



massport

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

Thomas J. Kinton, Jr., CEO & Executive Director of the Massachusetts Port Authority, and the Administration and Finance department are pleased to issue this comprehensive annual financial report for the fiscal year ending June 30, 2010. We are grateful to each department within the Massachusetts Port Authority for their assistance in the development of this important document.

The staff of the Aviation, Bridge, Maritime, Capital Programs and Environmental Affairs, Legal, Information Technology, Internal Audit, Strategic Communications and Marketing departments helped us to assemble the operational, statistical, and financial components of this annual report which we intend to submit to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.

The result of the diligent effort put forth by Massport staff members, including the Administration and Finance team, is a high-quality, informative and comprehensive report that allows the reader to better understand both the operational and financial management of the Aviation and Maritime business lines with the Massachusetts Port Authority.

The events and accomplishments detailed inside describe just some of the reasons the Massachusetts Port Authority continues to stand apart as a dynamic, versatile and adaptable public authority that for more than half a century has successfully met the challenges of providing for the ever-changing transportation needs of Boston, Massachusetts and New England.





Tobin Memorial Bridge

The Massachusetts Port Authority formally ended its 50 year-old relationship with the Tobin Memorial Bridge when the 2 1/4-mile-long span across the Mystic River was transferred to the Massachusetts Department of Transportation at midnight on January 1, 2010. The key component of the Commonwealth's historic transportation reform law to place all major roads, bridges and tunnels under a single state agency was accomplished after Massport staff worked for more than six months on nine transition committees and more than 40 subcommittees to integrate the Tobin Bridge smoothly into the state highway system. The Mystic River Bridge opened on February 25, 1950 and was later renamed in honor of Governor Maurice Tobin. The Tobin Bridge was then incorporated into Massport along with Logan Airport and the Port of Boston when Massport was created in 1956.

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Worcester Airport Signing

History was made on July 1, 2010 when Massport formally took ownership of Worcester Regional Airport. Massport had been operating the airport for the City of Worcester since 2000. The transfer of ownership was an integral part of the state's new transportation reform act which allowed Massport to make needed capital investments in Worcester Airport and preserve it as a critical commercial aviation asset for New England. Massport Board members and senior staff joined Governor Deval Patrick, Lt. Governor Timothy Murray, Congressman James McGovern, City Manager O'Brien and others at an airport signing ceremony to formalize the transfer. More than 2 million people, or 5% of New England's population, live closer to Worcester Airport than any other commercial airport. During the recent economic downturn when more than 100 airports across the country lost air service, Worcester was one of the few to attract new service, which currently provides flights to the Florida cities of West Palm Beach, Punta Gorda, and Sanford and to the Myrtle Beach resort area in South Carolina.





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November 22, 2010

To the Members of the Massachusetts Port Authority:

We are pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the Massachusetts Port Authority (the “Authority” or “Massport”) as of and for the fiscal year ended June 30, 2010 (“fiscal year 2010”). This report was prepared by the Authority’s Administration and Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. This report, in all material respects, fairly presents and discloses the Authority’s financial position, results of operations, and cash flows as of and for the year ended June 30, 2010 in accordance with the requirements of accounting principles generally accepted in the United States of America (“GAAP”).

Certain information within the CAFR has been presented based on the accounting principles prescribed under the Trust Agreement dated as of August 1, 1978, as amended (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), as Trustee, and under the PFC Trust Agreement dated as of May 1, 1999 (the “PFC Trust Agreement”) between the Authority and The Bank of New York Mellon, as Trustee and together with the 1978 Trust Agreement, the “Trust Agreements” (collectively referred to as “Trust Accounting”). Specifically, information within the CAFR under the Annual Disclosure and PFC Disclosure tabs are presented in accordance with the respective Trust Agreements. Please see footnote 2 in the notes to the financial statements as of June 30, 2010, for the reconciliation between GAAP and Trust Accounting. In addition, statistical tables S-4, S-5 and S-6 included in the Statistical Section of the CAFR present historical financial information based on Trust Accounting, and should be read in connection with the audited financial statements attached hereto.

The CAFR was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (“GFOA”). The GFOA awards Certificates of Achievement for Excellence in Financial Reporting to those governments or similar entities whose annual financial reports are judged to conform substantially to the high standards of public financial reporting promulgated by the Governmental Accounting Standards Board. GAAP requires that management provide a narrative overview and analysis of the financial results of the Authority to accompany its financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the Report of Independent Auditors in the Financial Section of the CAFR.

Overview of the Massachusetts Port Authority

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the “Enabling Act”) and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”). It is governed by a seven member board. Six members are appointed by the Governor of Massachusetts to staggered terms of seven years each, and

the seventh is the Secretary of Transportation and Chief Executive Officer of Massachusetts Department of Transportation (“MassDOT”). Members are not compensated for their service.

Thomas J. Kinton, Jr. was appointed as CEO and Executive Director of the Authority in August 2006. In this position, Mr. Kinton is responsible for all Aviation and Maritime business, operational, customer service, and safety and security activities. In addition, Mr. Kinton is focused on future aviation and economic developments and long-term business strategies for the Authority. Mr. Kinton has over 35 years of service with Massport, formerly serving as the Director of Aviation from 1993 to 2006. He has held various other operational positions within the Aviation department throughout his tenure with the Authority.

The Authority’s facilities include airport properties, comprising Boston-Logan International Airport (“Logan Airport”), Worcester Regional Airport (“Worcester Regional Airport”) and Laurence G. Hanscom Field (“Hanscom Field”) (collectively “Aviation”); the Paul W. Conley Marine Terminal (“Conley Terminal”) and various port properties, located in Charlestown, South Boston and East Boston (collectively the “Port”). Through December 31, 2009, the Authority also owned and operated the Maurice J. Tobin Memorial Bridge (the “Bridge”). As noted in Legislative Developments section of this document, the Authority transferred, without consideration, the Bridge to MassDOT on January 1, 2010 and acquired ownership of Worcester Regional Airport effective July 1, 2010.

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. Logan serves the 13th largest domestic origin-destination air travel market in the U.S. It is the primary source of the Authority’s revenues. Hanscom Field is the region’s premier general aviation airport and provides niche commercial service. The Port is New England’s major port and provides a full range of services, from cruise ship to container ship handling. In addition to operating its facilities, the Authority is committed to providing the modern infrastructure necessary to support the transportation needs of Boston, The Commonwealth of Massachusetts and New England.

The Authority operates its businesses to achieve five primary public service objectives which are to:

- maintain and enhance safety and security at Massport-owned facilities;
- provide high quality standards of service, superior facilities and customer convenience to the 26.3 million aviation passengers at Logan Airport, 310,482 cruise passengers, and Massport’s primary shipping partners that service 101,000 containers of product at the Port;
- keep operating costs low to assist Massport’s business partners during this continued period of economic uncertainty as well as maximize revenue opportunities from all business lines;
- allocate sufficient resources to build and maintain Massport’s transportation facilities that promote local and regional economic prosperity and development; and
- be an industry leader in clean energy and environmental concerns and implement operational and capital initiatives intended to reduce greenhouse gas levels and decrease the Airport’s dependency on fossil fuels for energy, at the same time, effectively and efficiently operating its facilities, and providing services to its constituents.

The Authority’s business consists of three distinct operating departments: Aviation, the Port and the Bridge (through December 31, 2009). During fiscal year 2010, the Authority generated approximately \$527.9 million in operating revenues from these departments, which represented a decline of \$14.9 million or 2.7% compared to fiscal year 2009. This revenue decline was primarily related to the transfer of the Bridge to MassDOT on January 1, 2010. Operating expenses were approximately \$507.5 million, a decrease of \$12.0 million, or 2.3% from fiscal year 2009. To mitigate revenue reductions the Authority

implemented a series of cost containment initiatives to reduce operating expenses by approximately \$19.4 million. These reductions included an employee hiring freeze, new health care plan design and employee cost sharing measures related to health insurance, service contract reductions (where lower activity permitted), the reduction of other discretionary accounts, and lower utility costs primarily from low natural gas prices. As a result, the Authority reported net operating income of \$20.4 million during fiscal year 2010, a decrease of \$2.9 million or 12.4% compared to fiscal year 2009.

The Authority also generated \$29.8 million in non-operating revenue from passenger facility charges, customer facility charges, interest income and other miscellaneous sources. The Authority also received approximately \$34.3 million in capital grant revenue during fiscal year 2010. Of this amount, \$15.3 million was received for airport development projects through the Federal Aviation Administration (“FAA”) under the Federal American Recovery and Reinvestment Act (“ARRA”). The Authority received \$12.6 million in FAA ARRA funds to re-pave its 7,000 foot runway (Runway 9/27) with environmentally-friendly “warm mix” asphalt which uses 20% less energy to manufacture. Two other FAA ARRA-funded projects include the installation of in-pavement centerline lights at Logan Airport’s Taxiway A to enhance pilot visibility in this area and taxiway improvements at Hanscom Field. The Authority also received \$100,000 in ARRA funds and \$400,000 in non-ARRA funds from the Environmental Protection Agency to upgrade electrical stations for fishing boats off-loading at the Authority’s Fish Pier, helping to reduce air pollution from engine idling by 95%. The balances of federal capital grant revenue were used to improve various airport facilities and runway improvements.

During fiscal year 2010, the Authority’s net assets increased \$6.5 million, to \$1.624 billion. The Authority generated \$84.5 million in net assets from \$20.4 million in net operating income, \$29.8 million in non-operating income and \$34.3 million in capital grant funding. The Authority took a special charge against net assets of \$78.0 million to account for the Bridge transfer on January 1, 2010 resulting in the Authority’s total net assets increasing \$6.5 million for the year.

The following describes the specific operating business lines and the related drivers of their respective business plans.

Aviation

The financial success of Massport’s Aviation unit depends on three primary revenue components: landing fees, terminal rentals and parking fees.

The Authority serviced 26.3 million passengers in fiscal year 2010, a 1.3 million, or 5.2% increase in passengers when compared to fiscal year 2009. The Authority realized these gains as a result of four new airlines providing service at Logan Airport, an increase in low cost carrier service to preferred destinations from existing carriers and a recovering economy. This additional activity resulted in improved revenue performance for Logan Airport.

Landing fees represent those amounts earned from airlines for their use of the airfield and related infrastructure. These fees are based on the Authority’s actual aviation related operating and capital costs, including but not limited to, airfield maintenance, aviation specific capital expenditures and direct and allocated indirect operating costs incurred by the Authority. Landing fees are charged to airlines based on each aircraft’s landed weight. The Authority works diligently to ensure that the cost structure associated with maintaining its Aviation assets and infrastructure efficiently supports the airlines. Each investment decision, whether capital or operating in nature, is evaluated to ensure that the Authority invests properly for the benefit of the airlines and the traveling public.

Terminal rents are received by the Authority for space rented by airlines in the terminal buildings. Terminal rental rates are based on the Authority's actual costs of the respective terminals, not on market pricing.

As an origination and destination airport, Logan Airport has a variety of low cost and legacy carrier airlines with no one carrier dominating Boston's aviation market. During fiscal year 2010, the largest airline accounted for approximately 13.3% of total landing fee and terminal rent revenues. In addition, the top three airlines at Logan Airport accounted for 35.3% of its total landing fee and terminal rental revenues, which is consistent with fiscal year 2009.

Parking fees are earned from the use of the Authority's parking facilities. Parking revenue continues to be dependent upon three key components: the number of vehicle exits, length of stay and parking rates.

Currently, Massport is operating in a period of economic uncertainty in the aviation industry and the economy as a whole, but the Authority's management believes that its Aviation business can withstand these turbulent economic times based on the following three strategic advantages: (i) Logan Airport serves the 13th largest origin and destination market in the United States and nine out of ten passengers using Massport's facilities call the Boston area home or come to the region to visit, vacation or to conduct business, (ii) Logan Airport is the second largest U.S. international gateway airport among non-hub airports based on the number of international passengers, and (iii) Logan Airport is less exposed to industry consolidations since few airlines have overlapping routes, no single carrier dominates service and Logan Airport does not serve as any airline's hub.

The Port

The Authority owns, manages, develops and operates the public cargo and passenger terminals of the Port. It is New England's major port and the only port in the region that provides the full range of services to the maritime shipping industry, including, container handling, cruise ships and automobile cargo holding. The Port serviced 101,000 containers in fiscal year 2010, a 12.1% decline from the 115,000 containers serviced in fiscal year 2009. The lower container volume reflects lower levels of imports and exports as a result of the recession and weakened consumer spending.

The Port also consists of approximately 500 acres of commercial, industrial and maritime related land in South Boston, East Boston and Charlestown that is managed by the Authority. The South Boston land, located in the Seaport District known as Commonwealth Flats, contains several million square feet of mixed-use developments that include hotels, offices, restaurant/retail and residential properties. The Port's East Boston properties consist of the only mid-sized ship repair facility in the Boston harbor, as well as 200,000 square feet of commercial and industrial office space, 2,500 linear feet of commercial berthing, and nine acres of backland. Lastly, the Charlestown area properties are used for maritime industrial use, bulk cargo processing, salt processing and storage. This area also contains 80 acres for motor vehicle processing.

The Bridge

The Bridge was used by approximately 5.4 million in-bound traveling vehicles during the first six months of fiscal year 2010 to cross the Mystic River from the City of Chelsea to the Charlestown section of the City of Boston. Pursuant to Chapters 25, 26 and 120 of the Acts of 2009 (collectively, the "Transportation Reform Act"), the Authority transferred the Bridge to the MassDOT on January 1, 2010. Please see Legislative Developments, below.

Economic Conditions and Local Economy

The Airline industry is recovering from years of higher fuel costs and over capacity which contributed to a decade of losses that the International Air Transport Association (“IATA”) suggests reached over \$50 billion for the industry. This year IATA forecasts airline profits to reach \$8.9 billion, exceeding original forecasts of \$2.5 billion set last June. Factors contributing to the airlines profits include reduced route capacity, halted orders for or delayed delivery of newer more efficient airplane, new fees that are helping generate liquidity, and steady operating costs. The sustainability of these airline profits remains a concern as cost pressures from fuel prices and employee expenses may rise, consolidation within the industry may cause customer service to decline, and the ability to raise fees will prove challenging in the current economic environment. Lower consumer spending hurt by high unemployment rates dragged container shipping volumes down worldwide with a slight recovery expected in calendar-year 2010 assisted by slow economic growth, unemployment stabilizing, business inventories being replenished and low interest rates.

Despite these industry challenges the local economic outlook for Massachusetts is more optimistic. Massachusetts population remains steady at 6.6 million persons, with the greater Boston area representing 69.6% of the entire state. Massachusetts unemployment rate remains 1.2% below the national average of 9.6% as of September 2010; per capita income is 29% higher than the national average, and the region is strategic location and diverse employment base all contributes to the health of the travel industry. The Boston service area economy is large and diversified with nearly 76% of total employment concentrated in the Education and Health Sector, Transportation and Utilities, Professional and Business Services, Government, and Leisure and Hospitality. Boston is home to 22 Fortune 1000 companies, and this employment base assists the region to manage through challenging economic conditions.

Legislative Developments

In June 2009, the Transportation Reform Act was enacted and provided for the establishment of MassDOT on November 1, 2009. MassDOT includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. The Transportation Reform Act, among other things, specifically required the Authority to transfer the Bridge to MassDOT on January 1, 2010, without consideration. Second, it required the Authority to acquire Worcester Regional Airport from the City of Worcester, Massachusetts, which it did on July 1, 2010 for \$15.5 million. Prior to the acquisition, the Authority has managed Worcester Regional Airport since January 2000. The Authority has integrated Worcester Regional Airport into the Authority’s overall business plans and operations.

Major Initiatives

Capital Program

On May 20, 2010, the Members of the Authority approved its capital program for fiscal years 2010 through 2014 (the “FY10-FY14 Capital Program”). The FY10-FY14 Capital Program represents a comprehensive and coordinated capital improvement and financial master plan for all Authority facilities. The program was developed in order to continue to fund security initiatives and airfield operation enhancements through maximizing FAA and Transportation Security Administration (“TSA”) grant receipts and utilizing a \$4.50 Passenger Facility Charge (“PFC”) and a \$6.00 Customer Facility Charge (“CFC”) specifically for the financing of a new consolidated car rental facility. The FY10-FY14 Capital Program allocates a significant amount of funding to important initiatives including existing security challenges facing the aviation industry, maintaining and enhancing the public airfield and making improvements to the public parking facilities at the Airport. At the same time, the Authority continues to strive to avoid or minimize adverse local and regional impacts associated with operations at the Airport and the Authority’s other facilities. The FY10-FY14 Capital Program includes \$1.1 billion of capital

projects. Funding for these projects will be provided from Massport generated funds, FAA and other grant funding, bond proceeds, PFCs, CFCs, and third party or other non-recourse funding sources.

Safety and Security

The Authority continues to place a high priority on maintaining a strong security program and being a leader in the aviation industry. Since September 11, 2001, it has undertaken numerous new security initiatives including the terminal modifications required to house the TSA's 100%-baggage screening system, a new access control system and various other boundary security measures. The Authority approved \$62.0 million in various safety and security projects during fiscal year 2010 to include a consolidated checkpoint facility in Terminal C, consolidated camera surveillance system, cargo building access control and other facility access improvements. With increased TSA standards for maritime security and the Maritime Security Plans for each of its regulated maritime facilities to the United States Coast Guard through June 30, 2010, the Authority completed over \$3.1 million of capital improvements at its maritime facilities to enhance perimeter security, access control, emergency power and lighting and other security measures. The Authority continues to place the highest priority on protecting its constituents and making its facilities, Logan Airport, Hanscom Field, Worcester Regional Airport and the Port, as safe and secure as possible.

Federal Funding

The Authority participates in the FAA's Airport Improvement Program ("AIP"), which provides Airport and Airway Trust Fund money for airport development, airport planning and noise abatement programs. The FAA offers both entitlement and discretionary grants for eligible projects. AIP grant revenue in fiscal years 2010 and 2009 totaled \$31.3 million and \$41.3 million, respectively. AIP grant revenue represents approximately 91.0% and 96.1% of total capital grant revenue earned during fiscal year 2010 and 2009, respectively.

During fiscal year 2004, the Authority and the FAA executed a Letter of Intent ("LOI") pursuant to which the FAA agreed to provide approximately \$90.8 million in grants over an eight-year period to assist the Authority with its airside improvement program. In fiscal year 2010, the Authority secured \$8.3 million in grants under the LOI, which was included in the \$31.3 million AIP grant revenue discussed above. In addition, the Authority secured \$11.0 million, \$25.4 million, \$13.6 million and \$15.0 million in AIP grants during fiscal years 2009, 2008, 2006 and 2005, respectively, under the LOI. Total grants awarded under the LOI through June 30, 2010 were approximately \$73.3 million.

Passenger Facility Charge Program

In 1993 the FAA approved the Authority's application to levy a PFC of \$3.00 collected from eligible passengers enplaning at Logan Airport on and after November 1, 1993. In 2005, the FAA approved the Authority's application to increase the PFC to \$4.50, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project and decreasing the amount for certain completed PFC projects. Subsequently, the FAA approved the Authority's application to add ten new projects to Logan Airport's PFC Program, to amend one previously-approved project and to request authority to collect a \$4.50 PFC to fund the projects. In 2009, the FAA approved the Authority's application for an administrative amendment requesting "use" authority for the Centerfield Taxiway project.

The projected expiration date for the collection of the \$4.50 PFC is February 1, 2016. During fiscal year 2010, the Authority submitted to the FAA a request, and received approval, to amend the existing PFC, reducing the collection and use amount by \$31.8 million (to \$960.2 million) and extending the projected expiration date to August 1, 2016. Additionally, the Authority also submitted a request to increase the

collection authorization by \$428.0 million (to \$1.388 billion) and to extend the collection period until August 1, 2024; a response to this application is expected by the end of 2010.

The Authority pledged PFCs pursuant to the PFC Trust Agreement to secure bonds issued thereunder (the “PFC Bonds”) and to fund construction of eligible portions of the FAA-approved projects. In the event that PFC Bond proceeds, PFCs and other funding sources are inadequate to meet anticipated project costs, projects may be deferred, altered or canceled.

Financial Policies and Practices

Internal Control Environment

The Authority follows accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. Accordingly, the Authority’s financial statements are prepared on an accrual basis of accounting.

To provide the Authority with reasonable assurance that its financial resources are safeguarded against waste, loss and misuse, and that reliable accounting and financial data are timely, complete, relevant, accurate and fairly disclosed in reports, the Authority has established a system of internal controls. These internal controls provide the Authority with financial and accounting records from which financial statements are prepared. The Authority’s Internal Audit function maintains oversight over the key areas of the Authority’s business and financial processes and controls. The Authority’s Internal Audit team evaluates the Authority’s internal control structure. In addition, the Authority’s Audit and Finance Committee plays a critical role in the oversight of the Authority’s internal control structure. This committee meets with the senior staff of the Authority and has regular communication with the Authority’s independent auditors, PricewaterhouseCoopers LLP. Internal Audit reports directly to the Authority’s Audit and Finance Committee.

Management has established and maintains a system of internal controls to provide reasonable assurance that material financial information required to be disclosed by the Authority in its CAFR is recorded, processed, summarized and reported to management in a timely manner. Management has reviewed the Authority’s current controls and procedures within the past 90 days and believes that such controls and procedures provide reasonable assurance as to the integrity and accuracy of the financial statements, in all material respects. The concept of reasonable assurance is based on the recognition that the cost of controls should not exceed the relative benefit of such controls, and requires estimates and judgment by management.

Budgetary Controls

Operating budgetary controls and evaluations are accomplished by comparing actual interim and annual results with the budget. The Authority prepares budget and non-GAAP actual financial statements on a monthly basis and prepares unaudited GAAP financial statements on a quarterly basis.

If significant changes occur in the amounts available from expected funding sources, or if the costs of certain projects increase significantly, the Authority will reduce the scope of proposed projects, the overall capital program or both. Many of the commitments within the Authority’s capital plan have already been authorized by the Authority and extend over several years. Nevertheless, each project within its capital program is a separate “module” that the Authority approves individually along with a separate project budget. This permits the Authority to undertake the construction and financing of each of these additional projects independently of other capital projects. The Authority believes that the modular design of the capital program significantly increases its ability to make adjustments in capital spending when necessary.

Accountability for Performance

The management of the Authority's three operating departments, Aviation, Port and Bridge (through December 31, 2009), have distinct profit and loss responsibilities and are charged with balancing financial performance with operational demands and customer service as well as forecasting the implications of any proposed capital programs or operating initiatives, and for the collection of accounts receivable.

All of the Authority's internal reporting metrics have been refined to support the highlighted accountability of the operating departments. The metrics are reviewed monthly, and quarterly performance meetings are held involving business units, finance staff and executive management. A business plan has been developed that incorporates all operating and capital budget information as well as performance objectives.

Cash Management and Investments

All investments must be made pursuant to the Investment Policy adopted in fiscal year 2000, amended in February 2010 by the Members of the Authority. The majority of the Authority's funds, including its investments, are held by the Trustees (in the Authority's name) under the 1978 Trust Agreement or the PFC Trust Agreement, respectively, or custodians for the Authority, and are invested at the direction of the Authority. An investment committee meets monthly to review projected cash flow needs and investments, and an investment oversight committee meets quarterly to review the Authority's existing portfolios for compliance with the Investment Policy and comparability with external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

Cash collections during fiscal year 2010 of approximately \$541.8 million were sufficient to meet the Authority's operating expenses, make required debt service payments and make the necessary investments in its existing infrastructure assets and new capital programs for the continued benefit of its transportation constituents. As of June 30, 2010, as required by their respective Trust Agreements, the debt service reserve funds for bonds secured by the 1978 Trust Agreement and the 1999 PFC Trust Agreement held \$114.2 million and \$30.2 million, respectively to support their respective annual debt service requirements on the Authority's outstanding bonds. Furthermore, the Authority generated sufficient net revenues to achieve 2.08 times debt coverage on bonds outstanding issued under the 1978 Trust Agreement. The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio of at least 1.05; as of June 30, 2010 the First Lien Sufficiency ratio was 1.57. All of the Authority's general revenue bonds and PFC bonds are secured by debt service reserve funds that are fully-funded with cash.

Capital Financing and Debt Management

All debt must be issued pursuant to the Debt Issuance and Debt Management Policy adopted in February 2010 by the Members of the Authority. As of June 30, 2010 outstanding debt obligations of the Authority issued pursuant to the 1978 Trust Agreement and the PFC Trust Agreement totaled approximately \$1.4 billion including subordinated revenue bonds but excluding commercial paper. Special facilities revenue bonds issued on behalf of and payable by certain borrowers are excluded because they are not obligations of the Authority. In fiscal year 2010, the total amount deposited to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations) was an aggregate of \$104.7 million of principal and interest, and the total amount deposited to pay debt service on bonds issued pursuant to the PFC Trust Agreement was an aggregate of \$27.2 million of principal and interest.

On July 24, 2009, the Authority defeased \$20.9 million of the outstanding 1999-D (AMT) Revenue Bonds issued pursuant to the 1978 Trust Agreement as a surrogate refunding of all outstanding debt that had been issued with respect to capital expenditures on the Bridge. The defeasance was executed in anticipation of the transfer of the Bridge to MassDOT on January 1, 2010.

In August 2010, the Authority issued the following series of bonds pursuant to the 1978 Trust Agreement: \$97.9 million of Series 2010-A (Non-AMT) Revenue Bonds to finance portions of the capital program; \$138.0 million of Series 2010-B (Non-AMT) Revenue Refunding Bonds; \$23.9 million of Series 2010-C (AMT) Revenue Refunding Bonds; and \$107.5 million of Series 2010-D (AMT) Multi-Modal Revenue Refunding Bonds. Also in August 2010, the Authority issued \$57.2 million of Series 2010-E PFC (AMT) Revenue Refunding Bonds pursuant to the 1999 PFC Trust Agreement. Collectively, these issues are referred as the 2010 Bonds ("2010 Bonds").

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2010, the Authority's revenue bonds had ratings of AA by Fitch, Aa3 by Moody's and AA- by S&P. S&P while affirming the Authority's AA-rating, also improved the outlook from negative to stable. These ratings were affirmed in June 2010 in connection with the 2010 Bond issuance. These ratings apply (as underlying ratings) to the 2003-A Revenue Bonds and 2003-C Revenue Refunding Bonds insured by MBIA, to the 2005-A Revenue Bonds and 2005-C Revenue Refunding Bonds insured by AMBAC, and to the 2007-A Revenue Bonds and 2007-C Revenue Refunding Bonds insured by Assured Guarantee, formerly known as Financial Security Assurance Inc. ("FSA"). When the Authority issued the 2010 D Multi-Modal Revenue Refunding Bonds in August 2010, they were assigned long-term rating of AAA, and a short-term ratings of F1+, VMIG1 and A1 reflecting the Letter of Credit issued by Bank of America; also the Authority's underlying ratings for the 2010 D Bonds of AA, Aa3 and AA- were affirmed by Fitch, Moody's and S&P, respectively.

The Authority's PFC 2007-B Revenue Bonds and 2007-D Revenue Refunding Bonds are insured by Assured Guarantee. Those bonds are now rated A+ by Fitch, A2 by Moody's and A by S&P, based on the Authority's underlying ratings and without regard to the bond insurance policy. The underlying ratings were affirmed in June 2010. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on the credit facility provided by The Bank of New York Mellon.

OTHER INFORMATION

Independent Audit

An audit of the Authority's financial statements as of and for fiscal years 2010 and 2009 has been completed by the Authority's independent auditor, PricewaterhouseCoopers LLP. Its report is included herein and includes an unqualified opinion on the Authority's financial statements.

Awards

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2009. This was the ninth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes that its current CAFR continues to meet the Certificate of Achievement program's requirements and it will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for fiscal year 2010.

Acknowledgements

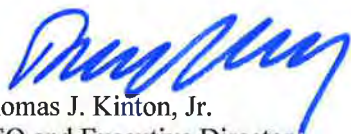
We would like to take this opportunity to thank our Board Members and Massport's employees for their dedication and commitment to our mission - established more than 50 years ago - which is to be an economic engine for the entire Commonwealth. Our efforts each day to provide high levels of customer service, safe, sound, and reliable infrastructure and a climate that promotes and encourages investment in our properties are the characteristics that set this Authority apart. Additionally, we would like to thank all

the employees of the airlines, shipping and cruise lines, and our tenants who are also an integral part of the Authority's success. Most importantly, we thank all of our loyal business and leisure customers. It is you whom we enjoy serving each and every day.

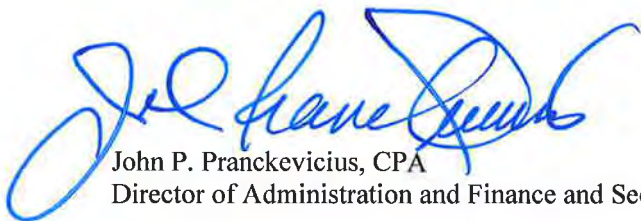
Requests for Information

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Financial information can be found in the Investor Relations section of the website at <http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2010 are available at <http://www.emma.msrb.org> and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer of the Massachusetts Port Authority.

Very truly yours,



Thomas J. Kinton, Jr.
CEO and Executive Director



John P. Prankevicius, CPA
Director of Administration and Finance and Secretary-Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Port Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

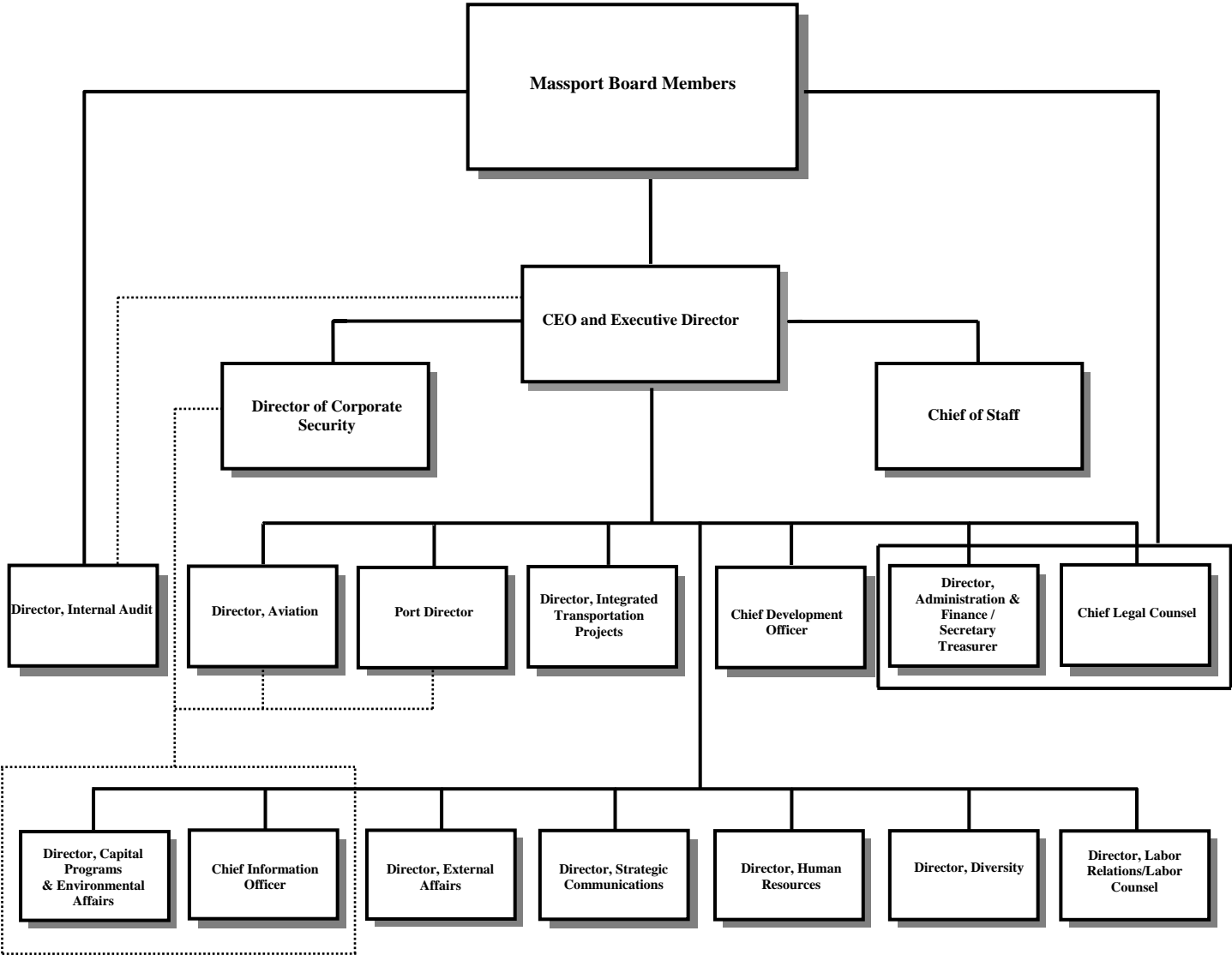
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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Massport Organization Chart



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Authority Board Members

The Authority consists of seven Members; six appointed by the Governor of Massachusetts to staggered terms of seven years each, and the Secretary and Chief Executive Officer of MassDOT.
Members serve without compensation.

John A. Quelch, Chairman
Jeffrey B. Mullan, Secretary and Chief Executive Officer of MassDOT
Ranch C. Kimball
Paul J. McNally
Frederic Mulligan
Vacant Position
Vacant Position

Executive Staff

Thomas J. Kinton, Jr., CEO and Executive Director
George K. Hertz, Chief of Staff
John P. Prankevicius, Director of Administration and Finance/Secretary-Treasurer
Francis X. Anglin, Chief Information Officer
Sandra Casey Buford, Director of Diversity
Thomas J. Butler, Director of External Affairs
Edward C. Freni, Director of Aviation
David M. Gambone, Director of Human Resources
Michael A. Leone, Port Director
Danny T. Levy, Director of Strategic Communications
David S. Mackey, Chief Legal Counsel
Mary Jane O'Meara, Director of Integrated Transportation Projects
Lowell L. Richards, III, Chief Development Officer
Houssam H. Sleiman, Director of Capital Programs & Environmental Affairs
Kelly B. Strong, Director of Labor Relations/Labor Counsel
Gail S. Titus, Director of Internal Audit
Dennis P. Treece, Director of Corporate Security

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SOCIAL MEDIA

Reshapes How Massport Communicates With The World

- Contests Add Fun And Followers
- Do You Speak Tweet?
- Are You Boston Logan?
- Why Should You Be A @bostonlogan Twitter Follower?

OOGA

Massport Social Media

With the explosive growth of popular social media technologies like Facebook, Twitter and YouTube, organizations like Massport must decide whether to become part of the conversation or be left behind as clients and customers talk about them rather than with them. Radio took 38 years to reach 50 million listeners while Facebook only took nine months to gather 100 million subscribers. To stay ahead of this ever-radiating information revolution, Massport launched a social media initiative last year that now boasts more than 5,000 Twitter followers and 3,000 Facebook fans. When footage was put on YouTube of the world's largest commercial aircraft, the Airbus A380 arriving at Logan Airport, it drew nearly 5,000 viewers, while video of crews keeping the airport open during a snowstorm attracted an audience of than 14,000. Massport has used social media to provide real time updates on conditions at its facilities, answer customer questions and concerns and stage contests that promote air service to such destinations as Paris, San Francisco and Portugal.

FINANCIAL



MASSACHUSETTS PORT AUTHORITY

Financial Statements, Required Supplementary Information, and
Supplementary Schedules

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

Report of Independent Auditors

To the Members of the Massachusetts Port Authority:

In our opinion, the accompanying statements of net assets, and the related statements of revenues, expenses, and changes in net assets, and statements of cash flows present fairly, in all material respects, the financial position of the Massachusetts Port Authority (the “Authority”) (a public instrumentality of The Commonwealth of Massachusetts) and the statements of trust net assets and the related statements of changes in trust net assets of the Massachusetts Port Authority Retiree Benefits Trust at June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Management’s Discussion and Analysis presented on pages 21 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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.

The Schedule of Pension Funding Progress and the Schedule of OPEB Funding Progress on page 79 is not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules presented on pages 80 through 83 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis only and are not a required part of the basic financial statements. Such information has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

September 29, 2010

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MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis of the financial performance and activity of the Massachusetts Port Authority (the "Authority") is intended to provide an introduction and an overview of the financial statements of the Authority as of and for the years ended June 30, 2010 ("fiscal year 2010"), 2009 ("fiscal year 2009") and 2008 ("fiscal year 2008"), respectively. This discussion should be read in conjunction with the audited financial statements attached hereto. Management has established and maintains certain internal controls and procedures designed to ensure that the annual financial statements are free from material misstatement and that all required disclosures are made in its annual financial statements. Management has reviewed the Authority's current internal controls and procedures within the past ninety days and believes that such controls and procedures are adequate in order to record, process, summarize and report to management material information required to be disclosed by the Authority in its annual financial statements.

