term bonds	November 15, 2013	7.75%	83,448,140
Series 1992F,G*	November 15, 2025	3.50%	46,700,000
Series 1995C			
Term bonds	November 15, 2012	6.50%	10,625,000
Series 1997E			
Serial bonds	Annually November 15, 2011 and 2013	6.00%	34,461,718
Series 1998A			
Term bonds	November 15, 2025	5.00%	175,990,000
Series 1998B			
Term bonds	November 15, 2025	5.00%	103,395,000
Series 2000A			
Serial bonds	Annually November 15, 2008 to 2019	4.80-6.00%	215,005,000
Term bonds	November 15, 2023	5.625%	31,495,000
Series 2000B*	November 15, 2025	3.64%	200,000,000
Series 2000C*	November 15, 2025	3.53%	100,000,000
Series 2001A			
Serial bonds	Annually November 15, 2011 to 2017	5.00-5.625%	210,791,700
Series 2001B			
Serial bonds	Annually November 15, 2013 to 2016	4.70-5.50%	16,675,000
Series 2001D			
Serial bonds	Annually November 15, 2008 to 2024	5.00-5.50%	56,560,000
Series 2002A1 A3*	November 15, 2032	5.10%	267,625,000
Series 2002C*	November 15, 2024	3.50%	39,800,000
Series 2002E			
Serial bonds	Annually November 15, 2008 to 2023	4.00-5.50%	163,955,000

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Bond	Maturity	Interest Rate	Amount Outstanding
Series 2003A Term bonds	November 15, 2026 and 2031	5.00%	161,965,000
Series 2003B Term bonds	November 15, 2033	5.00-5.75%	75,460,000
Series 2004A*	November 15, 2024	3.575%	72,000,000
Series 2004B*	November 15, 2024	3.575%	72,000,000
Series 2005A Serial bonds	Annually November 15, 2011 to 2025	4.00-5.00%	224,510,000
Series 2005B1-B2*	November 15, 2017	4.90%	85,275,000
Series 2005C1-C2*	November 15, 2025	3.56%	82,200,000
Series 2006A Serial bonds	Annually November 15, 2015 to 2025	4.00-5.00%	279,585,000
Series 2006B Serial bonds	Annually November 15, 2008 to 2015	5.00%	152,280,000
Series 2007A Serial bonds	Annually November 15, 2023, 2024, 2026 and 2027	5.00%	188,350,000
Series 2007B Term bonds	November 15, 2030	5.00%	24,250,000
Series 2007C Term bonds	Annually November 15, 2016, 2017 and 2023	5.00%	34,635,000
Series 2007D Serial bonds	Annually November 15, 2016 to 2023	5.25-5.50%	147,815,000
Series 2007D2 Serial bonds	Annually November 15, 2014 to 2015	5.00%	31,950,000
Series 2007E Term bonds	November 15, 2032	5.00%	47,400,000
Series 2007F1-4*	November 15, 2025	4.025%	208,025,000
Series 2007G1-2*	November 15, 2025	3.41%	148,500,000
Airport System subordinate revenue bonds			
Series 2001C1-C4*	November 15, 2022	4.79%	200,000,000
Economic defeasance LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%	54,880,000
ABS baggage defeasance	November 15, 2008 to 2025	5.00-7.75%	<u>141,228,442</u>
Total revenue bonds			4,198,850,000
Less current portion			(103,830,000)
Net unamortized premiums			58,421,767
Deferred loss on refundings			<u>(303,121,171)</u>
Total bonds payable noncurrent			<u>\$3,850,320,596</u>

* Variable rates are as of December 31, 2007

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

Economic Defeasances

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

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

Bond Issuances

On November 14, 2007, The Airport issued \$208,025,000 and \$148,500,000 of Airport System Revenue Bonds Series 2007F1-F4 and 2007G1-G2 bonds in auction rate mode and variable rate mode, respectively, for the purpose of current refunding a portion of the 1997E bonds.

On October 4, 2007, the Airport issued \$31,950,000 and \$47,400,000 of Airport System Revenue Bonds Series 2007D2 and 2007E in a fixed mode for purpose of borrowing new moneys for capital improvement projects.

On October 3, 2007, the Airport substituted Letter of Credits for the 1992F, 1992G and 2002C Airport System Revenue Bonds.

On August 29, 2007, the Airport issued \$188,350,000, \$24,250,000, and \$34,635,000 of the Airport System Revenue Bonds Series 2007A, 2007B, and 2007C in a fixed rate mode for purposes of refunding Commercial Paper Notes, advance refunding the 2003B Bonds and funding new money for capital improvements.

On August 29, 2007, the Airport issued \$147,815,000 of the Airport System Revenue Bonds Series 2007D in a fixed rate mode for the purpose of funding new money for capital improvements.

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In April 2007, the Airport drew on the Airport System Subordinate Commercial Paper 2006A notes with an outstanding principal of \$30 million and was refunded on August 29, 2007, with the 2007A and 2007B Series Bonds.

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.

Deferred Refunding

The proceeds of the 2007C, 2007F1-F4 and 2007G1-G2 bonds were used together with other Airport monies, to advance refund a portion of the 2003B and currently refund a portion of the 1997E bonds. The 2007C, 2007F1-F4 and 2007G1-G2 bonds are structured to provide the Airport with approximately level annual debt service savings. Debt service savings for the refunding is estimated to be \$47,333,002. The economic gain resulting from the transaction is estimated to be \$29,847,653. The current refunding resulted in a defeasance of debt between the reacquisition price of \$392,900,294 and the net carrying amount of the old debt of \$370,677,222, and the recognition of a deferred loss on refunding in the amount of \$22,223,072. The deferred loss on refunding is being amortized over the remaining life of the old debt.

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 of the old debt of \$430,542,581, and the recognition of a deferred loss on refunding in the amount of \$43,777,975. The deferred loss on refunding is being amortized over the remaining life of the old 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, 2007 and 2006, respectively, \$65,720,000 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, 2007 are as follows:

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	<u>Principal</u>	<u>Interest</u>
Year:		
2008	\$ 100,351,973	\$ 194,495,332
2009	101,024,611	188,272,781
2010	106,494,263	182,879,454
2011	129,839,389	177,052,159
2012	137,186,839	169,824,658
2013 – 2017	866,914,483	728,892,386
2018 – 2022	1,180,805,000	491,263,570
2023 – 2027	1,000,430,000	203,380,320
2028 – 2032	340,145,000	62,622,250
2033	39,550,000	1,977,500
Total	<u>\$ 4,002,741,558</u>	<u>\$ 2,400,660,410</u>

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2007, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year:		
2008	\$ -	\$ 3,601,900
2009	—	3,601,900
2010	—	3,601,900
2011	—	3,601,900
2012	—	3,601,900
2013 – 2017	14,800,000	13,421,500
2018 – 2022	..	12,274,500
2023 – 2025	40,080,000	5,891,025
Total	<u>\$ 54,880,000</u>	<u>\$ 49,596,525</u>

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Debt service requirements for the economic defeasance ABS Baggage system of the Airport System to maturity as of December 31, 2007, are as follows:

	Principal	Interest
Year:		
2008	\$ 3,478,027	\$ 7,906,202
2009	3,670,389	7,713,840
2010	6,610,737	7,511,970
2011	7,650,611	7,086,762
2012	8,148,161	6,594,013
2013 – 2017	50,855,517	24,669,593
2018 – 2022	43,065,000	11,058,864
2023 – 2025	17,750,000	1,453,000
Total	\$ 141,228,442	\$ 73,994,244

(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. These include two agreements with Koch Financial Corporation for \$23.0 million and \$2.0 million, for a total of \$25.0 million, and two agreements with GE Capital Public Finance for \$9.0 million and \$20.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16% and 4.67% based on a 30/360 calculation for 2007. 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, 2007 is as follows:

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	Principal	Interest
Year:		
2008	\$ 12,138,729	\$ 2,403,466
2009	11,469,404	1,911,463
2010	11,554,821	1,438,698
2011	9,184,916	949,032
2012	3,479,419	674,130
2013-2016	13,843,773	1,196,639
	\$ 61,671,062	\$ 8,573,428

Changes in notes payable for the years ended December 31, 2007 and 2006 were as follows:

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Notes payable	\$ 88,985,486	\$ —	\$ (27,314,424)	\$ 61,671,062
Less current portion				(12,138,729)
Noncurrent portion				\$ 49,532,333

	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

(10) Demand Bonds

Included in long-term debt are \$46,700,000 for Series 1992F,G; \$200,000,000 for Series 2000B; \$100,000,000 for Series 2000C; \$39,800,000 for Series 2002C; \$72,000,000 for Series 2004A; \$72,000,000 for Series 2004B; \$82,200,000 for Series 2005C1-C2; and \$148,500,000 for Series 2007G1-G2 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

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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:

<u>Bonds</u>	<u>Par amount outstanding</u>	<u>Letter of credit amount</u>	<u>Annual commitment fee</u>	<u>Letter of credit expiration date</u>
Series 1992F	\$ 25,500,000	\$ 25,894,027	0.163%	October 2, 2014
Series 1992G	21,200,000	21,527,584	0.163%	October 2, 2014
Series 2002C	39,800,000	40,414,991	0.163%	October 2, 2014

As of December 31, 2007 and 2006, no amounts have been drawn under any of the existing agreements. As discussed in note 23, the Airport refunded the 2004A-B bonds on April 14, 2008.

(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 2001C1-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 2001C1-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 US GAAP, the fair value of swap agreements is not reported in the financial statements.