The Authority owns Logan Airport, Hanscom Field, the Maurice J. Tobin Memorial Bridge ("Tobin Bridge"), Conley Terminal and various other maritime properties (the "Port"). As of January 1, 2010, the Authority transferred the Tobin Bridge to the Massachusetts Department of Transportation ("MassDOT") and on July 1, 2010, the Authority acquired Worcester Regional Airport as required under the Transportation Reform Act of 2009. Please see Notes 1 and 14 to the financial statements attached hereto. The Authority has no taxing power and is not taxpayer funded. It uses revenues from landing fees, parking fees, fees from terminal and other rentals, revenues from concessions, tolls, ground rents, and other charges to fund operating expenses. The Authority's revenues also fund its capital expenditures and include other sources such as federal grants, passenger facility charges ("PFCs"), and customer facility charges ("CFCs"). The Authority also issues revenue bonds which are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement and the PFC Revenue Bond Trust Agreement, respectively. The Authority's bonds do not constitute a debt, or a pledge of the full faith and credit of the Commonwealth of Massachusetts or of any political subdivision thereof.

The Financial Statements

The Authority's financial statements include three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The comparative Statements of Net Assets depict the Authority's financial position as of a point in time, specifically June 30, 2010, and 2009 and includes all assets and liabilities of the Authority. The net assets represent the residual interest in the Authority's assets after liabilities are deducted. The Authority's net assets are divided into three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Please see Note 1 in the financial statements attached hereto for a discussion on the Authority's net assets.

The Statements of Revenues, Expenses and Changes in Net Assets report operating revenues, operating expenses, non-operating revenue and expenses, a special item related to the transfer of the Tobin Bridge

(Continued)

MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

(Unaudited)

to MassDOT on January 1, 2010, and other changes in net assets for the period ending of the fiscal year. Revenues and expenses are categorized as either operating or non-operating based upon management's policies as established in accordance with definitions set forth by the GASB. Certain sources of the Authority's revenues, including PFCs, and CFCs, investment income and capital grants are reported as non-operating revenues and their uses are restricted and generally are not available for operating purposes. Please see Note 1 in the financial statements for additional information.

The Statements of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classifies cash receipts and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

Financial Highlights

- The Authority serviced 26.3 million passengers in fiscal year 2010, a 1.3 million, or 5.2% increase in passengers when compared to last year. The addition of four new airlines, increased low cost carrier service to preferred destinations, and a recovering economy are factors driving increasing passenger volume to Logan Airport.
- The Board authorized an increase to its CFC to \$6.00 per transaction day on rental cars to customers originating on Authority owned Airport properties. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility on Airport property. The Authority recognized \$20.7 million and \$5.2 million in CFCs during fiscal years 2010 and 2009 respectively.
- The Authority's net assets grew to \$1.624 billion, a \$6.5 million increase over last year.
- The Authority's increase in net assets before a special item for fiscal year 2010 was \$84.5 million, a 7.8% increase over the prior fiscal year as operating revenues exceeded operating expenses by \$20.4 million, non-operating revenues were \$29.8 million, and capital grant revenue was \$34.3 million.
- The Authority transferred the Tobin Bridge to MassDOT on January 1, 2010 without consideration, resulting in a \$78.0 million special charge against earnings in fiscal year 2010 as noted in the Authority's Statement of Revenues, Expenses and Changes in Net Assets.
- The Authority's bonds payable were reduced by \$88.2 million as a result of a \$20.9 million debt defeasance in July 2009 and \$67.3 million in principal payments made to its bond holders during fiscal year 2010.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

(Unaudited)

The Authority's Condensed Statements of Revenues, Expenses and Changes in Net Assets

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Operating revenues	\$ 527.9	\$ 542.8	\$ (14.9)	-2.7%
Operating expenses	343.4	362.8	(19.4)	-5.3%
Depreciation and amortization	164.1	156.7	7.4	4.7%
Operating income	20.4	23.3	(2.9)	-12.4%
Nonoperating revenues (expenses):				
Passenger facility charges	58.6	50.1	8.5	17.0%
Customer facility charges	20.7	5.2	15.5	298.1%
Investment income	14.9	22.6	(7.7)	-34.1%
Other income/(expense), net	2.5	7.9	(5.4)	-68.4%
Interest expense	(66.9)	(73.7)	6.8	-9.2%
Total nonoperating revenues (expenses), net	29.8	12.1	17.7	146.3%
Capital grant revenue	34.3	43.0	(8.7)	-20.2%
Increase in net assets before special item	84.5	78.4	6.1	7.8%
Transfer Tobin Bridge	(78.0)	-	(78.0)	-100.0%
Increase in net assets	\$ 6.5	\$ 78.4	\$ (71.9)	-91.7%

	(in millions)		2009 vs. 2008	
	2009	2008	\$ Change	% Change
Operating revenues	\$ 542.8	\$ 565.5	\$ (22.7)	-4.0%
Operating expenses	362.8	364.0	(1.2)	-0.3%
Depreciation and amortization	156.7	162.4	(5.7)	-3.5%
Operating income	23.3	39.1	(15.8)	-40.4%
Nonoperating revenues (expenses):				
Passenger facility charges	50.1	53.7	(3.6)	-6.7%
Customer facility charges	5.2	-	5.2	100.0%
Investment income	22.6	29.9	(7.3)	-24.4%
Other income/(expense), net	7.9	4.1	3.8	92.7%
Interest expense	(73.7)	(80.9)	7.2	-8.9%
Total nonoperating revenues (expenses), net	12.1	6.8	5.3	77.9%
Capital grant revenue	43.0	41.8	1.2	2.9%
Increase in net assets	\$ 78.4	\$ 87.7	\$ (9.3)	-10.6%

The Authority's net assets increased \$6.5 million or 0.4% during fiscal year 2010. The increase in net assets before the special item was \$84.5 million, a \$6.1 million or 7.8% increase over fiscal year 2009. The Authority generated \$20.4 million in operating income as cost reductions put into effect were more than the reduced level of revenues incurred as a result of the mid-year transfer of the Tobin Bridge. The Authority generated non-operating income, net of \$29.8 million mainly from the recognition of revenues

(Continued)

MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

(Unaudited)

related to PFCs, CFCs, and interest income, offset by \$66.9 million of interest expense related to outstanding bonds and notes. The Authority also recognized \$34.3 million in various federal and state grants. To account for the Tobin Bridge transfer to MassDOT on January 1, 2010 the Authority recognized a special charge against net assets in the amount of \$78.0 million.

The Authority's net assets increased \$78.4 million or 5.1%, during fiscal year 2009. The net asset increase in fiscal year 2009 was a result of the recognition of \$43.0 million in capital grant revenues, generation of \$23.3 million of operating income, recognition of \$55.3 million in PFC and CFC revenues, \$30.5 million interest income and other revenues. The above non-operating income was offset by the recognition of \$73.7 million of interest expense on the Authority's bonds and notes during the fiscal year.

Operating Revenues

The Authority's operating revenues for fiscal year 2010 were \$527.9 million, a decrease of \$14.9 million or 2.7% from fiscal year 2009. The decline in operating revenue is primarily attributable to the \$13.7 million reduction in Tobin Bridge revenue recognized by the Authority in fiscal year 2010 in comparison to fiscal year 2009 as a result of the January 1, 2010 Tobin Bridge transfer to MassDOT. Operating revenues of the Authority consist primarily of fees, tolls, rentals, concessions and operating grants. Fees, tolls and other services ("Fee Revenue") are comprised essentially of parking fees, landing fees, Tobin Bridge tolls and container handling fees. Rental revenues are earned through lease agreements for building and ground rents across the Authority's asset base, including Logan Airport, Hanscom Field and Port properties. Concessions revenue consists primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus services, limousine services, and retail operations. The following table is a discussion of the Authority's major operating revenues as depicted on the Authority's Condensed Statements of Revenues, Expenses and Changes in Net Assets.

The Authority's Condensed Operating Revenues

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Operating revenues:				
Fees, tolls and other services	\$ 277.8	\$ 298.4	\$ (20.6)	-6.9%
Rentals	167.2	166.0	1.2	0.7%
Concessions	62.3	60.8	1.5	2.5%
Other, including operating grants	20.6	17.6	3.0	17.0%
Total operating revenues	<u>\$ 527.9</u>	<u>\$ 542.8</u>	<u>\$ (14.9)</u>	<u>-2.7%</u>
			2009 vs. 2008	
	2009	2008	\$ Change	% Change
Operating revenues:				
Fees, tolls and other services	\$ 298.4	\$ 312.3	\$ (13.9)	-4.5%
Rentals	166.0	166.4	(0.4)	-0.2%
Concessions	60.8	65.4	(4.6)	-7.0%
Other, including operating grants	17.6	21.4	(3.8)	-17.8%
Total operating revenues	<u>\$ 542.8</u>	<u>\$ 565.5</u>	<u>\$ (22.7)</u>	<u>-4.0%</u>

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MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

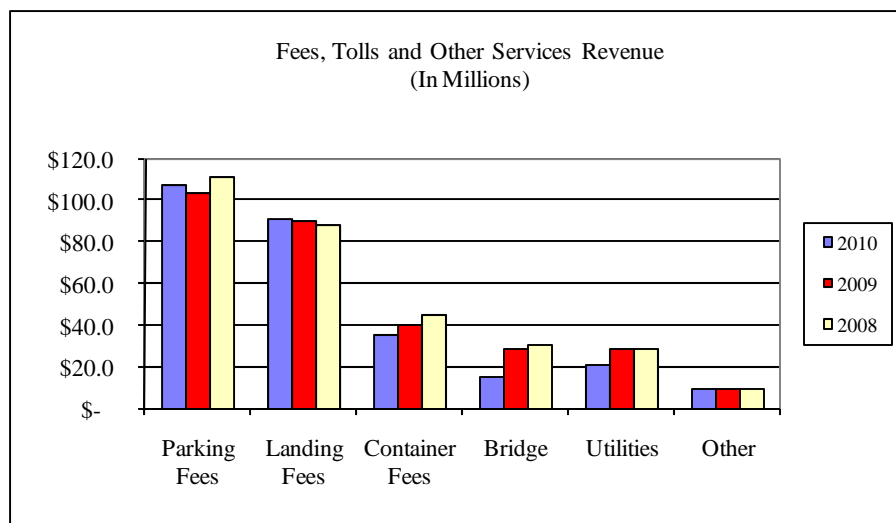
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Fiscal year 2009 operating revenues when compared to fiscal year 2008 decreased \$22.7 million, or 4.0% to \$542.8 million. This decline in operating revenues resulted primarily from servicing 2.4 million fewer passengers during fiscal year 2009 when compared to fiscal year 2008. The economic contraction resulted in reduced leisure and business travel at the Authority's facilities during this period.

Fees, Tolls and Other Services

Fees, tolls and other services revenues were \$277.8 million during fiscal year 2010 compared to \$298.4 million during fiscal year 2009, which represents a decrease of \$20.6 million or 6.9%. Landing fees and parking revenue was \$4.8 million higher in fiscal year 2010 than in fiscal year 2009. The Tobin Bridge toll revenue, Conley Terminal container revenue, and the Authority wide utility revenue declined in fiscal year 2010 by nearly \$26.1 million. The \$26.1 million decline is due to the transfer of the Tobin Bridge to MassDOT, lower container volume at the Conley Terminal, record low natural gas prices, and a change to wholesale utility billing procedures that lowered overall utility revenues from Aviation tenants.

The following table is a presentation of the revenue components included in Fee Revenue by the Authority's primary business operations.



Aviation Activity. Logan Airport and Hanscom Field (collectively "Aviation") parking fees, landing fees and utility fees comprise the majority of Aviation fee revenue. During fiscal year 2010, the Authority earned approximately \$218.0 million in Aviation fee revenue. This represented a decrease of 1.3% as compared to fiscal year 2009 of \$220.9 million.

In fiscal year 2010 Logan Airport serviced 26.3 million passengers, an increase of 1.3 million passengers, or 5.2% in comparison to the 25.0 million passengers served during fiscal year 2009. The increase in passenger activity can be attributed to the four new airlines serving Logan Airport, an increase in the number of low cost carrier service provided at Logan to preferred destinations, as well as other economic factors. While the 26.3 million passengers served by Logan in fiscal year 2010 was a marked improvement in the number of passengers served, it was 1.1 million passengers lower than the 27.4

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MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

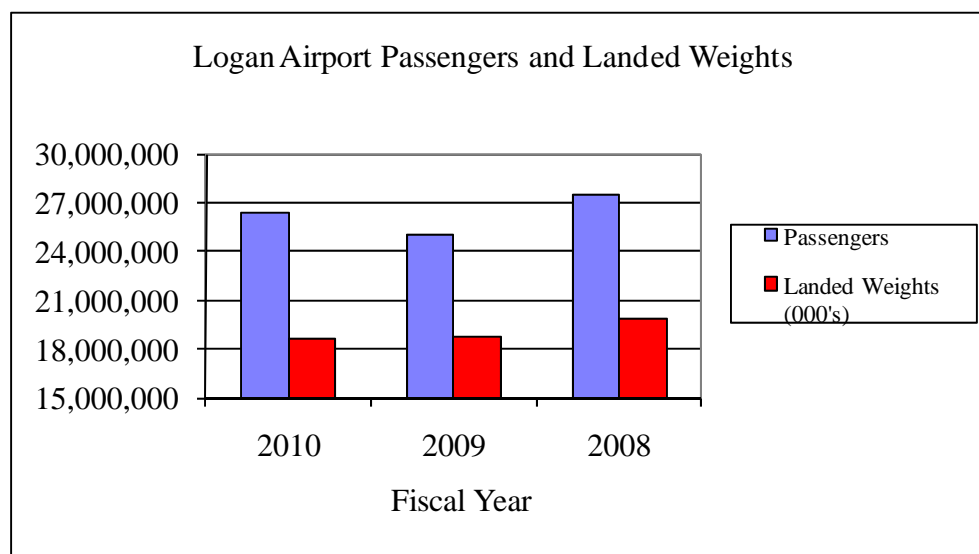
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million passengers Logan serviced in fiscal year 2008. Logan Airport's aircraft operations (take-offs and landings) declined from 390,000 in fiscal year 2008 to 351,000 in fiscal year 2009 and further declined to 348,000 in fiscal year 2010. The decline in aircraft operations is mainly attributed to fewer small general aviation aircraft using the Authority's property.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined annually based on full cost recovery to maintain the landing field pursuant to an arrangement between the Authority and the respective airlines. Landing fees earned from airline activity was \$90.6 million during fiscal year 2010 compared to \$89.9 million earned during fiscal year 2009. This increase of \$0.7 million or 0.8% was the result of changes in the rate per thousand pounds of landed weight charged to the Airlines and the relatively consistent use of aircraft and landed weight using the Authority's runways. During fiscal years 2010, 2009 and 2008, Logan Airport handled 18.68 billion pounds, 18.74 billion pounds and 19.91 billion pounds of landed weight, respectively.

During fiscal year 2010, the Authority collected \$107.1 million in Aviation parking revenue, an increase of \$4.1 million or 4.0% compared to fiscal year 2009. This increase in parking revenues is attributable primarily to the 5.2% increase in passenger volume experienced at the Authority properties in fiscal year 2010.

During fiscal year 2009, the Authority collected \$103.0 million in parking revenue, a decrease of \$7.8 million or 7.1% compared to fiscal year 2008. Parking revenues declined due to lower passenger traffic at Logan Airport and the weakened economy.



Port Activity. The Port generated \$40.6 million in fee revenue during fiscal year 2010. This was a decrease of \$3.8 million or an 8.6% decrease from the fiscal year 2009 total of \$44.4 million. Terminal handling fees, which represent the majority of the Port's fee revenue activity, are fees charged to the shipping lines for the loading and unloading of containers from their vessels. During fiscal year 2010 the Port serviced 101,000 containers, a 12.1% decline from the 115,000 containers serviced in fiscal year

(Continued)

MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

(Unaudited)

2009. The lower container volume reflects lower levels of imports and exports as a result of the contracting economy. During fiscal year 2008 the Port serviced 124,000 containers and generated \$49.8 million Port fee revenue, a decrease of \$5.4 million or 10.8% decrease when comparing fiscal year 2009 to fiscal year 2008.

Tobin Bridge Activity. The Authority operated the Tobin Bridge for the first six months of fiscal year 2010, during which time it realized \$15.1 million in Tobin Bridge revenue. This is a \$13.7 million or 47.4% decrease compared to the \$28.7 million in Tobin Bridge revenue recognized in the twelve months of fiscal year 2009. During fiscal year 2008, the Tobin Bridge generated \$30.3 million revenue.

Rentals

Logan Airport accounts for \$143.7 million or 86% of the \$167.2 million in total rental revenue recorded in the Authority's financial statements. Airport rental revenue is earned from airlines and other tenants for terminal buildings and cargo and hangar space they occupied on airport property.

Rental revenues at Logan Airport were \$143.7 million, an increase of \$1.0 million or 0.7% in fiscal year 2010 when compared to fiscal year 2009. The increase in Logan Airport rental revenue reflects the reduction in vacancy rates at Logan Airport's facilities as a result of adding new carriers at Logan Airport. In addition, the Authority collects rental revenue on Port properties and land that it owns. During fiscal year 2010, the Authority earned approximately \$13.7 million in rental revenue on Port properties, a decrease of approximately \$0.7 million or 4.9% over fiscal year 2009. Lastly, Conley Terminal and Hanscom generated \$5.7 million and \$4.2 million of rental revenue, a combined increase of \$1.0 million or 11.2% due to rental rate increases in existing ground leases that went into effect during the course of fiscal year 2010. Conley Terminal and Hanscom rents represent approximately 3.4% and 2.5% respectively, of total rental revenue earned in fiscal year 2010.

During fiscal year 2009, Logan Airport rental revenues increased \$0.4 million or 0.3% when compared to fiscal year 2008. The Port properties rental revenues decreased \$1.2 million or 7.7% when compared to fiscal year 2008. Rental revenues from Conley Terminal and Hanscom Field increased \$0.5 million or 6.0% due to the full year effect of rate adjustments which took effect during fiscal year 2008.

Concessions

During fiscal year 2010, the Authority earned \$62.3 million in concessions revenue compared to \$60.8 million in fiscal year 2009, an increase of \$1.5 million or 2.5%. Concessions revenue consists primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus and limousine services, as well as retail operations within the Airport's terminals. During fiscal year 2010, the Authority earned approximately \$33.8 million in ground service fees compared to \$33.0 million in fiscal year 2009. This represented an increase of \$0.8 million in ground service fees or approximately 2.4%, which was primarily the result the 5.2% increase in passenger activity. During fiscal year 2010, other concession revenues generated from food and beverage, news and gifts, duty free shops, specialty shops and other concessions totaling \$28.4 million in fiscal year 2010 and \$27.6 million in fiscal year 2009, an increase of \$0.8 million or 2.9% over previous year.

During fiscal year 2009, the Authority's concessions revenue decreased \$4.6 million or 7.0% when compared to fiscal year 2008. During fiscal year 2009, the Authority's ground service fees decreased \$3.2 million or 8.8% from fiscal year 2008, which was primarily the result of a 7.7% decrease in rental car revenue in fiscal year 2009. In fiscal year 2009, other concession revenues also declined by \$1.3

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MASSACHUSETTS PORT AUTHORITY

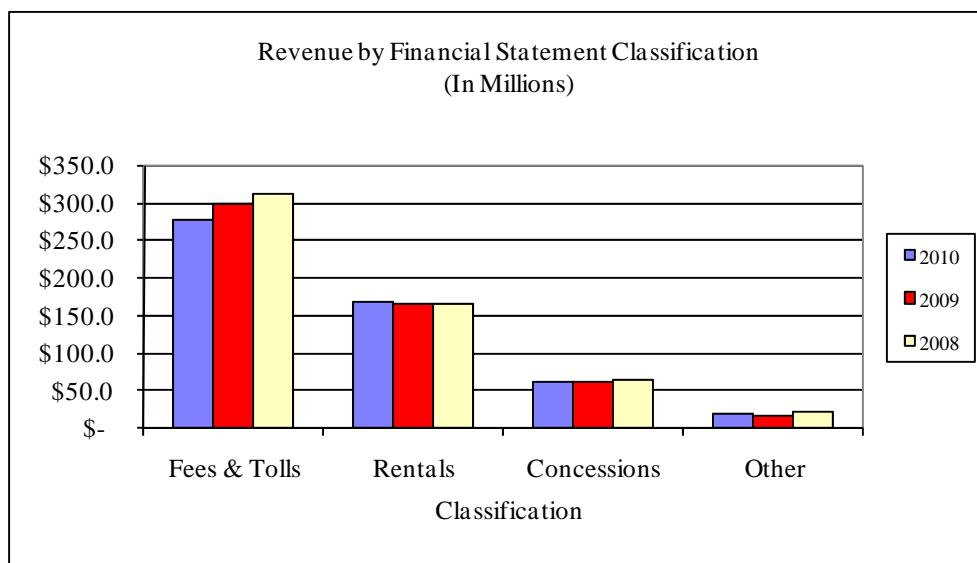
Management's Discussion and Analysis - Required Supplementary Information

June 30, 2010 and 2009

(Unaudited)

million or 4.5% from the fiscal year 2008 total of \$28.9 million. This decrease can be attributed to fewer passengers utilizing services at the Logan Airport during fiscal year 2009.

The following depicts the Authority's significant revenue components by financial statement classification:



Operating Expenses

Fiscal year 2010 operating expenses for the Authority were \$507.5 million, a decrease of \$12.0 million or 2.3% compared to fiscal year 2009. The Authority implemented a series of cost containment initiatives that resulted in a \$19.4 million decrease in operating expenses. These initiatives included the implementation of an employee hiring freeze, new health care plan design and employee cost sharing measures related to health insurance, the reduction in service contracts (where lower passenger activity permitted,) the reduction of other discretionary accounts, and lower utility costs primarily from low natural gas prices. The above cost reductions were offset by higher employer pension contributions as a result of the 27.4% decline in pension assets realized by the Authority's pension system in 2009. The transfer of the Tobin Bridge also contributed to the reduction of expenses at that facility compared to the previous full year of expense. The non-cash depreciation expense increased by approximately \$7.4 million or 4.7% as a result of new capital assets being placed into service during fiscal year 2010.

MASSACHUSETTS PORT AUTHORITY

Management's Discussion and Analysis - Required Supplementary Information

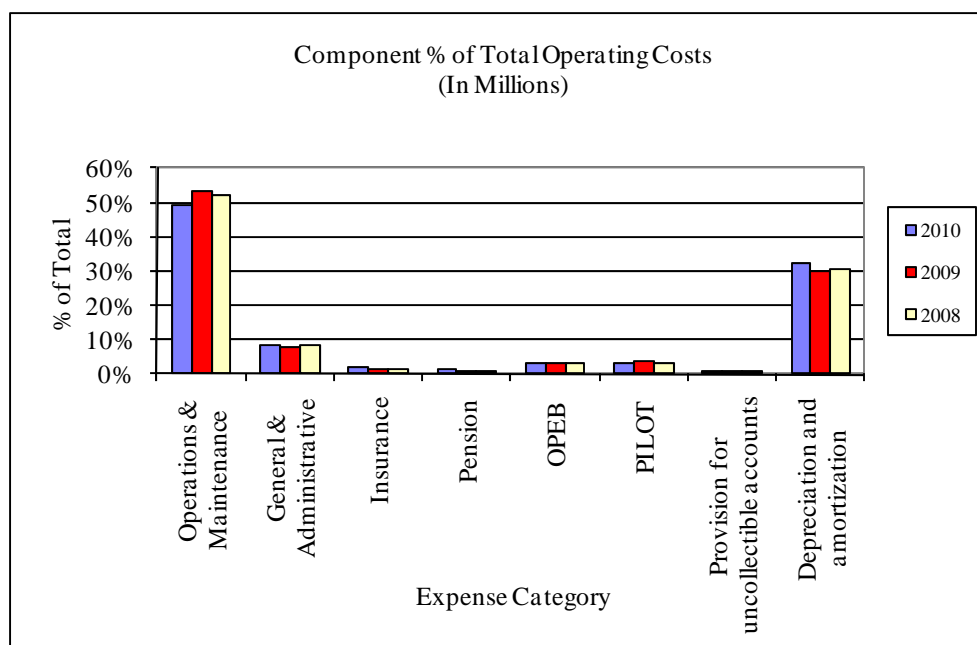
June 30, 2010 and 2009

(Unaudited)

The Authority's Condensed Operating Expenses

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Operating expenses:				
Operations & maintenance	\$ 249.7	\$ 276.2	\$ (26.5)	-9.6%
General & administrative	41.7	42.0	(0.3)	-0.7%
Insurance	8.9	7.4	1.5	20.3%
Pension	7.6	0.4	7.2	1800.0%
Other post-employment benefits	17.5	16.7	0.8	4.8%
Payments in lieu of taxes	17.5	18.5	(1.0)	-5.4%
Provision/(Recovery) for uncollectible accounts	0.5	1.6	(1.1)	-68.8%
Depreciation and amortization	164.1	156.7	7.4	4.7%
Total operating expenses	\$ 507.5	\$ 519.5	\$ (12.0)	-2.3%

	(in millions)		2009 vs. 2008	
	2009	2008	\$ Change	% Change
Operating expenses:				
Operations & maintenance	\$ 276.2	\$ 275.8	\$ 0.4	0.1%
General & administrative	42.0	45.5	(3.5)	-7.7%
Insurance	7.4	8.5	(1.1)	-12.9%
Pension	0.4	1.0	(0.6)	-60.0%
Other post-employment benefits	16.7	15.9	0.8	5.0%
Payments in lieu of taxes	18.5	17.1	1.4	8.2%
Provision/(Recovery) for uncollectible accounts	1.6	0.2	1.4	700.0%
Depreciation and amortization	156.7	162.4	(5.7)	-3.5%
Total operating expenses	\$ 519.5	\$ 526.4	\$ (6.9)	-1.3%



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Fiscal year 2009 operating expenses for the Authority were \$519.5 million, a decrease of \$6.9 million or 1.3% compared to fiscal year 2008. Approximately \$5.7 million of the operating expense decrease is due to a reduction in non-cash depreciation expense. The remaining decrease of \$1.2 million in operating expenses from fiscal year 2009 to fiscal year 2008 is a result of cost containment measures management implemented during the year in anticipation of the decline in passenger activity due to the economic recession.

Operations and Maintenance

During fiscal year 2010, the Authority incurred \$249.7 million in operations and maintenance costs, which represents a decrease of \$26.5 million or 9.6% from fiscal year 2009. The decrease of \$26.5 million is primarily the result of the cost reduction measures implemented by the Authority as described previously. Operations and maintenance expenses represent 49.2% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities and include Logan Airport and Hanscom Field, the Port and the half year Tobin Bridge expenses.

During fiscal year 2009, the Authority's operations and maintenance expenses increased \$0.4 million or 0.1% when compared to fiscal year 2008. The result is attributed to the \$13.0 million cost reduction program management implemented during fiscal year 2009 offset by higher snow removal costs during fiscal year 2009 winter and higher costs associated with security requirements.

General and Administrative

During fiscal year 2010, the Authority incurred \$41.7 million in general and administrative expenses, a decrease of \$0.3 million, or 0.7% compared to fiscal year 2009. General and administrative expenses as a percent of the Authority's total expenses remained relatively constant at 8.2% and 8.1% for fiscal year 2010 and 2009, respectively.

During fiscal year 2009, the Authority's general and administrative expenses decreased \$3.5 million or 7.7% when compared to fiscal year 2008. The decrease in fiscal year 2009 is attributed to the cost reduction program management implemented in fiscal year 2009 described above. Specifically, the Authority controlled costs by implementing a hiring freeze, implementing new cost sharing measures on health insurance premiums, a reduction in service contracts, and the reduction of other discretionary line items.

Risk Management

The Authority has a comprehensive insurance program covering all its facilities and operations in an attempt to limit the cost of any personal injury or property damage claims. Additionally, as mandated by the 1978 Trust Agreement, the Authority maintains a self insurance fund for general liability and workers compensation claims. In connection with the self insurance and insurance programs, the Authority retains part of the losses incurred and internally manages the self insured claims. Insurance is purchased above the self-insured amounts, subject to availability and reasonableness of cost.

Insurance expense at June 30, 2010 was \$8.9 million, an increase of \$1.5 million or 20.3% from fiscal year 2009. This was the result of the Authority settling a number of self insurance claims during the year. During fiscal year 2009, insurance expense decreased \$1.1 million or 12.9% from \$8.5 million in fiscal year 2008. This decrease was primarily the result of the Authority competitively bidding and successfully

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renegotiated terms for certain insurance contracts which resulted in lower premium and cost savings to the Authority. Please see Note 9 in the financial statements attached hereto.

Other Post-employment Benefits

During the year ended June 30, 2008, the Authority established an irrevocable Retiree Benefits Trust to provide sufficient resources to finance post-employment health care and life insurance benefits (OPEB) for retired employees. The Trust is a legally separate entity used by the Authority to accumulate resources to fund its obligation over time in order to provide for retired employee health care benefits. The initial funding of the Trust was in the amount of approximately \$54.1 million. This created a net OPEB asset on the Authority's Statements of Net Assets.

To comply with GASB Statement No. 43 and No. 45 the Authority is recognizing the actuarially required contribution as an expense on the Statements of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefit rather than when they use their postemployment benefit. To the extent that the Authority does not fund its actuarially required contribution, a postemployment benefit liability is recognized on the Statements of Net Assets over time. Conversely, to the extent that an entity does fund its actuarially required contribution, a postemployment benefit asset (net OPEB asset) is recognized on the Statements of Net Assets and will be amortized over time.

The net OPEB asset represents progress toward funding the Authority's annual required contribution under its Other Post Employment Benefit plan. The Annual Required Contribution for fiscal year 2010, 2009 and 2008 were \$18.3 million, \$17.3 million and \$15.8 million respectively. The Authority's actual contributions for fiscal year 2010, 2009 and 2008 were \$15.3 million, \$14.9 million and \$54.1 million, respectively. More information about the Trust activities can be found in the separately issued Retiree Benefits Trust fund financial statements, Note 7 to the financial statements, and the schedule of funding progress found in the Required Supplementary Information section.

Payment in Lieu of Taxes

During fiscal year 2010, the Authority incurred \$17.5 million in statutorily required Payment-in-Lieu-of-Tax ("PILOT") agreements with the Cities of Boston and Chelsea and the Town of Winthrop, a \$1.0 million or 5.4% decline from fiscal year 2009, and a \$1.4 million or 8.2 % increase when comparing fiscal year 2009 to fiscal year 2008. These agreements provide long term financial assistance to the communities in recognition of the services they provide to the Authority and are intended to mitigate the impacts on the communities by the presence of the Authority's facilities. The Authority's PILOT payments in fiscal year 2010 decreased from fiscal year 2009 as a result of the Tobin Bridge transfer on January 1, 2010. In accordance with the Transportation Reform Act, as of January 1, 2010, the portion of the Authority's PILOT obligations to the Cities of Boston and Chelsea attributable to the Tobin Bridge were assumed by MassDOT and are no longer an obligation of the Authority. Please see Note 10 in the financial statements attached hereto.

Depreciation and Amortization

The Authority recognized \$164.1 million in depreciation and amortization expense, an increase of \$7.4 million or 4.7% in fiscal year 2010 compared to fiscal year 2009. This increase was the result of retiring several depreciated assets, the write down of assets associated with the Tobin Bridge transfer, and placing into service \$191.2 million in new assets during fiscal year 2010. In comparison, during fiscal year 2009 and 2008, the Authority placed into service new assets totaling \$138.3 million and \$103.3

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million respectively. Please see "Capital Assets" section and Note 1 in the financial statements attached hereto.

Non-operating Revenue and Expense

Non-operating revenue, increased overall by \$17.7 million or 146.3% during fiscal year 2010 compared to fiscal year 2009 and increased overall by \$5.3 million or 77.9% during fiscal year 2009 compared to fiscal year 2008, as a result of the following:

Customer Facility Charge Revenues

In fiscal year 2009, the Authority instituted a CFC of \$4.00 per day for car rentals which originate from Logan Airport. Effective December 2009, the CFC was increased to \$6.00 per transaction day. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility. During fiscal year 2010, the Authority recognized \$20.7 million in CFC revenues as compared to \$5.2 million during a portion of fiscal year 2009. This increase of \$15.5 million over fiscal year 2009 is the result of a full year's activity collecting CFCs in fiscal year 2010 and the effect of the CFC rate increase. Please see Note 1 in the financial statements attached hereto.

Passenger Facility Charge Revenues

PFC revenues were \$58.6 million for fiscal year 2010 compared to \$50.1 million for fiscal year 2009, representing an increase of \$8.5 million or 17.0%. The increase was assisted by the 5.2% increase in passenger volumes at Logan Airport during fiscal year 2010. During fiscal year 2009, PFC revenues decreased \$3.6 million or 6.7% when compared to fiscal year 2008. PFC revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date. As a result, the Authority can experience increases or decreases in passenger facility charge revenues based on the timing between ticket purchase date and the actual travel date. Please see Note 1 in the financial statements attached hereto.

Investment Income

The Authority earned \$14.9 million in investment income during fiscal year 2010. This represented a decrease of \$7.7 million or 34.1% as compared to fiscal year 2009. Declining interest rates, the loss of the Tobin Bridge toll revenue subsequent to January 1, 2010, and the payment of \$21.7 million, including a call premium of \$0.8 million to defease Tobin Bridge related outstanding bonds in July 2009 reduced the amount of cash available for investment purposes.

During fiscal year 2009, the Authority's investment income decreased \$7.3 million or 24.4% less than fiscal year 2008. Declining interest rates contributed to the decreases in investment income during fiscal year 2009.

Other Income (Expense), net

Other income includes other revenues, settlement of claims, other expenses, and any equipment gains or losses. For fiscal year 2010 other income totaled \$2.5 million, a decrease \$5.4 million or 68.4% from last year. The decrease in Other Income is attributable to a one time receipt of a claims settlement pursued by the Authority during fiscal year 2009, as well as termination payment revenues and the recognition of an arbitrage tax expense from the termination of several guaranteed investment contracts during fiscal year 2009.

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Interest Expense

During fiscal year 2010, the Authority recognized \$66.9 million in interest expense compared to \$73.7 million in fiscal year 2009. The decrease of \$6.8 million or 9.2% was the result of lower interest rates on outstanding variable rate debt, which is approximately 8.6% of the Authority's debt portfolio. The decrease is also due to the defeasance of \$20.9 million in bonds in July 2009, and the \$67.3 million reduction in total debt outstanding at the beginning of fiscal year 2010.

During fiscal year 2009, the Authority's interest expense was \$73.7 million a decrease of \$7.2 million or 8.9% from fiscal year 2008. This was also the result of the full year effect of lower interest rates during fiscal year 2009 on the Authority's variable rate debt instruments and a reduction in the long term debt outstanding during the fiscal year.

Capital Grant Revenues

Capital grant revenues were \$34.3 million, \$43.0 million and \$41.8 million during fiscal year 2010, 2009 and 2008, respectively, a decrease of \$8.7 million or 20.2% during fiscal year 2010 compared to fiscal year 2009 and an increase of \$1.2 million or 2.9% during fiscal year 2009 compared to fiscal year 2008. The majority of the Authority's capital grants were awarded from the Federal Aviation Administration ("FAA") for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects, and other capital related projects.

The Authority's Statements of Net Assets

The Statements of Net Assets present the financial position of the Authority at the end of the fiscal year. The Statements include all assets and liabilities of the Authority. Net assets are the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at June 30, 2010, 2009 and 2008 is as follows:

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The Authority's Condensed Statements of Net Assets

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Assets				
Current assets	\$ 359.6	\$ 267.7	\$ 91.9	34.3%
Capital assets, net	2,517.6	2,595.7	(78.1)	-3.0%
Other non-current assets	462.8	554.9	(92.1)	-16.6%
Total Assets	<u>\$ 3,340.0</u>	<u>\$ 3,418.3</u>	<u>\$ (78.3)</u>	<u>-2.3%</u>
Liabilities				
Current liabilities	\$ 224.5	\$ 216.2	\$ 8.3	3.8%
Bonds payable, including current portion	1,434.8	1,524.3	(89.5)	-5.9%
Other non-current liabilities	56.9	60.5	(3.6)	-6.0%
Total Liabilities	<u>\$ 1,716.2</u>	<u>\$ 1,801.0</u>	<u>\$ (84.8)</u>	<u>-4.7%</u>
Net Assets				
Invested in capital assets, net of debt	\$ 999.3	\$ 988.0	\$ 11.3	1.1%
Restricted:				
Debt service	187.2	184.5	2.7	1.5%
Capital projects	159.7	158.7	1.0	0.6%
Passenger facility charges	73.5	59.3	14.2	23.9%
Customer facility charges	26.0	5.2	20.8	400%
Net OPEB asset	42.7	43.7	(1.0)	-2.3%
Other purposes	49.1	53.1	(4.0)	-7.5%
Unrestricted	86.3	124.8	(38.5)	-30.8%
Total Net Assets	<u>\$ 1,623.8</u>	<u>\$ 1,617.3</u>	<u>\$ 6.5</u>	<u>0.4%</u>

	(in millions)		2009 vs. 2008	
	2009	2008	\$ Change	% Change
Assets				
Current assets	\$ 267.7	\$ 324.1	\$ (56.4)	-17.4%
Capital assets, net	2,595.7	2,559.2	36.5	1.4%
Other non-current assets	554.9	496.4	58.5	11.8%
Total Assets	<u>\$ 3,418.3</u>	<u>\$ 3,379.7</u>	<u>\$ 38.6</u>	<u>1.1%</u>
Liabilities				
Current liabilities	\$ 216.2	\$ 212.9	\$ 3.3	1.6%
Bonds payable, including current portion	1,524.3	1,586.4	(62.1)	-3.9%
Other non-current liabilities	60.5	41.5	19.0	45.8%
Total Liabilities	<u>\$ 1,801.0</u>	<u>\$ 1,840.8</u>	<u>\$ (39.8)</u>	<u>-2.2%</u>
Net Assets				
Invested in capital assets, net of debt	\$ 988.0	\$ 903.0	\$ 85.0	9.4%
Restricted:				
Debt service	184.5	180.8	3.7	2.0%
Capital projects	158.7	168.1	(9.4)	-5.6%
Passenger facility charges	59.3	58.8	0.5	0.9%
Customer facility charges	5.2	-	5.2	100.0%
Net OPEB asset	43.7	43.8	(0.1)	-0.2%
Other purposes	53.1	52.2	0.9	1.7%
Unrestricted	124.8	132.2	(7.4)	-5.6%
Total Net Assets	<u>\$ 1,617.3</u>	<u>\$ 1,538.9</u>	<u>\$ 78.4</u>	<u>5.1%</u>

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The Authority ended fiscal year 2010 with Total Assets of \$3.34 billion, Total Liabilities of \$1.72 billion and Total Net Assets of \$1.62 billion. The Authority's assets consist primarily of capital assets, which represent approximately 75.4% of the Authority's total assets as of June 30, 2010. The Authority's liabilities consist primarily of bonds payable (including current portion), which account for 83.6% of total liabilities.

Cash, Cash equivalents and Investments

Cash, cash equivalents and investments totaled \$700.5 million on June 30, 2010, an increase of \$3.3 million from the \$697.2 million as of June 30, 2009. The increase of cash and investments during fiscal year 2010 was primarily the result of 1) generating \$202.3 million in net cash from operating activities, 2) the receipt of \$43.4 million in capital grant revenues, 3) the receipt of \$71.2 million in PFCs and CFCs, and 4) investment earnings of \$16.2 million offset by a) capital acquisitions of \$171.7 million and b) principal and interest payments on outstanding debt obligations of \$158.5 million.

The following summary shows the major sources and uses of cash during the following fiscal years:

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Net cash provided by operating activities	\$ 202.3	\$ 183.7	\$ 18.6	10.1%
Net cash used for capital and related financing activities	215.3	219.4	(4.1)	-1.9%
Net cash (used for)/provided by investing activities	(7.5)	50.5	(58.0)	-114.9%
Net (decrease)/increase in cash and cash equivalents	(20.5)	14.8	(35.3)	-238.5%
Cash and cash equivalents, beginning of year	173.3	158.5	14.8	9.3%
Cash and cash equivalents, end of year	<u>\$ 152.8</u>	<u>\$ 173.3</u>	<u>\$ (20.5)</u>	<u>-11.8%</u>

	(in millions)		2009 vs. 2008	
	2009	2008	\$ Change	% Change
Net cash provided by operating activities	\$ 183.7	\$ 161.1	\$ 22.6	14.0%
Net cash used for capital and related financing activities	219.4	161.2	58.2	36.1%
Net cash (used for)/provided by investing activities	50.5	(69.1)	119.6	-173.1%
Net (decrease)/increase in cash and cash equivalents	14.8	(69.2)	84.0	-121.4%
Cash and cash equivalents, beginning of year	158.5	227.7	(69.2)	-30.4%
Cash and cash equivalents, end of year	<u>\$ 173.3</u>	<u>\$ 158.5</u>	<u>\$ 14.8</u>	<u>9.3%</u>

The Authority's cash and cash equivalents decreased by \$20.5 million, or 11.8% from \$173.3 million in fiscal year 2009 to \$152.8 million in fiscal year 2010. The Authority generated \$18.6 million in cash from operations as cost reductions were implemented to preserve cash. The Authority's net cash used for capital investment activities was \$4.1 million less than fiscal year 2009 primarily due to lower financing costs. Lastly, the Authority sold investments that generated \$58.0 million less in cash primarily due to the \$21.7 million bond defeasance to refund the long term debt outstanding related to the Tobin Bridge and the result of lower investment income during the year.

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The Authority's cash and cash equivalent increased by \$14.8 million, or 9.3% to \$173.3 million in fiscal year 2009 from the \$158.5 million in fiscal year 2008. The Authority generated \$22.6 million in cash from operations as cost reductions were implemented to preserve cash during fiscal year 2009. The Authority's capital investment activities in the construction of new assets consumed a net \$58.2 million in cash to expand and or improve the Authority's assets. Lastly, in fiscal year 2009, the Authority sold investments that generated \$119.6 million in cash primarily to support the financing of the Authority's capital program.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2010 and 2009, the Authority had approximately \$2.52 billion and \$2.60 billion of capital assets (net of depreciation), respectively. This includes land, construction in process, Tobin Bridge improvements, buildings, runways, roadways, machinery and equipment, air rights and parking rights. The Authority's net capital assets decreased approximately \$78.1 million, or 3.0% in fiscal year 2010 and is directly attributable to the transfer of ownership and operation of the Tobin Bridge to the newly created Massachusetts Department of Transportation ("MassDOT") on January 1, 2010 as required by the Transportation Reform Act.

Capital assets continue to comprise approximately 75.4% of the Authority's assets during fiscal year 2010, and 2009. During fiscal years 2010, 2009 and 2008 the Authority spent approximately \$171.7 million, \$169.6 million and \$155.2 million, respectively constructing new assets and improving existing assets already in service, inclusive of construction in process.

Major projects in progress or completed during fiscal year 2010 at Logan Airport included investments in Terminal E gate improvements, Terminal B garage upgrades, continued rehabilitation and improvements to the runways and taxiways, improvements to the Authority's maintenance facilities, completion of the new State Police Headquarters, a new pumping station, and design work for a new consolidated rental car facility. The Authority invested in its Maritime Facilities with the renovations to its cruise terminal, acquisitions of new dock and yard cranes for the Conley Terminal as well as the rehabilitation to existing cranes used to move containers in its shipping yards.

Major projects in progress or completed during fiscal year 2009 included the continued investment in the Centerfield Taxiway, the acquisition of additional airport roadways, Tobin Bridge roadway redecking, relocation of the State Police Headquarters, acquisition of an MBTA parcel near Wood Island Station, and the mill and inlay of Runway 22L.

Major projects in progress or completed during fiscal year 2008 include the continued investment in the Southwest Taxiway, Centerfield Taxiway, the acquisition of the airport roadways, Bridge painting, apron lighting, and modifications to the baggage rooms.

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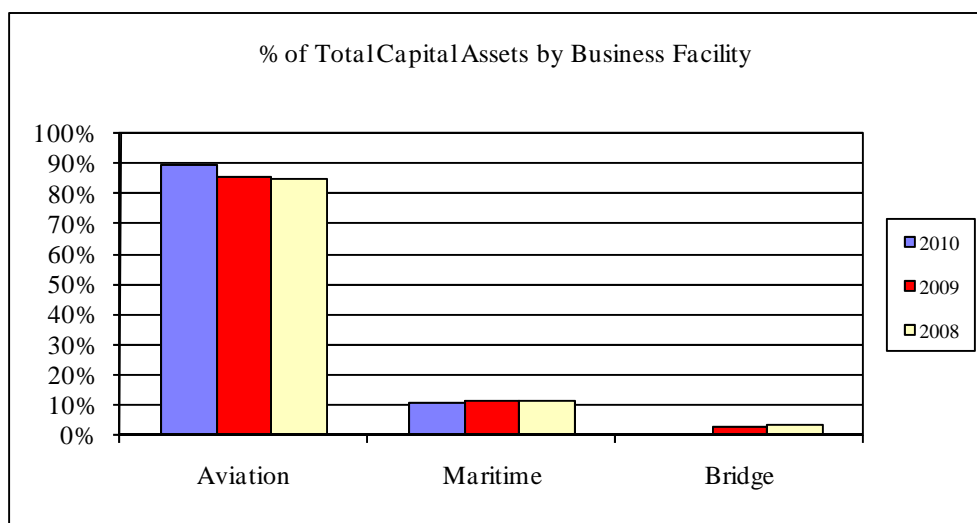
Management's Discussion and Analysis - Required Supplementary Information

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Following is a breakdown of capital assets by business facility at June 30:

		2010	2009	2008	Percentage Change 2010-2009	Percentage Change 2009-2008
Land	\$	172,462	172,515	140,869	-0.03%	22.46%
Construction in progress		84,422	112,127	54,279	-24.71%	106.58%
Bridge and bridge improvements		—	44,224	46,956	-100.00%	-5.82%
Buildings		1,267,220	1,273,085	1,335,388	-0.46%	-4.67%
Runway and other paving		389,937	359,238	347,172	8.55%	3.48%
Roadway		404,223	424,895	421,532	-4.87%	0.80%
Machinery and equipment		69,702	71,196	73,001	-2.10%	-2.47%
Air rights		97,230	104,493	104,501	-6.95%	-0.01%
Parking rights		32,383	33,925	35,467	-4.55%	-4.35%
Capital assets, net	\$	<u>2,517,579</u>	<u>2,595,698</u>	<u>2,559,165</u>	<u>-3.01%</u>	<u>1.43%</u>



The Authority's capital assets are principally funded by the proceeds of revenue bonds, Authority-generated revenues, PFCs, CFCs and from federal and state grants.

Debt Administration

The Authority's tax exempt bond sales must be approved by its Members and must comply with the rules and regulations of the United States Treasury Department. The Authority, through its 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a debt service coverage ratio higher than its Trust Agreement requirement. As of June 30, 2010, 2009, and 2008, the Authority's debt service coverage under the 1978 Trust Agreement was 2.08, 2.10, and 2.30, respectively. The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2010, 2009, and 2008, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 1.57, 1.63, and 1.86, respectively.

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The Authority has bonds payable outstanding of approximately \$1.43 billion as of June 30, 2010, a decrease of approximately \$89.5 million from fiscal year 2009. The decrease was primarily the result of principal repayments and the \$20.9 million defeasance to refund the long term debt outstanding related to the Tobin Bridge.

At June 30, 2009, the Authority had bonds payable outstanding of \$1.52 billion, a decrease of approximately \$62.1 million from fiscal year 2008. This decrease was the result of principal debt payments made in fiscal year 2009. During the year the Authority issued \$38.0 million in Series 2008 C Bonds Refunding Bonds and made principal repayments of \$99.8 million. The refunding was completed to reduce the average annual debt service for fiscal year 2009 through fiscal year 2020 by approximately \$0.2 million per year.

During fiscal year 2008, the Authority issued \$24.3 million in Revenue Bonds and \$100.9 million in Refunding Bonds and made principal repayments of \$155.9 million. The revenue bonds proceeds were used to purchase airport roadways associated with the Central Artery/Tunnel project and to repay approximately \$13.0 million in Commercial Paper borrowings. The Refunding Bonds were used to refund amounts outstanding from the Series 2003-B Revenue and Refunding Bonds, and Series 2005-B Revenue Bonds which comprised all of the Authority's outstanding auction rate securities. The Series 2008 A/B bonds were issued as variable rate debt with interest that resets weekly and are backed by a Letter of Credit from the Bank of America.

Subsequent to fiscal year ending June 30, 2010, the Authority issued \$424.5 million of Revenue Bonds. These funds will be used for capital projects and refunding various existing bonds. The Authority is expected to achieve a net present value savings of \$13.5 million.

The Official Statements relating to the Authority's Bond issuances are available from the Authority or by accessing the Authority's website.

Please see Note 5 in the financial statements attached hereto.

Credit Ratings:

The Authority's revenue bonds have an underlying rate of AA by Fitch, Aa3 by Moody's and AA- by S&P. In June 2010, S&P affirmed the Authority's AA- rating while improving the outlook from negative to stable. Fitch and Moody's also affirmed the Authority's ratings. When the Authority issued the 2008 Bonds in June 2008, they were assigned a long-term rating of AAA, and a short-term rating of F1+, VMIG1 and A1 reflecting the Letter of Credit from the Bank of America; also, the Authority's underlying ratings of AA, Aa3 and AA- were affirmed by Fitch, Moody's and S&P, respectively. The Authority's PFC Revenue Bonds are insured by Financial Security Assurance Inc. and are rated AAA, Aaa and AAA, as insured, by each of Fitch, Moody's, and S&P, respectively. When the Authority issued the 2007 PFC Bonds in May 2007, those bonds were assigned underlying ratings of A+ by Fitch, A2 by Moody's and A by S&P, without regard to the Bond Insurance Policy. These underlying ratings were affirmed in June 2010. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on credit enhancement provided by the Bank of New York Mellon.

Net Assets

Net assets, which represent the residual interest in the Authority's assets after liabilities are deducted, were \$1.62 billion as of June 30, 2010, an increase of \$6.5 million from fiscal year 2009. Those net

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assets invested in capital assets, net of related debt were \$999.3 million, a decrease of \$11.3 million compared to fiscal year 2009. The Authority's restricted net assets of \$538.2 million as of June 30, 2010, are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement or custodians in the Authority's name. The Authority's unrestricted net assets of \$86.3 million is down by 30.8% for the fiscal year due primarily to the \$21.7 million cash defeasance, the loss of Tobin Bridge revenues due to the January 1, 2010 transfer of this asset to MassDOT without consideration, the increased use of self generated funds to finance the Authority's five year capital program, and other expenses that may were used for lawful purposes of the Authority. Please see Note 1 of the financial statements attached hereto.

Contacting the Authority's Financial Management

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Investor Relations". The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

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Statements of Net Assets

June 30, 2010 and 2009

(In thousands)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 52,090	51,315
Investments (note 3)	6,999	—
Restricted cash and cash equivalents (note 3)	100,733	121,949
Restricted investments (note 3)	141,929	34,942
Accounts receivable		
Trade, net (note 1)	42,199	35,778
Grants receivable	7,493	16,478
Total receivables (net)	49,692	52,256
Prepaid expenses and other assets	8,127	7,256
Total current assets	359,570	267,718
Noncurrent assets:		
Investments (note 3)	75,445	116,585
Restricted investments (note 3)	323,322	372,457
Prepaid expenses and other assets	18,950	19,559
Investment in joint venture (note 13b)	2,393	2,598
Net OPEB asset (note 7)	42,725	43,695
Capital assets, net (note 4)	2,517,579	2,595,699
Total assets	\$ 3,339,984	3,418,311
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 92,416	82,772
Compensated absences (note 1)	1,553	1,162
Contract retainage	2,800	3,517
Current portion of long term debt (note 5)	83,075	79,527
Commercial notes payable (note 5)	89,000	89,000
Accrued interest on bonds payable	32,697	34,985
Deferred income	6,052	4,754
Total current liabilities	307,593	295,717
Noncurrent liabilities:		
Accrued expenses	26,292	26,693
Compensated absences (note 1)	19,864	22,071
Contract retainage	841	994
Long-term debt, net (note 5)	1,351,710	1,444,746
Deferred income	9,887	10,804
Total liabilities	1,716,187	1,801,025
Net Assets		
Invested in capital assets, net of related debt	999,312	988,026
Restricted		
Bond funds	187,215	184,480
Project funds	159,688	158,709
Passenger facility charges	73,509	59,263
Customer facility charges	25,974	5,221
Net OPEB asset	42,725	43,695
Other purposes	49,100	53,137
Total restricted	538,211	504,505
Unrestricted	86,274	124,755
Commitments and contingencies (notes 11, 12, and 13)		
Total net assets	\$ 1,623,797	1,617,286

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS PORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2010 and 2009

(In thousands)

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Fees, tolls and other services	\$ 277,825	298,368
Rentals	167,204	166,016
Concessions	62,321	60,794
Other	17,770	14,533
Operating grants	2,773	3,055
Total operating revenues	<u>527,893</u>	<u>542,766</u>
Operating expenses:		
Operations and maintenance	249,633	276,071
Administration	41,646	42,022
Insurance	8,874	7,402
Pension	7,621	408
Other post-employment benefits	17,508	16,731
Payments in lieu of taxes	17,547	18,460
Provision for uncollectible accounts	473	1,632
Depreciation and amortization	164,141	156,745
Total operating expenses	<u>507,443</u>	<u>519,471</u>
Operating income (loss)	<u>20,450</u>	<u>23,295</u>
Nonoperating revenues and (expenses):		
Passenger facility charges	58,598	50,102
Customer facility charges	20,668	5,211
Investment income	14,890	22,613
Net increase in the fair value of investments	248	3,312
Other revenues	2,659	11,995
Settlement of claims	8	3,987
Other expenses	(312)	(11,418)
Gain on sale of equipment	(110)	(1)
Interest expense	\$ (66,870)	(73,710)
Total nonoperating revenues (expenses), net	<u>29,779</u>	<u>12,091</u>
Increase in net assets before capital grant revenue and Special Item	50,229	35,386
Capital grant revenue	<u>34,340</u>	<u>42,998</u>
Increase (decrease) in net assets before Special Item	84,569	78,384
Special Item:		
Tobin Bridge Transfer	<u>(78,058)</u>	<u>—</u>
Increase (decrease) in net assets	6,511	78,384
Net assets, beginning of year	<u>1,617,286</u>	<u>1,538,902</u>
Net assets, end of year	\$ <u><u>1,623,797</u></u>	\$ <u><u>1,617,286</u></u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS PORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2010 and 2009

(In thousands)

	2010	2009
Cash flows from operating activities:		
Cash received from customers and operating grants	\$ 541,775	544,908
Payments to vendors	(190,218)	(205,343)
Payments to employees	(116,342)	(122,864)
Payments in lieu of taxes	(17,547)	(17,660)
Other post-employment benefits	(15,338)	(15,337)
Net cash provided by operating activities	202,330	183,704
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(171,674)	(169,617)
Proceeds from the issuance of bonds, net	—	38,846
Interest paid on bonds and notes	(70,276)	(76,502)
Principal payments on long-term debt	(88,175)	(98,970)
Principal payments on commercial paper	—	(13,000)
Proceeds from passenger facility charges	52,998	48,937
Proceeds from customer facility charges	18,189	5,211
Proceeds from Capital grants	43,446	43,338
Settlement of claims	8	2,134
Proceeds from sale of equipment	204	172
Net cash used in capital and related financing activities	(215,280)	(219,451)
Cash flows from investing activities:		
Purchases of investments, net	(475,359)	(511,123)
Sales of investments, net	451,648	524,776
Interest received on investments	16,220	36,813
Net cash (used) provided by investing activities	(7,491)	50,466
Net (decrease) increase in cash and cash equivalents	(20,441)	14,719
Cash and cash equivalents, beginning of year	173,264	158,545
Cash and cash equivalents, end of year	\$ 152,823	173,264
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating income	\$ 20,450	23,295
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	164,141	156,745
Provision for uncollectible accounts	473	1,632
Changes in operating assets and liabilities:		
Trade receivables	1,149	(3,984)
Prepaid expenses and other assets	948	4,077
Prepaid expenses and other assets – long-term	969	113
Accounts payable and accrued expenses	15,636	3,293
Compensated absences	(1,817)	340
Deferred revenue	381	(1,807)
Net cash provided by operating activities	\$ 202,330	183,704
Noncash financing activities:		
Net increase in the fair value of investments	\$ 5,241	4,994

The accompanying notes are an integral part of these financial statements.

**MASSACHUSETTS PORT AUTHORITY
RETIREE BENEFITS TRUST**

Statements of Trust Net Assets

June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 4,733	54,901
Investments, at fair value:		
Commingled funds:		
Domestic equity	26,408	3,819
Fixed income	23,295	3,207
International equity	13,992	2,000
Real Estate Investment Trust	3,094	—
Commodities	1,893	—
Total investments, at fair value	<u>68,682</u>	<u>9,026</u>
Total assets	<u>73,415</u>	<u>63,927</u>
Liabilities:		
Accounts payable and accrued expenses	<u>72</u>	<u>735</u>
Total liabilities	<u>72</u>	<u>735</u>
Net assets held in trust for OPEB benefits	<u>\$ 73,343</u>	<u>63,192</u>

The accompanying notes are an integral part of these financial statements.

**MASSACHUSETTS PORT AUTHORITY
RETIREE BENEFITS TRUST**

Statements of Changes in Trust Net Assets

Years ended June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
Additions:		
Contributions:		
Authority	\$ 15,338	14,905
Total contributions	<u>15,338</u>	<u>14,905</u>
Interest and dividends	<u>1,280</u>	<u>431</u>
Total additions	<u>16,618</u>	<u>15,336</u>
Deductions:		
Insurance premiums	6,181	6,026
Administrative expenses	<u>286</u>	<u>95</u>
Total deductions	<u>6,467</u>	<u>6,121</u>
Net increase in plan net assets	10,151	9,215
Net assets held in trust for OPEB benefits:		
Beginning of year	<u>63,192</u>	<u>53,977</u>
End of year	\$ <u><u>73,343</u></u>	<u><u>63,192</u></u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

1. Summary of Significant Accounting Policies and Practices

Reporting Entity

The Massachusetts Port Authority (the “Authority”) is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) created and existing pursuant to Chapter 465 of the Acts of 1956, as amended, (the “Enabling Act”). The Authority controls, operates and manages Boston-Logan International Airport (“Logan Airport”), Laurence G. Hanscom Field, Maurice J. Tobin Memorial Bridge (“Tobin Bridge”), the Port of Boston and other facilities in the Port of Boston.

Pursuant to Chapters 25 and 26 of the Acts of 2009 (collectively, the “Transportation Reform Act”), the ownership and operation of the Tobin Bridge, as well as all associated assets and liabilities, was transferred from the Authority to the newly created Massachusetts Department of Transportation (“MassDOT”). On January 1, 2010, the Tobin Bridge became part of MassDOT’s Metropolitan Highway System in accordance with the terms of a Memorandum of Agreement (the “MOA”) between the Authority and MassDOT. Using funds available in the Authority’s Improvement and Extension Fund established under the 1978 Trust Agreement, the Authority defeased approximately \$20.9 million of revenue bond debt, which was equal to the outstanding amount of bonds that financed Tobin Bridge improvements, with the result that debt attributable to the Tobin Bridge is no longer an obligation of the Authority. The MOA addressed the transfer of all Tobin Bridge assets and the assumption by MassDOT of Tobin Bridge liabilities, including, but not limited to, public safety responsibilities and a portion of the then current payment-in-lieu-of-tax obligations associated with the Tobin Bridge. The MOA complies with the Federal Aviation Administration’s revenue use requirements. Additionally, as part of the Transportation Reform Act, the Authority purchased the Worcester Regional Airport on July 1, 2010. The Authority has been operating this facility under Memorandum of Understanding since April 1999. See Notes 11 and 14.

The Authority has no stockholders or equity holders, and the Authority’s financial statements are not a component unit of the Commonwealth’s financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”), and the Passenger Facility Charges (“PFC”) Revenue Bond Trust Agreement dated May 6, 1999, as amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”), govern all funds, with limited exceptions, received by the Authority pursuant to the Enabling Act.

In April 1981, the Massachusetts Port Authority (the “Authority”) adopted a retiree benefit plan whereby the Authority assumed the full cost of group health insurance including basic life insurance, dental insurance and catastrophic illness coverage to those retirees and surviving spouses (and qualifying dependents) who have retired under the Authority’s retirement system (collectively referred to as the “OPEB Plan”).

In June 2008, the Authority created the Retiree Benefits Trust (the “RBT” or the “Trust”) to fund its OPEB Plan obligations. It was established as an irrevocable governmental trust under section 115 of the Internal Revenue Code. The Trust is a legally separate trust of the Authority and at June 30, 2010, it is

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

reported as a Trust Fund of the Authority under accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In no event shall any part of the principal or income of the RBT be paid or revert back to the Authority or be used for any purpose whatsoever other than for the exclusive benefit of retirees and their beneficiaries.

Basis of Accounting

The Authority's activities are accounted in a manner similar to that often utilized in the private sector. The Authority's financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Commencing on July 1, 1995, the Authority elected to apply all GASB and Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989, under the provisions of GASB Statement No. 20. Accordingly, FASB Statements issued after FASB No. 104 are not incorporated in the Authority's financial statements.

Revenues from airlines, rentals, parking fees, tolls and concessions are reported as operating revenues. Capital grants and financing or investing related transactions are reported as non-operating revenues and expenses. All expenses related to operating the Authority's facilities are reported as operating expenses.

Accounting per Applicable Trust Agreements

Under the 1978 Trust Agreement, cash of the Authority is deposited daily into the Revenue Fund established pursuant to the 1978 Trust Agreement and is transferred to the cash concentration account. All such revenues are then transferred to the various funds established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the self insurance account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund, the Capital Budget Fund if applicable, and finally the Improvement and Extension Fund.

PFC revenue is deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Revenue Bond Trust Agreement and are utilized to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement. Any remaining funds are transferred to the PFC Capital Fund.

See Note 2 for a reconciliation between the increase in net assets as calculated per GAAP and net revenues as calculated per accounting practices prescribed by the 1978 Trust Agreement.

Net Assets

The Authority follows the "business type" activity requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include CFC revenues, the construction funds held pursuant to the 1978 Trust Agreement, the PFC Trust Agreement, the self insurance fund and the Net OPEB asset.
- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Members of the Authority or may otherwise be limited by contractual agreements with outside parties.

(a) Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid investments, including restricted assets, purchased with a maturity date of thirty days or less to be cash equivalents.

(b) Investments

Investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost, which approximates fair value. Fair value equals quoted market prices, if available. The Authority recorded unrealized holding gains of approximately \$0.2 million and \$3.3 million as of June 30, 2010 and 2009, respectively.

(c) Restricted Cash and Investments

Certain cash, cash equivalents and investments are restricted for use by the 1978 Trust Agreement, the PFC Trust Agreement and other external requirements. These amounts have been designated primarily for expenditures related to future construction or asset acquisitions, debt service and debt service reserves.

(d) Capital Assets

Capital assets are recorded at historical cost. Such costs include, where appropriate, capitalized interest and related legal costs. The costs of normal upkeep, maintenance, and repairs, are not capitalized.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

The capitalization threshold is noted below:

Asset Category	Dollar Threshold
Buildings and Bridge	\$ 10,000
Machinery & Equipment	5,000
Equipment Repair/Overhaul (Major)	25,000
Runway, Roadways & Other Paving	50,000
Land	NA
Land Improvements	50,000

The Authority capitalizes certain interest costs associated with tax exempt borrowing, less any interest earned on the proceeds of those borrowings, during the period of construction. Interest expense of \$13.0 thousand and \$710.0 thousand, reduced by interest income of \$3.0 thousand and \$32.3 thousand, resulting in capitalized interest of \$10.0 thousand and \$677.7 thousand for the years ended June 30, 2010 and 2009, respectively.

During fiscal year 2010 the Authority adopted and implemented GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*. The adoption of this Statement had no financial impact on the Authority. Implementation of this Statement required the Authority to reclass previously reported "Intangible assets" and related accumulated amortization, related to the Park Ex transaction, to capital assets. As a result, \$46.3 million of previously reported intangible assets and related accumulated amortization of \$12.3 million has been reclassified to capital assets. These assets consist of the rights to use certain parking spaces acquired by the Authority and are being amortized on a straight-line basis over 30 years. Amortization expense related to intangible assets was approximately \$8.9 million for fiscal years 2010 and 2009, respectively.

(e) *Depreciation*

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated useful lives:

Asset Category	Years
Bridge	100
Bridge Improvements	10 to 25
Buildings	25
Runways and other airfield paving	25
Roadway	25
Machinery and equipment	5 to 10

(f) *Other Assets and Prepaid Items*

Other assets consist of the unamortized portion of bond issue costs and certain payments to vendors reflecting costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

(g) Amortization

Revenue bond discounts and premiums are deferred and amortized on a straight line basis over the term of the bonds. Unamortized amounts are presented as a reduction of the face amount of bonds payable.

Costs related to the issuance of bonds are amortized on a straight line basis over the life of the bonds. The straight line amortization method approximates the effective interest method.

The difference between the reacquisition price and net carrying amount of defeased bonds is deducted from, or added to the refunding debt liability and amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

(h) Revenue Recognition

Fees, tolls, and other services consist of parking fees, landing fees, bridge tolls, and container handling fees. Parking fees, container handling fees and bridge toll revenue are recognized at the time the service is provided. Landing fees are recognized as part of operating revenue when airline related facilities are utilized and are principally based on the landed weight of the aircraft. The scheduled airline fee structure is determined and approved annually by the Members of the Board (the "Board") and is based on full cost recovery pursuant to arrangement between the Authority and the respective airlines.

Rental and concession fees are generated from airlines, rental cars, and other commercial tenants. Rental revenue on leases is recognized over the term of the associated lease. Concession revenue is recognized partially based on self reported concession revenue by the tenants and partially based on minimum rental guarantees. Deferred revenue consists primarily of amounts received in advance for future rents or other services. These amounts are recognized as revenue as they are earned over the applicable period.

The Authority presents its accounts receivable at the expected net realizable value. Accordingly, the Authority recorded an allowance for doubtful accounts against its accounts receivable of \$3,899 million and \$12,464 million at June 30, 2010 and 2009, respectively.

Revenue related to grants is recognized when the grant agreement is approved and eligible expenditures are incurred.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

(i) *Customer Facility Charges*

Effective December 1, 2008, the Board established a Customer Facility Charge (“CFC”) of \$4.00 per day for rental cars which originated out of Logan Airport. Effective December 1, 2009 this charge was increased to \$6.00 per day. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility. Revenues derived from the collection of customer facility charges (“CFCs”) are recognized on the accrual basis, based on the month the charges were collected by the rental car companies. Due to their restricted use, CFCs are categorized as non-operating revenues. In 2010, the Authority determined that it had been under accruing CFC revenues. Management corrected its policy and concluded that the under accrual of CFC revenues was not material to the years ending June 30, 2009 or 2010 respectively. This correction resulted in the Authority recognizing an incremental \$1.5 million of CFC revenue in 2010 that related to 2009. The Authority recognized \$20.7 million and \$5.2 million in CFC revenue for the fiscal years ended June 30, 2010 and 2009, respectively.

(j) *Passenger Facility Charges*

In 1993, the Authority received initial approval from the Federal Aviation Administration (“FAA”) to impose a \$3.00 passenger facility charge (“PFC”) at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. Effective October 1, 2005, the Authority received approval from the FAA to increase the PFC collection to \$4.50 and shortened the projected expiration date to February 1, 2011. All PFC’s collected by the Authority are presently pledged under the PFC Trust Agreement with the Bank of New York Mellon. Through June 30, 2010, the Authority had cash collections of \$672.2 million in PFCs, including interest thereon.

During fiscal year 2010, the Authority submitted to the FAA a request, and received approval, to amend the existing PFC, reducing the collection and use amount by \$31.8 million and extending the projected expiration date to August 1, 2016. Additionally, the Authority also submitted a request to increase the collection authorization by \$428.0 million (to \$1,389.1 million) and to extend the collection period until August 1, 2024; a response to that application is expected in the fall of 2010.

As of June 30, 2010 and 2009, \$192.8 million and \$209.3 million of PFC bonds were outstanding, respectively.

Revenues derived from the collection of passenger facility charges (“PFCs”) are recognized on the accrual basis, based on the month the charges were collected by the airlines. Due to their restricted use, PFCs are categorized as non-operating revenues. In 2010, the Authority determined it had been under accruing PFC revenues in prior years. Management corrected its policy and concluded that the under accrual of PFC revenues was not material to any prior periods, or the year ending June 30, 2010. This correction resulted in the Authority recognizing an incremental \$4.7 million of PFC revenue in 2010. The Authority recognized \$58.6 million and \$50.1 million in PFC revenue for the fiscal years ended June 30, 2010 and 2009, respectively.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

(k) Compensated Absences

The Authority accrues for vacation and sick pay liabilities when they are earned by the individual employee. The liability for vested vacation and sick pay is reflected in the accompanying Statements of Net Assets as compensated absences. The table below presents the Authority's compensated absences activity at June 30, 2010 and 2009 and for the year then ended (in thousands):

	2010	2009
Liability balance, beginning of year	\$ 23,233	22,893
Vacation and sick earned during the year	12,386	12,424
Vacation and sick used during the year	<u>(14,202)</u>	<u>(12,084)</u>
Liability balance, end of year	<u>\$ 21,417</u>	<u>23,233</u>

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(m) Financial Statement Reclassification and Revision

Certain accounts in the June 30, 2009 financial statements have been reclassified to conform to the June 30, 2010 presentation.

The Authority revised the June 30, 2009 presentation of its OPEB related assets and liabilities. Prior to fiscal year 2010 the Authority added the assets and liabilities of the RBT with the Authority's assets and liabilities as opposed to presenting a "Net OPEB Asset" on the Statement of Net Assets in accordance with GASB 45. This revision resulted in a decrease in current assets (investments) of \$63.9 million, a decrease in current liabilities and noncurrent liabilities of \$7.3 million and \$12.9 million, respectively, and an increase in noncurrent assets (Net OPEB asset) of \$43.7 million. There was no impact on total the Authority's Total net assets or the Statement of Revenues, Expenses and Changes in Net Assets. Net cash provided by operating activities decreased by approximately \$10.0 million.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

2. Reconciliation Between Increase in Net Assets as Calculated Under GAAP and Net Revenues as Calculated Under Accounting Practices Prescribed by the 1978 Trust Agreement .

Presented below is the calculation of the net revenue of the Authority under the 1978 Trust Agreement. Net revenue calculated based on the 1978 Trust Agreement is used in determining the Authority's compliance with the debt service coverage ratio.

	2010	2009
Increase in Net Assets per GAAP	\$ 6,511	78,384
Additions(1)		
Depreciation and amortization	164,141	156,745
Interest expense	66,870	73,710
Payments in-lieu of taxes	17,547	18,460
Loss on sale of equipment	110	-
Other nonoperating expenses	312	11,418
Self insurance expenses	1,891	-
Other expenses, net	-	9,044
OPEB expenses, net	5,570	5,527
Loss on special item (Bridge Transferred to MasDOT)	78,058	-
Less (2):		
Passenger facility charges	(58,598)	(50,102)
Customer facility charges	(20,668)	(5,211)
Capital grant revenue	(34,340)	(42,998)
Net increase in the fair value of investments	(248)	(3,312)
Other revenues	(2,649)	(1,280)
Other nonoperating revenues	(2,659)	(11,995)
Settlement of claims	(8)	(3,987)
Investment income	(3,646)	(5,130)
Self insurance revenues	-	(5,476)
Net Revenue per the 1978 Trust Agreement	\$ 218,194	223,797

1. Expenses recognized under GAAP which are excluded under the 1978 Trust Agreement

2. Revenues recognized under GAAP which are excluded under the 1978 Trust Agreement

Total Revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were \$538.7 million and \$558.6 million for the years ended June 30, 2010 and 2009, respectively. These amounts are based on total operating revenues per GAAP plus a portion of investment income less the provision for uncollectible accounts.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

3. Deposits and Investments

The Authority has adopted GASB No. 40, *Deposit and Investment Risk Disclosure*. The standard requires that entities disclose essential risk information about deposits and investments.

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement and the PFC Revenue Bond Trust Agreement along with investment policy adopted by the Members of the Authority (the "Investment Policy"). The goals of the Investment Policy are, in order of importance, to preserve capital, to provide liquidity and to generate interest income.