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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, 2007
1998 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	1/22/98	10/4/00	\$ 100	11/15/25	2000B	4.7600%	Bond rate	\$ (15,237,571)
Lehman Bros. Special Financing Inc.	1/22/98	10/4/00	100	11/15/25	2000B	4.7600	Bond rate	(15,237,571)
Societe Generale, New York, Branch	1/22/98	10/4/00	100	11/15/25	2000C	4.7190	Bond rate	(14,803,081)
1999 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	7/22/99	10/4/01	100	11/1/22	2001C1-4	5.6179	BMA	(22,774,266)
Merrill Lynch Capital Services, Inc.	7/22/99	10/4/01	50	11/1/22	2001C1-4	5.5529	BMA	(11,164,755)
RFPC, LTD.	7/22/99	10/4/01	50	11/1/22	2001C1-4	5.6229	BMA	(11,411,519)
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	1,472,601
RFPC, LTD.	4/11/02	4/15/02	100	11/01/22	2001C1-4	BMA	76.00% LIBOR	1,330,533
2005 Swap Agreements								
Royal Bank of Canada	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6560	70% LIBOR	(3,780,286)
JP Morgan Chase Bank, N.A.	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6874	70% LIBOR	(4,028,387)
Jackson Financial Products, LLC	4/14/05	11/15/06	111.834	11/15/25	2006A	3.6560	70% LIBOR	(7,687,515)
Piper Jaffray Financial Products, Inc.	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6560	70% LIBOR	(3,780,286)
2006B Swap Agreements								
Royal Bank of Canada	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	2,844,828
JP Morgan Chase Bank, N.A.	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	2,844,828
Jackson Financial Products, LLC	8/9/06	11/15/06	111.834	11/15/25	2006A	BMA	4.0855%	5,689,656
Piper Jaffray Financial Products, Inc.	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	2,844,828
2006A Swap Agreements								
Bear Stearns Capital Markets Inc	6/1/06	11/15/07	180.850	11/15/25	2007F-G	4.0085	70% LIBOR	(13,902,074)
Lehman Bros. Special Financing Inc	6/1/06	11/15/07	120.567	11/15/25	2007F-G	4.0085	70% LIBOR	(9,268,049)
GKB Financial Services Corp. II	6/1/06	11/15/07	60.283	11/15/25	2007F-G	4.0085	70% LIBOR	(4,634,024)
2007A Swap Agreements								
Bear Stearns Financial Products Inc.	12/21/07	05/01/10	150	11/01/22	2001C1-4	76.165% 1M LIBOR	65.55% 10Y LIBOR	105,819
Royal Bank of Canada	12/21/07	05/01/10	50	11/01/22	2001C1-4	76.165% 1M LIBOR	65.55% 10Y LIBOR	35,273

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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, 2007. 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, 2007. 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, 2007, 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).

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The ratings of the counterparties, or their credit support providers, as of December 31, 2007 are as follows:

<u>Counterparty (credit support provider)</u>	<u>Ratings of the counterparty or its credit support provider</u>		
	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Bear Stearns Capital Markets Inc. (Bear Stearns Companies)	A	A2	A+
Bear Stearns Financial Products Inc.	AAA	Aaa	AAA
GKB Financial Services Corporation II Inc. (Societe Generale, New York Branch)	AA	Aa1	AA
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	AA-	Aa3	AA-
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A+	A1	A+
JP Morgan Chase Bank, N.A.	AA	Aaa	AA-
Lehman Brothers Special Financing Inc. (Lehman Brothers Holdings Inc.)	A+	A1	AA-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A+	A1	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services Inc.)	AA-	Aa3	AA-
RFPC, LTD. (Ambac Assurance Corp.)	AAA	Aaa	AA
Royal Bank of Canada	AA-	Aaa	AA
Societe Generale, New York Branch	AA	Aa1	AA

As of December 31, 2007, 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 amounts of the derivatives' fair value.

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

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.

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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, 2007.

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 and 2007A Swap Agreements.

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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. This basis risk is modified when the 1999 Swap Agreements and associated debt and the 2002 Swap Agreements are considered together with the 2007A 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

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received under the 2005 Swap Agreements. The 2005 Swap Agreements became effective on November 15, 2006 and payments under the Agreements commenced on December 1, 2006.

The 2006A Swap Agreements – On June 1, 2006, the City entered into interest rate swap agreements (“the 2006A Swap Agreements”) with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E bonds through the Airport System’s issuance of variable rate bonds on or before November 15, 2007. 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.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR on \$356.5 million of obligations.

The Airport System is exposed to basis risk under the 2006A Swap Agreements, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2006A Swap Agreements. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap Agreements is 4.0085%. The 2006A Swap Agreements became effective on November 15, 2007 and payments under these Agreements commenced on December 1, 2007.

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

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The 2007A Swap Agreements - On December 21, 2007, the City entered into interest rate swap agreements (“the 2007A Swap Agreements”) with two financial institutions to effectively change the amounts it receives under the 2002 Swap Agreements from a percentage of the London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars (“one-month LIBOR”) to a percentage of LIBOR for ten-year deposits of U.S. dollars (“ten-year LIBOR”). The 2007A Swap Agreements have a notional amounts of \$150.0 million and \$50.0 million, relate to the 2001C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the Series 2001C1-C4 bonds (see “the 1999 Swap Agreements and Associated Debt” and “the 2002 Swap Agreements and Associated Debt”).

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

Swap Payments and Associated Debt

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2007, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Interest rate swaps net</u>	<u>Total</u>
Year:				
2008	\$ 800,000	\$ 47,683,093	\$ 9,855,042	\$ 58,338,135
2009	900,000	47,652,535	9,849,509	58,402,044
2010	900,000	47,618,770	10,360,768	58,879,538
2011	900,000	47,585,005	10,728,469	59,213,474
2012	1,000,000	47,550,988	10,719,747	59,270,735
2013-2017	158,845,000	229,539,537	52,336,736	440,721,273
2018-2022	595,740,000	158,564,080	34,986,783	789,290,863
2023-2025	377,025,000	30,613,389	3,951,814	411,590,203
Total	<u>\$ 1,136,110,000</u>	<u>\$ 656,807,397</u>	<u>\$ 142,788,868</u>	<u>\$ 1,935,706,265</u>

This schedule includes the 2006A fixed rate bonds in addition to the variable rate bonds associated with swaps in effect at December 31, 2007.

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2007.

(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

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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, 2007 and 2006, Special Facility Revenue Bonds outstanding totaled \$315,700,000 and \$327,610,000, respectively.

As discussed in note 22, the assets acquired with Special Facility debt and associated accumulated depreciation have been recognized in these financial statements.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2007 and 2006 are as follows:

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Compensated absences payable	\$ 6,695,644	\$ 798,233	\$ (202,714)	\$ 7,291,163
Less current				(1,914,165)
Noncurrent portion				\$ 5,376,998

	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

(15) Pension Plan

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

Plan Description

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

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. The DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the plan's

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assets. As of January 1, 2007, the date of the last actuarial valuation, the plan was under-funded; however, there is no Net Pension Obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

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

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Pension Plans' 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, 2007, 2006 and 2005 were approximately \$38,862,000, \$36,036,000 and \$35,036,000, respectively, which equaled the required contributions each year. DIA's share of the City's contributions for the years ended December 31, 2007, 2006 and 2005 were approximately \$5,311,000, \$4,629,000 and \$4,405,000, respectively.

(16) Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

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(17) Commitments and Contingencies

(a) Commitments

At December 31, 2007, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	\$ 44,614,178
Construction projects to be funded by bonded debt	88,320,586
Projects related to remediation -- Stapleton	<u>2,550,982</u>
Total commitments	<u>\$ 135,485,746</u>

(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, 2007 and 2006, the Airport System had 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 2007 and 2006 was \$69,411,719 and \$61,479,426, respectively.

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

2008	\$	45,382,807
2009		44,554,010
2010		43,641,188
2011		41,588,051
2012		39,703,682
2013-2017		46,357,611
Total minimum future rentals	\$	<u>261,227,349</u>

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds \$20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2007 or 2006. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(e) Federal grants

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

(18) Insurance

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

Employees of the City (including all 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.

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

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

(19) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airline's landing and facility rental fees (airline operating revenue). For the years ended December 31, 2007 and 2006, United Airlines represented approximately 56% and 59%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 15% and 13% 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.

(20) 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 53.3% and 56.5% of enplaned passengers at the Airport in 2007 and 2006, respectively.

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 Airport System equity and 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, to cost approximately \$41.5 million. The Concourse B Commuter Facility Project was completed April 23, 2007.

Under the 2006 Amendment, United gradually relinquished its six leased gates on Concourse A. Frontier or other airlines leased, or used on a non-preferential basis, the gates relinquished by United. The Airport assisted United in refinancing its Special Facility bond obligations in the amount of \$270,000,000.

United emerged from bankruptcy in February 2006.

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(21) Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 50

In 2007, the City and DERP (see note 15) implemented the provisions of GASB Statement No. 50 (GASB 50), *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, which amended the financial note disclosures and required supplementary information presented by pension plans and participating employers in their audited financial statements. Implementation of GASB 50 had no effect on net assets held in trust for benefits of DERP as of January 1, 2007 or 2006, or on the net increase in net assets held in trust for benefits of DERP for the years ended December 31, 2007 and 2006.