As of June 30, 2010 and 2009, all investments were held on behalf of the Authority by the Trustee, the PFC Trustee or custodians in the Authority's name. Any repurchase agreements are fully collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement and the PFC Trust Agreement both require that securities collateralizing repurchase agreements must continuously have a fair value at least equal to the cost of the agreement plus accrued interest.

The Authority's investments in forward delivery agreements are in the form of a guaranteed investment contract ("GIC") which provides for, among other things, the sequential delivery of securities to be sold to the Trustee or PFC Trustee, as applicable, periodically at a discount from maturity value such that the aggregate discount equals the interest rate previously agreed to between the Authority and the provider of the guaranteed investment contract.

The total accumulated unrealized gain due to the changes in fair value of investments related to investments with maturities in excess of one year was approximately \$5.2 million and \$5.0 million as of June 30, 2010, and 2009, respectively.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2010 and 2009 (in thousands):

2010	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 137,111	137,111	0.003
Federal Home Loan Bank	AAA/Aaa	69,062	70,562	1.353
Federal Deposit Insurance Corporation	AAA/Aaa	103,333	105,080	0.993
Forward Delivery Agreements	AAA/Aaa	98,963	98,963	3.806
Federal Home Loan Mortgage Corp.	AAA/Aaa	40,875	41,694	1.582
Federal National Mortgage Association	AAA/Aaa	61,800	62,233	1.781
Federal Farm Credit	AAA/Aaa	19,357	20,050	1.288
Guaranteed Investment Contracts (ParkEx)	AA+/Aa2 (3)	32,514	32,514	13.500
Cash Deposit	Unrated	12,662	12,662	0.003
Certificates of Deposit	AAA/Aaa (2)	5,005	5,005	0.217
Commercial Paper	A-1+/P-1 (4)	109,841	109,841	0.240
Morgan Stanley Government Fund	AAA/Aaa (4)	1,072	1,072	0.003
Municipal Bond	AA+/Aa1	3,681	3,731	1.590
		<u>\$ 695,276</u>	<u>700,518</u>	

2009	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 159,362	159,362	0.003
Federal Home Loan Bank	AAA/Aaa	115,937	118,784	1.907
Federal Deposit Insurance Corporation	AAA/Aaa	115,835	116,408	2.251
Forward Delivery Agreements	AAA/Aaa	98,336	98,336	3.956
Federal Home Loan Mortgage Corp.	AAA/Aaa	72,324	72,830	2.744
Federal National Mortgage Association	AAA/Aaa	41,004	41,466	2.476
Federal Farm Credit	AAA/Aaa	36,710	37,309	2.147
Guaranteed Investment Contracts (ParkEx)	AA+/Aa2 (3)	31,227	31,227	15.314
Cash Deposits	Unrated	7,343	7,343	0.003
Certificates of Deposits	AAA/Aaa (2)	5,015	5,015	0.217
Citizens Bank Money Market	Unrated	4,474	4,474	0.003
Morgan Stanley Government Fund	AAA/Aaa (4)	3,072	3,072	0.003
Municipal Bond	AAA/Aaa	1,615	1,622	0.961
		<u>\$ 692,254</u>	<u>697,248</u>	

1. The ratings shown are from S&P or Moody's as of the fiscal year shown.
2. Collateralized by Federal Agency Notes or Letter of Credit backed by each reserve.
3. Underlying rating of security held.
4. Credit quality of fund holdings.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

The table below presents the Authority's cash and cash equivalents and investments based on maturity date (in thousands):

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Securities with original maturity 1 year or over \$	393,525	398,767	484,048	489,042
Securities with original maturity less than 1 year	148,928	148,928	34,942	34,942
Cash and cash equivalents	152,823	152,823	173,264	173,264
	<u>\$ 695,276</u>	<u>700,518</u>	<u>692,254</u>	<u>697,248</u>

Credit Risk

Credit risk is the risk that the Authority will be negatively impacted due to the default of the security issuer or investment counterparty.

The Authority's 1978 Trust Agreement and PFC Trust Agreement each stipulate that, in addition to U.S. Treasury and government agency obligations, only certain highly rated securities are eligible investments, including bonds or obligations of any state or political subdivision thereof rated in the two highest rating categories by both Moody's and S&P; commercial paper of a U.S. corporation or finance company or money market funds rated in the highest rating category, without regard to gradations within categories, by both Moody's and S&P; and investment contracts with banks whose long-term unsecured debt rating is in one of the two highest rating categories by both Moody's and S&P.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized.

The Authority maintains depository accounts with Bank of America, N.A., Wells Fargo, and Bank of New York Mellon, the PFC Trustee. The Authority maintains a payroll disbursement, lockbox and collection account (for other than PFCs) with the Bank of America, N.A. None of these accounts are collateralized.

The Authority's cash on deposits in the banks noted above at June 30, 2010 and 2009 were \$22.2 million and \$13.8 million, respectively. Of these amounts, \$0.75 million was insured, and none was collateralized at June 30, 2010 and 2009, respectively.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

(b) *Custodial Credit Risk – Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

The Authority is authorized by the 1978 Trust Agreement, the 1999 PFC Trust Agreement and the Investment Policy to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bonds and notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and commercial paper of a U.S. corporation or finance company. All investments are held by a third party in the Authority's name. These investments are recorded at fair value.

Additionally, the Authority is authorized to invest in the Massachusetts Municipal Depository Trust (MMDT), a pooled money market like investment fund managed by the Commonwealth of Massachusetts, established under the General Laws, Chapter 29, Section 38A. MMDT investments are carried at amortized cost, which approximates fair value.

The following guaranteed investment contracts were in force as of June 30, 2010 and 2009, respectively; they are uncollateralized and recorded at cost:

Investment Agreement				
Provider	Rate	Maturity	2010	2009
Trinity Plus Funding Company	4.360%	January 2, 2031	\$ 14,047	13,447
GE Funding Capital Markets	3.808%	December 30, 2030	18,467	17,780
Total			\$ 32,514	31,227

(c) *Concentration of Credit Risk – Investments*

Concentration of Credit Risk is assumed to arise when the amount of investments that the Authority has with any one issuer exceeds 5 percent of the total value of the Authority's investments. The portions of the Authority-wide portfolio, excluding, MMDT, the FDIC, U.S. Government guaranteed obligations and the underlying securities held under forward delivery agreements, that exceed 5% of the portfolio are as follows:

Issuer:	2010	2009
	% of Portfolio	% of Portfolio
Commercial Paper	15.70%	0.00%

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

(d) Credit Ratings

All debt securities purchased, such as FNMA, FHLMC, and FHLB issues have an implied credit rating of AAA or they have been collateralized to AAA. Certificates of Deposits, which are fully collateralized, and MMDT funds are not rated.

The 1978 Trust Agreement and the Investment Policy limit the Authority to investing in securities that are rated in the three highest categories as defined by Standard and Poor's and Moody's Investor Services.

(e) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority has set targets for the preferred maturity structure for the investments held for each fund and account and also sets targets each quarter for the effective duration for each fund that reflect the need for liquidity and the expected tradeoffs between yield and term for each different fund and account. It is the Authority's practice to hold investments until maturity in order to insulate the Authority's investment earnings from interest rate risk.

(f) Cash, cash equivalents and Investments by Fund

The following summarizes cash and investments, at cost, as of June 30, by the various funds and accounts established by the Authority for debt covenant requirements and other purposes (in thousands):

	2010	2009
Improvement and Extension Fund	\$ 83,628	119,876
Capital Projects	130,517	115,052
Debt Service Reserve Funds 1978 Trust Agreement	114,191	114,355
Debt Service Funds 1978 Trust Agreement	79,914	78,585
Maintenance Reserve Fund	63,462	67,318
Operating/Revenue Fund	49,903	46,893
Subordinated Debt Funds	34,910	33,626
Self-Insurance Account	28,437	32,964
Debt Service Reserve Funds 1999 PFC Trust Agreement	30,194	30,189
Debt Service Funds 1999 PFC Trust Agreement	22,709	22,274
Other Funds	12,213	11,471
Other PFC Funds	16,184	8,831
2007-B & D PFC Project	5,478	5,558
Customer facility charges	23,495	5,221
2008-A & B Project Funds	41	41
	<u>\$ 695,276</u>	<u>692,254</u>

(Continued)

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Notes to Financial Statements

June 30, 2010 and 2009

4. Capital Assets

Capital assets consisted of the following at June 30, 2010 and 2009 (in thousands):

	<u>June 30,2009</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>June 30,2010</u>
Capital assets, not being depreciated				
Land	\$ 172,515	188	241	172,462
Construction in progress	112,128	163,530	191,236	84,422
Total capital assets, not being depreciated	284,643	163,718	191,477	256,884
Capital assets, being depreciated				
Bridge and bridge improvements	109,400	22,534	131,934	—
Buildings	2,275,529	85,776	61,787	2,299,518
Runway and other paving	582,907	55,855	266	638,496
Roadway	609,054	10,366	10,544	608,876
Machinery and equipment	191,005	16,444	2,995	204,454
Air rights	170,756	73	—	170,829
Parking rights	46,261	—	—	46,261
Total capital assets, being depreciated	3,984,912	191,048	207,526	3,968,434
Less accumulated depreciation for:				
Bridge and bridge improvements	65,176	2,582	67,758	—
Buildings	1,002,444	86,809	56,955	1,032,298
Runway and other paving	223,669	25,073	183	248,559
Roadway	184,159	24,023	3,529	204,653
Machinery and equipment	119,809	17,139	2,196	134,752
Air rights	66,263	7,336	—	73,599
Parking rights	12,336	1,542	—	13,878
Total accumulated depreciation	1,673,856	164,504	130,621	1,707,739
Total capital assets, being depreciated, net	2,311,056	26,544	76,905	2,260,695
Capital assets, net	\$ 2,595,699	190,262	268,382	2,517,579

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

	<u>June 30,2008</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>June 30,2009</u>
Capital assets, not being depreciated				
Land	\$ 140,869	31,646	—	172,515
Construction in progress	54,279	161,104	103,255	112,128
Total capital assets, not being depreciated	<u>195,148</u>	<u>192,750</u>	<u>103,255</u>	<u>284,643</u>
Capital assets, being depreciated				
Bridge and bridge improvements	124,879	1,983	17,462	109,400
Buildings	2,245,689	30,379	539	2,275,529
Runway and other paving	548,190	34,717	—	582,907
Roadway	581,891	27,163	—	609,054
Machinery and equipment	176,535	14,789	319	191,005
Air rights	163,428	7,328	—	170,756
Parking rights	46,261	—	—	46,261
Total capital assets, being depreciated	<u>3,886,873</u>	<u>116,359</u>	<u>18,320</u>	<u>3,984,912</u>
Less accumulated depreciation for:				
Bridge and bridge improvements	77,923	4,715	17,462	65,176
Buildings	910,301	92,450	307	1,002,444
Runway and other paving	201,018	22,651	—	223,669
Roadway	160,359	23,800	—	184,159
Machinery and equipment	103,534	16,370	95	119,809
Air rights	58,927	7,336	—	66,263
Parking rights	10,794	1,542	—	12,336
Total accumulated depreciation	<u>1,522,856</u>	<u>168,864</u>	<u>17,864</u>	<u>1,673,856</u>
Total capital assets, being depreciated, net	<u>2,364,017</u>	<u>(52,505)</u>	<u>456</u>	<u>2,311,056</u>
Capital assets, net	\$ <u>2,559,165</u>	<u>140,245</u>	<u>103,711</u>	<u>2,595,699</u>

Depreciation and amortization for fiscal year 2010 and 2009 was \$164.1 million and \$156.7 million, respectively.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

Capital assets (excluding construction in progress) at June 30 comprised of the following (in thousands):

	<u>2010</u>	<u>2009</u>
Facilities completed by operation:		
Airport	\$ 3,702,608	3,552,192
Bridge	-	129,134
Port	<u>438,288</u>	<u>476,101</u>
Capital assets (excluding construction in progress)	<u>\$ 4,140,896</u>	<u>4,157,427</u>

As noted above, on January 1, 2010, the Tobin Bridge was transferred to MassDOT, without consideration. As a result of this transaction, the Authority recorded a Special Item in its Statements of Revenues, Expenses and Changes in Net Assets of approximately \$78.0 million. This amount consists of the net book value of the Bridge at the date of transfer totaling approximately \$76.8 million and unamortized financing cost associated with the Bridge, and other miscellaneous costs to complete the transfer.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

5. Bonds and Notes Payable

Long-term debt at June 30, 2010 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue bonds:					
Senior Debt-1978 Trust Agreement:					
1997, Series B, 5.05% to 5.10%, issued August 15, 1997 due 2011	\$ 2,290	—	1,115	1,175	1,175
1998, Series A, 4.60% to 5.75%, issued January 29, 1998 due 2011 to 2024	80,205	—	8,720	71,485	16,650
1998, Series B, 5.00% to 5.375%, issued January 29, 1998 due 2011 to 2019	30,215	—	2,110	28,105	2,275
1998, Series C, 6.45%, issued January 29, 1998 due 2010	6,825	—	6,825	—	—
1998, Series D, 4.50% to 5.00%, issued August 5, 1998 due 2029	36,595	—	1,725	34,870	—
1998, Series E, 4.70% to 5.25%, issued August 5, 1998 due 2011 to 2029	71,200	—	2,140	69,060	2,240
1999, Series C, 5.00%, issued November 12, 1999 due 2011	5,430	—	2,650	2,780	2,780
1999, Series D, 5.10% to 6.25%, issued November 12, 1999 due 2011 to 2030	63,815	—	22,495	41,320	1,720
2003, Series A, 2.50% to 5.00%, issued May 22, 2003 due 2011 to 2034	204,005	—	4,490	199,515	4,640
2003, Series C, 2.50% to 5.00%, issued May 22, 2003 due 2011 to 2019	57,600	—	6,490	51,110	6,810
2005, Series A, 3.00% to 5.00%, issued May 5, 2005 due 2011 to 2036	183,445	—	3,510	179,935	3,620
2005, Series C, 3.00% to 5.00%, issued May 5, 2005 due 2011 to 2030	230,895	—	4,235	226,660	6,165
2007, Series A, 3.625% to 4.50%, issued May 31, 2007 due 2011 to 2038	50,695	—	945	49,750	975
2007, Series C, 3.8% to 5.00%, issued May 31, 2007 due 2011 to 2028	32,125	—	20	32,105	25
2008, Series A Multi-Modal, variable, issued June 19, 2008 due 2011 to 2039	24,285	—	345	23,940	360
2008, Series B Multi-Modal, variable, issued June 19, 2008 due 2011 to 2036	100,920	—	2,795	98,125	3,410
2008, Series C Multi-Modal, 3.00% to 5.00%, issued July 9, 2008 due 2011 to 2021	38,015	—	1,025	36,990	1,010
Subtotal senior debt	\$ 1,218,560	—	71,635	1,146,925	53,855

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Subordinated debt- 1978 Trust Agreement:					
2000, Series A,B & C, 6.45%, issued December 29, 2000 due 2031	\$ 40,000	—	—	40,000	—
2001, Series A,B & C, 6.45%, issued January 2, 2001 due 2032	<u>34,000</u>	<u>—</u>	<u>—</u>	<u>34,000</u>	<u>—</u>
Subtotal subordinate debt	\$ 74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:					
1999, Series B, 4.90% To 5.50%, issued June 9, 1999 due 2011 to 2016	99,235	—	12,630	86,605	13,325
2007, Series B, 4.00% to 5.00%, issued May 31, 2007 due 2011 to 2018	44,945	—	3,810	41,135	3,965
2007, Series D, 3.50% to 5.50%, issued May 31, 2007 due 2011 to 2018	<u>65,130</u>	<u>—</u>	<u>100</u>	<u>65,030</u>	<u>100</u>
Subtotal PFC senior debt	209,310	—	16,540	192,770	17,390
Total Bonds Payable	\$ 1,501,870	—	88,175	1,413,695	71,245
Less unamortized amounts:					
Bond premium/(discount), net	46,740	—	4,248	42,492	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	<u>(24,337)</u>	<u>0</u>	<u>(2,935)</u>	<u>(21,402)</u>	<u>—</u>
Total bonds payable, net	\$ <u>1,524,273</u>	<u>—</u>	<u>89,488</u>	<u>1,434,785</u>	<u>71,245</u>

Included in the Authority's bonds payable are \$122.1 million and \$125.2 million of variable rate demand bonds ("VRDB") as of June 30, 2010 and 2009, respectively. The VRDBs have remarketing features which allow bondholders the right to return, or put, the bonds to the Authority. The Authority in turn has entered into a three year irrevocable letter of credit agreement with a financial institution requiring repayment of the tendered, unremarketed VRDBs and any associated obligations on the bonds tendered. Should the VRDBs be tendered and the letter of credit exercised, the tendered bonds would be converted to bank bonds, possibly requiring one tenth of the tendered bonds to become due within 270 days, should the Authority be unable to refund those bank bonds through an alternative financing arrangement in advance of bank bond debt service payments becoming due. The subject debt was issued as multi-modal bonds, thus allowing the Authority to reissue and refund through one of several modes. As a result the Authority has added \$11.8 million and \$12.2 million to its current portion of long term debt, in addition to the amounts identified in the schedules of the Authority's bonds payable at June 30th due within one year, for the fiscal years ending June 30, 2010 and 2009, respectively.

(Continued)

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

The following summarizes the Authority's bonds payable at June 30 (in thousands):

	2009 Beginning balance	Additions	Reductions	2010 Ending balance	Due within one year
Revenue Bonds					
Senior Debt-1978 Trust Agreement:	\$ 1,218,560	—	71,635	1,146,925	53,855
Subordinated debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	<u>209,310</u>	<u>—</u>	<u>16,540</u>	<u>192,770</u>	<u>17,390</u>
	<u>\$ 1,501,870</u>	<u>—</u>	<u>88,175</u>	<u>1,413,695</u>	<u>71,245</u>
	2008 Beginning balance	Additions	Reductions	2009 Ending balance	Due within one year
Revenue Bonds					
Senior Debt-1978 Trust Agreement:	\$ 1,264,355	38,015	83,810	1,218,560	50,870
Subordinated debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	<u>224,850</u>	<u>—</u>	<u>15,540</u>	<u>209,310</u>	<u>16,540</u>
	<u>\$ 1,563,205</u>	<u>38,015</u>	<u>99,350</u>	<u>1,501,870</u>	<u>67,410</u>

Debt service requirements on revenue bonds outstanding at June 30, 2010 are as follows (in thousands):

	Principal	Interest	Total
Year ending June 30:			
2011	\$ 71,245	65,739	136,984
2012	74,555	62,437	136,992
2013	78,840	58,920	137,760
2014	64,615	55,099	119,714
2015	66,375	52,174	118,549
2016 – 2020	324,910	209,342	534,252
2021 – 2025	207,540	145,801	353,341
2026 – 2030	261,220	88,275	349,495
2031 – 2035	170,825	28,384	199,209
2036 – 2040	<u>93,570</u>	<u>1,421</u>	<u>94,991</u>
Total	<u>\$ 1,413,695</u>	<u>767,592</u>	<u>2,181,287</u>

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MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

a) *Senior Debt - 1978 Trust Agreement*

On July 16, 2009 the Authority's Board authorized the defeasance with cash of \$21.7 million of the then outstanding 1999-D Bonds as a refunding of all the outstanding debt that had been issued in regards to expenditures on the Tobin Bridge. The Authority recognized a loss of approximately \$800 thousand on this transaction. The defeasance was accomplished on July 24, 2009.

On July 1, 2008, the Authority issued \$38.0 million of Revenue Refunding Bonds, Series 2008-C (the "Series 2008-C Bonds") to refund portions of the Authority's Series 1997-C and Series 1998-A Bonds. These bonds are fixed rate, uninsured revenue bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$2.5 million. This refunding had an economic gain and will achieve an estimated net present value savings of approximately \$1.7 million or 4.5%.

b) *Subordinate Debt - 1978 Trust Agreement*

Subordinated debt is payable solely from funds on deposit in the Improvement and Extension Fund and is not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The Authority has invested \$12.0 million which at maturity will provide for the \$74.0 million principal payments of the subordinate debt at their respective maturities. As of June 30, 2010, the value of the two Guaranteed Investment Contracts ("GICs") was approximately \$32.5 million as compared to \$31.2 million as of June 30, 2009. During fiscal year 2009, the Authority received termination payments of approximately \$12.0 million which is included in other non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Assets. These payments were deposited with replacement GICs in order to fund the subordinated debt at their respective maturities based on current investment yields. In addition, as a result of the termination payments the Authority recorded an arbitrage rebate liability of \$11.4 million which is included in other non-operating expenses in the Statement of Revenues, Expenses and Changes in Net Assets at June 30, 2009.

c) *Senior Debt - PFC Trust Agreement*

On May 31, 2007, the Authority issued \$48.5 million in PFC Revenue Bonds, Series 2007-B with an original issue premium of approximately \$0.6 million in order to fund the PFC eligible portions of various airfield projects, and the Authority also issued \$65.1 million in PFC Revenue Refunding Bonds Series 2007-D with an original issue premium of approximately \$5.5 million to refund all of the 1999-A bonds. The current refunding resulted in the recognition of an accounting loss of \$3.1 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$3.9 million. This refunding had an economic gain and achieved a net present value savings of \$2.8 million or 4.17%. The annual savings for fiscal year 2007 through fiscal year 2027 are approximately \$0.4 million. All of the Authority's outstanding PFC debt is now backed by a pledge of the \$4.50 PFC collections. The Authority earned Net PFC Revenues, as defined by the PFC Revenue Bond Trust Agreement, of approximately \$59.1 million and \$50.7 million during fiscal years 2010 and 2009, respectively. These amounts include approximately \$0.5 million and \$0.6 million of investment income on PFC receipts during fiscal years 2010 and 2009, respectively.

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MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

d) Defeased Bonds

In prior years, the Authority has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the trustee for such bonds to provide for all future debt service payments on the defeased bonds. Accordingly, the trust fund assets and the liability for the defeased bonds are not included in the Authority's financial statements. The total defeased, but unredeemed, bonds at June 30, 2010, were approximately \$71.6 million.

e) Special Facility Bonds

To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued nine series of special facilities revenue bonds. The Authority's special facilities revenue bonds are all special limited obligations of the Authority, and are payable and secured solely from and by certain revenues of a separate trustee. The Authority's special facilities revenue bonds do not constitute a debt or pledge of the full faith and credit of the Authority or the Commonwealth of Massachusetts or any subdivision thereof and, accordingly, have not been reflected in the accompanying financial statements. As of June 30, 2010 and 2009, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately \$708.2 million and \$713.2 million, respectively. The Authority has no obligation for \$210.6 million of Special Facility Bonds and only limited obligation for the \$497.6 million of special facility bonds related to Terminal A described below.

Approximately \$497.6 million of the Authority's special facility bonds relate to the Delta Airlines Series 2001 A, B and C bonds issued in connection with Delta Airlines construction of Terminal A. During September of 2005, Delta Airlines entered into bankruptcy and as of April of 2007 re-emerged out of bankruptcy. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt. The Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the Bankruptcy Court and was effective as of July 1, 2006.

f) Commercial Notes Payable

The Authority's Commercial notes payable as of June 30, 2010 and 2009 were as follows (in thousands):

	2010	2009
Commercial paper notes	\$ 89,000	102,000
Principal paid on commercial paper notes	—	13,000
Commercial paper notes	<u>\$ 89,000</u>	<u>89,000</u>

Commercial notes payable have been issued under the terms of the 1978 Trust Agreement and are backed by the proceeds of the improvement and extension fund or anticipated bond funds. The allowable maximum principal amount outstanding at any time, in the aggregate principal amount, cannot exceed

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MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

the lesser of 10% of the Authority's outstanding long term debt or \$150.0 million, and is backed by a Letter of Credit Agreement with the Bank of New York Mellon ending in August 2013.

The remaining proceeds of commercial notes payable have been used to fund PFC eligible projects therefore; the Authority anticipates that PFC revenues will be the source to pay such redemptions. The Authority does not expect to make any additional principal payments on the existing commercial notes payable, which are 2003 Series A and B, through fiscal year 2011. The blended interest rate on Series 2003-A was 0.30% and 1.09% and Series 2003-B was 0.31% and 2.21% during fiscal years 2010 and 2009, respectively.

During fiscal year 2010 and fiscal year 2009, the Authority did not participate in any Interest Rate Swaps.

g) Arbitrage – Rebate Liability

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Authority has an estimated liability on June 30, 2010 and 2009 of \$12.3 million and \$12.2 million, respectively.

6. Employee Benefit Plans

a) Plan Description – Pension Plan

The Massachusetts Port Authority Employees' Retirement System (the "Plan") is a single employer contributory defined benefit pension plan administered by the Massachusetts Port Authority Employees' Retirement System (the "System"). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Massachusetts General Laws ("MGL"), principally Chapter 32, establishes and amends benefit provisions. The System issues publicly available audited financial statements for the Plan. The report may be obtained by writing to the Massachusetts Port Authority Employees' Retirement System, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. These statements are prepared on the accrual basis of accounting. Employer contributions are recognized when the employer has made formal commitments to provide the contributions. Member contributions are recognized by the Plan as compensation is earned by the Authority's employees. Retirement benefits and refunds are recorded when due and payable in accordance with the terms of the Plan. Investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. The Plan has no investments, at fair value, that exceed 5% of the Plan's total investments as of December 31, 2009 and 2008 other than investments

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Notes to Financial Statements

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in mutual funds, external investment pools and other pooled investments. No long term contracts for contributions to the Plan existed at December 31, 2009 and 2008.

b) Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. Depending upon their employment date, active plan members are required to contribute 5% to 9% of their annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30 thousand. The Authority is required to contribute amounts pursuant to Section 22(6A) of MGL Chapter 32.

c) Annual Pension Cost

The annual required contribution ("ARC") for the year ended June 30, 2010 was determined as part of the January 1, 2009 actuarial valuation. . In the January 1, 2009 actuarial valuation, the actuarial cost method utilized to determine contributions to the Plan for the year ended December 31, 2009 is the Frozen-Entry-Age Actuarial Cost Method, using a closed amortization period in level amounts over a period of twenty years, the methodology required by the Plan under its charter. Five-year smoothing is the method used to determine the actuarial value of assets.

The actuarial assumptions included (a) 8.0% investment rate of return, and (b) projected salary increases of 4.75%. Both (a) and (b) include an inflation component of 3.0%. Liabilities for cost of living increases have been approximated, assuming an annual cost of 3% on the first \$12 thousand annual pension. The ARC equaled the annual pension cost ("APC") and the employer contributions for the last three years. Those amounts are as follows (in thousands):

Year ended December 31,	Annual pension cost (APC)	Percentage of APC contributed
2009	\$ 7,621	100%
2008	401	100
2007	1,006	100

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Notes to Financial Statements

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7. Other Postemployment Benefits

During the year ended June 30, 2008, the Authority established the Retiree Benefits Trust (the "Trust") and implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statements of Revenues, Expenses, and Changes in net assets when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the Statements of Net Assets over time.

a) *Plan Description*

In addition to providing the pension benefits described in note 6, the Authority provides post-employment health care and life insurance benefits ("OPEB") for retired employees. The benefit levels, employer contributions and future employee contributions are governed by the Authority and can be amended by the Authority. The OPEB Plan is a single-employer plan and offers retirees a choice of medical plans, as well as two dental plans, and basic life insurance. The medical plans are either HMOs, PPOs or indemnity plans, and some are designed to work with Medicare benefits, such a Medicare supplement or Medicare HMO plans. The basic life insurance provides a \$5,000 death benefit to the retiree. Spouses and dependents are not eligible for this death benefit upon their death. As of June 30, 2010, approximately 636 retirees and 1,186 active and inactive employees meet the eligibility requirements. As part of the implementation of GASB 45, the Authority performed an actuarial valuation at June 30, 2009. The Authority issues publicly available audited financial statements for the Trust. The report may be obtained by writing to the Massachusetts Port Authority, Attn: John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. These statements are prepared on the accrual basis of accounting. Employer contributions are recognized when the employer has made formal commitments to provide the contributions and benefits are recorded when due and payable in accordance with the terms of the Trust. Investments are reported at fair value. Mutual funds and commingled funds are valued based on net asset or unit value at year-end. No long term contracts for contributions to the Trust existed at June 30, 2010 or 2009.

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b) Annual OPEB Costs and Net OPEB Obligation

The Authority's 2010 and 2009 OPEB expense is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Authority's annual OPEB cost for the years ending June 30, 2010 and 2009, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of June 30, 2009 (in thousands).

	2010	2009	2008
Annual Required Contribution (ARC)	\$ 18,345	17,263	15,763
Interest on net OPEB obligation	(3,386)	(3,401)	—
Adjustment to ARC	2,549	2,869	75
Annual OPEB cost	17,508	16,731	15,838
Current premiums on a pay-as-you-go basis	—	—	5,583
Subsidy	1,200	1,712	—
Contributions made	15,338	14,905	54,064
Change in net OPEB obligation	(970)	(114)	43,809
Net OPEB Asset – beginning of year	43,695	43,809	—
Net OPEB Asset – end of year	\$ 42,725	43,695	43,809

c) Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of June 30, 2009, was as follows (in thousands):

Actuarially accrued liability ("AAL")	\$ 219,619
Actuarial value of plan assets	48,931
Unfunded actuarial accrued liability ("UAAL")	\$ 170,688
Funded ratio (actuarial value of plan assets/AAL)	22.3%
Covered payroll (active plan members)	\$ 95,749
UAAL as a percentage of covered payroll	178.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates

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Notes to Financial Statements

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are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

d) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was \$48.9 million. The actuarial assumptions included an 7.75% investment rate of return and an initial annual healthcare cost trend rate range of 11.00% which decreases to a 5.00% long-term trend rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payrolls for a period of 30 years, on a closed basis. This has been calculated assuming an inflation rate of 3.50%.

8. Leases

a) Commitments

The Authority has commitments under various operating leases, as lessee. The following is a schedule by years of minimum rental payments under noncancelable operating leases as of June 30, 2010 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2011	\$ 25,515	2031 – 2035	\$ 4,436
2012	25,319	2036 – 2040	4,436
2013	17,168	2041 – 2045	4,436
2014	13,296	2046 – 2050	4,436
2015	3,989	2051 – 2055	4,436
2016 – 2020	4,436	2056 – 2060	4,436
2021 – 2025	4,436	2061 – 2065	4,436
2026 – 2030	4,436	2066 – 2070	4,177
		Total	\$ <u>133,824</u>

Rent expense was \$28.0 million and \$26.4 million for fiscal years 2010 and 2009, respectively.

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Notes to Financial Statements

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b) Rental Income

The Authority leases a major portion of its Aviation and Port properties to various tenants. Many of these operating leases provide for periodic adjustments to rental rates, including certain provisions for contingent payments based on specified percentages of the tenant's gross revenue.

The following is a schedule by years of minimum future rental income on noncancelable operating leases as of June 30, 2010 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2011	\$ 76,857	2051 – 2055	\$ 43,082
2012	63,731	2056 – 2060	43,727
2013	57,841	2061 – 2065	45,265
2014	55,213	2066 – 2070	46,157
2015	53,118	2071 – 2075	47,892
2016 – 2020	152,918	2076 – 2080	48,923
2021 – 2025	120,865	2081 – 2085	46,917
2026 – 2030	82,186	2086 – 2090	35,677
2031 – 2035	81,283	2091 – 2095	35,291
2036 – 2040	80,552	2096 – 2100	16,632
2041 – 2045	81,700	2101	557
2046 – 2050	59,981		
		Total	\$ <u>1,376,365</u>

Rental income and concession income, including contingent payments received under these provisions, were approximately \$229.5 million and \$226.8 million for the fiscal years 2010 and 2009, respectively.

9. Risk Management

The Authority, as mandated by the 1978 Trust Agreement, maintains a self insurance account for general liability and workers compensation within the Operating Fund. The self insurance accruals are determined based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The overall accrual was approximately \$6.0 million and \$5.6 million as of June 30, 2010 and 2009, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2010 and 2009.

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Changes in the accrued liability accounts, related to self insurance, in fiscal year 2010 and 2009 were as follows (in thousands):

	2010	2009
Liability balance, beginning of year	\$ 5,610	7,491
Provision to record estimated losses	3,953	3,783
Payments	(3,573)	(5,664)
Liability balance, end of year	<u>\$ 5,990</u>	<u>5,610</u>

As part of its normal operations, the Authority encounters the risk of accidental losses stemming from third party liability claims, property loss or damage, and job-related injuries and illnesses. In managing these loss exposures, a combination of risk management measures is applied, including safety and loss prevention programs, emergency planning, contractual risk transfer, self insurance, and insurance.

In connection with the self insurance and insurance programs, the Authority retains part of the losses incurred and internally manages the self insured claims. The self insured retention currently includes \$750,000 for worker's compensation per job-related accident, up to \$250,000 per occurrence for automobile liability, general liability and other types of third party claims, \$250,000 per loss involving damage to buildings and their contents. Insurance is purchased above the self-insured amounts, subject to availability and the reasonableness of cost. Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported at year-end and are based on the historical cost of settling similar claims. The Authority records such liabilities as accrued expenses. The Authority from time to time is engaged in various matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. The Authority does not expect that these matters will require any amounts to be paid which in the aggregate would materially affect the financial statements.

Settled claims resulting from the risks discussed above have not exceeded the amount of insurance coverage in force in any of the past three fiscal periods. Further, insurance maintained in fiscal 2010 and calendar 2009 has not changed significantly from prior periods.

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Notes to Financial Statements

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10. Payments in Lieu of Taxes

The Authority's Enabling Act, the 1978 Trust Agreement and the PILOT Agreements authorize and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the "PILOT Agreements") to make annual payments in lieu of taxes to the Cities of Boston and Chelsea, and the Town of Winthrop.

The PILOT Agreements provide that annual payments may not exceed the balance of revenues remaining after deposits to pay operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

Pursuant to the amended Boston PILOT Agreement (the "Amended Boston PILOT Agreement"), the term of the Boston PILOT Agreement was extended to June 30, 2015 subject to mutual rights to terminate the Amended PILOT Agreement each year after July 1, 2010. The Amended Boston PILOT Agreement provides for the Authority to pay (i) an annual base amount (the "Base Amount") of \$14 million, which, commencing in fiscal year 2007, increases annually by the annual percentage change in the consumer price index, provided that such increase shall be no less than 2%, nor greater than 8%, per year, and (ii) for ten years, an amount of \$700,000, which shall not be increased or adjusted. In accordance with the Transportation Reform Act, as of January 1, 2010, the portion of the Authority's PILOT obligations to the City of Boston attributable to the Tobin Bridge was assumed by MassDOT.

In fiscal year 1992, the Authority and the City of Chelsea entered into a Further Extension of Term and Amendment Agreement (the "Amended Chelsea PILOT Agreement"), which extended the base in-lieu-of-tax payments through fiscal year 2012. In accordance with the Transportation Reform Act, as of January 1, 2010, the portion of the Authority's in-lieu-of-tax payment obligations to the City of Chelsea attributable to the Tobin Bridge was assumed by MassDOT. In addition to the Amended Chelsea PILOT Agreement, in June 2008 the Authority amended a planning and development agreement with the City of Chelsea (the "Planning and Development Agreement"). Pursuant to the amendment, the term of the Planning and Development Agreement was extended through fiscal year 2012 and provides for the Authority to make annual payments of \$600,000, which are not payments in lieu of taxes under the Enabling Act and were not assumed by MassDOT.

In fiscal year 2006, the Authority and the Town of Winthrop entered into an Amended and Restated Payment-In-Lieu-Of-Taxes Agreement (the "Amended Winthrop PILOT Agreement"), which extended the base in-lieu-of-tax payments through fiscal year 2025. The Amended Winthrop PILOT Agreement provides for the Authority to make an annual payment of \$900,000, which will be adjusted in fiscal years 2016 through 2025 if the average annual percentage change in the consumer price index in fiscal year 2006 through 2015 is less than 2% or more than 8%.

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11. Commitments

a) Contractual Obligations for Construction

The Authority enters into construction contracts with various construction and engineering companies. Construction contracts outstanding were approximately \$247.7 and \$197.6 million as of June 30, 2010 and 2009, respectively.

b) Third Harbor Tunnel

As part of the completion of the federal interstate highway program, the Commonwealth undertook the depression of a portion of I-93 in downtown Boston (the “Central Artery”), and the extension of the eastern terminus of I-90 to the Airport and Route 1A via construction of the Ted Williams Tunnel (collectively referred to herein with the Central Artery as the “CA/T Project”). The Authority was not responsible for the construction of the CA/T Project, but the Authority supported it as an important long-term means of improving ground access to the Airport. Pursuant to a roadway transfer agreement (the “Roadway Transfer Agreement”) with the former Massachusetts Highway Department and the former Massachusetts Turnpike Authority (each now part of MassDOT) the Authority acquired title to certain identified segments of the CA/T Project located at the Airport following completion of construction of such segments, in exchange for installment payments by the Authority to the Commonwealth. In May 2009, the Authority made the final payment required under this agreement.

c) Worcester Airport

In April 1999, the Authority entered into a Memorandum of Understanding (“MOU”) with the City of Worcester, Massachusetts (“Worcester”) and the Worcester Airport Commission. The MOU provided for the Authority to assume operating responsibility for Worcester Regional Airport pursuant to an Operating Agreement (the “Worcester OA”) among the parties effective January, 2000. The Worcester OA provides that the Authority would pay a portion of Worcester Airport’s annual operating deficit. In fiscal years 2010 and 2009 the Authority paid \$1.9 million and \$1.8 million, respectively for the net operating deficit at the Worcester Regional Airport. Worcester remained liable for all capital costs not funded with federal or state grants through June 30, 2010.

On July 1, 2010, the Authority purchased the Worcester Regional Airport for approximately \$15.5 million in accordance with the terms of the Transportation Reform Act. See Note 14-Subsequent Events.

d) Seaport Bond Bill

The Seaport Bond Bill was enacted in 1996 and among other things, provides for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston Yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provides up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston Yard in Boston permitting double stack shipments. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads. The Authority believes that the likelihood that any such Master

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MASSACHUSETTS PORT AUTHORITY

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Agreement will be executed and Authority funds committed for double stack improvements within the next fiscal year is remote.

During fiscal year 2007, the Authority received as an agent \$5.0 million from the Commonwealth through the Department of Conservation and Recreation (“DCR”) to fund a dredging project within Boston Harbor. The amount received from the Commonwealth of Massachusetts was recorded in restricted cash and accrued expenses as of June 30, 2007. During fiscal year 2008, these funds were paid to the escrow agent as required by the applicable agreements between the Authority and DCR. The Authority has no amounts reflected on its Statements of Net Assets related to these escrowed funds as of June 30, 2010 and 2009, respectively.

12. Litigation

a) Events of September 11, 2001

The Authority is engaged in routine litigation as well as litigation involving the terrorist attacks of September 11, 2001.

On September 11, 2001, terrorists hijacked American Airlines flight 11 and United Airlines flight 175 and flew them into the World Trade Center in New York, N.Y. The terrorist acts caused the deaths of approximately 3,000 persons, unknown numbers of personal injuries, and massive property damage. Both flights originated at Logan Airport.

In September 2001, Congress passed the Air Transportation Safety and System Stabilization Act of 2001, which provides, among other things, that victims who suffered physical injury or death as a result of the events of September 11, 2001 (“9/11”) could file a claim with a newly created Victim Compensation Fund (the “Fund”). Those who sought such compensation waived the right to file a civil lawsuit. The Fund does not apply to claims for property damage, business interruption, or the like. Approximately 98% of claimants eligible for compensation from the Fund filed a claim with the Fund.

In November 2001, Congress passed the Aviation and Transportation Security Act (“ATSA”). The Act provides a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of 9/11. Specifically, the liability of an airport sponsor for those events “shall not be in an amount greater than the limits of liability insurance coverage maintained by that . . . airport sponsor”. The Authority has insurance in effect to cover these incidents in the amount of \$500.0 million per occurrence and consequently, under ATSA the Authority’s liability, if any, would be limited to such amounts. To the Authority’s knowledge, the Authority’s insurer has received copies of all complaints and Notices of Claim and/or any other form of notification to the Authority by an individual or entity claiming to have suffered a loss.

Furthermore, to the Authority’s knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims although the insurer has reserved its rights with respect to (i) the number of occurrences, (ii) indemnification of the Authority against any award of punitive damages, and (iii) the Authority’s rights as a named additional insured under other policies of insurance, including policies of the Authority’s tenants and licensees.

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MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

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As of September 29, 2010, there is one remaining wrongful death lawsuit and one property damage lawsuit naming the Authority and other defendants. A number of other wrongful death and property damage lawsuits against the Authority and other defendants have been settled. These settlements have been achieved without any financial contribution from the Authority or its insurer, even though the settling plaintiffs have provided the Authority with a release of all claims related to the events of 9/11. The one wrongful death lawsuit was brought on behalf of a passenger on United Airlines flight 175. The plaintiff in the property damage lawsuit is World Trade Center Properties, LLC, the lessee of the WTC.

Absent the limitation of liability in ATSA, the amount of potential damages that could be awarded against the Authority if it were found liable in these lawsuits, based on the total amount of liability claimed, is an amount that would have a significant, materially adverse effect on the financial condition of the Authority. While the Authority cannot predict the outcome of any of these lawsuits or subsequent challenges, if any, to ATSA, it believes it has meritorious defenses to these actions and will continue to review and assess the various claims asserted and vigorously defend against them.

b) Environmental Contamination

The Authority is currently involved in twelve separate pollution remediation obligations that meet the requirements for accounting treatment under GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). These obligations are generally related to the removal and/or treatment of contaminated soil, groundwater and petroleum products associated with fuel storage and conveyance. GASB 49 dictates that for each obligating event, an estimate of the expected pollution remediation outlays is required to be accrued as a liability and expensed in the current period. Re-measurement of the liability is required when new information indicates increases or decreases in estimated outlays.

The estimated liability as of June 30, 2010 and 2009 is \$5.3 million and \$5.9 million, respectively, which represents the approximate amounts the Authority expects to pay for future remediation activities. The Authority paid approximately \$0.6 million in fiscal year 2010. This estimate was generated using input and guidance from internal management and professional consultants, and represents a wide array of remediation activities ranging from one time events to longer-term sustained monitoring activity.

The Authority will continue to closely monitor each of these obligations, working toward regulatory closure, and will make any necessary adjustments to the potential liability as new information becomes available.

c) Other litigation

On April 7, 2008, the Authority was served with a complaint by a patent holder, alleging unspecified damages arising from patent infringement in connection with the Authority's parking garage ticketing and revenue control system. On May 15, 2008, the Authority received a demand letter, alleging past damages of approximately \$28.0 million and potential damages of \$37.0 million, with an offer to settle for a lesser amount. On July 2, 2008, the United States Patent and Trademark Office ("USPTO") granted a request to re-examine the patent, finding that a substantial question of patentability had been raised in a third-party request for re-examination. On August 5, 2008, the

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United States District Court granted the Authority's motion to stay the proceedings pending the outcome of the patent re-examination and administratively closed the case. On May 11, 2010, the USPTO completed its patent re-examination, canceling all of the original patent claims, but determining a set of new claims to be patentable. In light of the USPTO action, the patent holder may seek to lift the stay and reopen the case against the Authority in order to assert the new claims. To date, the patent holder has not done so, and the case remains stayed. While the Authority cannot predict the outcome of the litigation, the Authority believes it has meritorious defenses in this action, and it will continue to vigorously defend against the various claims asserted. The Authority does not believe that the outcome will materially affect the Authority's results of operations or financial condition.

The Authority also is engaged in numerous matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. Others include such matters as disputes with contractors, subcontractors, engineers and others arising out of construction and maintenance of the Authority's properties; disputes over leases and concessions; property, theft and damage claims arising from the Authority's operations, employment matters and workers compensation, as to which the Authority is self-insured. The Authority does not expect that these matters will require any amounts to be paid which, in the aggregate, will be material to the results of operations.

13. Interagency Agreements

a) Transportation Reform Act

In June 2009, the Transportation Reform Act was enacted and provided for the establishment of MassDOT. MassDOT was established on November 1, 2009 and includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. The Transportation Reform Act affected the Authority in two major ways: first, on January 1, 2010 the Authority transferred, without consideration, the Tobin Bridge to MassDOT; and second, Worcester Regional Airport was purchased by the Authority on July 1, 2010 for \$15.5 million.

b) Investment in Joint Venture

In May 1996, the Authority entered into an interagency agreement with the Massachusetts Highway Department ("MHD") and Massachusetts Bay Transportation Authority ("MBTA") for the construction of a Regional Transportation Center ("RTC") in Woburn, Massachusetts ("Interagency Agreement"). Under the terms of the Interagency Agreement, the Authority has paid one third of the costs of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC. During fiscal years 2010 and 2009, the Authority recognized gains of approximately \$0.2 million and \$0.1 million, respectively, representing its share of the earnings of the RTC.

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c) Logan Airport Silver Line Transportation Agreement

The Authority entered into an agreement with the MBTA to provide public transportation between South Station in Boston, Massachusetts and Logan Airport along a route called the Silver Line.

Pursuant to this agreement the Authority has purchased and accepted delivery of eight buses for a cost of \$13.3 million.

In addition, the MBTA and the Authority have entered into a ten year agreement ending on December 30, 2015. Under this agreement, the MBTA will operate and maintain the Authority's Silver Line buses for a cost of \$2.0 million per year, paid in equal monthly installments. The MBTA remits to the Authority an amount based on the number of passengers boarding at Logan Airport.

14. Subsequent Events

a) Bond issue

On August 5, 2010 the Authority issued fixed rate General Revenue Bonds, 2010 Series A in the principal amount of \$97.9 million with coupon rates ranging from 4.76% to 5.00%. Proceeds from these bonds will be used to finance various capital projects.

The Authority simultaneously issued three series of fixed rate General Revenue Refunding Bonds, the 2010 Series B in the principal amount of \$138.0 million, the 2010 Series C in the principal amount of \$23.8 million, and the 2010 Series E PFC in the principal amount of \$57.1 million.

The Series B refunded portions of the 1998 Series A, all of the 1998 Series D, and all of the 2008 Series B and has coupon rates ranging from 4.5% to 5.0% and is expected to achieve a net present value savings of \$6.13 million.

The Series C refunded all of the 1998 Series B and has an average coupon rate of 4.756% and is expected to achieve a net present value savings of \$2.25 million.

The Series E PFC refunded the 1999 Series B PFC and has an average coupon rate of 4.873% and is expected to achieve a net present value savings of \$5.10 million. Additionally, on August 11, 2010, the Authority issued a series of General Revenue Refunding Bonds, the 2010 Series D multimodal in the amount of \$107.5 million. These bonds refunded \$66.8 million of the 1998 Series E fixed rate bonds and the \$39.6 million of the 1999 Series D fixed rate bonds. These bonds are backed by a letter of credit provided by the Bank of America that expires in August 2013.

b) Acquisition of Worcester Regional Airport

On July 1, 2010, the Authority purchased Worcester Regional Airport for approximately \$15.5 million and assumed responsibility for all capital and related costs.

MASSACHUSETTS PORT AUTHORITY
Required Supplementary Information
Schedule of Pension Funding Progress / OPEB Funding Progress
June 30, 2010
(In thousands)

Schedule of Pension Funding Progress

(1) Actuarial valuation date	(2) Actuarial value of plan assets	(3) Actuarial accrued liability (AAL)	(4) (Overfunded) unfunded (UAAL) AAL(2) – (3)	(5) Actuarial value of assets as a percentage of AAL (funded ratio) (2)/(3)	(6) Annual covered payroll	(7) (UAAL) AAL as a percentage of covered payroll (4)/(6)
1/1/2010	\$ 410,469	407,857	(2,612)	100.6%	\$ 86,438	(3.0)%
1/1/2009	342,953	327,829	(15,124)	104.6	85,944	(17.6)
1/1/2008	396,930	387,223	(9,707)	102.5	81,120	(12.0)
1/1/2007	368,346	357,507	(10,839)	103.0	76,835	(14.1)
1/1/2006	327,714	317,033	(10,681)	103.4	73,514	(14.5)
1/1/2005	304,427	293,550	(10,877)	103.7	71,030	(15.3)

Schedule of OPEB Funding Progress

(1) Actuarial valuation date	(2) Actuarial value of plan assets	(3) Actuarial accrued liability (AAL)	(4) (Overfunded) unfunded (UAAL) AAL(2) – (3)	(5) Actuarial value of assets as a percentage of AAL (funded ratio) (2)/(3)	(6) Annual covered payroll	(7) (UAAL) AAL as a percentage of covered payroll (4)/(6)
6/30/2009	\$ 48,931	219,619	170,688	22.3%	\$ 95,749	178.3%
7/01/2006	—	167,521	167,521	-	87,630	191.2

Analysis of the dollar amounts of net assets available for benefits, Actuarial Accrued Liability (AAL), and assets in excess of AAL in isolation can be misleading. Expressing the Actuarial Value of Assets available for benefits as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is AAL and annual covered payroll are both affected by inflation. Expressing the AAL in excess of assets as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the lower this percentage, the stronger the Plan.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, the size or composition of the population covered by the Plan, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the AAL as a factor.

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY

Schedule I

Combining Schedule of Net Assets

June 30, 2010

(In thousands)

Assets	Authority Operations	PFC Program	Combined totals
Current assets:			
Cash and cash equivalents	\$ 52,090	—	52,090
Investments	6,999	—	6,999
Restricted cash and cash equivalents	73,712	27,021	100,733
Restricted investments	119,831	22,098	141,929
Accounts receivable			
Trade, net	34,406	7,793	42,199
Grants	7,493	—	7,493
Total receivables, net	41,899	7,793	49,692
Prepaid expenses and other assets	7,835	292	8,127
Total current assets	302,366	57,204	359,570
Noncurrent assets:			
Investments	75,445	—	75,445
Restricted investments	297,747	25,575	323,322
Prepaid expenses and other assets, long-term	17,486	1,464	18,950
Investment in joint venture	2,393	—	2,393
Net OPEB asset	42,725	—	42,725
Capital assets, net	1,960,395	557,184	2,517,579
Total assets	\$ 2,698,557	641,427	3,339,984
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 92,192	224	92,416
Compensated absences	1,553	—	1,553
Retainage	2,795	5	2,800
Current portion of long-term debt	65,685	17,390	83,075
Commercial notes payable	—	89,000	89,000
Accrued interest payable	27,804	4,893	32,697
Deferred income	6,052	—	6,052
Total current liabilities	196,081	111,512	307,593
Noncurrent liabilities			
Accrued expenses	26,158	134	26,292
Compensated absences	19,864	—	19,864
Retainage	841	—	841
Long-term debt, net	1,173,238	178,472	1,351,710
Deferred income	9,887	—	9,887
Total liabilities	1,426,069	290,118	1,716,187
Net Assets			
Invested in capital assets, net of related debt	721,512	277,800	999,312
Restricted for other purposes			
Bond funds	187,215	—	187,215
Project funds	159,688	—	159,688
Passenger facility charges	—	73,509	73,509
Customer facility charges	25,974	—	25,974
Net OPEB asset	42,725	—	42,725
Other purposes	49,100	—	49,100
Total restricted	464,702	73,509	538,211
Unrestricted	86,274	—	86,274
Total net assets	\$ 1,272,488	351,309	1,623,797

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY

Schedule II

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2010

(In thousands)

	Authority Operations	PFC Program	Combined totals
Operating revenues:			
Fees, tolls and other services	\$ 277,825	—	277,825
Rentals	167,204	—	167,204
Concessions	62,321	—	62,321
Other	17,770	—	17,770
Operating grants	2,773	—	2,773
Total operating revenues	<u>527,893</u>	<u>—</u>	<u>527,893</u>
Operating expenses:			
Operations and maintenance	249,633	—	249,633
Administration	41,646	—	41,646
Insurance	8,874	—	8,874
Pension	7,621	—	7,621
Other post-employment benefits	17,508	—	17,508
Payments in lieu of taxes	17,547	—	17,547
Provision for uncollectible accounts	473	—	473
Depreciation and amortization	127,596	36,545	164,141
Total operating expenses	<u>470,898</u>	<u>36,545</u>	<u>507,443</u>
Operating income (loss)	<u>56,995</u>	<u>(36,545)</u>	<u>20,450</u>
Nonoperating revenues and (expenses):			
Passenger facility charges	—	58,598	58,598
Customer facility charges	20,668	—	20,668
Investment income	12,853	2,037	14,890
Net increase in the fair value of investments	376	(128)	248
Other revenues	2,659	—	2,659
Settlement of claims	8	—	8
Other expenses	(376)	64	(312)
Gain on sale of equipment	(110)	—	(110)
Interest expense	(56,615)	(10,255)	(66,870)
Total nonoperating (expense) revenue, net	<u>(20,537)</u>	<u>50,316</u>	<u>29,779</u>
Increase in net assets before capital grant revenue and Special Item	36,458	13,771	50,229
Capital grant revenue	34,340	—	34,340
Increase in net assets before Special Item	<u>70,798</u>	<u>13,771</u>	<u>84,569</u>
Special Item:			
Tobin Bridge Transfer	(78,058)	—	(78,058)
Increase (decrease) in net assets	<u>(7,260)</u>	<u>13,771</u>	<u>6,511</u>
Net assets, beginning of year	<u>1,279,748</u>	<u>337,538</u>	<u>1,617,286</u>
Net assets, end of year	\$ <u><u>1,272,488</u></u>	<u><u>351,309</u></u>	<u><u>1,623,797</u></u>

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY

Schedule III

Combining Schedule of Net Assets

June 30, 2009

(In thousands)

Assets	Authority Operations	PFC Program	Combined totals
Current assets:			
Cash and cash equivalents	\$ 51,315	—	51,315
Investments	—	—	—
Restricted cash and cash equivalents	99,400	22,549	121,949
Restricted investments	20,710	14,232	34,942
Accounts receivable			
Trade, net	33,584	2,194	35,778
Grants	16,478	—	16,478
Total receivables, net	50,062	2,194	52,256
Prepaid expenses and other assets	6,995	261	7,256
Total current assets	228,482	39,236	267,718
Noncurrent assets:			
Investments	116,585	—	116,585
Restricted investments	342,259	30,198	372,457
Prepaid expenses and other assets, long-term	17,772	1,787	19,559
Investment in joint venture	2,598	—	2,598
Net OPEB asset	43,695	—	43,695
Capital assets, net	2,021,069	574,630	2,595,699
Total assets	\$ 2,772,460	645,851	3,418,311
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 81,899	873	82,772
Compensated absences	1,162	—	1,162
Retainage	3,512	5	3,517
Current portion of long-term debt	62,987	16,540	79,527
Commercial notes payable	—	89,000	89,000
Accrued interest payable	29,661	5,324	34,985
Deferred income	4,754	—	4,754
Total current liabilities	183,975	111,742	295,717
Noncurrent liabilities			
Accrued expenses	26,495	198	26,693
Compensated absences	22,071	—	22,071
Retainage	994	—	994
Long-term debt, net	1,248,373	196,373	1,444,746
Deferred income	10,804	—	10,804
Total liabilities	1,492,712	308,313	1,801,025
Net Assets			
Invested in capital assets, net of related debt	709,751	278,275	988,026
Restricted			
Bond funds	184,480	—	184,480
Project funds	158,709	—	158,709
Passenger facility charges	—	59,263	59,263
Customer facility charges	5,221	—	5,221
Net OPEB asset	43,695	—	43,695
Other purposes	53,137	—	53,137
Total restricted	445,242	59,263	504,505
Unrestricted	124,755	—	124,755
Total net assets	\$ 1,279,748	337,538	1,617,286

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY

Schedule IV

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

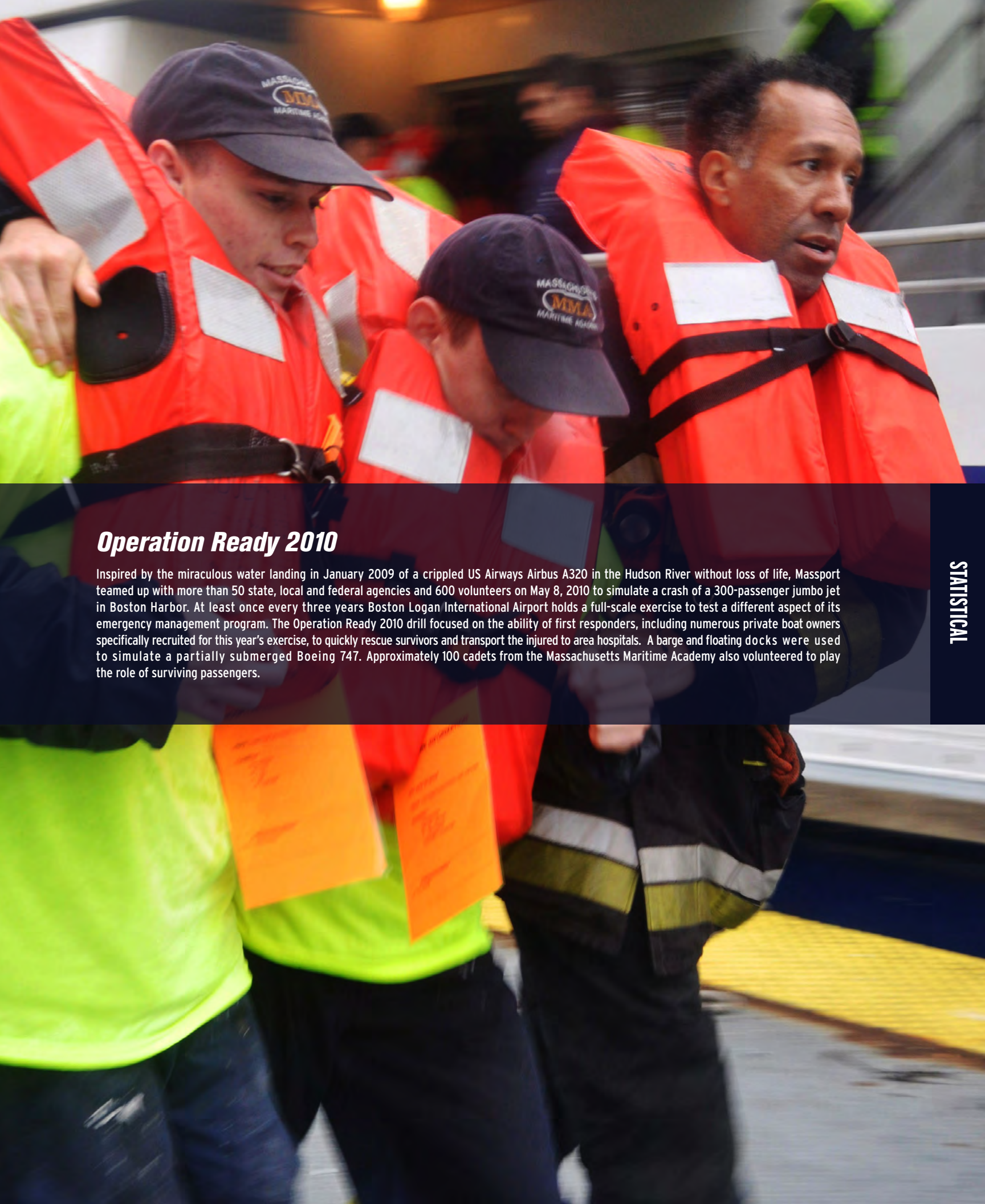
Year ended June 30, 2009

(In thousands)

	Authority Operations	PFC Program	Combined totals
Operating revenues:			
Fees, tolls and other services	\$ 298,368	—	298,368
Rentals	166,016	—	166,016
Concessions	60,794	—	60,794
Other	14,533	—	14,533
Operating grants	3,055	—	3,055
Total operating revenues	<u>542,766</u>	<u>—</u>	<u>542,766</u>
Operating expenses:			
Operations and maintenance	276,071	—	276,071
Administration	42,022	—	42,022
Insurance	7,402	—	7,402
Pension	408	—	408
Other post-employment benefits	16,731	—	16,731
Payments in lieu of taxes	18,460	—	18,460
Provision for uncollectible accounts	1,632	—	1,632
Depreciation and amortization	114,967	41,778	156,745
Total operating expenses	<u>477,693</u>	<u>41,778</u>	<u>519,471</u>
Operating income (loss)	<u>65,073</u>	<u>(41,778)</u>	<u>23,295</u>
Nonoperating revenues and (expenses):			
Passenger facility charges	—	50,102	50,102
Customer facility charges	5,211	—	5,211
Investment income	20,342	2,271	22,613
Net increase in the fair value of investments	3,233	79	3,312
Other revenues	11,995	—	11,995
Settlement of claims	3,987	—	3,987
Other expenses	(11,590)	172	(11,418)
Gain on sale of equipment	(1)	—	(1)
Interest expense	(62,208)	(11,502)	(73,710)
Total nonoperating (expense) revenue, net	<u>(29,031)</u>	<u>41,122</u>	<u>12,091</u>
(Decrease) increase in net assets before capital grant revenue	36,042	(656)	35,386
Capital grant revenue	42,998	—	42,998
Increase (decrease) in net assets	<u>79,040</u>	<u>(656)</u>	<u>78,384</u>
Net assets, beginning of year	<u>1,200,708</u>	<u>338,194</u>	<u>1,538,902</u>
Net assets, end of year	<u>\$ 1,279,748</u>	<u>337,538</u>	<u>1,617,286</u>

See accompanying independent auditors' report.

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Operation Ready 2010

Inspired by the miraculous water landing in January 2009 of a crippled US Airways Airbus A320 in the Hudson River without loss of life, Massport teamed up with more than 50 state, local and federal agencies and 600 volunteers on May 8, 2010 to simulate a crash of a 300-passenger jumbo jet in Boston Harbor. At least once every three years Boston Logan International Airport holds a full-scale exercise to test a different aspect of its emergency management program. The Operation Ready 2010 drill focused on the ability of first responders, including numerous private boat owners specifically recruited for this year's exercise, to quickly rescue survivors and transport the injured to area hospitals. A barge and floating docks were used to simulate a partially submerged Boeing 747. Approximately 100 cadets from the Massachusetts Maritime Academy also volunteered to play the role of surviving passengers.

Statistical Section

This part of the Massachusetts Port Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Financial Trends:

These schedules present trend information on how the Authority's financial position changed overtime.

- S-1 Changes in Net Assets, and Net Assets by Component
- S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
- S-5 Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement

Revenue Capacity:

These schedules present trend information on what is the Authority's most significant revenue source.

- S-2 Most Significant Own-Source Revenues and Related Rates and Charges
- S-3 Historical Principal Operating Revenue Payers

Debt Capacity:

These schedules present information on what is the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt.

- S-6 Calculation of Debt Service Coverage and Debt Metrics Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement

Demographic and Economic Information:

These schedules provide demographic and economic indicators to help the reader understand the environment within the Authority's financial activities take place.

- S-7 Largest Private Sector Employers
- S-8 Demographics and Employment Data

Operation and Others Information:

These schedules provide operating data to help the reader understand how the information in the Authority's financial report relates to the services it provides and the activities it performs.

- S-9 Number of Employees by Facility
- S-16 Insurance Coverage
- S-17 Physical Asset Data

Other Information:

- S-10 Logan International Airport Traffic Metrics
- S-11 Logan International Airport Market Share of Total Passenger Traffic
- S-12 Logan International Airport Passenger Market
- S-13 Port of Boston Cargo and Passenger Activity
- S-14 Port of Boston Principal Customers
- S-15 Tobin Memorial Bridge Activity

Massachusetts Port Authority
Statistical Section

.....
Revenues, Expenses and Changes in Net Assets
Fiscal Years Ended June 30, 2001 through June 30, 2010
(In Thousands)
.....

S-1 Changes in Net Assets

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 187,357	\$ 174,508	\$ 214,116	\$ 236,287	\$ 249,323
Rentals	82,811	85,053	90,431	115,225	139,731
Concessions	45,495	42,741	46,829	45,054	49,923
Other	11,237	12,837	15,117	13,539	16,147
Operating grants	-	2,749	7,314	4,859	5,454
Total operating revenues	<u>326,900</u>	<u>317,888</u>	<u>373,807</u>	<u>414,964</u>	<u>460,578</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 152,185	\$ 155,510	\$ 181,765	\$ 201,394	\$ 211,905
Administration	49,001	43,631	38,810	39,422	43,005
Insurance	2,880	4,332	8,685	10,234	11,221
Pension	-	-	-	1,834	2,141
Other post-employment benefits	1,964	2,350	3,004	3,672	4,018
Payments in lieu of taxes	13,093	12,209	12,559	12,419	12,028
Provision for uncollectible accounts	14	1,260	1,211	573	320
Depreciation and Amortization	71,389	81,596	102,388	111,726	136,007
Total operating expenses	<u>290,526</u>	<u>300,888</u>	<u>348,422</u>	<u>381,274</u>	<u>420,645</u>
Operating income	<u>36,374</u>	<u>17,000</u>	<u>25,385</u>	<u>33,690</u>	<u>39,933</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	36,324	29,445	29,090	32,845	35,316
Customer facility charges (2)	-	-	-	-	-
Investment income	28,982	19,795	11,486	10,239	13,456
Net gain in change in the fair value of investments	-	-	-	-	-
Other revenues	-	-	-	-	-
Gain on sales of assets	1,664	17	31	9	60
Settlement of claims	-	-	-	1,000	3,354
Total nonoperating revenues	<u>66,970</u>	<u>49,257</u>	<u>40,607</u>	<u>44,093</u>	<u>52,186</u>
<u>Nonoperating expenses</u>					
Interest expense	35,734	40,642	45,806	59,665	64,620
Loss from sale of equipment	-	-	-	-	-
Termination of interest rate swap	-	-	-	-	-
Net loss in change in the fair value of investments	-	-	-	-	-
Other expense / arbitrage	-	-	3,962	176	230
Total nonoperating expenses	<u>35,734</u>	<u>40,642</u>	<u>49,768</u>	<u>59,841</u>	<u>64,850</u>
Total nonoperating revenues (expenses)	<u>31,236</u>	<u>8,615</u>	<u>(9,161)</u>	<u>(15,748)</u>	<u>(12,664)</u>
Income before capital grant revenue and Special item	<u>67,610</u>	<u>25,615</u>	<u>16,224</u>	<u>17,942</u>	<u>27,269</u>
Capital grant revenue	<u>12,851</u>	<u>15,450</u>	<u>43,994</u>	<u>90,115</u>	<u>47,709</u>
Tobin Bridge transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>80,461</u>	<u>41,065</u>	<u>60,218</u>	<u>108,057</u>	<u>74,978</u>
Net assets, beginning of year	<u>952,096</u>	<u>1,032,557</u>	<u>1,073,622</u>	<u>1,133,840</u>	<u>1,241,897</u>
Net assets, end of year	<u>\$ 1,032,557</u>	<u>\$ 1,073,622</u>	<u>\$ 1,133,840</u>	<u>\$ 1,241,897</u>	<u>\$ 1,316,875</u>
Total net assets composed of:					
Invested in capital assets, net of debt	*	615,048	701,423	772,532	772,931
Restricted	*	402,888	378,268	402,599	467,014
Unrestricted	*	55,686	54,149	66,766	76,930
Total Net Assets (3)	<u>\$ 1,032,557</u>	<u>\$ 1,073,622</u>	<u>\$ 1,133,840</u>	<u>\$ 1,241,897</u>	<u>\$ 1,316,875</u>

(1) PFC accrued revenue exclusive of PFC interest earnings.

(2) CFC accrued revenue exclusive of CFC interest earnings.

(3) Net assets breakdown data are not available prior to the implementation of GASB Statement No. 34.

(4) Effective 1/1/2010, Tobin Bridge was transferred to the MassDOT (Chapter 25 and 26 of the Transportation Reform Act of 2009.)

Source: Authority's audited financial statements.

Massachusetts Port Authority
Statistical Section

.....
Revenues, Expenses and Changes in Net Assets
Fiscal Years Ended June 30, 2001 through June 30, 2010
(In Thousands)
.....

S-1 Changes in Net Assets (Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 268,723	\$ 290,679	\$ 312,248	\$ 298,368	\$ 277,825
Rentals	154,991	158,848	166,424	166,016	167,204
Concessions	53,678	55,826	65,414	60,794	62,321
Other	16,752	18,500	18,509	14,533	17,770
Operating grants	3,490	2,976	2,896	3,055	2,773
Total operating revenues	<u>497,634</u>	<u>526,829</u>	<u>565,491</u>	<u>542,766</u>	<u>527,893</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 236,359	\$ 252,905	\$ 275,824	\$ 276,071	\$ 249,633
Administration	42,126	43,094	45,495	42,022	41,646
Insurance	6,632	10,689	8,548	7,402	8,874
Pension	3,715	3,140	1,006	408	7,621
Other post-employment benefits	4,527	5,139	15,850	16,731	17,508
Payments in lieu of taxes	15,771	16,732	17,108	18,460	17,547
Provision for uncollectible accounts	2,609	(2,256)	158	1,632	473
Depreciation and Amortization	142,071	157,550	162,388	156,745	164,141
Total operating expenses	<u>453,810</u>	<u>486,993</u>	<u>526,377</u>	<u>519,471</u>	<u>507,443</u>
Operating income	<u>43,824</u>	<u>39,836</u>	<u>39,114</u>	<u>23,295</u>	<u>20,450</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	48,324	57,504	53,740	50,102	58,598
Customer facility charges (2)	-	-	-	5,211	20,668
Investment income	20,648	26,845	29,920	22,613	14,890
Net gain in change in the fair value of investments	-	1,812	2,739	3,312	248
Other revenues	351	-	2,099	11,995	2,659
Gain on sales of assets	102	45	49	-	-
Settlement of claims	438	200	84	3,987	8
Total nonoperating revenues	<u>69,863</u>	<u>86,406</u>	<u>88,631</u>	<u>97,220</u>	<u>97,071</u>
<u>Nonoperating expenses</u>					
Interest expense	69,601	76,860	80,862	73,710	66,870
Loss from sale of equipment	-	-	-	1	110
Termination of interest rate swap	-	-	-	-	-
Net loss in change in the fair value of investments	2,870	-	-	-	-
Other expense / arbitrage	2,780	382	1,027	11,418	312
Total nonoperating expenses	<u>75,251</u>	<u>77,242</u>	<u>81,889</u>	<u>85,129</u>	<u>67,292</u>
Total nonoperating revenues (expenses)	<u>(5,388)</u>	<u>9,164</u>	<u>6,742</u>	<u>12,091</u>	<u>29,779</u>
Income before capital grant revenue and Special item	<u>38,436</u>	<u>49,000</u>	<u>45,856</u>	<u>35,386</u>	<u>50,229</u>
Capital grant revenue	<u>36,209</u>	<u>10,708</u>	<u>41,818</u>	<u>42,998</u>	<u>34,340</u>
Tobin Bridge transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,058)</u> (4)
Change in net assets	<u>74,645</u>	<u>59,708</u>	<u>87,674</u>	<u>78,384</u>	<u>6,511</u>
Net assets, beginning of year	<u>1,316,875</u>	<u>1,391,520</u>	<u>1,451,228</u>	<u>1,538,902</u>	<u>1,617,286</u>
Net assets, end of year	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>	<u>\$ 1,623,797</u>
Total net assets composed of:					
Invested in capital assets, net of debt	814,180	901,516	903,001	988,026	999,312
Restricted	495,974	405,157	503,646	504,505	538,211
Unrestricted	81,366	144,555	132,255	124,755	86,274
Total Net Assets (3)	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>	<u>\$ 1,623,797</u>

(1) PFC accrued revenue exclusive of PFC interest earnings.

(2) CFC accrued revenue exclusive of CFC interest earnings.

(3) Net assets breakdown data are not available prior to the implementation of GASB Statement No. 34.

(4) Effective 1/1/2010, Tobin Bridge was transferred to the MassDOT (Chapter 25 and 26 of the Transportation Reform Act of 2009.)

Source: Authority's audited financial statements.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2001 through June 30, 2010

S-2 Principal Revenues and Rates as of June 30th

	2001	2002	2003	2004	2005
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 56,141	\$ 49,656	\$ 68,969	\$ 75,050	\$ 69,929
Terminal Rentals and Fees	40,879	41,771	47,109	66,196	85,843
Parking Fees	73,269	64,007	75,381	88,169	93,014
<u>Logan Airport Rates and Charges (1)</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 2.21	\$ 2.35	\$ 3.76	\$ 3.58	\$ 3.07
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	\$ 68.26	\$ 86.36	-	-	-
Terminal A (opened March 2005)	-	-	-	-	\$ 75.20
Terminal B	\$ 88.80	\$ 88.80	\$ 48.04	\$ 75.12	\$ 80.58
Terminal C - Main Terminal	\$ 76.52	\$ 84.18	\$ 82.13	\$ 97.93	\$ 102.87
Terminal E - Type 3 Space	\$ 63.26	\$ 74.20	\$ 81.28	\$ 92.05	\$ 119.46
<u>Baggage Fee (per checked bag)</u>	-	-	-	\$ 0.48	\$ 1.08
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 3.84	\$ 4.79	\$ 6.98	\$ 7.33	\$ 7.41
Outbound	\$ 0.78	\$ 1.34	\$ 1.89	\$ 1.85	\$ 1.61
Inbound Domestic	\$ 0.26	\$ 0.32	\$ 0.39	\$ 0.39	\$ 0.37
Common Use Check-in Fee				\$ 5.62	\$ 7.56
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 18.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00

(1) Authority Board approved rate each fiscal year.