(22) Restatement of 2006 Financial Statements

The Airport determined in 2007 that certain facilities acquired and constructed at the Airport using special facility revenue bonds (see note 13) were owned by the Airport but had never been recorded in its financial statements. Such facilities were acquired and constructed principally during or before 1995, the year the Airport opened. Additionally, in 2007 the Airport determined that certain costs that had been capitalized to construction in progress in years prior to 2007 should have been expensed. Also, in 2007 the Airport determined that the State of Colorado, Division of Aeronautics, had underpaid the Airport aviation fuel sales tax from August 2003 through November 2007. The Airport has restated its 2006 financial statements to correct these three errors. The effect of the restatement on the 2006 financial statements is as follows:

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Statement of Net Assets

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Accounts receivable, net of allowance for doubtful accounts	\$ 14,519,315	\$ 10,746,102	\$ 25,265,417
Capital assets			
Buildings	1,714,711,598	198,448,412	1,913,160,010
Improvements other than buildings	1,995,739,581	1,120,264	1,996,859,845
Machinery and equipment	557,147,936	27,388,661	584,536,597
Accumulated depreciation and amortization	(1,385,549,501)	(55,045,619)	(1,440,595,120)
Construction in progress	165,558,343	(44,805,156)	120,753,187
Net assets (deficit)			
Invested in capital assets, net of related debt	(212,178,928)	132,674,210	(79,504,718)
Restricted for:			
Capital projects	—	12,492,788	12,492,788
Debt service	543,978,207	27,992,954	571,971,161
Unrestricted	370,969,769	(35,307,288)	335,662,481

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Aviation fuel tax	\$ 12,714,401	\$ 7,496,768	\$ 20,211,169
Contractual services	139,652,041	6,366,755	146,018,796
Depreciation and amortization	143,505,675	8,000,698	151,506,373
Increase in net assets	62,573,081	(6,870,685)	55,702,396

Statement of Cash Flows

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Payments to suppliers	\$(145,688,172)	\$ (6,366,754)	\$(152,054,926)
Purchases of capital assets	(81,945,591)	6,366,754	(75,578,837)
Operating income	101,156,717	(6,870,685)	94,286,032
Depreciation and amortization	143,505,675	8,000,698	151,506,373
Receivables, net of allowance	(3,255)	(7,496,767)	(7,500,022)

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(23) Subsequent Events

The Airports System purchased World Port, a cargo property, on March 5, 2008 for \$4 million using internal funds (capital fund monies) for the acquisition.

Subsequent to December 31, 2007, six of the counterparties to the Airport's swap agreements had their credit ratings downgraded. Bear Stearns Capital Markets Inc.'s ratings were downgraded from A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively, to A-/Baa1/BBB. Subsequent to the downgrades, Bear Stearns Capital Markets Inc. was acquired on May 30, 2008 by JP Morgan Chase & Co. (rated AA/Aaa/AA-). Lehman Brothers Special Financing Inc. was downgraded by Standard & Poor's from A+ to A and by Fitch Ratings from AA- to A+. Merrill Lynch Capital Services, Inc. was downgraded from A+/Aa3/AA- to A/A1/A+. Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services Inc) was downgraded by Standard & Poor's from AA- to A+. Societe Generale, New York Branch's ratings were downgraded from AA/Aa1/AA to AA-/Aa2/AA-. RFPC, LTD (Ambac Assurance Corp.) was downgraded from AAA/Aaa/AAA to AA/Aaa/AA.

The Airport has restructured a significant amount of its outstanding auction rate securities in order to eliminate its exposure to the volatility in interest rates in the auction rate market precipitated in large part by the downgrades in the ratings of bond issuers. Interest rates on the Airport's auction rate debt subsequent to December 31, 2007 have ranged from approximately 3.75% to 8.50%.

The Airport drew \$100 million on March 28, 2008 and April 1, 2008 Commercial Paper to currently refund the Series 2001C1-C2 Auction Rate Securities ("ARS"). On April 14, 2008 the Airport issued \$221,215,000, \$111,000,000, \$181,965,000 and \$94,660,000 2008A1-A4 bonds in a fixed rate and term rate mode for purposes of current refunding, \$100,000,000 of the Series 2001C3-C4, \$267,625,000 of the Series 2002A1-A3, \$85,250,000 of the 2005B1-B2 Airport Revenue bonds that are variable rate bonds currently in an auction rate mode and to current refund \$144,000,000 of the 2004A-B bonds variable rate bonds. The series 2001C1-C4 Airport Revenue Bonds which were Auction Rate Securities and associated with the 1999, 2002 and 2007A swap agreements were refunded on March 28, 2008, April 1, 2008 and April 14, 2008, with Commercial Paper and a portion of the Series 2008A2-A4 variable rate bonds which will bear interest initially in a term mode.

On April 10, 2008 Frontier Airlines filed for bankruptcy protection under Chapter 11 of the U. S. Bankruptcy Code. A Chapter 11 filing permits Frontier to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures.

On April 15, 2008 Delta Air Lines announced it had reached an agreement with Northwest Airlines to take over Northwest and create the world's biggest carrier.

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**

Year ended December 31, 2007

Gross revenue:		
Facility rentals	\$	245,664,014
Concession income		40,598,943
Parking income		116,326,036
Car rental income		44,998,289
Landing fees		87,281,898
Aviation fuel tax		23,385,390
Other sales and charges		11,921,704
Interest income		44,167,275
Miscellaneous income		<u>1,762,483</u>
Gross revenues as defined in the ordinance		616,106,032
Operation and maintenance expenses:		
Personnel services		104,321,034
Contractual services		155,888,465
Maintenance, supplies and materials		21,036,105
Miscellaneous expense		<u>1,500,000</u>
Operation and maintenance expenses as defined in the ordinance		<u>282,745,604</u>
Net revenue		333,360,428
Other available funds		<u>53,250,840</u>
Net revenue plus other available funds as defined in the ordinance	\$	<u><u>386,611,268</u></u>
Debt service requirements as defined in the ordinance (1)	\$	<u><u>229,923,271</u></u>
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)		168%
<p>(1) Net of irrevocably committed Passenger Facility Charges of \$63,088,824 applied under Supplemental Bond Ordinance.</p>		

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, 2007

(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.

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, 2007

Bond series	Interest payment date	Balance interest due	Required interest account balance at December 31, 2007
Series 1991A	05/15/08	\$ 701,050	\$ 116,842
Series 1991D	05/15/08	3,233,616	538,936
Series 1992F-G	01/01/08	129,660	129,660
Series 1995C	05/15/08	345,313	57,552
Series 1997E	05/15/08	1,033,851	172,309
Series 1998A	05/15/08	4,399,750	733,292
Series 1998B	05/15/08	2,584,875	430,813
Series 2000A	05/15/08	7,220,275	1,203,379
Series 2000B	01/01/08	564,658	564,658
Series 2000C	01/01/08	279,480	279,480
Series 2001A	05/15/08	5,796,519	966,087
Series 2001B	05/15/08	456,563	76,094
Series 2001D	05/15/08	1,493,488	248,915
Series 2002A 1-A3	01/01/08	1,335,039	1,335,039
Series 2002C	01/01/08	110,503	110,503
Series 2002E	05/15/08	4,233,188	705,531
Series 2003A	05/15/08	4,049,125	674,854
Series 2003B	05/15/08	1,886,500	314,417
Series 2004A	01/01/08	206,492	206,492
Series 2004B	01/01/08	202,390	202,390
Series 2005A	05/15/08	5,610,500	935,083
Series 2005B1-B2	01/01/08	344,244	344,244
Series 2005C1-C2	01/01/08	231,906	231,906
Series 2006A	05/15/08	6,920,350	1,153,392
Series 2006B	05/15/08	3,807,000	634,500
Series 2007A	05/15/08	4,708,750	784,792
Series 2007B	05/15/08	606,250	101,042
Series 2007C	05/15/08	865,875	144,313
Series 2007D	05/15/08	3,924,319	654,053
Series 2007D2	05/15/08	798,750	133,125
Series 2007E	05/15/08	1,185,000	197,500
Series 2007F1-F4	01/01/08	1,012,622	1,012,622
Series 2007G1-G2	01/01/08	405,551	405,551
			\$ 15,799,366

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, 2007

(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, 2007
Series 1991A	11/15/08	\$ 10,015,000	\$ 834,583
Series 1991D	11/15/08	14,237,388	1,186,449
Series 1992 F, G	11/15/08	1,300,000	108,333
Series 2000A	11/15/08	13,230,000	1,102,500
Series 2001A	11/15/08	3,879,585	323,299
Series 2001D	11/15/08	3,050,000	254,167
Series 2002A1-A3	11/15/08	12,700,000	1,058,333
Series 2002C	11/15/08	1,400,000	116,667
Series 2002E	11/15/08	11,515,000	959,583
Series 2004A	11/15/08	1,300,000	108,333
Series 2004B	11/15/08	1,300,000	108,333
Series 2005B1-B2	11/15/08	3,900,000	325,000
Series 2005C1-C2	11/15/08	3,000,000	250,000
Series 2006B	11/15/08	18,725,000	1,560,417
Series 2007F1-F4	11/15/08	500,000	41,667
Series 2007G1-G2	11/15/08	300,000	25,000
Total principal account requirement			<u>\$ 8,362,664</u>

(c) Sinking Account

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

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, 2007

(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, 2007, 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	\$	24,162,030
Bond Account balance at December 31, 2007		<u>24,684,261</u>
Overfunded	\$	<u>522,231</u>

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2007 is \$345,857,951. The minimum Bond Reserve Account requirement is \$345,857,951.

(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, 2008.