Source: Authority reports

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2001 through June 30, 2010

S-2 Principal Revenues and Rates as of June 30th (Continued)

	2006	2007	2008	2009	2010
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 76,743	\$ 82,241	\$ 87,065	\$ 89,041	\$ 89,718
Terminal Rentals and Fees	102,967	103,193	107,260	106,021	106,079
Parking Fees	92,324	99,407	110,602	102,778	106,918
<u>Logan Airport Rates and Charges (1)</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 3.89	\$ 4.20	\$ 4.41	\$ 4.82	\$ 4.82
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	-	-	-	-	-
Terminal A (opened March 2005)	\$ 57.45	\$ 80.51	\$ 87.43	\$ 84.04	\$ 83.34
Terminal B	\$ 83.76	\$ 87.91	\$ 95.91	\$ 91.47	\$ 95.31
Terminal C - Main Terminal	\$ 107.17	\$ 108.79	\$ 110.17	\$ 98.56	\$ 104.59
Terminal E - Type 3 Space	\$ 121.43	\$ 117.91	\$ 117.49	\$ 115.76	\$ 105.28
<u>Baggage Fee (per checked bag)</u>	\$ 0.92	\$ 0.99	\$ 1.15	\$ 1.38	\$ 1.49
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 8.42	\$ 11.63	\$ 13.31	\$ 12.32	\$ 14.06
Outbound	\$ 3.18	\$ 2.85	\$ 2.79	\$ 2.62	\$ 3.35
Inbound Domestic	\$ 1.09	\$ 1.08	\$ 1.07	\$ 1.07	\$ 8.37
Common Use Check-in Fee	\$ 8.41	\$ 8.51	\$ 9.06	\$ 8.39	\$ 8.33
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 22.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00

(1) Authority Board approved rate each fiscal year.

Source: Authority reports

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Massachusetts Port Authority
Statistical Section

.....
Historical Principal Operating Revenue Payers
Current Year and Nine Years Ago
(In Thousands)
.....

S-3 Principal Operating Revenue Payers

Landing Fee Revenue	For the Fiscal Year Ended June 30, 2010			For the Fiscal Year Ended June 30, 2001		
	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees
Customer						
JETBLUE AIRWAYS	\$ 12,837	1	14.31%	\$ -	-	0.00%
US AIRWAYS, INC.	11,173	2	12.45%	8,652	2	15.41%
AMERICAN AIRLINES	10,609	3	11.82%	7,854	3	13.99%
DELTA AIRLINES	9,248	4	10.31%	9,333	1	16.62%
UNITED AIRLINES, INC.	6,698	5	7.47%	5,464	4	9.73%
AIRTRAN AIRLINES	3,622	6	4.04%	-	-	0.00%
CONTINENTAL AIRLINES	3,066	7	3.42%	2,318	6	4.13%
BRITISH AIRWAYS, PLC	2,522	8	2.81%	1,379	9	2.46%
SOUTHWEST AIRLINES CO	2,335	9	2.60%	-	-	0.00%
FEDERAL EXPRESS CORP.	2,259	10	2.52%	1,298	10	2.31%
NORTHWEST AIRLINES	1,782	13	1.99%	2,794	5	4.98%
AMERICAN EAGLE AIRLINES INC	2,027	11	2.26%	2,090	7	3.72%
SIGNATURE FLIGHT SUPPORT	1,743	14	1.94%	1,599	8	2.85%
ALL OTHER PAYERS	19,797		22.07%	13,360		23.80%
Total Landing Fees	\$ 89,718		100.00%	\$ 56,141		100.00%

Terminal Rents and Fees	For the Fiscal Year Ended June 30, 2010			For the Fiscal Year Ended June 30, 2001		
	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees
Customer						
DELTA AIRLINES	\$ 16,742	1	15.78%	\$ 6,545	1	16.01%
AMERICAN AIRLINES	13,670	2	12.89%	3,605	4	8.82%
US AIRWAYS, INC.	10,528	3	9.92%	167	25	0.41%
JETBLUE AIRWAYS	10,231	4	9.64%	-	-	0.00%
BRITISH AIRWAYS, PLC	6,043	5	5.70%	2,163	7	5.29%
UNITED AIRLINES, INC.	5,938	6	5.60%	4,581	3	11.21%
LUFTHANSA GERMAN AIRLINES	5,508	7	5.19%	1,109	11	2.71%
AIR FRANCE	4,033	8	3.80%	480	15	1.17%
CONTINENTAL AIRLINES	3,771	9	3.55%	2,876	5	7.04%
AER LINGUS	3,553	10	3.35%	1,119	10	2.74%
SOUTH TERMINAL CORP.			0.00%	5,608	2	13.72%
NORTHWEST AIRLINES	1,059	20	1.00%	2,529	6	6.19%
AMERICA WEST	-	-	0.00%	1,598	8	3.91%
TRANS WORLD AIRLINES	-	-	0.00%	1,504	9	3.68%
ALL OTHER PAYERS	25,003		23.57%	6,995		17.11%
Total Terminal Rental and Fees	\$ 106,079		100.00%	\$ 40,879		100.00%

Parking Revenue	For the Fiscal Year Ended June 30, 2010			For the Fiscal Year Ended June 30, 2001		
	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue
Customer						
PUBLIC PARKING AT AIRPORT	\$ 98,632	1	92.25%	\$ 63,404	1	86.54%
TENANT EMPLOYEE PARKING	5,420	2	5.07%	5,687	2	7.76%
PUBLIC OFF-AIRPORT PARKING	2,866	3	2.68%	4,178	3	5.70%
Total Parking Revenue	\$ 106,918		100.00%	\$ 73,269		100.00%

Source: Authority's accounting reports

Massachusetts Port Authority
Statistical Section

.....
Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
Fiscal Years Ended June 30, 2001 through June 30, 2010
(In Thousands)
.....

S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenue:					
Per Financial Statements	<u>\$ 326,900</u>	<u>\$ 317,888</u>	<u>\$ 373,807</u>	<u>\$ 414,964</u>	<u>\$ 460,578</u>
Adjustments:					
Provision for uncollectible accounts	(14)	(1,260)	(1,211)	(573)	(320)
Other	<u>-</u>	<u>-</u>	<u>(6,880)</u>	<u>-</u>	<u>-</u>
Operating Revenue:					
Per the 1978 Trust Agreement	<u>326,886</u>	<u>316,628</u>	<u>365,716</u>	<u>414,391</u>	<u>460,258</u>
Income on Investments:					
Per Financial Statements	<u>28,982</u>	<u>19,795</u>	<u>11,486</u>	<u>10,239</u>	<u>13,456</u>
Adjustments:					
PFC - Trust Agreement	(5,345)	(4,045)	(2,159)	(2,158)	(2,044)
CFC	-	-	-	-	-
Self Insurance and Other Accounts	<u>(2,033)</u>	<u>(2,791)</u>	<u>(1,365)</u>	<u>(1,513)</u>	<u>(1,924)</u>
Income on Investments:					
Per the 1978 Trust Agreement	<u>21,604</u>	<u>12,959</u>	<u>7,962</u>	<u>6,568</u>	<u>9,488</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement	<u>348,490</u>	<u>329,587</u>	<u>373,678</u>	<u>420,959</u>	<u>469,746</u>
Operating Expenses:					
Per Financial Statements	<u>\$ 290,526</u>	<u>\$ 300,888</u>	<u>\$ 348,422</u>	<u>\$ 381,274</u>	<u>\$ 420,645</u>
Adjustments:					
Insurance	10	(905)	358	(1,610)	(2,195)
Payments in Lieu of Taxes	(13,093)	(12,209)	(12,559)	(12,419)	(12,028)
Provision for uncollectible accounts	(14)	(1,260)	(1,211)	(573)	(320)
Depreciation and Amortization	(71,389)	(81,597)	(102,388)	(111,726)	(136,007)
Other post-employment benefits	-	-	-	-	-
Other Expenses	(1,096)	(1,451)	(1,923)	(12,666)	(2,391)
Other Expense / State Police Details	-	-	(6,880)	-	-
Administration Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>2,000</u>
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>204,944</u>	<u>203,466</u>	<u>223,819</u>	<u>243,281</u> ⁽¹⁾	<u>269,704</u>
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 143,546</u>	<u>\$ 126,121</u>	<u>\$ 149,859</u>	<u>\$ 177,678</u>	<u>\$ 200,042</u>

(1) Column does not add due to rounding.

Source: Authority's audited financial statements.

Massachusetts Port Authority
Statistical Section

.....
Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
Fiscal Years Ended June 30, 2001 through June 30, 2010
(In Thousands)
.....

S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses (Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Revenue:					
Per Financial Statements	\$ 497,634	\$ 526,829	\$ 565,491	\$ 542,766	\$ 527,893
Adjustments:					
Provision for uncollectible accounts	(2,609)	2,256	(158)	(1,632)	(473)
Other	-	-	-	-	-
Operating Revenue:					
Per the 1978 Trust Agreement	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>	<u>527,420</u>
Income on Investments:					
Per Financial Statements	20,648	26,845	29,920	22,613	14,890
Adjustments:					
PFC - Trust Agreement	(2,736)	(2,429)	(2,753)	(2,271)	(2,037)
CFC	-	-	-	(10)	(85)
Self Insurance and Other Accounts	(2,566)	(3,432)	(3,164)	(2,849)	(1,525)
Income on Investments:					
Per the 1978 Trust Agreement	<u>15,346</u>	<u>20,984</u>	<u>24,003</u>	<u>17,483</u>	<u>11,243</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>	<u>558,617</u>	<u>538,663</u>
Operating Expenses:					
Per Financial Statements	\$ 453,810	\$ 486,993	\$ 526,377	\$ 519,471	\$ 507,443
Adjustments:					
Insurance	1,074	(2,583)	(824)	5,476	(1,891)
Payments in Lieu of Taxes	(15,771)	(16,732)	(17,108)	(18,460)	(17,547)
Provision for uncollectible accounts	(2,609)	2,256	(158)	(1,632)	(473)
Depreciation and Amortization	(142,071)	(157,550)	(162,388)	(156,745)	(164,141)
Other post-employment benefits	-	-	(6,702)	(5,526)	(5,570)
Other Expenses	(1,515)	(826)	(2,315)	(9,044)	1,447
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses/Revenues	1,000	1,000	-	1,280	1,201
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>293,918</u>	<u>312,558</u>	<u>336,882</u>	<u>334,820</u>	<u>320,469</u>
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 223,797</u>	<u>\$ 218,194</u>

(1) Column does not add due to rounding.

Source: Authority's audited financial statements.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement Fiscal Years Ended June 30, 2001 through June 30, 2010 (In Thousands)

S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

1978 Trust Agreement	2001	2002	2003	2004	2005
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 56,141	\$ 49,656	\$ 68,969	\$ 75,050	\$ 69,929
Parking Fees	73,269	64,007	75,381	88,169	93,014
Utility Fees	14,170	13,731	13,577	12,407	15,696
Terminal Rentals	40,879	41,771	47,109	66,196	85,843
Non-Terminal Building and Ground Rents	29,949	29,851	30,269	31,905	36,133
Concessions	44,370	41,371	45,949	43,870	48,195
Other	11,236	15,275	14,912	17,501 (1)	19,485
	270,014	255,662	296,166	335,098	368,295
Airport Properties - Hanscom	4,073	4,949	4,093	5,646	6,219
Total Airport Properties	274,087	260,611	300,259	340,744	374,514
Port Properties					
Maritime Operations	32,155	31,562	35,056	35,687	42,247
Business Development	7,454	7,019	8,055	-	-
Maritime Real Estate (2)	-	-	-	13,931	15,947
	39,609	38,581	43,111	49,618	58,194
Bridge	13,190	17,436	22,346	24,029	27,550
Total Operating Revenue	326,886	316,628	365,716	414,391 (3)	460,258
Investment Income (4)	21,604	12,959	7,962	6,568	9,488
Total Revenues	348,490	329,587	373,678	420,959	469,746
Operating Expenses (5):					
Airport Properties					
Logan	153,010	150,610	163,779	179,970	198,380
Hanscom	4,040	3,910	4,642	4,952	6,468
	157,050	154,520	168,421	184,922	204,848
Port Properties					
Maritime Operations	33,420	34,054	40,067	37,589	42,006
Business Development	6,822	7,041	6,620	-	-
Maritime Real Estate (2)	-	-	-	11,198	13,195
	40,242	41,095	46,687	48,787	55,201
Bridge	7,652	7,852	8,711	9,572	9,655
Total Operating Expenses	204,944	203,467	223,819	243,281 (3)	269,704
Net Revenue	\$ 143,546	\$ 126,120	\$ 149,859	\$ 177,678	\$ 200,042
1999 PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (6)	\$ 36,324	\$ 29,445	\$ 29,090	\$ 32,845	\$ 35,316
PFC Investment Income	3,901	2,652	771	607	621
Net PFC Revenue	\$ 40,225	\$ 32,097	\$ 29,861	\$ 33,452	\$ 35,937

(1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.

(2) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.

(3) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.

(4) Excludes investment income earned by and deposited into Construction and PFC Funds.

(5) Includes allocation of all operating expenses related to Authority General Administration.

(6) PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.

(7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.

(8) In fiscal year 2010, the Authority changed its accrual policy for calculating PFC revenue.

Source: Authority's accounting reports

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement Fiscal Years Ended June 30, 2001 through June 30, 2010 (In Thousands)

S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement (Continued)

1978 Trust Agreement	2006	2007	2008	2009	2010
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 76,743	\$ 82,241	\$ 87,065	\$ 89,041	\$ 89,718
Parking Fees	92,324	99,407	110,602	102,778	106,918
Utility Fees	21,690	25,257	26,562	26,005	18,442
Terminal Rentals	102,967	103,193	107,260	106,021	106,079
Non-Terminal Building and Ground Rents	34,699	34,510	35,063	36,693	37,574
Concessions	51,948	53,724	63,058	58,685	60,179
Other	16,232	21,765	20,208	16,177	19,908
	396,603	420,097	449,818	435,400	438,818
Airport Properties - Hanscom	7,167	8,911	10,063	9,037	9,227
Total Airport Properties	403,770	429,008	459,881	444,437	448,045
Port Properties					
Maritime Operations	46,588	48,708	54,107	49,299	46,540
Business Development	-	-	-	-	-
Maritime Real Estate (2)	16,394	20,030	20,783	18,516	17,682
	62,982	68,738	74,890	67,815	64,222
Bridge	28,273	31,339	30,562	28,882	15,154
Total Operating Revenue	495,025	529,085	565,333	541,134	527,421
Investment Income (4)	15,346	20,984	24,003	17,483	11,243
Total Revenues	510,371	550,069	589,336	558,617	538,664
Operating Expenses (5):					
Airport Properties					
Logan	218,674	232,418	247,026	246,561	243,180
Hanscom	7,096	7,765	9,301	8,710	8,159
	225,770	240,183	256,327	255,271	251,339
Port Properties					
Maritime Operations	45,151	47,415	52,616	50,576	49,346
Business Development	-	-	-	-	-
Maritime Real Estate (2)	13,464	14,597	15,611	16,344	14,506
	58,615	62,012	68,227	66,920	63,852
Bridge	9,533	10,363	12,328	12,629	5,279
Total Operating Expenses	293,918	312,558	336,882	334,820	320,470
Net Revenues	\$ 216,453	\$ 237,511	\$ 252,454	\$ 223,797	\$ 218,194
1999 PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (6)	\$ 48,324 (7)	\$ 57,504	\$ 53,740	\$ 50,102	\$ 58,598 (8)
PFC Investment Income	1,265	938	1,006	597	469
Net PFC Revenue	<u>\$ 49,589</u>	<u>\$ 58,442</u>	<u>\$ 54,746</u>	<u>\$ 50,699</u>	<u>\$ 59,067</u>

(1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.

(2) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.

(3) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.

(4) Excludes investment income earned by and deposited into Construction and PFC Funds.

(5) Includes allocation of all operating expenses related to Authority General Administration.

(6) PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.

(7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.

(8) In fiscal year 2010, the Authority changed its accrual policy for calculating PFC revenue.

Source: Authority's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

.....
Calculation of Debt Service Coverage and Debt Metrics
Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement
Fiscal Years Ended June 30, 2001 through June 30, 2010
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1978 Trust Agreement					
Net Revenue	\$ 143,546	\$ 126,120	\$ 149,859	\$ 177,678	\$ 200,042
Debt Service - Principal	23,590	27,290	29,185	33,185	35,210
Debt Service - Interest	50,603	49,369	47,473	56,104	48,088
Credits to Debt Service (1)	(9,228)	(6,948)	(2,570)	(8,593)	(6,492)
Annual Debt Service	<u>\$ 64,965</u>	<u>\$ 69,711</u>	<u>\$ 74,089</u>	<u>\$ 80,696</u>	<u>\$ 76,806</u>
Debt Service Coverage	2.21	1.81	2.02	2.20	2.60
1999 PFC Trust Agreement					
Net PFC Revenue (2)	\$ 40,225	\$ 32,097	\$ 29,861	\$ 33,452	\$ 35,937
Debt Service - Principal	8,860	9,205	9,585	9,995	10,425
Debt Service - Interest	12,683	12,342	11,960	11,553	11,118
Credits to Debt Service (3)	(9,904)	(7,402)	(3,841)	(895)	(1,329)
Annual Debt Service	<u>\$ 11,639</u>	<u>\$ 14,145</u>	<u>\$ 17,704</u>	<u>\$ 20,652</u>	<u>\$ 20,213</u>
Debt Service Coverage (4)	3.46	2.27	1.69	1.62	1.78
First Line Sufficiency Covenant	2.27	2.27	2.42	2.50	2.55
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 4.76	\$ 6.32	\$ 6.59	\$ 6.60	\$ 5.74
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,010,240	\$ 986,650	\$ 1,218,335	\$ 1,193,900	\$ 1,384,905
Less Annual Debt Service - Principal (included reserved \$)	<u>23,590</u>	<u>27,290</u>	<u>23,160</u>	<u>31,910</u>	<u>36,860</u>
1978 Trust Agreement Bonds Outstanding	<u>\$ 986,650</u>	<u>\$ 959,360</u>	<u>\$ 1,195,175</u>	<u>\$ 1,161,990</u>	<u>\$ 1,348,045</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 72.24	\$ 87.01	\$ 106.24	\$ 94.97	\$ 100.74
1999 PFC Trust Agreement Debt Service per enplaned passenger	\$ 0.85	\$ 1.28	\$ 1.57	\$ 1.69	\$ 1.51
1999 PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 249,355	\$ 240,495	\$ 231,290	\$ 221,705	\$ 211,710
Less Annual PFC Debt Service - Principal	<u>8,860</u>	<u>9,205</u>	<u>9,585</u>	<u>9,995</u>	<u>10,425</u>
1999 PFC Trust Agreement Bonds Outstanding	<u>\$ 240,495</u>	<u>\$ 231,290</u>	<u>\$ 221,705</u>	<u>\$ 211,710</u>	<u>\$ 201,285</u>
1999 PFC Trust Agreement Bonds per enplaned passenger	\$ 17.61	\$ 20.98	\$ 19.71	\$ 17.30	\$ 15.04
Total Outstanding Bonds at June 30th (GAAP)	<u>\$ 1,259,595</u>	<u>\$ 1,227,145</u>	<u>\$ 1,449,625</u>	<u>\$ 1,415,605</u>	<u>\$ 1,596,615</u>
Total annual Debt Service per enplaned passenger (Trust)	\$ 5.61	\$ 7.61	\$ 8.16	\$ 8.28	\$ 7.25
Total outstanding Bonds per enplaned passenger (Trust)	\$ 89.84	\$ 107.98	\$ 125.94	\$ 112.27	\$ 115.79

- (1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from fiscal year 2003 to fiscal year 2006.
- (2) The substantial increase in net PFC collections in fiscal year 2006 reflects an increase in the PFC to \$4.50 per passenger, from \$3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.
- (4) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Authority's Board on May 17, 2007.
- (5) Less accrued interest from June 1, 1999 to June 16, 1999 in the amount of \$528,464 in fiscal year 2000.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

Source: Authority's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

.....
Calculation of Debt Service Coverage and Debt Metrics
Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement
Fiscal Years Ended June 30, 2001 through June 30, 2010
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics (Continued)

	2006	2007	2008	2009	2010
1978 Trust Agreement					
Net Revenue	\$ 216,453	\$ 237,511	\$ 252,454	\$ 223,797	\$ 218,194
Debt Service - Principal	41,575	45,465	48,140	50,780	53,855
Debt Service - Interest	65,216	60,018	61,767	55,889	50,836
Credits to Debt Service (1)	(13,858)	(7,057)	-	-	-
Annual Debt Service	<u>\$ 92,934</u>	<u>\$ 98,426</u>	<u>\$ 109,907</u>	<u>\$ 106,669</u>	<u>\$ 104,691</u>
Debt Service Coverage	2.33	2.41	2.30	2.10	2.08
1999 PFC Trust Agreement					
Net PFC Revenue (2)	\$ 49,589	\$ 58,442	\$ 54,746	\$ 50,699	\$ 59,067
Debt Service - Principal	10,945	11,435	15,540	16,540	17,390
Debt Service - Interest	10,601	8,374	11,771	10,648	9,799
Credits to Debt Service (3)	(1,305)	(1,318)	(2,153)	(2,758)	(1,642)
Annual Debt Service	<u>\$ 20,241</u>	<u>\$ 18,490</u>	<u>\$ 25,158</u>	<u>\$ 24,430</u>	<u>\$ 25,547</u>
Debt Service Coverage (4)	2.45	3.16	2.18	2.08	2.31
First Line Sufficiency Covenant	2.39	1.79	1.86	1.63	1.57
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 6.80	\$ 7.10	\$ 8.07	\$ 8.57	\$ 7.98
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,348,045	\$ 1,357,240	\$ 1,338,355	\$ 1,292,560	\$ 1,220,925
Less Annual Debt Service - Principal (included reserved \$)	41,675	42,540	45,415	50,780	53,855
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,306,370</u>	<u>\$ 1,314,700</u>	<u>\$ 1,292,940</u>	<u>\$ 1,241,780</u>	<u>\$ 1,167,070</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 95.62	\$ 94.80	\$ 94.97	\$ 99.72	\$ 88.97
1999 PFC Trust Agreement Debt Service per enplaned passenger	\$ 1.48	\$ 1.33	\$ 1.85	\$ 1.96	\$ 1.95
1999 PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 201,285	\$ 236,285	\$ 224,850	\$ 209,310	\$ 192,770
Less Annual PFC Debt Service - Principal	10,945	11,435	15,540	16,540	17,390
1999 PFC Trust Agreement Bonds Outstanding	<u>\$ 190,340</u>	<u>\$ 224,850</u>	<u>\$ 209,310</u>	<u>\$ 192,770</u>	<u>\$ 175,380</u>
1999 PFC Trust Agreement Bonds per enplaned passenger	\$ 13.93	\$ 16.21	\$ 15.37	\$ 15.48	\$ 13.37
Total Outstanding Bonds at June 30th (GAAP)	<u>\$ 1,549,330</u>	<u>\$ 1,593,525</u>	<u>\$ 1,563,205</u>	<u>\$ 1,501,870</u>	<u>\$ 1,413,695</u>
Total annual Debt Service per enplaned passenger (Trust)	\$ 8.28	\$ 8.43	\$ 9.92	\$ 10.53	\$ 9.93
Total outstanding Bonds per enplaned passenger (Trust)	\$ 109.56	\$ 111.02	\$ 110.35	\$ 115.20	\$ 102.34

- (1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from fiscal year 2003 to fiscal year 2006.
- (2) The substantial increase in net PFC collections in fiscal year 2006 reflects an increase in the PFC to \$4.50 per passenger, from \$3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.
- (4) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Authority's Board on May 17, 2007.
- (5) Less accrued interest from June 1, 1999 to June 16, 1999 in the amount of \$528,464 in fiscal year 2000.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

Source: Authority's accounting reports

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Massachusetts Port Authority
Statistical Section

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Largest Private Sector Employers
Current Year and Nine Years Ago
(Listed in alphabetical order)
.....

S-7 Massachusetts' Largest Employers

Calendar Year 2010			
Employer	Headquarters	Product or Service	Employee Size Range
Ahold USA Inc	Quincy	Grocers-Retail	10,000+
BJ'S Wholesale Club Inc	Natick	Wholesale Clubs	10,000+
Boston Scientific Corp	Natick	Surgical Instruments-Manufacturers	10,000+
Dunkin' Brands Inc	Canton	Doughnuts	10,000+
EMC Corp	Hopkinton	Information Technology Services	10,000+
Five Star Quality Care Inc	Newton	Residential Care Homes	10,000+
Fmr LLC	Boston	Financial Advisory Services	10,000+
Fresenius Medical Care N Amer	Waltham	Kidney Dialysis Centers	10,000+
Iron Mountain Inc	Boston	Business Records & Documents-Storage	10,000+
John Hancock	Boston	Insurance	10,000+
Mass Mutual Financial Group	Springfield	Insurance	10,000+
National Amusements Inc	Dedham	Real Estate Management	10,000+
Partners Health Care	Boston	Health Maintenance Organizations	10,000+
Philips Electronics N America	Andover	Audio-Visual Equipment Manufacturers	10,000+
Raytheon Co	Waltham	Aerospace Industries (Mfrs)	10,000+
Staples Inc	Framingham	Office Supplies	10,000+
State Street Corp	Boston	Holding Companies (Bank)	10,000+
Stream Global Svc Inc	Wellesley	Business Support Service	10,000+
Thermo Fisher Scientific Inc	Waltham	Measuring/Controlling Devices Nec (Mfrs)	10,000+
UGL Unico	Auburndale	Janitor Service	10,000+

Calendar Year 2001			
Employer	Headquarters	Product or Service	Employee Size Range
ATA/American Trans Air	Stoneham	Aircraft Charter Rental & Leasing Svc	5,000+
Bay State Medical Center	Springfield	Physicians & Surgeons	5,000+
Beth Israel Care Group	Boston	Physicians & Surgeons	5,000+
Boston University	Boston	Schools-Universities & Colleges Academic	5,000+
EMC Corp	Hopkinton	Computer Storage Devices (manufacturers)	5,000+
Fidelity Investments	Boston	Investment Securities	5,000+
GE Lynn Production Division	Lynn	Aircraft Engines & Engine Parts-mfrs	5,000+
John Hancock Variable Life Insurance	Boston	Insurance-life (agents)	5,000+
Laboratory for Nuclear Science	Cambridge	Schools-Universities & Colleges Academic	5,000+
Lucent Technologies	North Andover	Telephone & Telegraph Apparatus (mfrs)	5,000+
Massachusetts General Hospital	Boston	Hospitals	10,000+
Massmutual Financial Group	Springfield	Insurance	5,000+
MIT-Research Lab-Electronics	Cambridge	Schools-Universities & Colleges Academic	5,000+
New England Medical Center	Boston	Hospitals	5,000+
North Shore Children's Hospital	Salem	Hospitals	5,000+
Umass Memorial Medical Center	Worcester	Schools-Medical	5,000+
University of Massachusetts	Amherst	Schools-Universities & Colleges Academic	5,000+

Sources: InfoUSA, Inc.

**Massachusetts Port Authority
Statistical Section**

.....
Demographics and Employment Data
Calendar Years Ended 2000 through 2009
.....

S-8 Demographics and Employment Data

(Calendar Years)

Boston Metropolitan Statistical Area (1)	2000	2001	2002	2003	2004
Population	4,402,611	4,443,310	4,459,011	4,458,187	4,456,479
Total personal income (in millions)	\$184,607	\$191,111	\$191,283	\$193,938	\$203,465
Per capita personal income	\$41,931	\$43,011	\$42,898	\$43,502	\$45,656
Unemployment rate (annual average)	2.6%	3.6%	5.3%	5.7%	5.0%
Employment By Industry					
<u>Industry Type (In thousands)</u>					
Educational and Health Services	407.1	411.6	421.5	425.3	430.9
Trade, Transportation and Utilities	449.6	444.6	433.1	426.4	423.0
Professional and Business Services	417.2	409.6	382.5	368.0	376.4
Government	301.5	303.0	301.5	297.4	293.1
Manufacturing	297.2	286.0	255.6	237.6	230.3
Leisure and Hospitality	196.7	198.5	203.0	203.9	206.3
Financial Activities	191.7	195.5	191.9	186.6	183.2
Construction	96.7	103.1	104.1	100.4	100.6
Other Services	84.4	86.1	87.0	86.3	85.8
Information	95.9	95.8	84.5	77.2	73.7
Total	2,538.0	2,533.8	2,464.7	2,409.1	2,403.3

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

**Massachusetts Port Authority
Statistical Section**

.....
Demographics and Employment Data
Calendar Years Ended 2000 through 2009
.....

S-8 Demographics and Employment Data (Continued)

(Calendar Years)

Boston Metropolitan Statistical Area (1)	2005	2006	2007	2008	2009
Population	4,458,891	4,473,477	4,503,921	4,544,705	4,588,680
Total personal income (in millions)	\$212,287	\$230,353	\$243,740	\$250,810	\$246,471
Per capita personal income	\$47,610	\$51,493	\$54,117	\$55,187	\$53,713
Unemployment rate (annual average)	4.5%	4.4%	4.1%	4.8%	7.8%
Employment By Industry					
Industry Type (In thousands)					
Educational and Health Services	437.8	449.5	463.9	575.7	472.3
Trade, Transportation and Utilities	421.2	419.7	419.1	401.3	394.5
Professional and Business Services	386.0	396.7	408.3	395.0	393.3
Government	294.9	297.2	299.1	312.5	285.1
Manufacturing	226.5	223.3	222.0	182.7	195.8
Leisure and Hospitality	208.7	212.1	216.7	202.7	234.0
Financial Activities	186.2	188.4	189.4	176.5	179.2
Construction	101.3	101.9	99.3	91.8	84.9
Other Services	86.4	87.2	88.4	87.5	88.0
Information	73.9	74.3	74.7	76.7	68.3
Total	<u>2,422.9</u>	<u>2,450.3</u>	<u>2,480.9</u>	<u>2,502.4</u>	<u>2,395.4</u>

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

**Massachusetts Port Authority
Statistical Section**

.....
Number of Employees by Facility
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

S-9 Number of Employees by Facility (1):

<u>Facility</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Tobin Bridge	57	51	49	53	53.0
Logan Airport	692	633	606	633	691.0
Hanscom Field	20	17	19	19	19.0
Maritime	92	124	114	104	109.0
General Administration	355	273	265	276	286.5
Total Employees	<u>1,216</u>	<u>1,098</u>	<u>1,053</u>	<u>1,085</u>	<u>1,158.5</u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2010, there were 131 State Police positions assigned to the Authority.

(2) Effective 1/1/2010, Tobin Bridge was transferred to the MassDOT.

Source: Authority-Wide Vacancy report

**Massachusetts Port Authority
Statistical Section**

.....
Number of Employees by Facility
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

**S-9 Number of Employees by Facility (1):
(Continued)**

<u>Facility</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tobin Bridge	54.5	54.5	53.5	51.5	0.0 (2)
Logan Airport	692.0	702.0	705.0	705.5	698.5
Hanscom Field	18.0	19.0	18.0	18.0	19.0
Maritime	111.0	112.5	116.0	119.0	115.0
General Administration	274.5	281.0	297.0	271.0	264.5
Total Employees	<u><u>1,150.0</u></u>	<u><u>1,169.0</u></u>	<u><u>1,189.5</u></u>	<u><u>1,165.0</u></u>	<u><u>1,097.0</u></u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2010, there were 131 State Police positions assigned to the Authority.

(2) Effective 1/1/2010, Tobin Bridge was transferred to the MassDOT.

Source: Authority-Wide Vacancy report

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2001 through June 30, 2010

S-10 Logan International Airport Activity:

	2001	2002	2003	2004	2005
Aircraft Operations (1)					
Domestic (2)	247,298	197,844	190,609	184,836	210,357
International (3)	48,699	39,883	39,234	39,799	39,554
Regional	167,820	145,749	123,702	132,496	131,074
General Aviation	31,687	25,524	27,880	28,890	32,352
Total Operations	495,504	409,000	381,425	386,021	413,337
Aircraft Landed Weights (1,000 pounds) (4)	24,324,000	19,872,000	19,576,000	19,864,000	20,822,000
Passengers Traffic					
Domestic (2)					
Enplaned	10,135,550	8,052,257	8,284,960	8,919,352	9,880,689
Deplaned	10,194,716	8,088,769	8,304,108	8,952,770	9,937,869
International (3)					
Enplaned	2,377,178	1,904,246	1,906,562	2,040,079	2,129,374
Deplaned	2,335,959	1,889,185	1,919,516	2,047,766	2,117,983
Regional					
Enplaned	1,145,938	1,069,742	1,058,709	1,276,296	1,371,024
Deplaned	1,140,587	1,047,558	1,042,212	1,240,351	1,307,858
Subtotal	27,329,928	22,051,757	22,516,067	24,476,614	26,744,797
General Aviation					
Enplaned	57,985	46,302	47,072	43,234	60,687
Deplaned	55,369	45,051	45,471	42,920	60,687
Total Passengers	27,443,282	22,143,110	22,608,610	24,562,768	26,866,171
Total Enplaned Passengers	13,658,666	11,026,245	11,250,231	12,235,727	13,381,087
Average Passengers Per Flight					
Domestic (2)	82.2	81.6	87.0	96.7	94.2
International (3)	96.8	95.1	97.5	102.7	107.4
Regional	13.6	14.5	17.0	19.0	20.4
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	Delta	Delta	Delta
Primary carrier market share	18.8%	19.4%	19.2%	18.0%	17.0%
Two top carriers market share	36.1%	36.9%	36.8%	35.5%	33.2%
Origination & destination share (1) & (5)	NA	87.7% (6)	NA	88.0% (7)	NA
Compensatory airline payments to Massport per enplaned passenger	\$7.10	\$8.26	\$10.22	\$11.42	\$11.56
Logan Airport revenue per enplaned passenger	\$19.77	\$23.19	\$26.33	\$27.39	\$27.52
Total Cargo & Mail (1,000 pounds)	980,385	842,249	817,843	809,179	796,252

(1) Includes all-cargo flights, but excludes helicopters

(2) Includes jet and charter

(3) Includes jet, charter and international commuter

(4) Excludes GA and non-tenant

(5) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.

(6) Data for six months ended June 30, 2002.

(7) Data for twelve months ended September 30, 2004.

(8) Data for twelve months ended September 30, 2006.

(9) Data for twelve months ended September 30, 2007.

(10) Data for calendar year 2009

Source: Authority reports

Massachusetts Port Authority
Statistical Section

.....
Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

S-10 Logan International Airport Activity: (Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Aircraft Operations (1)					
Domestic (2)	206,426	214,441	207,693	190,271	200,015
International (3)	36,772	37,368	39,094	34,919	33,814
Regional	128,337	126,097	115,529	109,208	100,148
General Aviation	<u>31,016</u>	<u>30,716</u>	<u>27,724</u>	<u>16,690</u>	<u>13,766</u>
Total Operations	<u>402,551</u>	<u>408,622</u>	<u>390,040</u>	<u>351,088</u>	<u>347,743</u>
Aircraft Landed Weights (1,000 pounds) (4)	<u>20,376,000</u>	<u>20,408,164</u>	<u>19,905,370</u>	<u>18,741,720</u>	<u>18,681,983</u>
Passengers Traffic					
Domestic (2)					
Enplaned	10,292,917	10,438,225	10,223,459	9,314,138	10,062,680
Deplaned	10,324,060	10,485,949	10,279,164	9,344,673	10,085,288
International (3)					
Enplaned	2,071,481	1,995,778	2,064,293	1,868,603	1,818,370
Deplaned	2,071,740	2,013,591	2,100,097	1,884,406	1,834,023
Regional					
Enplaned	1,297,303	1,433,466	1,326,073	1,270,475	1,236,145
Deplaned	<u>1,272,474</u>	<u>1,432,862</u>	<u>1,322,741</u>	<u>1,272,569</u>	<u>1,223,010</u>
Subtotal	<u>27,329,975</u>	<u>27,799,871</u>	<u>27,315,827</u>	<u>24,954,864</u>	<u>26,259,516</u>
General Aviation					
Enplaned	58,315	58,852	54,029	32,606	27,473
Deplaned	<u>58,315</u>	<u>58,852</u>	<u>54,029</u>	<u>32,606</u>	<u>27,473</u>
Total Passengers	<u>27,446,605</u>	<u>27,917,575</u>	<u>27,423,885</u>	<u>25,020,076</u>	<u>26,314,462</u>
Total Enplaned Passengers	<u>13,661,701</u>	<u>13,867,469</u>	<u>13,613,825</u>	<u>12,453,216</u>	<u>13,117,195</u>
Average Passengers Per Flight					
Domestic (2)	99.9	97.6	98.7	98.1	100.7
International (3)	112.7	107.3	106.5	107.5	108.0
Regional	20.0	22.7	22.9	23.3	24.6
Air Carrier and Passenger Metrics					
Primary carrier	Delta	US Airways	American	JetBlue	JetBlue
Primary carrier market share	15.0%	13.8%	14.1%	14.7%	16.9%
Two top carriers market share	30.0%	27.6%	27.6%	28.8%	29.9%
Origination & destination share (1) & (5)	NA	87.7% (8)	88.4% (9)	NA	87.5% (10)
Compensatory airline payments to Massport per enplaned passenger	\$12.97	\$13.18	\$14.30	\$15.66	\$14.93
Logan Airport revenue per enplaned passenger	\$29.03	\$30.29	\$33.04	\$34.96	\$33.45
Total Cargo & Mail (1,000 pounds)	759,326	680,079	644,552	571,186	563,210

(1) Includes all-cargo flights, but excludes helicopters

(2) Includes jet and charter

(3) Includes jet, charter and international commuter

(4) Excludes GA and non-tenant

(5) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.