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, 2007

Computation of minimum operation and maintenance reserve:

2006 Operation and maintenance expenses	\$ <u>262,514,186</u>
Minimum operations and maintenance reserve requirement for 2006	\$ 43,752,364
Operation and maintenance reserve account balance at December 31, 2007 (1)	<u>59,733,489</u>
Overfunded	\$ <u>15,981,125</u>

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

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APPENDIX F

**UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM
FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

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**City and County of Denver, Colorado
Municipal Airport System
Management's Discussion and Analysis
For the Six Months Ended June 30 2008
(Unaudited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance 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 six months ended June 30, 2008 and 2007 and for year ended December 31, 2007. 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 revenue at the Airport were \$132.3 million, an increase of \$4.5 million (3.5%) for the three month period ending June 30, 2008, as compared to six months ended June 30, 2007. The increase in revenue was primarily related to the increase in non-airline revenue because of an increase in passenger traffic, which led to an increase in concessions, and parking revenues. Passenger traffic increased 4.4% for the period ending June 30, 2008.

Operating revenue at the Airport were \$264.2 million an increase of \$9.4 million for the six month period ending June 30, 2008 as compared to June 30, 2007. The increase was primarily related to the increase in non-airline revenue because of an increase in passenger traffic, which led to an increase in concession, car rental, and parking revenues. Passenger traffic increased 4.4% for the period ending June 30, 2008.

Operating expenses, exclusive of depreciation, increased to \$78.5 million for the three month period ending June 30, 2008, an increase of \$19.1 million 32.2% as compared to June 30, 2007. The increase was attributable to an increase in personnel costs, snow removal, road constructions, shuttle bus operations, repairs and maintenance expenses.

Operating expense, exclusive of depreciation, increase \$28.6 million 22.2% for the six month period ending June 30, 2008, as compared to June 30, 2007. The increase was attributable increase in personnel costs, snow removal, shuttle bus operations, engineering services repairs and maintenance expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**City and County of Denver, Colorado
Municipal Airport System
Management's Discussion and Analysis
For the Six Months Ended June 30, 2008
(Unaudited)**

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 three month period ending June 30, 2008, 2007 and 2006 (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 264,238	\$ 254,831	\$ 259,491
Operating expenses before depreciation and amortization	<u>(157,122)</u>	<u>(128,561)</u>	<u>(115,408)</u>
Operating income before depreciation and amortization	107,116	126,270	144,083
Depreciation and amortization	<u>(82,075)</u>	<u>(74,716)</u>	<u>(69,822)</u>
Operating income	25,041	51,554	74,261
Nonoperating revenues	81,064	76,479	74,361
Nonoperating expenses	(118,293)	(118,869)	(106,818)
Capital contributions	<u>1,820</u>	<u>-</u>	<u>8,648</u>
Increase in net assets	(10,368)	9,164	50,452
Net assets, beginning of period (1/1)	<u>873,990</u>	<u>840,622</u>	<u>784,919</u>
Net assets, end of period (6/30)	<u>\$ 863,622</u>	<u>\$ 849,786</u>	<u>\$ 835,371</u>

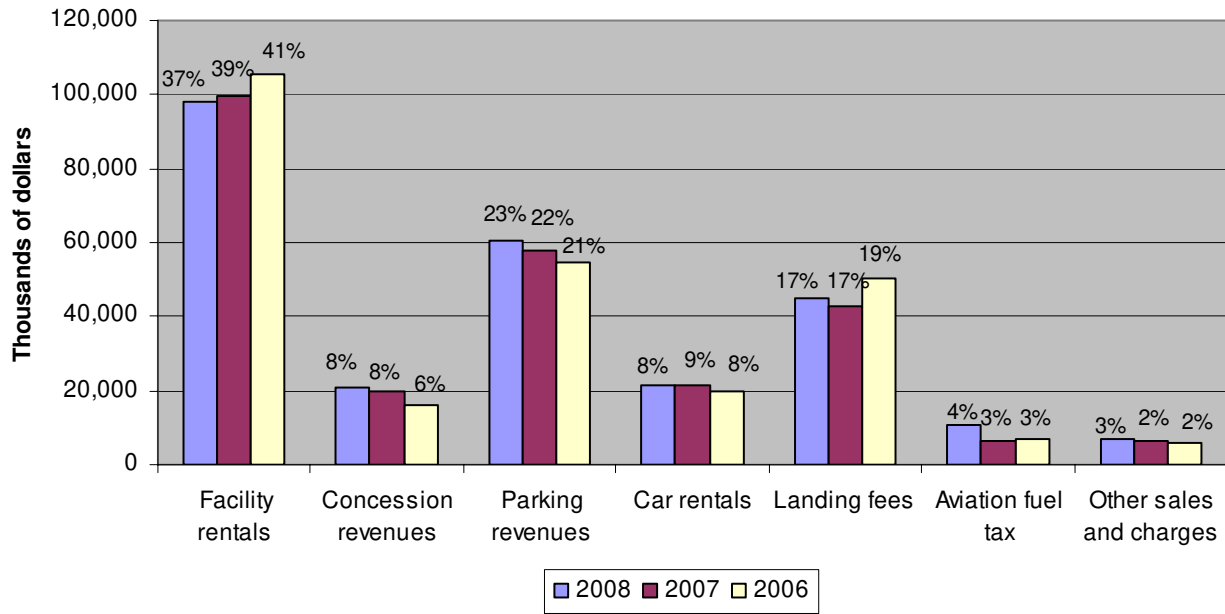
**City and County of Denver, Colorado
Municipal Airport System
Management's Discussion and Analysis
For the Six Months Ended June 30, 2008
(Unaudited)**

OPERATING REVENUES

(in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues:			
Facility rentals	98,182	99,846	105,510
Concession revenues	20,817	19,814	16,076
Parking revenues	60,691	58,091	54,625
Car rentals	21,577	21,551	20,022
Landing fees	45,150	43,050	50,395
Aviation fuel tax	10,846	6,256	6,911
Other sales and charges	<u>6,975</u>	<u>6,222</u>	<u>5,952</u>
 Total Operating Revenues	 <u>\$264,238</u>	 <u>\$254,830</u>	 <u>\$259,491</u>

Operating Revenues Percentage of Total Operating Revenues



**City and County of Denver, Colorado
Municipal Airport System
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(Unaudited)**

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's activities increased in four areas and decreased in cargo for the six months ending June 30, 2008 as compared to 2007 (in thousands):

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Enplanements	12,810	12,275	4.4%
Passengers	25,551	24,495	4.3%
Aircraft Operations (1)	315	304	3.6%
Cargo (in pounds)	283,123	289,354	(2.2%)
Landed Weight (in thousands)	16,539	16,172	2.3%

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

The Airport's activities increased in four areas and decreased in cargo for the six months ending June 30, 2007 as compared to 2006 (in thousands):

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Enplanements	12,275	11,774	4.3%
Passengers	24,495	23,508	4.2%
Aircraft Operations	304	296	2.8%
Cargo (in pounds)	289,354	323,736	(10.6%)
Landed Weight (in thousands)	16,172	15,481	4.5%

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

2008

Operating revenues increased by 3.7%, to \$264.2 million in 2008, from \$254.8 million in 2007, primarily due to increases in parking, concession, fuel tax and car rental revenues. The parking revenue increase of \$2.6 million, or 4.5%, is attributable to an increase in originating and deplaning (O&D) passenger traffic. Concession revenues between 2008 and 2007 increased by 1.0 million or 5.1%. 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 from \$9.75 to \$9.79, an increase in aviation fuel tax of \$4.6 million is attributable to the increase in fuel costs and an audit in 2007 that identified fuel costs not previously reported to the Airport.

2007

Operating revenues decreased by 1.8%, from \$259.5 million in the first six months of 2006 to \$254.8 million in 2007, primarily due to the decrease in facility rentals and landing fees. The facility rentals decrease of \$5.7 million, or 5.4%, is attributable to a decrease in the automated baggage system billings. Landing fees decreased by \$7.3 million, or 14.6% which is attributable to the reduction in landing fee rates per 1,000 pounds landed weight from \$3.225 for signatory and \$3.87 for nonsignatory airlines in 2006 to \$2.649 for signatory and \$3.178 for nonsignatory airlines in 2007. The decrease in facility rentals and landing fees was offset by an increase in parking, concession and car rental revenues totaling \$8.7 million. The parking revenue increase of \$3.5 million, or 6.3%, is attributable to an increase in originating and deplaning (O&D) passenger traffic. The concession revenue increase of \$3.7 million, or 23.3%, was attributable to food and beverage service and retail concession revenue growth due to an increase in passenger traffic and an increase in

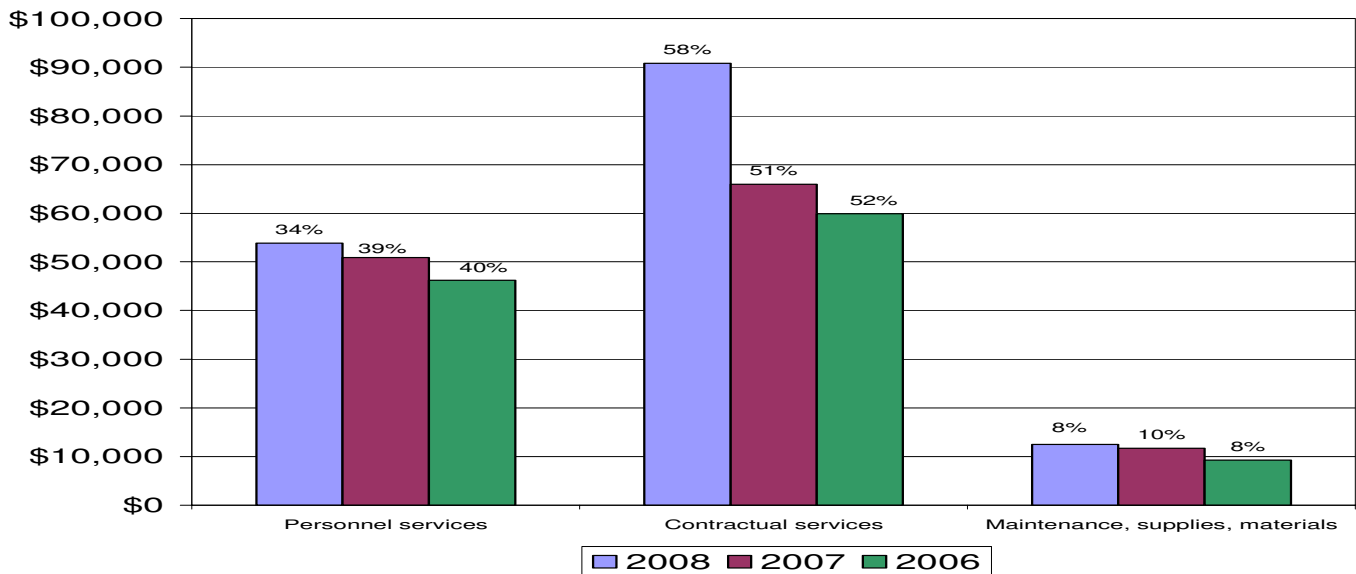
**City and County of Denver, Colorado
Municipal Airport System
Management's Discussion and Analysis
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(Unaudited)**

the spend rate per passenger. Car rental revenues increased by \$1.5 million, or 7.6%, to \$21.6 million due to an increase in O&D passenger traffic and an increase in usage charges, resulting from a general increase in rental rates.

Operating Expenses before Depreciation and Amortization
(in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Expenses:			
Personnel services	53,832	50,890	46,236
Contractual services	90,779	65,989	59,889
Maintenance, supplies and materials	<u>12,511</u>	<u>11,682</u>	<u>9,283</u>
Total Operating Expenses, before Depreciation and amortization	<u>\$157,122</u>	<u>\$128,561</u>	<u>\$115,408</u>

% Total Operating Expenses Before Depreciation and Amortization



2008

Operating expenses before depreciation, amortization and impairment losses increased by \$28.6 million or 22.2% from \$128.6 million in 2007 to \$157.1 million in 2008. The increase in contractual services in 2008 compared to 2007 of \$24.7 million was due to an increase of \$1.2 million the repair and maintenance of the Automated Guideway transportation System (AGTS) train due to an increase in the contracted maintenance rates. Additionally an increase of \$3.7 million in snow removal, and an increase of \$3.8 million shuttle bus operations, an increase of \$1.2 million engineering services and project costs increase of \$12.8 million resulted from the reclassification of costs as repair and maintenance costs. The increase in personnel services of \$2.9 million was due to an increase in personnel costs, permanent salaries and overtime costs related to snow removal.

2007

Operating expenses before depreciation, amortization, increased by \$13.2 million, or 11.4%, from \$115.4 million in the first six months of 2006 to \$128.6 million in 2007. The increase in personnel services of \$4.7 million was due to an

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increase in personnel costs, permanent salaries and overtime costs particularly relating to snow removal. The increase in contractual services in 2007 compared to 2006 of \$6.1 million, or 10.2 %, was due to an increase in snow removal, guard services, janitorial services and repair and maintenance costs. Maintenance supplies and materials increased \$2.4 million, or 25.8% to

\$11.7 million from \$9.3 million primarily due to an increase in commercial chemical solvents used for snow removal during the December 2006 blizzards and road construction maintenance.

Nonoperating Revenue and Expense

2008

Total nonoperating expenses, net of operating revenues, decreased by \$5.2 million, or (12.2%) to \$37.2 million in the first six months of 2008 as compared to 2007. This decrease was due to an increase in investment income of \$3.8 million, or 15.4%, which was due to an increase in cash, and unrealized gain on investments. In addition, Passenger Facility Charges revenue increased \$.8 million, or 1.6%, due to an increase in passenger traffic. Lastly, there was a decrease in other expenses due to a decrease in environmental costs associated with remediation of Stapleton.

2007

Total nonoperating expenses, net of nonoperating revenues, increased by \$9.9 million, or 31.0%, to \$42.4 million in the first six months of 2007 as compared to 2006. The increase in net nonoperating expense was primarily due to an increase in a loss on the sale of assets which is related primarily to the replacement of roofs on all the concourses, other replacement costs and an increase in remediation cost of Stapleton. This was partially offset by an increase in passenger facility charges of \$2.2 million due to an increase in passenger traffic.

In 2008 and 2007, capital grants totaled \$1.5 and \$0 million, respectively.

Summary of Net Assets

The following is a summary of the net assets as of June 30, 2008 and December 31, 2007 and 2006 (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:			
Current assets	\$ 284,628	\$ 320,616	\$ 253,717
Restricted assets, current	553,524	571,245	404,650
Noncurrent investments	194,623	121,443	187,081
Capital assets	3,455,856	3,472,238	3,470,020
Bond issue costs, net	52,157	59,633	61,331
Investments restricted	566,076	541,593	352,704
Assets held for disposition	<u>13,825</u>	<u>14,095</u>	<u>18,807</u>
Total assets	5,120,689	5,100,863	4,748,310
Liabilities:			
Current liabilities	129,456	121,258	119,152
Current liabilities payable from restricted assets	211,899	200,385	221,113
Bonds payable	3,866,511	3,850,321	3,500,817
Notes payable	43,682	49,532	61,488
Compensated absences	<u>5,519</u>	<u>5,377</u>	<u>5,118</u>
Total liabilities	4,257,067	4,226,873	3,907,688
Net Assets (Deficit):			
Invested in capital assets, net of related debt	(165,890)	(131,740)	(79,505)
Restricted	774,683	676,271	584,464
Unrestricted	<u>254,829</u>	<u>329,459</u>	<u>335,663</u>
Total net assets	<u>\$ 863,622</u>	<u>\$ 873,990</u>	<u>\$ 840,622</u>

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(Unaudited)

2008

Assets increased by \$19.8 million in the first six months of 2008, compared to December 31, 2007, primarily due to an increase in cash, cash equivalents and investments which increased by \$50.9 million in the first six months of 2008, compared to December 31, 2007 as a result, in part, from an increase in operating activities, PFCs, and accrued interest.

Liabilities increased by \$30.2 million in 2008, due primarily to \$28 million for the revenue credit and credit for fuel tax being accrued for six months of 2008 in addition to the \$40.0 million recorded in 2007. This is offset by the decrease in due to other City agencies and payment of notes payable.

Of the Airport System's 2008 total net assets, 89.7% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent \$756.2 million. Net assets restricted for capital projects of \$18.5 million, represent unspent funds that were received from other entities that are to be used for specific capital projects such as Stapleton redevelopment.

At June 30, 2008, the remaining net assets included unrestricted net assets of \$254.8 million that may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67.3 million of its unrestricted net asset amounts as allowed in 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition (\$165.9) 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.

2007

Assets increased by \$39.4 million at June 30, 2007, compared to December 31, 2006, primarily due to an increase in cash, cash equivalents and investments which increased by \$30.9 million compared to December 31, 2006 as a result in part, from an increase in operating activities, passenger traffic, an increase in capital assets, inventory and passenger facility charges and accounts receivable. The offset was decrease in amortization of bond issue costs, grants receivable and the sale of Stapleton land held for disposition.

Liabilities increased by \$30.3 million in 2007, due primarily to \$20.0 million for the revenue credit being accrued for in the first quarter of 2007 in addition to the \$40.0 million recorded in 2005.

Of the Airport System's 2007 total net assets, 85.1% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent \$605.7 million. Net assets restricted for capital projects of \$.1 million, represent unspent funds for capital projects for Stapleton.

At June 30, 2007, the remaining net assets included unrestricted net assets of \$227.9 million that may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$67.3 million of its unrestricted net asset amounts as allowed in 1984 Airport System General Bond Ordinance as the supplemented and amended, to help meet debt covenant coverage requirements. In addition (\$121.8) 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 and June 30, 2008 and December 31, 2007, the Airport System had approximately \$4.2 billion and \$4.2 billion, respectively, in outstanding bonded debt, both senior and subordinate, paying fixed and variable rates. The total annual debt service (principal and interest) was approximately \$340.8 million in 2007. Since 1996, the Airport System has called or refunded over \$4.1 billion in high interest rate. This has resulted in a cumulative present value debt service savings of approximately \$719.0 million.

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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.

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 year ended December 31, 2007 and 2006 was 168% and 177%, respectively, of total debt service.

On June 24, 2008, The Airport issued \$81,000,000 of Airport System Revenue Bonds series 2008B in a variable rate mode for the purpose of refunding series 2005C1-C2.

On April 10, 2008 Frontier Airlines filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. A Chapter 11 filing permits Frontier to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. The Airport in negotiation with Frontier on a number of cost reduction initiatives. Frontier assumed an amended lease on August 28, 2008.

On April 15, 2008 Delta Air Lines announced it had reached an agreement with Northwest Airlines to take over Northwest and create the world's largest carrier. The impact if any of Airport operations is unknown.