(6) Data for six months ended June 30, 2002.

(7) Data for twelve months ended September 30, 2004.

(8) Data for twelve months ended September 30, 2006.

(9) Data for twelve months ended September 30, 2007.

(10) Data for calendar year 2009

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
**Logan International Airport
Market Share of Total Passenger Traffic
Current Year and Nine Years Ago**
.....

S-11 Passenger Traffic Market Shares

Air Carrier	Fiscal Year 2010		Fiscal Year 2001	
	Passenger	%	Passenger	%
JetBlue Airways Corp. (4)	4,292,387	16.3%	NA	NA
American Airlines, Inc. (1)	3,582,268	13.6%	3,853,058	14.1%
US Airways, Inc. (2)	3,075,710	11.7%	4,732,193	17.3%
Delta Air Lines, Inc.	2,771,724	10.5%	5,139,520	18.8%
Regional Carriers (3)	2,544,776	9.7%	2,302,343	8.4%
Foreign Flag	2,516,952	9.6%	3,024,973	11.1%
United Air Lines, Inc.	2,259,161	8.6%	2,682,058	9.8%
AirTran Airlines, Inc.	1,352,869	5.1%	250,868	0.9%
Continental Airlines, Inc.	1,054,677	4.0%	1,481,447	5.4%
Others	2,863,938	10.9%	2,833,905	10.4%
Trans World Airlines, Inc.	NA	NA	568,991	2.1%
America West Airlines, Inc.	NA	NA	406,305	1.5%
Total	26,314,462	100.0%	27,275,661	100.0%

(1) American Airlines acquired Trans World Airlines during 2001.

(2) America West Airlines acquired US Airways and changed its name to US Airways during 2005.

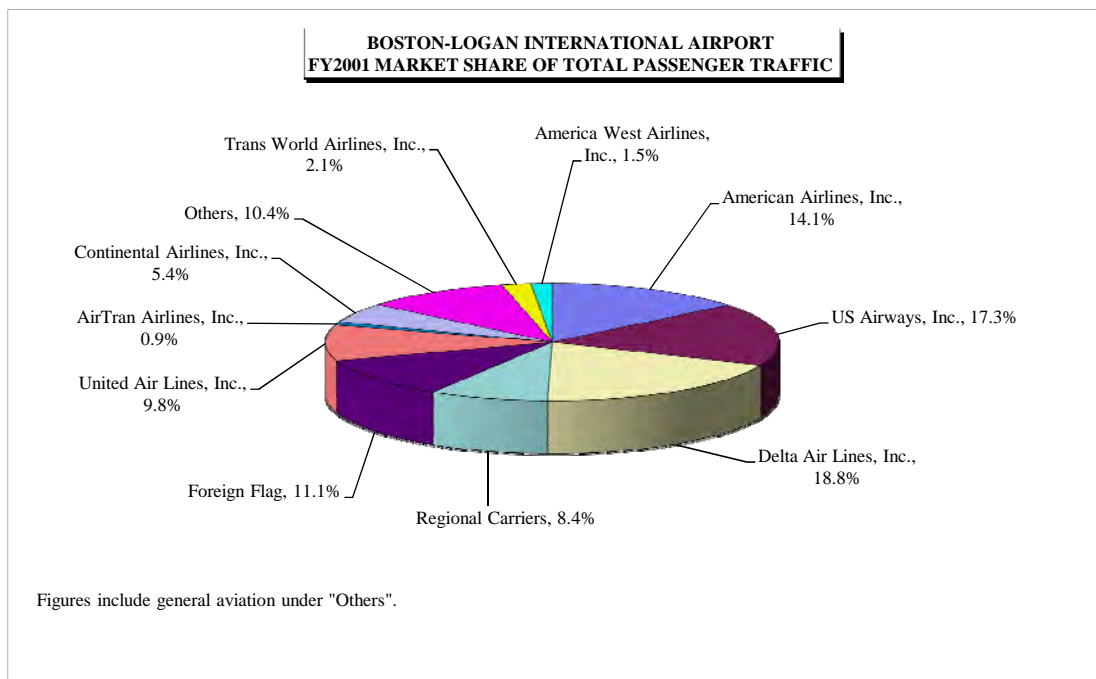
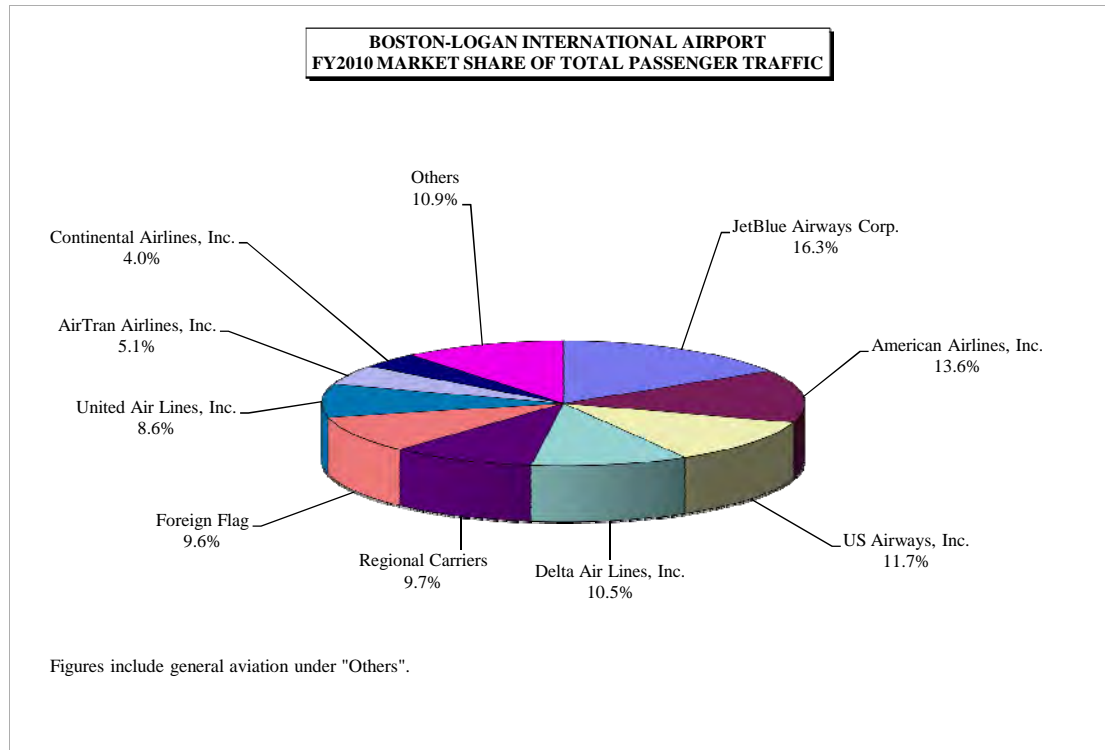
(3) These figures for passengers traveling on U.S. flag regional carriers include passengers traveling internationally.

(4) JetBlue Airways commenced service at Logan Airport in January 2004.

Massachusetts Port Authority
Statistical Section

Logan International Airport
Market Share of Total Passenger Traffic
Current Year and Nine Years Ago

S-11 Passenger Traffic Market Share -Charts



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**Massachusetts Port Authority
Statistical Section**

.....
**Logan International Airport
Passenger Markets
Calendar Year 2009 and Nine Years Ago**
.....

S-12 Logan International Airport - Passenger Markets

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2009, as reported by the United States Department of Transportation ("DOT"). International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for calendar year 2000.

Market	Calendar 2009 Percentage	Calendar 2009 Rank	Calendar 2000 Rank
New York, New York / Newark, New Jersey	6.7%	1	1
Washington D.C.	5.7%	2	2
San Francisco, California	5.4%	3	3
Los Angeles, California	5.3%	4	7
Chicago, Illinois	5.0%	5	6
Florida South *	4.6%	6	9
Orlando, Florida	4.5%	7	5
Atlanta, Georgia	3.9%	8	4
Baltimore, Washington	3.4%	9	19
Dallas/Ft. Worth, Texas	2.3%	10	10
Fort Myers, Florida	2.2%	11	17
Tampa, Florida	2.2%	12	11
Denver, Colorado	2.1%	13	12
West Palm Beach, Florida	2.1%	14	15
Las Vegas, Nevada	1.9%	15	14
Minneapolis - St. Paul, Minnesota	1.8%	16	13
Charlotte, North Carolina	1.7%	17	**
Seattle, Washington	1.7%	18	**
Raleigh-Durham, North Carolina	1.7%	19	**
San Juan, Puerto Rico	1.5%	20	18
 Total for Cities Listed	 65.6%		

* Florida South consists of Miami and Fort Lauderdale

**Not listed in top twenty for calendar year 2009.

Source: Diio APGDAT

**Massachusetts Port Authority
Statistical Section**

.....
**Port of Boston
Cargo and Passenger Activity**
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Containers (1)	74,901	72,537	86,149	93,627	103,631
Cruise Passengers	186,070	246,539	207,254	200,836	192,869
Automobiles (2)	89,348	80,070	29,559	12,198	10,657
Bulk Tonnage	158,705	207,583	162,824	144,304	189,517

(1) Does not include over-the-road volumes.

(2) Includes vehicles entered by over-the-road means through September 1998;
does not include vehicles entered by over-the-road means after September 1998.

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
**Port of Boston
Cargo and Passenger Activity**
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

S-13 Port of Boston Cargo and Passenger Activity (Continued)

Port Activity	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Containers (1)	111,020	116,156	124,122	114,871	100,970
Cruise Passengers	246,365	200,998	236,922	275,407	310,482
Automobiles (2)	11,170	10,252	15,546	26,966	33,208
Bulk Tonnage	202,681	188,311	206,494	167,881	89,394

(1) Does not include over-the-road volumes.

(2) Includes vehicles entered by over-the-road means through September 1998;
does not include vehicles entered by over-the-road means after September 1998.

Source: Authority reports

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Massachusetts Port Authority

Statistical Section

Port of Boston

Principal Customers

Current Year and Nine Years Ago

S-14 Port of Boston Principal Customers

Fiscal Year 2010

Direct Service

China Ocean Shipping Co.
Columbia Coastal Transport
Hanjin Shipping
K-Line
Mediterranean Shipping Corp.
Yang Ming Line

Shipping Lines

China Ocean Shipping Co
CMA-CGM
Evergreen
Hanjin
K Line
Maersk
Mediterranean Shipping Co.
Safmarine
Yang Ming
Zim Line

Cruise Lines

Aida CruiseSeeTours
Carnival
Celebrity Cruises
Costa Cruises
Crystal Cruises
Cunard
Fred Olsen Cruise Lines
Holland America
Norwegian Cruise Line
P&O
Princess Cruises
Regency
Regent Seven Sea Cruise
Royal Caribbean Cruises
Saga Cruises
Silversea Cruises

Large Customs House Brokers

A.N. Deringer
Albatrans, Inc.
BDP International, Inc.
C.H. Powell Company
DB Schenker
DHL Danzas
Dolliff & Company, Inc.
Dynasty International, Inc.
EGL Eagle Global Logistics
Exel Global Logistics
Expeditors Int'l
Fedex Trade Networks
Hellmann Worldwide Logistics, Inc.
J.F. Moran Co., Inc.
Kuehne & Nagel, Inc.
Liberty International
Magic Customs Brokers, Inc.
OceanAir, Inc
Panalpina, Inc.
Savino Del Bene, Inc.
SDV (USA)
UPS Supply Chain Solutions
Vandegrift Intl.

Fiscal Year 2001

Direct Service

Columbia Coastal Transport
Hapag Lloyd
Mediterranean Shipping Corp.
SPM Container

Shipping Lines

Alianca
Atlantic Container
American Pres. Line
China Ocean Shipping Co
Columbus Line
Evergreen America
Hanjin
Hoegh
Hyundai
Italian Lines
Mitsui Osk Line
NYK Line
Yang Ming Line
Volkswagon
ZIM Container

Cruise Lines

Carnival Cruise Line
Clipper Cruise Line
Crystal Cruises
Cunard Line
Delphin Seereisen
Golden Sun Cruises
Holland America Line
Norwegian Cruise Line
P & O Cruises
Phoenix Reisen
Princess Cruises
Royal Caribbean Cruise Line
Seabourn Cruise Line
Silversea Cruises

Large Customs House Brokers

Peabody & Lane
Tower Group
CH Powell
Circle
Moran Shipping
Kuehne & Nagel
AEI-Radix

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
Tobin Memorial Bridge
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

S-15 Bridge Statistics (In-Bound)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Tobin Bridge Toll	<u>\$1.00</u>	<u>\$2.00</u>	<u>\$2.00</u>	<u>\$3.00</u> ⁽³⁾	<u>\$3.00</u>
Class 1 - Passenger vehicles					
Class 1	10,898,566	10,218,593	9,817,665	9,427,512	8,164,954
Passenger (1)					
Resident:	<u>388,815</u>	<u>391,961</u>	<u>512,014</u>	<u>585,811</u>	<u>648,510</u>
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	11,287,381	10,610,554	10,329,679	10,013,323	8,813,464
Class 2 - 6	<u>990,900</u>	<u>924,235</u>	<u>909,273</u>	<u>885,858</u>	<u>796,425</u>
Commercial (2)					
Total Paying Vehicles	<u>12,278,281</u>	<u>11,534,789</u>	<u>11,238,952</u>	<u>10,899,181</u>	<u>9,609,889</u>
Massachusetts Bay					
Transportation Authority	68,358	54,620	30,883	23,302	48,231
(MBTA)					
Other Non-Revenue Vehicles	<u>43,264</u>	<u>43,878</u>	<u>48,183</u>	<u>61,827</u>	<u>65,093</u>
Total Non-Paying Vehicles	<u>111,622</u>	<u>98,498</u>	<u>79,066</u>	<u>85,129</u>	<u>113,324</u>
Total Vehicles	<u>12,389,903</u>	<u>11,633,287</u>	<u>11,318,018</u>	<u>10,984,310</u>	<u>9,723,213</u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll.

This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

(4) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to the MassDOT (Chapter 25 and 26 of the Transportation Reform Act of 2009.)

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
Tobin Memorial Bridge
Fiscal Years Ended June 30, 2001 through June 30, 2010
.....

S-15 Bridge Statistics (In-Bound)
(Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 ⁽⁴⁾</u>
Tobin Bridge Toll	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Class 1 - Passenger vehicles					
Class 1	8,384,939	9,203,180	8,988,012	8,526,559	4,498,957
Passenger (1)					
Resident:	695,357	655,520	702,354	739,921	400,356
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	9,080,296	9,858,700	9,690,366	9,266,480	4,899,313
Class 2 - 6	862,845	1,031,598	979,516	901,558	458,740
Commercial (2)					
Total Paying Vehicles	<u>9,943,141</u>	<u>10,890,298</u>	<u>10,669,882</u>	<u>10,168,038</u>	<u>5,358,053</u>
Massachusetts Bay					
Transportation Authority	54,460	68,143	74,289	70,609	34,547
(MBTA)					
Other Non-Revenue Vehicles	44,039	39,463	48,012	56,729	27,468
Total Non-Paying Vehicles	<u>98,499</u>	<u>107,606</u>	<u>122,301</u>	<u>127,338</u>	<u>62,015</u>
Total Vehicles	<u>10,041,640</u>	<u>10,997,904</u>	<u>10,792,183</u>	<u>10,295,376</u>	<u>5,420,068</u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll. This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

(4) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to the MassDOT (Chapter 25 and 26 of the Transportation Reform Act of 2009.)

Source: Authority reports

Massachusetts Port Authority

Statistical Section

Insurance Coverage

Fiscal Year Ended June 30, 2010

S-16 Insurance Coverage

POLICY - 7/01/09 - 6/30/2010	BROKER / UNDERWRITER	LIMITS	RETENTION / UNDERLYING
PROPERTY INSURANCE			
All Risk Property Insurance including Boiler & Mach., Contractor's Equip. & Bus. Int. Tobin Bridge Use & Occupancy*	FM Global	\$500,000,000	\$250,000
Property Terrorism Coverage	Willis / Lloyd's of London	\$150,000,000	\$100,000
Hull Insurance - 8 scheduled vessels including: Fireboat and State Police Patrol Boat Including Terrorism Coverage	FM Global	\$500,000,000	\$250,000
	Customhouse Marine / CNA	Agreed Value	\$15,000
LIABILITY INSURANCE			
Aviation General Liability Airport Terrorism Coverage Primary and Excess Deductible for non-airside auto losses only	Wells Fargo / Global Aerospace	\$500,000,000	\$250,000
Comprehensive Marine Liability Terminal Operator's Liability Including Port & Stevedore Liability Bridge General Liability* Primary and Excess Including Terrorism	HUB International / Starr Marine	\$50,000,000	\$100,000
Automobile Liability For Fleet & Buses Comprehensive & Collision Deductible	Willis / Liberty Mutual	\$5,000,000	\$1000-\$5000
WORKERS' COMPENSATION			
Stevedores Workers' Comp - USL&H -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$0
Stevedores Workers' Comp - State Act -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$0
Excess Workers' Compensation	HUB International / AIG	Statutory \$1,000,000	\$750,000
Self-Insurer's WC Bond	HUB International / Travelers	\$3,500,000	\$0
OTHER COVERAGE			
Crime, Dishonesty Burglary and Robbery	Marsh USA, Inc. / Hartford	\$3,000,000	\$100,000

Massachusetts Port Authority

Statistical Section

Physical Asset Data

Fiscal Year Ended June 30, 2010

S-17 List of Certain Physical Asset Characteristics

Tobin Memorial Bridge (1)

Structure - double-decked (overall length (feet))	9,450
Capacity (number of traffic lanes each direction)	3

Logan Airport

Area of Airport (acres - approximate)	2,400
---------------------------------------	-------

Runways

Runway 15R/33L (length in feet)	10,081
Runway 4R/22L (length in feet)	10,005
Runway 22R/4L (length in feet)	7,860
Runway 9/27 (length in feet)	7,000
Runway 33R/15L (length in feet)	2,557
Runway 14/32 (length in feet)	5,000

Terminal Buildings

Terminal A (number of jet contact gates)	22
Terminal B (number of jet contact gates)	35
Terminal C (number of jet contact gates)	27
Terminal E (number of jet contact gates)	13

Parking

Number of commercial and employee parking spaces	20,615
--	--------

<u>Cargo Facilities</u> (square feet)	440,000
--	---------

Hanscom Field

Area of Airport (acres - approximate)	1,300
---------------------------------------	-------

Runways

Runway 11/29 (length in feet)	7,000
Runway 5/23 (length in feet)	5,100

Port of Boston

Conley Terminal (101 acres)

Berth 11 (length in feet)	1,000
Berth 12 (length in feet)	1,000
Berth 14 (length in feet)	500
Berth 15 (length in feet)	500

Moran Terminal (64 acres)

Berth 1 (length in feet)	1,000
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Black Falcon Terminal

10 berths (length in feet (each))	500
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<u>Commercial Real Estate</u> (approximate acres)	60
--	----

(1) Tobin Bridge Transferred to MassDOT - January 1, 2010

Source: Authority reports

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Cruiseport Renovations

Massport's \$11 million transformation of the Black Falcon Cruise Terminal from a World War I vintage warehouse into a 21st century point of departure coincides with Cruiseport Boston's growing popularity with ocean-going vacationers. Last year, more than 300,000 passengers came through Cruiseport Boston and the nearly 20 major cruise lines that call on Boston bring in to the state more than \$450 million in direct cruise industry spending each year, making Massachusetts 9th highest among the states. The new Black Falcon Terminal can now handle embarking and disembarking at the same time while it boasts triple the amount of usable space, one-third more ticketing stations and six times the number of available seats for waiting passengers. Added elevators and escalators, enhanced baggage claim area and a new VIP lounge improve passenger comfort and convenience while positioning Cruiseport Boston for continued future growth.

**STATEMENT OF
ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2010**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 22, 2010 (the “Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement, dated as of August 1, 1997 (the “Continuing Disclosure Agreement”), between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”), and the Trust Agreement dated as of May 1, 1997 between the Authority and the Trustee relating to the BOSFUEL Bonds (as defined below). Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2010 (“fiscal year 2010”) updating the financial information and operating data presented in the Authority’s Statement of Annual Financial Information and Operating Data dated as of November 20, 2009 (the “2009 Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority’s Official Statements dated August 5, 2010 and August 6, 2010 (together, the “2010 Official Statements”). This Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 22, 2010 (the “CAFR”) for fiscal year 2010 and the remaining sections of the CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2010 and comparative information for fiscal year 2009, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included in the financial section of the CAFR. The 2010 Official Statements and the 2009 Annual Disclosure Statement are each on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the Bonds, reference is made to the 2010 Official Statement.

This Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively, the “Bonds”):

Massachusetts Port Authority Revenue Bonds, Series 2010-A (Non-AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-B (Non-AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-C (AMT) ⁽¹⁾
Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2010-D (AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (Non-AMT)
Massachusetts Port Authority Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2008-B (AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Bonds, Series 2007-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2007-C (AMT)
Massachusetts Port Authority Revenue Bonds, Series 2005-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2005-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 2003-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2003-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1999-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1999-D (AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-A (Non-AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-B (AMT) ⁽¹⁾

Massachusetts Port Authority Taxable Revenue Refunding Bonds, Series 1998-C
Massachusetts Port Authority Revenue Bonds, Series 1998-D (Non-AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Bonds, Series 1998-E (AMT) ⁽¹⁾
Massachusetts Port Authority Revenue Bonds, Series 1997-B (AMT)

Massachusetts Port Authority Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007

- (1) On August 12, 2010, the Authority issued the following series of bonds pursuant to the 1978 Trust Agreement: Revenue Bonds Series 2010 A (Non-AMT) to finance portions of the capital program; Revenue Refunding Bonds Series 2010-B (Non-AMT) which refunded portions of Revenue Refunding Bonds Series 1998-A, all of Revenue Bonds Series 1998-D, and all of Revenue Refunding Bonds Series 2008-B; Revenue Refunding Bonds Series 2010-C (AMT) which refunded all of Revenue Refunding Bonds Series 1998-B; and Multi-Modal Revenue Refunding Bonds Series 2010-D (AMT) which refunded all of Revenue Bonds Series 1998-E and Revenue Bonds Series 1999-D. Taken together, the 2010 Series A, B, C, and D Bonds are referred to as the 2010 Bonds (“2010 Bonds”).

As of June 30, 2010, the Authority had issued and outstanding 17 series of bonds pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the “1978 Trust Agreement”) between the Authority and the Trustee as of the date hereof. Please see footnote 5 of the Authority’s Financial Statements as of June 30, 2010 for more detailed information. On August 12, 2010, the Authority issued \$107,505,000 of Series 2010-D Multi-Modal Revenue Refunding Bonds (AMT) (the “Series 2010-D Bonds”). The Series 2010-D Bonds refunded \$66,820,000 of Series 1998-E fixed rate bonds and \$39,600,000 of Series 1999-D fixed rate bonds. The Series 2010-D Bonds were issued as variable rate debt with interest rates that reset weekly. The Series 2010-D Bonds are backed by a letter of credit provided by the Bank of America, N.A. that expires in August 2013. On August 12, 2010 the Authority issued \$97,905,000 Series 2010-A Bonds (Non-AMT) (the “Series 2010-A Bonds”). Proceeds of the Series 2010-A Bonds will be used to finance various capital projects. The Authority simultaneously issued \$138,015,000 of Series 2010-B Revenue Refunding Bonds (Non-AMT) (the “Series 2010-B Bonds”) and \$23,875,000 of Series 2010-C Revenue Refunding Bonds (AMT) (the “Series 2010-C Bonds”). The Series 2010-B Bonds refunded portions of Series 1998-A Bonds, all of Series 1998-D Bonds, and all of Series 2008-B Bonds. The Series 2010-C Bonds refunded all of Series 1998-B Bonds. On July 16, 2009 the Authority’s Board authorized the defeasance with cash of \$20,855,000 of the then outstanding 1999-D Bonds as a refunding of all the outstanding debt that had been issued in regards to capital expenditures on the Bridge.

The Authority has issued six series of its Subordinated Revenue Bonds, outstanding in the aggregate principal amount of \$74,000,000 (collectively, the “Subordinated Revenue Bonds”). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

The Authority also has issued and outstanding three series of PFC Revenue Bonds (collectively the “PFC Bonds”) issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”). Please see footnote 5 of the Authority’s financial statements as of June 30, 2010 for more detailed information. On August 12, 2010 the Authority issued \$57,150,000 Series 2010-E PFC Revenue Refunding Bonds (AMT) to refund its Series 1999-B PFC Bonds. Pursuant to the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon, the Authority is also including as part of the

CAFR its Statement of PFC Annual Financial Information and Operating Data for fiscal year 2010 (the “2010 PFC Disclosure Statement”) with respect to the PFC Bonds.

On May 15, 1997, the Authority issued its \$111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the “1997 BOSFUEL Bonds”). On July 12, 2007, the Authority issued its \$106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the “2007 BOSFUEL Bonds”). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

For additional information concerning the Authority, please see the Authority’s website, www.massport.com.

Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2010 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Annual Disclosure Statement

This Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the 1978 Trust Agreement, and not on the basis of GAAP.*** For a comparison of the Authority’s financial results under the 1978 Trust Agreement and GAAP, please refer to Table S-4 (Conversion of GAAP Revenues and Expenses to 1978 Trust Agreement Revenues and Expenses) set forth in the statistical section of the CAFR or to Exhibit I at the end of this section. The information set forth herein does not contain all material information concerning the Bonds or the Authority necessary to make an informed investment decision. This Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

This Annual Disclosure Statement is submitted pursuant to the Continuing Disclosure Agreement and the obligations of the Authority entered into in connection with the BOSFUEL Bonds. The intent of the Authority’s undertaking under the Continuing Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the Continuing Disclosure Agreement the information described in Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934. Pursuant to the Continuing Disclosure Agreement, the Authority has agreed with respect to the Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the 1978 Trust Agreement, and notices of material events. In addition, in connection with the issuance of the BOSFUEL Bonds, the Authority undertook a limited obligation to provide annual updated data with respect to certain information regarding the Airport. The Authority reserves the right to modify the disclosure required under the Continuing Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the Continuing Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the 1978 Trust Agreement or any other instrument relating to the Bonds.

UPDATED OPERATING INFORMATION

Airport Properties

Boston-Logan International Airport ("Logan Airport") continues to be the principal source of the Authority's Revenues, Net Revenues and net income, and is the dominant factor in the determination of the Authority's financial condition. In fiscal year 2010, Logan Airport accounted for 81.5% of the Authority's Revenues and 89.7% of the Authority's Net Revenues, as defined in the 1978 Trust Agreement. For additional information regarding activities at Logan Airport Properties during fiscal year 2010, please refer to pages 3-4 of the Letter of Transmittal to the CAFR and to Exhibits S-10, S-11 and S-12 presented in the statistical section. Exhibit S-10 summarizes Logan Airport traffic statistics for the ten most recent fiscal years.

Logan Airport plays a leading role in New England's air service infrastructure. In calendar year 2009, based upon total passenger volume, Logan Airport was the most active in New England, the 19th most active in the United States and the 43rd most active in the world, according to the Airports Council International ("ACI"). Enplaned plus deplaned passengers at Logan Airport for fiscal year 2010 totaled approximately 26.3 million passengers. This is a 5.2% increase from the 25.0 million passengers that used Logan Airport in fiscal year 2009.

The primary destinations of passengers using Logan Airport for calendar year 2009 were: 16.2% to Florida, 8.2% to the New York/New Jersey area, and 5.7% to Washington, DC. The proportion of domestic passengers traveling to the West Coast cities of California was 17.8%.

In fiscal year 2010, international passengers (including those traveling on foreign flag and regional carriers) accounted for 13.9% of passenger traffic, or approximately 3.7 million passengers. The shares of international passengers at Logan Airport were 71.5% for Europe and the Middle East, 13.2% for Canada, and 15.1% for Bermuda and the Caribbean. In fiscal year 2010, the top five international origin-destination markets were London, Paris, Frankfurt Toronto and Amsterdam. International passenger traffic decreased by 2.7% in fiscal year 2010, 9.9% in fiscal year 2009 and grew by 3.9% in fiscal year 2008.

In fiscal year 2010, regional airlines accounted for approximately 9.3% of total passenger traffic at Logan Airport, or approximately 2.5 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 3.3%, 4.0% and 7.6% in fiscal years 2010, 2009, and 2008 respectively. As of June 30, 2010, the top five regional airlines were American Eagle Airlines, Inc. with 23.7% of domestic regional passengers, followed by COMAIR Delta Connection with 19.0%, Air Wisconsin Airlines Corporation with 10.9%, Republic-US Air Express with 9.7% and Colgan Air, Inc. with 7.8% of domestic regional passengers.

During fiscal year 2010, low-cost carriers handled 27.5% of Logan Airport's passengers. As of June 30, 2010, the low-cost carriers providing service at Logan Airport were AirTran Airways, JetBlue Airways, Porter Airlines Inc., Southwest Airlines Co., Spirit Airlines, Sun Country Airlines and Virgin America. As of June 30, 2010, these seven carriers served 52 non-stop destinations. Logan Airport passenger traffic as a whole grew by 5.2% in fiscal year 2010 while passenger traffic for the low-cost carriers serving Logan Airport grew 31.2%.

In fiscal year 2010, total combined cargo and mail volume was approximately 563.2 million pounds. Between fiscal years 2005 and 2009, the total volume of air cargo and mail handled at Logan Airport decreased by 24.8%, and the volume in fiscal year 2010 decreased by 1.4% from fiscal year 2009. From fiscal year 2009 to fiscal year 2010, air cargo (small package/express and freight) fell 0.6%. A large percentage of the total volume of air cargo for the period was attributable to integrated small package/express carriers, including Federal Express, United Parcel Service, ABX Air, Inc., Air Transport International, DHL Airways, UPS-SCS Inc. and ASTAR Air Cargo, Inc. Integrated carriers accounted for 61.0% of total domestic and international cargo volume in fiscal year 2010 and 63.4% in fiscal year 2009.

SELECTED FINANCIAL DATA

Table S-5 set forth in the statistical section of the CAFR reflects Revenues and Operating Expenses for the ten most recent fiscal years, prepared in accordance with accounting principles required by the 1978 Trust Agreement. Information for each of the ten fiscal years is derived from the Authority's financial statements for the respective fiscal years; note that in certain cases information from prior fiscal years has been conformed to comply with current GASB standards. Financial statements of the Authority for fiscal year 2010 and comparative data for fiscal year 2009, together with the report thereon of PricewaterhouseCoopers LLP, independent auditors, are included in the CAFR.

Table S-6 of the CAFR shows the calculation of Annual Debt Service Coverage of the Authority, as provided under the 1978 Trust Agreement, which equals the ratio of the Net Revenues of the Authority divided by the Annual Debt Service. "Net Revenues" is defined in the 1978 Trust Agreement as the excess of Revenues over Operating Expenses; provided that for the purpose of the calculations, proceeds of passenger facility charges ("PFCs") have been excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. PFCs are pledged to secure the PFC Bonds, pursuant to the PFC Trust Agreement, and certain specific information pertaining to the PFC Bonds, as required by the PFC Disclosure Agreement, is set forth in the separate 2010 PFC Disclosure Statement. As used in the tables, "Annual Debt Service" is equal to the "Principal and Interest Requirements" on Bonds (other than BOSFUEL Bonds) outstanding for the applicable fiscal year.

MANAGEMENT'S DISCUSSION OF HISTORICAL OPERATING RESULTS

Prepared in Accordance with the 1978 Trust Agreement

Total Revenues in fiscal year 2010 were \$538.7 million, compared to \$558.6 and \$589.3 million in fiscal years 2009 and 2008, respectively, while Operating Expenses were \$320.5 million in fiscal year 2010 compared to \$334.8 and \$336.9 million in fiscal years 2009 and 2008, respectively, resulting in Net Revenues of \$218.2 million in fiscal year 2010. Logan Airport is the primary source of the Authority's Revenues, Net Revenues and Operating Expenses. For a discussion of the differences between the accounting principles required by the 1978 Trust Agreement and generally accepted accounting principles, see Note 2 to the Financial Statements, or Exhibit I at the end of this section. Revenues and Net Revenues do not include PFC revenues, which are required under federal law to be applied to certain capital projects at the Airport and are not pledged for the benefit of holders of the Bonds. PFC revenues,

exclusive of interest earnings, totaled \$53.7 million in fiscal year 2008, \$50.1 million in fiscal year 2009 and \$58.6 million in fiscal year 2010. PFC revenues in fiscal year 2010 were 17.0% higher than in fiscal year 2009, which was largely the result of an increase in passenger volumes of approximately 5.2% and a change in the accrual methodology that resulted in an additional \$4.7 million of PFC revenue being recorded in fiscal year 2010. Passenger facility charge revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date.

Airport Properties

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) increased \$7.5 million or 4.0% from fiscal year 2009. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2010 was 5.2% higher than the prior fiscal year. Landed weights were 0.3% lower than the prior fiscal year. Parking revenues were 4.0% higher than revenues in fiscal year 2009, due to the increased passenger traffic at Logan Airport during fiscal year 2010. Logan Airport generated approximately \$438.8 million of Operating Revenues and incurred \$243.2 million of Operating Expenses in fiscal year 2010, compared to \$435.4 million and \$449.8 million of Operating Revenues and \$246.6 million and \$247.0 million of Operating Expenses in fiscal years 2009 and 2008, respectively. Operating revenue and expense figures for Logan Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Logan Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Unlike many airport operators, the Authority does not have an airline use and lease agreement and, therefore, is not constrained by contractual arrangements with the air carriers serving Logan Airport governing the incurrence of aeronautical costs and the recovery of such costs in the landing fee and terminal rentals. Instead, landing fees and terminal rentals are set annually by the Authority on a compensatory basis to cover direct and allocated capital, administration, maintenance and operating costs. Accordingly, each October, the Authority establishes the landing fee for Logan Airport per thousand pounds of landed weight and the rental rates for the terminals, based upon historical capital costs and projected landed weights or terminal rentable square feet (as applicable), and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year.

Landing Fees. Landing fee revenues at Logan Airport increased from \$87.1 million in fiscal year 2008 to \$89.0 million in fiscal year 2009 and increased to \$89.7 million in fiscal year 2010. This increase of approximately \$0.7 million or 0.8% in fiscal year 2010 revenue was essentially the result of a higher average landing fee charged in fiscal year 2010 compared to fiscal year 2009. The landing fee increased due to the additional costs associated with rising energy costs, as well as higher costs associated with the investment in and operating costs of new and existing facilities. Landed weights were 19,905,000 pounds in fiscal year 2008, 18,742,000 pounds in fiscal year 2009 and 18,682,000 pounds in fiscal year 2010.

Parking Fees. Logan Airport parking revenues (including Logan Express) increased from \$102.8 million in fiscal year 2009 to \$106.9 million as more passengers traveled at Logan Airport during fiscal year 2010. Logan Airport parking revenues decreased from \$110.6 million in fiscal year 2008 to \$102.8 million in fiscal year 2009, which was primarily due to the passenger volume declined in fiscal year 2009 during the recessionary period. The number of commercial parking spaces at Logan Airport is subject to a limitation imposed by the EPA.