The Airport drew \$50 million on March 28, 2008 and April 1, 2008 of Commercial Paper to currently refund the Series 2001C1-C2 Auction Rate Securities ("ARS"). On April 14, 2008 the Airport issued \$221,215,000, \$111,000,000, \$181,965,000 and \$94,660,000 2008A1-A4 bonds in a fixed rate and term rate mode for purposes of current refunding \$100,000,000 of the Series 2001C3-C4, \$267,625,000 of the Series 2002A1-A3, \$85,250,000 of the 2005B1-B2 Airport Revenue bonds that are variable rate bonds currently in an auction rate mode and to current refund \$144,000,000 of the 2004A-B bonds variable rate bonds. The series 2001C1-C4 airport Revenue Bonds which were Auction Rate Securities and associated with the 1999, 2002, and 2007A swap agreements were refunded on March 28, 2008, April 1, 2008 and April 14, 2008, with Commercial Paper and apportion of the Series 2008A-A4 variable rate bonds which will bear interest initially in a term mode. The refunding transactions were necessitated by the deterioration of the credit rating of certain bond issuers.

On December 21, 2007, the Airport System entered into interest rate swap agreements (the "2007A Swap Agreements") with two financial institutions to effectively change the amounts it receives under the 2002 Swap Agreements from a percentage of one-month London Interbank Offered Rate (LIBOR) to a percentage of ten year LIBOR. The 2007A Swap Agreements have notional amounts of \$150 million and \$50 million, relate to the 2001C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of the ten-year LIBOR, rather than 76.165% of the one-month LIBOR, to offset the actual rate paid on the Series 2001C1-C4 bonds (see "The 1999 Swap Agreement and Associated Debt" and the "2002 Swap Agreements and Associated Debt"). The 2007A Swap Agreements have an effective date of May 1, 2010 and payments under these agreements have not commenced.

In November 2007, the 2006A Swap Agreements became effective (see "The 2006A Swap Agreements"). The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 Bonds is that the Airport System will pay a fixed rate plus or minus the difference between the variable rates on the bonds and 70% of LIBOR on \$356.5 million of obligations

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On November 14, 2007, the Airport issued \$208,025,000 and \$148,500,000 of Airport System Revenue Bonds Series 2007F1-F4 and 2007G1-G2 bonds in auction rate mode and variable rate mode, respectively, for the purpose of current refunding a portion of the 1997E bonds.

On October 3, 2007, the Airport substituted the Letter of Credits for the 1992F, 1992G and 2002C Airport System Revenue bonds.

On October 4, 2007, the Airport issued \$31,950,000 and \$47,400,000 of Airport System Revenue Bonds Series 2007D2 and 2007E in a fixed rate mode for the purpose of funding new money for capital improvement projects.

On August 29, 2007, the Airport issued \$188,350,000, \$24,250,000 and \$34,635,000 of Airport System Revenue Bonds series 2007A, 2007B and 2007C in a fixed mode for the purpose of refunding Commercial Paper Notes, advance refunding of the 2003B bonds and new money for capital improvements projects.

On August 29, 2007, the Airport issued \$147,815,000 of Airport system Revenue Bonds Series 2007D in a fixed mode for the purpose of funding new money for capital improvement projects.

In April of 2007, the Airport drew on the Airport System Subordinate Commercial Paper 2006A notes with outstanding principal of \$30 million and was refunded on August 29, 2007, with the 2007A and 2007B Series.

Capital Assets

As of June 30, 2008 and December 31, 2007, the Airport System had capital assets of approximately \$3.5 billion and \$3.5 billion, respectively. These amounts are net of accumulated depreciation of approximately \$1.7 billion and \$1.6 billion, respectively.

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 City 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 City reduced 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 June 30, 2005 of \$3.1 million.

2006 Amendment to the United Use and Lease Agreement: 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, cost \$41.5 million. The facility opened April 24, 2007.

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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, with a remaining book value at June 30, 2008 of \$7.6 million.

Airport's current 2008-2013 Capital Program includes approximately \$987.2 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 2008-2013 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. The Airport is in the process of evaluating the CIP in light of current airline industry financial stress.

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. The Airport increased the PFC rate from \$3.00 to \$4.50 effective April 1, 2001. As of June 30, 2008, a total of \$992.4 million has been remitted to the Airport, (including interest earned on late payments), of which \$105.0 million has been expended on approved projects, \$873.8 million has been used to pay debt service on the Airport's general airport revenue bonds and \$13.6 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 the \$3.3 billion authorized amount of PFC revenues.

The Airport System purchased World Port, a cargo property, on March 5, 2008 for \$4 million using internal funds (capital fund monies) for the acquisition.

In addition, the fourth module of the parking garage on the west side of Jeppesen Terminal, opened in January of 2008.

In June of 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 proposals for the ownership, management, financing and/or construction of 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 Airport. In December of 2007, the Airport selected Starwood Hotels and Resorts to construct and operate a Westin brand hotel. The various agreements relating to this project are currently being negotiated. The project is expected to be funded through the issuance by the Airport of revenue bonds payable from net revenues of the hotel, and not from Net Revenues. However, final financing arrangements have not yet been determined.

ECONOMIC FACTORS

The first six months of 2008, passenger traffic level increased to 25.6 million passengers, or 4.3%, over the six months of 2007. Much of this passenger growth is attributed to the increased service of low-cost carriers in the Denver market.

Southwest Airlines (Southwest) began service at the Airport 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 on May 1, 2007, Southwest Airlines leased an additional gate that brings their total number of usage to five gates. Southwest currently operates 56 average daily flights, and is scheduled to increase service to 77 average daily departures flights to 23 nonstop destinations in September 2008.

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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, accounts for approximately 53.3% and 49.3% of passenger enplanements at the Airport in 2007 and for the six months of 2008, respectively.

United recently announced that as part of planned charges to reduce mainline domestic capacity, remove older, less fuel efficient aircraft from its fleet and reduce its number of employees, it will eliminate its Ted unit and plans to reconfigure the Ted fleet of aircraft into United's mainline operation; and Frontier recently announced a 17% reduction in its flight operations beginning in September of 2008 and a "proportional" reduction in workforce.

On April 10, 2008, Frontier Airlines Holdings Inc., Frontier Airlines inc., and Lynx Aviation inc. ("Frontier") filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. A Chapter 11 filing permits Frontier to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. Frontier Airlines accounted for approximately 22.7% and 26.0% of passenger enplanements in 2007, and for six months of 2008, respectively. Through a stipulated order Frontier assumed its amended lease at the Airport.

As previously discussed, operating revenue was up 3.7%. Operating income before depreciation and amortization of \$107.1 million represented a decrease of \$19.2 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 \$88.4 million in 2007, its second 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.

In September of 2007 the Airport agreed to mitigate the cost impact of the snow removal program by applying its full share of the State Aviation Fuel tax to offset airfield costs for three years, 2007 through 2009.

The Airport System in 2008 agreed to issue the Airlines credits of \$10.7 for the additional monies that were identified in the audit with State for the years prior to 2007.

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
As of June 30, 2008 and December 31, 2007
(Unaudited)

Assets	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Current assets:		
Cash and cash equivalents	\$ 50,525,870	\$ 133,419,158
Investments	189,585,123	135,544,003
Accounts receivable (net of allowance for doubtful accounts \$677,336 and \$340,941)	33,442,221	39,629,252
Accrued interest receivable	2,903,191	5,248,229
Other long-term receivables	264	10,987
Inventories	6,542,525	6,657,720
Prepaid expenses and interest	<u>1,628,265</u>	<u>107,231</u>
Total current unrestricted assets	<u>284,627,459</u>	<u>320,616,580</u>
Restricted assets:		
Cash and cash equivalents	335,843,444	331,500,233
Investments	195,607,953	217,788,550
Accrued interest receivable	1,790,122	1,076,117
Prepaid expenses and interest	2,973,529	3,108,013
Grants Receivable	5,759,244	6,067,495
Passenger facility charges receivable	<u>11,550,121</u>	<u>11,704,403</u>
Total current restricted assets	<u>553,524,413</u>	<u>571,244,811</u>
Total current assets	<u>838,151,872</u>	<u>891,861,391</u>
Non-current assets:		
Investments	194,622,991	121,442,838
Capital assets:		
Buildings	1,991,129,338	1,972,605,864
Improvements other than buildings	2,071,875,413	2,014,223,973
Machinery and equipment	<u>615,413,956</u>	<u>603,385,447</u>
	4,678,418,707	4,590,215,284
Less accumulated depreciation and amortization	<u>(1,665,834,875)</u>	<u>(1,583,993,200)</u>
	3,012,583,832	3,006,222,084
Construction in progress	147,966,351	170,710,424
Land, land rights and air rights	<u>295,305,625</u>	<u>295,305,625</u>
Total capital assets	3,455,855,808	3,472,238,133
Bond issue costs, net of accumulated amortization	<u>52,156,987</u>	<u>59,632,651</u>
Total noncurrent unrestricted assets	3,702,635,786	3,653,313,622
Investments – restricted	566,075,956	541,592,871
Assets held for disposition	<u>13,825,168</u>	<u>14,094,275</u>
Total assets	<u>\$5,120,688,782</u>	<u>\$5,100,862,159</u>

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As of March 31, 2008 and December 31, 2007
(Unaudited)

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Liabilities		
Current liabilities:		
Vouchers payable	\$ 22,827,310	\$ 32,441,146
Due to other City agencies	12,540,000	18,240,600
Compensated absences payable	1,944,136	1,914,165
Other liabilities	2,404,408	4,840,609
Revenue credit payable	68,000,000	40,000,000
Deferred rent	<u>21,740,214</u>	<u>23,821,526</u>
 Total current unrestricted liabilities	 <u>129,456,068</u>	 <u>121,258,046</u>
Current liabilities payable from restricted assets:		
Vouchers payable	30,536,493	24,754,561
Retainages payable	26,007,643	24,436,436
Accrued interest and matured coupons	23,518,359	21,517,067
Notes payable	11,999,929	12,138,729
Other liabilities	15,821,392	13,707,765
Revenue bonds	<u>104,015,000</u>	<u>103,830,000</u>
 Total current liabilities payable from restricted assets	 <u>211,898,816</u>	 <u>200,384,558</u>
 Total current liabilities	 <u>341,354,884</u>	 <u>321,642,604</u>
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	4,106,375,000	4,095,020,000
(Less) plus:		
Less: deferred loss on bond refunding	(304,623,979)	(303,121,171)
Less: unamortized premiums	<u>64,760,329</u>	<u>58,421,767</u>
 Total bonds payable, noncurrent	 3,866,511,350	 3,850,320,596
Notes payable	43,681,981	49,532,333
Compensated absences payable	<u>5,518,606</u>	<u>5,376,998</u>
Total noncurrent liabilities	<u>3,915,711,937</u>	<u>3,905,229,927</u>
Total liabilities	<u>4,257,066,821</u>	<u>4,226,872,531</u>
 Net Assets (Deficit)		
Invested in capital assets, net of debt	(165,889,674)	(131,739,834)
Restricted for:		
Capital projects	18,464,219	18,772,470
Debt service	756,219,022	657,498,288
Unrestricted	<u>254,828,394</u>	<u>329,458,704</u>
 Total net assets	 \$ <u>863,621,961</u>	 \$ <u>873,989,628</u>

See accompanying notes to financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Revenues, Expenses and Changes in Net Assets
For the Three Months Ended June 30, 2008 and 2007
For the Six Months Ended June 30, 2008 and 2007
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating revenues:				
Facility rentals	\$ 46,802,323	\$ 49,811,784	\$ 98,182,350	\$ 99,846,123
Concession revenues	10,259,050	10,211,215	20,816,774	19,814,037
Parking revenues	32,318,498	30,425,985	60,691,485	58,091,320
Car rental revenues	9,754,760	9,928,787	21,577,230	21,550,821
Landing fees	23,071,961	21,883,535	45,149,794	43,049,857
Aviation fuel tax	6,474,296	2,192,594	10,845,946	6,256,159
Other sales and charges	<u>3,694,471</u>	<u>3,390,671</u>	<u>6,974,518</u>	<u>6,222,226</u>
Total operating revenues	<u>132,375,359</u>	<u>127,844,571</u>	<u>264,238,097</u>	<u>254,830,543</u>
Operating expenses:				
Personnel services	28,185,192	25,564,914	53,831,804	50,889,472
Contractual services	44,339,620	30,639,134	90,778,965	65,989,298
Maintenance, supplies and materials	<u>5,935,025</u>	<u>3,141,922</u>	<u>12,511,513</u>	<u>11,681,937</u>
Total operating expenses before depreciation and amortization	<u>78,459,837</u>	<u>59,345,970</u>	<u>57,122,282</u>	<u>128,560,707</u>
Operating income before depreciation and amortization	53,915,522	68,498,601	107,115,815	126,269,836
Depreciation and amortization	<u>41,194,418</u>	<u>37,823,652</u>	<u>82,075,232</u>	<u>74,716,155</u>
Operating income	<u>12,721,104</u>	<u>30,674,949</u>	<u>25,040,583</u>	<u>51,553,681</u>
Non-operating revenues (expenses):				
Passenger facility charges	26,647,886	26,387,579	52,820,346	52,004,419
Interest on Investment	1,300,371	9,251,413	(28,079,798)	24,328,122
Interest expense	(52,990,144)	(52,029,689)	(105,941,114)	(104,205,319)
Grant income	(235,381)	107,906	164,256	146,303
Other revenue expense	<u>(9,192,846)</u>	<u>(17,530,007)</u>	<u>(12,351,752)</u>	<u>(14,662,976)</u>
Total non-operating revenues (expenses), net	<u>(34,470,114)</u>	<u>(33,812,798)</u>	<u>(37,228,466)</u>	<u>(42,389,451)</u>
Income (loss) before capital contributions	(21,749,010)	(3,137,849)	(12,187,883)	9,164,230
Capital Contributions:				
Capital grants	-	-	1,420,577	-
Capital passenger facility charges	<u>-</u>	<u>-</u>	<u>399,637</u>	<u>-</u>
Change in net assets	(21,749,010)	(3,137,849)	(10,367,669)	9,164,230
Net assets, beginning of year	<u>873,989,628</u>	<u>840,621,712</u>	<u>873,989,628</u>	<u>840,621,712</u>
Net assets, end of period	<u>\$ 852,240,618</u>	<u>\$ 837,483,863</u>	<u>\$ 863,621,959</u>	<u>\$ 849,785,942</u>

See accompanying notes to the financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows
For the Six Months Ended June 30, 2008 and 2007
(Unaudited)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash flows from operating activities		
Receipts from customers	\$ 265,594,369	\$ 259,511,323
Payments to suppliers	(114,874,209)	(95,954,136)
Interfund activity payments to other funds	(5,000,000)	(5,000,000)
Payments to employees	<u>(53,660,225)</u>	<u>(53,951,937)</u>
Net cash provided by operating activities	<u>92,059,935</u>	<u>104,605,250</u>
Cash flows from noncapital financing activities		
Operating grants received	<u>472,507</u>	<u>133,119</u>
Net cash used by noncapital financing activities	<u>472,507</u>	<u>133,119</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of debt	16,832,560	-
Proceeds from notes payable	-	-
Principal paid on notes payable	(5,989,152)	(5,587,173)
Interest paid on notes payable	(1,267,164)	(1,411,754)
Principal paid on revenue bonds	-	-
Interest paid on revenue bonds	(86,276,054)	(85,040,027)
Principal paid on capital lease	-	-
Bond issuance costs paid	(1,199,416)	-
Capital grant receipts	1,420,577	4,734,664
Passenger facility charges	52,666,064	48,104,874
Purchases of capital assets	(54,739,478)	(55,704,210)
Payments from accrued expenses for capital assets	(13,884,650)	(10,220,483)
Payments to escrow for current refunding of debt	(2,748,216)	-
Proceeds from sale of capital assets	<u>24,315</u>	<u>204,527</u>
Net cash used in capital and related financing activities	<u>(95,160,614)</u>	<u>(104,919,582)</u>
Cash flows from investing activities		
Purchases of investments	(7,187,849,249)	(6,337,573,953)
Proceeds from sales and maturities of investments	7,062,098,409	6,444,650,235
Proceeds from sale of assets held for disposition	269,107	2,582,609
Payments to maintain assets held for disposal	(10,878,131)	(5,551,319)
Insurance recoveries for Stapleton environmental remediation	26,804,314	-
Investment income	<u>33,633,645</u>	<u>34,062,135</u>
Net cash provided by investing activities	<u>(75,921,905)</u>	<u>138,169,707</u>
Net increase (decrease) in cash and cash equivalents	(78,550,077)	137,988,494
Cash and cash equivalents, beginning of the year	<u>464,919,391</u>	<u>310,836,805</u>
Cash and cash equivalents, end of the year	<u>\$ 386,369,314</u>	<u>\$ 448,825,299</u>

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows, continued
For the Six Months Ended June 31, 2008 and 2007
(Unaudited)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	25,040,583	\$ 51,553,681
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	82,075,232	74,716,155
Miscellaneous revenue	(323,969)	1,511,000
Impairment loss	-	-
Change in assets and liabilities:		
Receivables, net of allowance	6,197,754	(3,412,527)
Inventories	115,195	(476,332)
Prepaid expenses	(1,386,550)	(1,360,319)
Accounts and other payables	(9,613,836)	(13,243,077)
Deferred rent	(2,081,312)	2,001,508
Due to other city agencies	(5,700,600)	(12,066,337)
Compensated absences	171,579	629,572
Accrued expenses	<u>(2,434,141)</u>	<u>4,751,926</u>
Net cash provided by operating activities	<u>\$ 92,059,935</u>	<u>\$ 104,605,250</u>

Non cash activities

The Airport System issued bonds in the amount of \$790,640,000 and \$ 0 June 30, 2008 and June 30, 2007, in order to refund debt. Net bond proceeds of \$782,233,928.61 and \$ 0 for June 30, 2008 and 2007, respectively, were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bonds principal, payment of redemption premium and accrued interest amounts. Original issue premiums on bonds of \$12,656,769.10 and \$ 0 were realized on the issuance of bonds in June 30, 2008 and 2007.

Unrealized gain/(loss) on investments	\$ (3,782,920)	\$ (5,622,805)
Amortization of bond premiums, deferred	7,302,078	8,388,074
Loss on refunding and bond costs.		

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements
For the Six Months Ended June 30, 2008 and 2007

(1) Organization and Reporting Entity

(a) Nature of Operations

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

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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, 2007. 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.

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

(b) *Cash and Cash Equivalents*

Cash and cash equivalents, which the City maintains, consist principally of U.S. Treasury securities, U.S. agency securities, repurchase agreements, and commercial paper with original maturities of less than ninety days.

(c) *Investments*

Investments, which the City maintains, are reported at fair value, which is primarily determined based on quoted market prices at June 30, 2008 and December 31, 2007. The Airport System's investments are maintained in segregated pools such as 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 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 the six month and twelve month periods ending June 30, 2008 and December 31, 2007 was \$10,719,876 and \$1,581,504, 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 Discounts*

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

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

Unamortized discounts and deferred losses on bond refundings are recorded as a reduction of the face amount of the bonds payable.

(g) *Assets Held for Disposition*

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

(h) *Compensated Absences Payable*

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*

2008

The Airport System assets exceeded liabilities by \$863,621,961 as of June 30, 2008, a (\$10,367,669) decrease in net assets from the prior year end. Of the Airport System's 2008 net assets, 89.7% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$756,219,022 and are externally restricted for debt service. The net assets restricted for the Stapleton capital projects represent \$18,464,219.

The remaining net assets include unrestricted net assets of \$254,828,394 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System's internally designated \$67,267,320 of its unrestricted net asset amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$165,889,674) represents the Airport System's investment in capital assets, less the related indebtedness outstanding, used to acquire those capital assets.

2007

The Airport System's assets exceeded liabilities by \$873,989,628 as of December 31, 2007, a \$33,367,916 increase in net assets from the prior year end. Of the Airport System's 2007 net assets, 77.4% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$657,498,288 that are externally restricted for debt service. The net assets restricted for the Stapleton capital projects represent \$18,772,470.

The remaining net assets include unrestricted net assets of \$329,458,704 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System's internally designated \$67,267,320 of its unrestricted net asset amounts, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$131,739,834) represents the Airport System's investment in capital assets, less the related indebtedness outstanding, used to acquire those capital assets.

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

(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 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 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, 2007 and December 2006, the Airport System had accrued a liability, included in current other liabilities, of \$1,487,409 and \$14,779,763, respectively.

For the year ending after December 31, 2005, 50% of Net Revenues (as defined by the bond ordinance) remaining at the end of each year is to be credited in the following year to the passenger airlines signatory (lease agreement signed) to use and lease agreements, capped at \$40 million for all years. The Net Revenues credited to the airlines totaled \$40 million for 2007. Liabilities for these amounts were accrued as of December 31, 2006. For 2008, the Airport System expects to credit the airlines \$40 million; therefore, for the six month period ending June 30, 2008, an additional accrual of \$20 million was recognized, increasing the revenue credit payable to \$60 million.

In September of 2007 the Airport agreed to mitigate the cost impact of the snow removal program by applying its full share of the State Aviation fuel tax to offset airfield costs for three years, 2007 through 2009.

The Airport system in 2008 agreed to issue the Airlines credits of \$10.7 for the additional monies that were identified in the audit with State for the years prior to 2007.

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

(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

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

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 2007 balances have been reclassified to conform with the 2008 financial statements presentation.

(3) Interest Income

Investment income earned on the Airport System's pool cash and investment is allocated to the participating Airport System's funds based upon the average investment balances of each fund. Investment income for June 30, 2008 and 2007, is comprised of interest income and an unrealized gain (loss) on investments of (\$3,772,920) and (\$5,523,051), respectively.

(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 June 30, 2008 and December 31, 2007, an allowance of \$2,596,942 and \$677,336, respectively, had been established. An amount of \$1,916,992 was reserved for Frontier Airlines.

(5) Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of June 30, 2008 and December 31, 2007, Special Facility Revenue Bonds outstanding totaled \$309,905,000 and \$327,610,000, respectively.

(6) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airlines' landing and facility rental fees (airline operating revenue). For the six months ending June 30, 2008 and for the year ending December 31, 2007, United Airlines represented approximately 56.0% and 56.0%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 12.4% and 13.2% 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.

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

(7) 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 all of the gates on Concourse B (43 of the 95 full service gates at the Airport). In addition, United together with its United Express commuter affiliates, accounted for 53.3% and 49.3% of enplaned passengers at the Airport in 2007 and the six months of 2008, respectively. United recently announced that it is planning to eliminate its Ted unit and plans to reconfigure the Ted fleet of aircraft into United's mainline operations.

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 Airport System equity and available \$1.50 PFCs.

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, cost approximately \$41.5 million. The Concourse B Commuter Facility Project was completed April 23, 2007.

In the 2005 amendment 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, 7.9 million revenue connecting passengers in 2006 and 7.7 million revenue connecting passengers in 2007. 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 Airport's commitment to reduce rates and charged to United will decline by \$6.00, such amount to be set-off against United's share of the Net Revenues credit described above.

Under the 2006 Amendment, United gradually relinquished its six leased gates on Concourse A. Frontier or other airlines leased, or used on a non-preferential basis, the gates relinquished by United. The Airport assisted United in refinancing its Special Facility bond obligations in the amount of \$270,000,000.

United emerged from bankruptcy in February 2006.

(8) Subsequent Events

The Airport has restructured a significant amount of its outstanding auction rate securities in order to eliminate its exposure to the volatility in interest rates in the auction rate market precipitated in large part by the downgrades in the ratings of bond issuers. Interest rates on the Airport's auction rate debt subsequent to December 31, 2007 have ranged from approximately 3.75% to 8.50%. Currently only the 2007F bonds remain in auction rate mode. These bonds are scheduled for conversion to VRDN's in the third quarter.

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
(Unaudited)

The Airport System entered into a \$15.3 million Master Installment Purchase agreement with Chase Equipment Leasing Inc. on August 5, 2008, to finance capital equipment purchases based on a ten year life.

The Airport and Frontier reached a consensual agreement regarding the carrier's operating lease at DIA. Frontier assumed its lease at the Airport. Frontier will streamline its operations on the A Concourse to make more efficient use of the gates it uses. As result Frontier has agreed to reduce the number of gates it uses on the A concourse to 17 from 22. The airline will also give up the use of administrative space leases from DIA, including two check-in counter areas in Jeppesen Terminal and office space.

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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, Subseries 2008C1” in the aggregate principal amount of \$92,600,000 (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. 483, Series of 2008, adopted by the City Council of the City on September 15, 2008 (collectively, the “**Ordinance**”).

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

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

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

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

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

“*Central Post Office*” means DisclosureUSA, 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 the final Official Statement dated October 31, 2008, together with any supplements thereto prior to the date the Bonds are issued, delivered in connection with the original issue and sale of the Bonds.

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

“*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 Finance of the Department of Finance, *ex officio* Treasurer of the City, or his or her designee, and successor in functions, if any.

Section 2. Provision of Annual Financial Information.

(a) Commencing with respect to the Fiscal Year ended December 31, 2008, and each Fiscal Year thereafter while the Bonds remain outstanding under the Ordinance, 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 provision of any Annual Financial Information shall be deemed an official act of the City without the approval of the Treasurer.

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

(c) The Treasurer may provide or cause to be provided Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System by specific cross-reference to other documents which have been submitted to the 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**”), which includes itself and its United Express commuter affiliates, 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 information for owners of Bonds, 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 under the Ordinance, 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 representative of the Participating Underwriters. 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 original issuance and delivery of the Bonds and the Participating Underwriters consent thereto, (b) if such amendment shall take effect upon the mandatory purchase of all of the Bonds pursuant to the Ordinance, and each Remarketing Agent that is a Participating Underwriter consents thereto, (c) 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 (d) if such amendment or waiver is otherwise required by the Rule or permitted by the Rule without Bondowner consent. Written notice of any such amendment or waiver shall be provided by the Treasurer to 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 information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or notice or include its disclosure in any future annual filing or notice of occurrence of an Event.

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

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

* * *

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,” and data concerning outstanding debt, fund balances and results of operations of the type included under the heading “FINANCIAL INFORMATION.”

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APPENDIX H

FORM OF OPINION OF BOND COUNSEL

Hogan & Hartson LLP
and
Bookhardt & O'Toole
Denver, Colorado

Issue Date

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

Morgan Stanley & Co. Incorporated
1400 16th Street
Denver, Colorado 80202

Ramirez & Co. Inc.
2323 S. Shepherd, Suite 930
Houston, Texas 77019

**City and County of Denver, Colorado
for and on behalf of its Department of Aviation
Airport System Revenue Bonds
Subseries 2008C1 - \$92,600,000**

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 \$100,000,000 aggregate principal amount of the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Subseries 2008C1” (the “**Subseries 2008C1 Bonds**”) pursuant to Ordinance No. 626, Series of 1984, as supplemented and amended by certain supplemental ordinances, including Ordinance No. 483, Series of 2008 (collectively, the “**Ordinance**”). All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Subseries 2008C1 Bonds are being issued as fully registered bonds and are dated the date of purchase and issuance. The Subseries 2008C1 Bonds mature, bear interest, are payable and are subject to redemption and tender 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 Subseries 2008C1 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 Subseries 2008C1 Bonds, the form of the Subseries 2008C1 Bonds, 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 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 Subseries 2008C1 Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Subseries 2008C1 Bonds are held by a person who is a "substantial user" of the Airport System or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). It should be noted, however, that interest on the Subseries 2008C1 Bonds will be treated as an item of tax preference in calculating the federal alternative minimum tax liability imposed on individuals, trusts, estates and corporations. The opinion set forth in the first sentence of this paragraph assumes compliance by the City with certain requirements of the Code, that must be met subsequent to the issuance of the Subseries 2008C1 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 Subseries 2008C1 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Subseries 2008C1 Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Subseries 2008C1 Bonds.

6. To the extent interest on the Subseries 2008C1 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 Subseries 2008C1 Bonds, including whether interest on the Subseries 2008C1 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 Subseries 2008C1 Bonds and the enforceability of the Subseries 2008C1 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 Subseries 2008C1 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.

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