Rentals. All leases with air carriers for terminal space at Logan Airport currently provide that the Authority may revise rental rates periodically, at the discretion of the Authority, to recover the actual

direct and indirect capital and operating costs for such leased space. In addition, leases with certain carriers which are obligors of special facilities revenue bonds issued by the Authority and secured by a pledge of certain lease revenues are required to pay rent directly to the applicable trustee in an amount at least sufficient to pay the debt service on such bonds. Terminal A opened in March 2005, subject to a then-current long-term lease between the Authority and Delta Airlines. After Delta filed for bankruptcy protection in September 2005, the Authority and Delta negotiated a restated and amended lease (the "Amended Lease"), which became effective in July 2006, with a term expiring June 30, 2016. The Amended Lease reduced Delta's lease from 18 gates and seven regional aircraft parking positions to 12 gates and four regional aircraft parking positions. During fiscal year 2009, after the merger with Northwest, Delta further amended its lease. Accordingly, Delta now has 14 of the 18 contact gates and five of the seven regional aircraft positions. In November 2007, the Authority entered into a five-year lease with Continental Airlines for four contact gates and two regional aircraft parking positions in Terminal A. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt.

The Authority has entered into a lease of the western wing of Terminal B with US Airways for a term scheduled to end September 30, 2023, and the Authority entered into a similar lease of a significant portion of the eastern wing of Terminal B with American Airlines for a term expiring in 2015. In fiscal year 2010, rentals from Terminal A were \$21.1 million, and rentals from Terminal B were \$24.6 million.

In Terminal C, JetBlue entered into a lease in March 2006 that resulted in its leasing 11 gates as of November 1, 2008. As of June 30, 2010, JetBlue leases 12 gates in Terminal C. The JetBlue lease runs through April 2011, with 19 automatic one-year year extensions. The Authority has entered into a lease with United Airlines for a term scheduled to end September 30, 2015. As of June 30, 2010, United Airlines leases 8 gates in Terminal C. The Authority does not have long-term written agreements with the other airline tenants in Terminals C and E. Rental rates for such Terminals are set on a compensatory basis to recover direct and allocated capital, administration, maintenance and operation costs. Rental revenue from these two Terminals totaled \$59.3 million in fiscal year 2010. Rental income from buildings other than Terminals totaled \$22.6 million in fiscal year 2010 and income from land rentals produced an additional \$16.0 million.

Concessions. Revenues from concessions decreased from \$63.1 million in fiscal year 2008 to \$58.7 million in fiscal year 2009 and increased to \$60.2 million in fiscal year 2010. Concession revenues include payments made by rental car companies which operate at Logan Airport and commissions from the following concessions: food and beverage, news and gifts, duty free shops, specialty shops, ground transportation services and other concessions.

Hanscom Field. During fiscal year 2010, Revenues from operations at Hanscom Field represented approximately 1.7% of the total Revenues of the Authority, and Hanscom's Operating Expenses constituted approximately 2.5% of the Authority's Operating Expenses. In fiscal year 2010, Hanscom Field generated \$9.2 million of Revenue, with Operating Expenses of \$8.2 million, yielding an operating surplus before debt service or other capital expenses of approximately \$1.1 million. Operating revenue and expense figures for Hanscom Field stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Hanscom Field, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Worcester Regional Airport. All payments made under the Worcester Operating Agreement have been made from cash in the Improvement and Extension Fund. On July 1, 2010, the Authority purchased the Worcester Regional Airport for approximately \$15.5 million in accordance with the terms

of Massachusetts Transportation Reform Act of 2009 (Chapters 25, 26 and 120 of the Acts of 2009, collectively, the “Transportation Reform Act”).

Port Properties

In fiscal year 2010, the Revenue attributable to the Port Properties totaled approximately \$64.2 million, or approximately 11.9% of the Revenues of the Authority, and the Port Properties accounted for approximately \$63.9 million of Operating Expenses, or approximately 19.9% of the Authority’s Operating Expenses. The Port Properties realized a surplus of approximately \$0.4 million and \$0.9 million in Net Revenues in fiscal year 2010 and 2009 respectively. The net loss (or negative Net Revenues) from Maritime Operations was \$2.8 million for fiscal year 2010 while the Net Revenue from Maritime Real Estate was \$3.2 million in fiscal year 2010. Over the period shown, the Authority has pursued a policy of seeking compensatory (or cost recovery) pricing, aggressively negotiating new lease terms when possible, and revenue development through more intense use of the Port Properties and a marketing program designed to increase the volume of containers handled and the number of cruise passengers who embark or disembark in Boston, in an effort to mitigate these deficits.

The Authority has traditionally experienced annual Port Properties operating deficits (Maritime and Business Development Revenues less Maritime and Business Development Operating Expenses). These deficits reflect the allocation of a portion of Authority-wide administrative and overhead costs as well as all direct costs.

Operating revenue and expense figures for the Port Properties stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Port Properties, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Bridge

The Authority operated the Bridge for the first six months of fiscal year 2010. Revenues from the Bridge were approximately \$15.2 million, or approximately 2.8% of the total Revenues of the Authority. Bridge six month Operating Expenses for fiscal year 2010 were \$5.3 million, yielding Net Revenue from Bridge operations of approximately \$9.9 million. Passenger car tolls are \$3.00 (less a \$0.50 discount for those using the “Fast Lane” electronic toll collection system). Operating revenue and expense figures for the Bridge operations stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Bridge, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

The Transportation Reform Act established the Massachusetts Department of Transportation (“MassDOT”), which includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. As required by the Transportation Reform Act, the Authority transferred the Bridge to MassDOT on January 1, 2010.

Other

Investment Income. Investment income (excluding PFCs and other funds not held under the 1978 Trust Agreement) decreased from \$24.0 million in fiscal year 2008 to \$17.5 million in fiscal year 2009 and decreased to \$11.2 million in fiscal year 2010. Declining interest rates during the recessionary period contributed to the decrease in investment income in fiscal year 2009. Further declining interest

income in fiscal year 2010 was attributed to the loss of the Bridge toll revenue subsequent to January 1, 2010, and the payment of \$21.7 million to defease Bridge related outstanding debt in July 2009 that reduced the amount of cash available for investment purposes.

Exhibit - I

Presented below are the revenues and operating expenses as determined in accordance with the 1978 Trust Agreement, and a reconciliation to net assets as determined under accounting principles generally accepted in the United States of America ("GAAP") for the period presented.

(In Thousand)	Bridge	Airport Properties	Port Properties	Investment Income	Net change	Fiscal Year 2010 Total	Fiscal Year 2009 Total
					in the fair value of investments		
Trust revenues:							
Pledged revenues	\$ 15,153	\$ 445,018	\$ 64,949	\$ -	\$ -	\$ 525,120	\$ 539,711
Operating grants	-	2,785	(12)	-	-	2,773	3,055
Subtotal	15,153	447,803	64,937	-	-	527,893	542,766
Operating interest income	-	-	-	11,243	-	11,243	17,483
Adjustment for uncollectible accounts	-	242	(715)	-	-	(473)	(1,632)
Total Trust Revenues	15,153	448,045	64,222	11,243	-	538,663	558,617
Trust operating expenses:							
Operations and maintenance	2,978	197,474	50,628	-	-	251,080	267,027
Administration	1,095	32,368	9,384	-	-	42,847	43,302
Insurance	376	5,783	824	-	-	6,983	12,878
Pension	331	6,175	1,115	-	-	7,621	408
Other Postemployment Benefits (1978 Trust)	498	9,540	1,900	-	-	11,938	11,205
Total Trust Expenses	5,278	251,340	63,851	-	-	320,469	334,820
Excess of revenues over operating							
Expenses as prescribed by the 1978 Trust Agreement	9,875	196,705	371	11,243	-	218,194	223,797
ADD:							
Revenues recognized under GAAP which are excluded under 1978 Trust Agreement:							
Investment income self insurance / others	-	-	-	1,525	-	1,525	2,849
Passenger facility charge (PFC)	-	58,598	-	-	-	58,598	50,102
Investment income PFC	-	-	-	2,037	-	2,037	2,271
Customer facility charge (CFC)	-	20,668	-	-	-	20,668	5,211
Investment income CFC	-	-	-	85	-	85	10
Capital grant revenue	-	33,701	639	-	-	34,340	42,998
Gain on sale of equipment	-	58	(168)	-	-	(110)	(1)
Unrealized net increase in the fair value of investments	-	-	-	-	248	248	3,312
Administration Expenses	50	958	193	-	-	1,201	1,280
Settlement of claims	-	8	-	-	-	8	3,987
Nonoperating other revenues	-	2,659	-	-	-	2,659	11,995
LESS:							
Expenses recognized under GAAP which are excluded under 1978 Trust Agreement:							
PILOT	(556)	(14,987)	(2,004)	-	-	(17,547)	(18,460)
Other Postemployment Benefits	(233)	(4,444)	(893)	-	-	(5,570)	(5,526)
Self insurance cost	70	(1,854)	(107)	-	-	(1,891)	5,476
Interest expense	(25)	(63,380)	(3,465)	-	-	(66,870)	(73,710)
Depreciation and amortization *	(3,122)	(144,804)	(16,215)	-	-	(164,141)	(156,745)
Operating expenses	(115)	1,434	128	-	-	1,447	(9,044)
Nonoperating other expenses	(37)	(275)	-	-	-	(312)	(11,418)
Loss on special item-Tobin Bridge Transfer	(78,058)	-	-	-	-	(78,058)	-
Increase / (decrease) in net assets	\$ (72,151)	\$ 85,045	\$ (21,521)	\$ 14,890	\$ 248	\$ 6,511	\$ 78,384

* Capital Assets are depreciated under GAAP but not under 1978 Trust Agreement.



Terminal B Garage/Solar Panels

Airports across the nation were awakened again to the urgency of curbing their appetite for fossil fuel when oil skyrocketed to nearly \$150 a barrel in 2008. Logan Airport was no exception. However, Massport capitalized on an opportunity to scale back its dependence on fossil fuels when it included the installation of 32 solar panel trees as part of a \$55 million renovation of the Terminal B garage. Solar energy is expected to save 230 barrels of oil per year and generate about 5% of the garage's total electrical needs, with the possibility of future expansion. The replacement of less energy efficient lighting in and around the Terminal B Garage with LED fixtures is also expected to save more than 3,000 barrels of oil a year and reduce the facility's energy use by 60%. Solar modules are also being installed on Terminal A through an initiative of Governor Patrick to reduce state government's greenhouse emissions by 25% by 2012.

**STATEMENT OF
PFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2010**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 22, 2010 (the “PFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2010 (“fiscal year 2010”) updating the financial information and operating data presented in the Authority’s Official Statement dated August 5, 2010 relating to the 2010 PFC Bonds (the “2010 PFC Official Statement”) and the Authority’s Statement of PFC Annual Financial Information and Operating Data dated as of November 20, 2009 (the “2009 PFC Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2010 PFC Official Statement. This PFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 22, 2010 (the “2010 CAFR”) for fiscal year 2010 and the remaining sections of the 2010 CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2010 and comparative information for fiscal year 2009, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as part of the 2010 CAFR. The 2010 PFC Official Statement and the 2009 PFC Annual Disclosure Statement are each on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the Bonds, reference is made to the 2010 PFC Official Statement.

This PFC Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively the “PFC Bonds”), issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”):

Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2010-E (AMT) ⁽¹⁾
Massachusetts Port Authority PFC Revenue Bonds, Series 2007-B (Non-AMT)
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)
Massachusetts Port Authority PFC Revenue Bonds, Series 1999-B (AMT) ⁽¹⁾

- (1) On August 12, 2010, the Authority issued its PFC Revenue Refunding Bonds Series 2010-E (AMT) which refunded the Authority’s PFC Revenue Bonds, Series 1999-B (AMT).

As of June 30, 2010 the Authority had also issued and outstanding 17 series of bonds (the “Bonds”) pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the “1978 Trust Agreement”) between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”). Please see footnote 5 to the Authority’s Financial Statements as of June 30, 2010 for more detailed information. The Authority has issued six series of its Subordinated Revenue Bonds, outstanding in the aggregate principal amount of

\$74,000,000 (collectively, the “Subordinated Revenue Bonds”). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

On May 15, 1997, the Authority issued its \$111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the “1997 BOSFUEL Bonds”). On July 12, 2007, the Authority issued its \$106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the “2007 BOSFUEL Bonds”). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

Pursuant to the Continuing Disclosure agreement dated as of August 1, 1997 (the “Continuing Disclosure Agreement”), between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), the Authority is also including as part of the CAFR its Statement of Annual Financial Information and Operating Data dated for the fiscal year 2010 (the “2010 Annual Disclosure Statement”) with respect to the outstanding Bonds issued pursuant to the 1978 Trust Agreement and the BOSFUEL Bonds.

For additional information concerning the Authority, please see the Authority’s website, www.massport.com. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2010 are available at www.emma.msrb.org and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, the Authority’s Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Annual Disclosure Statement

This PFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the PFC Trust Agreement, and not on the basis of GAAP.*** The information set forth herein does not contain all material information concerning the PFC Bonds or the Authority necessary to make an informed investment decision. This PFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the PFC Bonds.

This PFC Annual Disclosure Statement is submitted pursuant to the PFC Disclosure Agreement. The intent of the Authority's undertaking under the PFC Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the PFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the PFC Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the PFC Disclosure Agreement, the Authority has agreed with respect to the PFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the PFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the PFC Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the PFC Trustee or for the underwriters of the PFC Bonds, any registered owner or beneficial owner of PFC Bonds, any municipal securities broker or dealer, any potential purchaser of the PFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the PFC Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the PFC Trust Agreement or any other instruments relating to the PFC Bonds.

UPDATED OPERATING INFORMATION

Incorporation by Reference

To view the 2010 CAFR on-line, please visit:
<http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>.

PFC ANNUAL FILING

The following information is provided with respect to the PFC Bonds pursuant to the PFC Disclosure Agreement.

Historical and Forecast PFCs and Estimated Debt Service Coverage

A table presenting historical PFC revenues and estimated net debt service coverage of the PFC Bonds as of June 30, 2010 is attached hereto as APPENDIX A.

First Lien Sufficiency Covenant

A calculation of the First Lien Sufficiency Covenant (as defined in the PFC Trust Agreement) as of June 30, 2010 is attached hereto as APPENDIX B.

Sources and Uses of Funds for 1999 PFC Bond Projects

The 1999 PFC Bond Projects consist of the “Gateway Terminal Building”, comprising an addition of approximately 410,000 square feet of new space to, and renovation of approximately 170,000 square feet of existing space at, Terminal E, the international terminal at the Airport, and development of the “Gateway Roadways”, comprising a new two-level system of public roads, service access and new curbside facilities. Collectively, the Gateway Terminal Building and the Gateway Roadways are referred to as the “International Gateway Project.” In May 2003, the new South Addition to the Gateway Terminal Building was placed in service; however, work continues on the Gateway Terminal Building portion of the project. On September 16, 2004, the Members of the Authority authorized an increase to the project budget for the International Gateway project (excluding an additional \$44.0 million of baggage screening improvements) from \$322.0 million to \$410.0 million. A portion of the increase in the project budget was used to effect a settlement of certain claims asserted by the previous contractor for the project, Modern Continental Construction, Inc., and to engage a new contractor, Skanska USA, Inc., for the project. Since that date, the approved project budget has increased by an additional \$9.45 million, to \$419.5 million. As of June 30, 2010, the cost of the International Gateway Project was \$463.4 million (including \$40.5 million of baggage screening improvements). Also as of June 30, 2009, excluding the cost of hold baggage screening improvements, \$417.1 million had been committed through execution of construction contracts, change orders, work orders, purchase orders or other approved payments, and \$415.2 million had been expended. As of June 30, 2010, including the cost of hold baggage screening improvements, \$463.4 million had been committed through execution of construction contracts, change orders, work orders, purchase orders or other approved payments and, \$463.4 million had been expended. The primary sources of funding for the International Gateway Project are the Authority’s 1999 PFC Bonds, commercial paper (expected to be repaid with PFCs) and Revenue Bonds, Series 1999-D and 2005-B, as well as pay-as-you-go PFCs.

Amendment to PFC Application

On July 29, 2005, the Authority submitted a request to the FAA to amend the existing PFC authorization to increase the collection amount from \$3.00 to \$4.50, to decrease the amount of PFCs approved by the FAA to be used for certain completed projects, and to increase the FAA-approved amount for the International Gateway Project to \$483,631,000. On September 2, 2005, the FAA issued a Final Agency Decision increasing the PFC collected from eligible passengers enplaning at Logan Airport to \$4.50, effective October 1, 2005, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project to \$483,631,000, and decreasing the amount of PFCs to be used for certain completed PFC projects. The projected charge expiration date was February 1, 2011.

On December 6, 2005, the Authority submitted a PFC Application to the FAA to add ten new projects to Logan Airport’s PFC Program to amend one previously approved project and to request authority to collect a \$4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a Final Agency Decision approving the PFC Application (the “2006 Approval”). The Final Agency Decision approved \$293.0 million in PFC collection authority for the new projects, resulting in a total PFC collection authority of \$994.2 million, and approved \$280.2 million in PFC use authority, resulting in a total PFC use authority of \$981.4 million. The projected charge expiration date was February 1, 2016.

On May 26, 2009, the Authority received approval from the FAA to use PFC revenues to fund certain elements of the Centerfield Taxiway Project and to reduce the amount of PFC funding for the project (reflecting updated construction costs). Overall, the Authority's total PFC collections and use authority was amended to \$991.9 million with an expected expiration date of February 1, 2016.

On May 24, 2010, the Authority received approval from FAA to amend the existing PFC, reducing the collection and use amount by \$31.8 million and extending the projected expiration date to August 1, 2016. Additionally, the Authority also submitted a request to increase the collection authorization by \$428.0 million (to \$1.388 billion) and to extend the collection period until August 1, 2024; a response to this application is expected by the end of 2010.

International Gateway Project Sources and Uses

	Gate way Roadways	Gate way Terminal Building	Total
<u>PFC Pay-as-you-go Funding:</u>			
Design:	\$588,000	\$2,678,000	\$3,266,000
Construction Costs:	6,705,000	82,505,000	89,210,000
Subtotal PFC Pay-as-you-go Funding:	7,293,000	85,183,000	92,476,000
<u>PFC Revenue Bonds:</u>			
Series 1999-A:	\$40,743,000	\$0	\$40,743,000
Series 1999-B:		182,875,000	182,875,000
	-		
Commercial Paper (1):	-	76,367,000	76,367,000
Subtotal PFC-Related Funding:	\$48,036,000	\$344,425,000	\$392,461,000
<u>Non-PFC Revenue Bonds:</u>			
Series 1990-A:	-	1,600,000	1,600,000
Series 1999-D:	-	40,582,000	40,582,000
Series 2005-B:	-	18,879,000	18,879,000
<u>Other Sources:</u>			
TSA Grant:	-	9,881,000	9,881,000
Total Funding for International Gateway:	\$48,036,000	\$415,367,000	\$463,403,000

Sources and Uses of Funds for 2007 PFC Bond Projects

The 2007-B PFC Bonds were issued to finance the PFC-eligible costs, net of grant and other funding, of the design and construction of Runway 14/32 and Associated Taxiways and Southwest Taxiway, Infield and Taxiway K Improvements, Runway 4L/22R and 4R/22L Improvements and Airfield Drainage and Perimeter Road Improvements (collectively, the “2007-B PFC Bond Projects”). The 2007-D PFC Revenue Refunding Bonds were issued to advance refund all outstanding 1999-A PFC Bonds (the “Refunded Bonds”). The 2007-B PFC Bond Projects are among the capital projects approved for PFC funding by the FAA pursuant to the 2006 Approval. The following table shows the projects that will be partially or fully financed with the proceeds of the 2007-B PFC Bonds, as well as the other Approved Projects that were included in the 2006 Approval and prior year approvals.

APPROVED PFC PROJECTS

Project	Actual / Budgeted Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As-You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual / Expected Date of Construction	Actual / Expected Date of Completion
APPROVED PFC PROJECTS FUNDED WITH THE 2007-B PFC BONDS AND INCLUDED IN THE 2006 APPROVAL								
Runway 14/32 and Associated Taxiways	\$83.1 million	\$16.6 million	--	--	\$59.0 million	\$7.5 million	August 2004	December 2006
Southwest Taxiway, Infield and Taxiway K Improvements	\$25.3 million	\$7.2 million	--	--	\$17.6 million	\$0.5 million	April 2007	December 2007
Runway 4L-22R and 4R-22L Improvements	\$32.1 million	\$16.6 million	\$4.0 million	--	\$11.2 million	\$0.3 million	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	\$371,000	\$371,000	--	--	--	--	June 2007	December 2007
PFC PROJECTS INCLUDED IN THE 1997 APPROVAL								
Residential Sound Insulation Program - 1999 Contour	\$80.2 million	--	\$15.3 million	--	\$65.6 million	--	March 1991	December 2000
Logan Modernization Preliminary Design and Environmental Approval	\$13.3 million	--	\$9.5 million	--	--	--	May 1993	December 1997
Terminal E Modernization	\$38.9 million	--	\$20.9 million	--	--	\$13.9 million	July 1995	July 1997
Circulating Roadways	\$163.4 million	--	\$144.4 million	\$19.0 million	--	--	August 1998	July 2006
Elevated Walkways	\$110.7 million	--	\$110.7 million	--	--	--	April 1997	March 2005
PFC PROJECTS INCLUDED IN THE 1998 APPROVAL								
International Gateway including Terminal E Hold Baggage Screening System	\$463.4 million	\$223.6 million	\$92.5 million	\$76.4 million	\$9.9 million	\$61.1 million	August 1998	November 2010
ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL AS AMENDED IN MAY 2010								
Hold Baggage Screening at Terminal	\$46.5 million	--	\$6.2 million	--	\$40.3 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	\$7.2 million	--	\$7.2 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	\$15.0 million	--	\$4.3 million	--	--	\$10.8 million	September 2005	September 2008
Access Control	\$29.5 million	--	\$26.4 million	--	\$3.3 million	\$0.2 million	November 2004	July 2008
Terminals B, C and E Aprons and Alleyways	\$12.0 million	--	\$12.0 million	--	--	--	July 2005	January 2007
Taxiway D Extension	\$13.6 million	--	\$3.2 million	--	\$9.7 million	\$0.6 million	May 2010	October 2009
Residential Sound Insulation Program - 1998, 2001 and RW 14-32 Mitigation Contours	\$68.2 million	--	\$13.6 million	--	\$54.6 million	--	July 2001	June 2011
Centerfield Taxiway	\$44.6 million	--	\$9.7 million	--	\$27.6 million	\$4.3 million	December 2007	December 2009

Note: Amounts shown in this table reflect approved PFC spending authority as of June 30, 2010; including FAA amendment approvals through May 2010, as published by the FAA in their official Records of Decision. The Authority initiated a new PFC application to add new projects to the Authority's PFC program, in April 2010. Associated new funding is not reflected in this table, pending FAA approval of the 2010 PFC Application.

Additional Information

The remaining information required to be included in the Authority's Annual Filing under subsections 4(a)(ii), (iii), (iv) and 4(c) of the PFC Disclosure Agreement is included in the Authority's audited financial statements for the fiscal year ended June 30, 2010, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2010 CAFR.

* * *

This PFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the PFC Disclosure Agreement.

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Appendix A
Historical PFC Revenue and
Debt Service Coverage
Unaudited
(in thousands)

Fiscal Year	Enplaned Passengers (1)	Rate of Traffic Growth	Estimated Percent Passengers Paying PFCs (2)	Net PFC Revenue (3)	PFC Investment Income	Total Revenues Plus Investment Income	Gross Annual Debt Service	Less Interest Income (4)	Net Annual Debt Service	Debt Service Coverage (5)
2001	13,659	-1.02%	91.08%	36,324	3,901	40,225	21,543	9,904	11,639	3.46
2002	11,026	-19.27%	91.45%	29,445	2,652	32,097	21,547	7,402	14,145	2.27
2003	11,250	2.03%	88.55%	29,090	771	29,861	21,545	3,841	17,704	1.69
2004	12,236	8.76%	91.93%	32,845	607	33,452	21,548	895	20,652	1.62
2005	13,381	9.36%	91.32%	35,316	621	35,937	21,543	1,329	20,213	1.78
2006	13,662	2.10%	91.01%	48,324	1,265	49,589	21,546	1,305	20,241	2.45
2007	13,867	1.51%	94.46%	57,504	938	58,442	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,746	27,311	2,153	25,158	2.18
2009	12,453	-8.53%	91.65%	50,102	597	50,699	27,188	2,758	24,430	2.08
2010 (6)	14,261	14.52%	93.60%	58,598	469	59,067	27,189	1,642	25,547	2.31

(1) Excludes general aviation passengers from whom PFCs are not collected.

(2) These figures are accrual revenue numbers based on PFC Collections for the respective fiscal years and after allowance for the air carriers' PFC Collection fee during the fiscal year. These accrual figures are estimated because PFCs are collected from passengers at the time of ticket sale, not at the time that travel occurs.

(3) The substantial increase in net PFC collections in FY2006 reflects an increase in the authorized PFC level to \$4.50, from \$3.00 effective October 1, 2005. As of June 30, 2010, the air carrier PFC Collection fee was \$0.11.

(4) Interest income on the Debt Service Reserve Fund, the Project Fund and non-PFC interest income on the Debt Service Fund.

(5) Debt Service Coverage for fiscal years 2001 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006, 2007, 2008, 2009 and 2010 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by Massport's Board on May 17, 2007.

(6) In FY10 the Authority changed its accrual policy for calculating PFC revenue. Therefore, for the purpose of calculating the FY10 estimated percent of passengers paying PFCs, the FY10 enplaned passenger number was similarly adjusted.

Appendix B

**First Lien Sufficiency Covenant
for the fiscal year ending June 30, 2010
(see attached notes and exhibits)
Unaudited**

Unspent PFC Authority + Projected Additional Pledged Revenue

First Lien Sufficiency Covenant = _____ **= 1.57**

Projected Aggregate Debt Service

Unspent PFC Authority =		Projected Additional Pledged (currently none)	Projected Aggregate Debt Service
(A) Aggregate dollar amount of revenue authorized to be collected by the Authority under PFC Authority	\$960,180,176	\$0	Amount necessary to pay or redeem the 1999-B, 2007-B, and 2007-D PFC Bonds redeemed at maturity
minus			Projected Aggregate Debt Service =
(B) the dollar amount of Cost of Projects paid to date from PFC Pledged Revenue or legally obligated to date to be paid from PFC Pledged Revenue	480,457,952		(D) Aggregate amount of Annual Debt Service for the period commencing June 30, 2010 assuming all bonds redeemed at maturity including future interest on commercial paper
			\$244,220,855
(C) (including debt service paid to date on First Lien PFC Bonds and interest on commercial paper, but excluding projected aggregate debt service, with respect to First Lien PFC Bonds)	<u>195,139,345</u>		minus
Unspent PFC Authority =	<u>\$284,582,879</u>		amounts on deposit as of June 30, 2010
(A) minus sum of (B) and (C)			in the Debt Service Fund and
			\$27,188,190
			Debt Service Reserve Fund,
			29,437,000
			and projected interest earnings on
			the Project Funds and
			0
			the Debt Service Reserve Fund
			<u>5,787,573</u>
			(E) Subtotal
			<u>\$62,412,763</u>
			Projected Aggregate Debt Service =
			<u>\$181,808,092</u>
			(D) minus (E)

(A), (B), (C), (D), (E): See attached notes.

Note:

(A) See FAA's Record of Decision, dated May 24, 2010 (attached as Exhibit 1)		
(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2010 plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2010).		
	Paid to Date *	Legally Obligated to be Paid **
PFC Project 1: Residential Sound Insulation Projects	\$15,325,217	\$0
PFC Project 2A: Logan Modernization Program Planning, Preliminary Design and Environmental Analysis	9,513,984	0
PFC Project 3: Terminal E Modernization	20,891,765	0
PFC Project 4: Circulating Roadways	138,721,109	0
PFC Project 6: International Gateway	278,880,623	0
PFC Project 17: Elevated Walkways	110,720,934	0
PFC Project 20: Residential Sound Insulation 1998 and 2001 65 Ldn Contours	8,715,889	0
PFC Project 21: Residential Sound Insulation 14/32 Mitigation Contour	4,195,680	804,320
PFC Project 22: Runway 14/32 and Associated Taxiways	6,798,354	9,832,941
PFC Project 23: Taxiway Improvements	1,990,986	2,432,029
PFC Project 24: Runway Improvements	10,733,210	10,089,026
PFC Project 25: Reconstruction of Aprons & Alleyways	12,053,535	0
PFC Project 26: Security Improvements	24,953,499	0
PFC Project 27: Centerfield Taxiway	8,944,196	0
PFC Project 30: Airfield Drainage Improvements	0	0
PFC Project 31: Airfield Perimeter Road Improvements	0	0
Subtotal	\$652,438,981	\$23,158,316
Less: PFC Debt Service Paid	(\$195,139,345)	0
Total	\$457,299,636	\$23,158,316
Total of Paid to Date and Legally Obligated to be Paid:		\$480,457,952
<p>* Source: June 30, 2010 Passenger Facility Charge Quarterly Report. (See Exhibit 2.) For PFC Project 6, the Paid to Date figure shown here does not include \$195,140,155.39 of PFC Pledged Revenue used to pay debt service on the 1999A, 1999B, 2007B, and 2007D PFC Revenue Bonds through June 30, 2010.</p> <p>** Legally Obligated to be Paid Amounts:</p> <p>PFC Projects 1, 2A and 3: These projects are complete.</p> <p>PFC Projects 4, 6 and 17: Source: Logan Modernization Cost Report, June 2010.</p> <p>PFC Projects 20 to 31: Source: Massport Capital Programs Quarterly Report for quarter ended June 30, 2010.</p>		
(C) Debt Service Paid to Date consists of the interest and principal payments made to bondholders through January 2, 2010, as well as interest paid on commercial paper. The amount of PFC Pledged Revenue used to pay debt service was \$195,139,345 and the interest amount paid on interest on Commercial Paper was \$382,273.		
(D) Aggregate amount of Annual Debt Service as of June 30, 2010 assuming the 1999-B, 2007-B and 2007-D Bonds are redeemed at maturity		
		\$238,595,855
(See attached Exhibit 3)		
Aggregate amount of future interest payments on commercial paper, as of June 30, 2010		\$5,625,000
(E) Sum of amounts on deposit as of June 30, 2010 in the Debt Service Fund and Debt Service Reserve Fund, and projected interest earnings on the Project Funds and Debt Service Reserve Fund:		
assuming the 1999-B, 2007-B and 2007-D Bonds are redeemed at maturity		\$62,412,763
(See attached Exhibit 3)		

Cumulative PFC Authority

For the purpose of any future amendments under §158.37 which might increase the total approved net PFC revenue, the amounts "Approved for Use" are specified here. The applicability of §158.37(b) is determined by comparing the actual costs of projects approved for use of PFC revenue within each application. The amount "Approved for Collection" shown for each application is the total collection authorized for all projects within a given application including those for which only collection is authorized.

DECISION SUMMARY TABLE

Application Number	Approved for Collection	Approved for Use
93-01-C-00-BOS	\$598,800,000	\$12,028,000
93-01-C-01-BOS	(\$361,138,000)	(\$1,682,000)
93-01-C-02-BOS	\$231,102,000	\$0
93-01-C-03-BOS	\$295,552,000	\$0
93-01-C-04-BOS	(\$62,300,783)	(\$832,000)
96-02-C-00-BOS	\$163,037,000	\$482,901,000
96-02-C-01-BOS	\$0	(\$110,993,783)
96-02-C-02-BOS	(\$163,037,000)	(\$163,037,000)
97-03-U-00-BOS	\$0	\$434,106,000
97-03-U-01-BOS	\$0	\$49,525,000
06-04-U-00-BOS	\$293,018,000	\$280,176,000
06-04-U-01-BOS	(\$3,085,059)	\$0
06-04-U-02-BOS	(\$31,767,982)	(\$31,767,982)
09-05-U-00-BOS	\$0	\$9,756,941
Totals	\$960,180,176	\$960,180,176

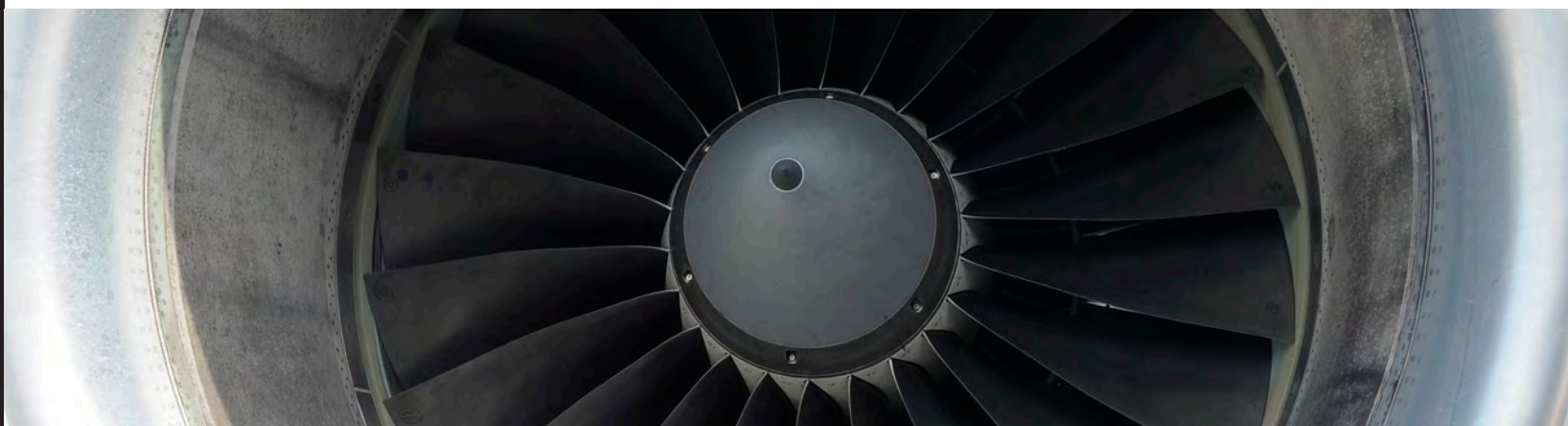
**PFC Quarterly Report
Project Activity
General Edward Lawrence
Logan International Airport
Quarter Ended June 30, 2010**

Projects	Approval of PFC Use Date	Project Start	Cumulative Project Expenditures	Amount of PFC Use Approval	Current Estimated PFC Costs
Project 1 - Residential Sound Insulation (RSIP)	Jan-97	Jan-91	\$15,325,217	\$15,323,217	\$15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design and Environmental Analysis	Aug-93	Jul-93	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Modernization	Jan-97	Jul-94	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	Jan-97	Jul-95	138,721,109	172,655,000	171,269,000
Project 6 - International Gateway	Feb-98	Jul-95	278,880,623	483,631,000	483,631,000
Project 17 - Elevated Walkways	Apr-06	Jun-95	110,720,934	112,298,000	112,298,000
Project 20 - Residential Sound Insulation -1998 & 2001 - 65 LDN Contours	Apr-06	Jul-01	8,715,889	8,590,000	8,590,000
Project 21 - Residential Sound Insulation -Runway14/32 Mitigation Contour	Apr-06	Sep-05	4,195,680	5,200,000	5,200,000
Project 22 - Runway 14/32	Apr-06	Aug-04	6,798,354	23,177,893	23,177,893
Project 23 - Taxiway Improvement	Apr-06	Oct-06	1,990,986	11,243,000	11,243,000
Project 24 - Runway Improvement -to 4L-22R and 4R-22L	Apr-06	Apr-04	10,733,210	27,137,125	27,137,125
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	Apr-06	Sep-05	12,053,535	12,054,000	12,053,535
Project 26 - Security Improvement	Apr-06	Aug-02	24,953,499	48,191,000	48,191,000
Project 27 - Centerfield Taxiway	May-09	Jun-05	8,944,196	9,756,941	9,756,941
Project 30 - Airfield Drainage Improvement	Apr-06	Jul-06	0	237,000	237,000
Project 31 - Airfield Perimeter Road Improvement	Apr-06	Jul-07	0	280,000	280,000
Total Impose and Use			\$652,438,981	\$960,180,176	\$958,795,460

Amount necessary to pay or redeem all the PFC Bonds at maturity:

1	Principal Payment to be made on July 1, 2010 - 1999-B Bonds	\$13,325,000
2	Principal Payment to be made on July 1, 2010 - 2007-B and 2007-D Bonds	4,065,000
3	Principal Payment to be made on July 1, 2011 - 1999-B Bonds	14,050,000
4	Principal Payment to be made on July 1, 2011 - 2007-B and 2007-D Bonds	4,220,000
5	Principal Payment to be made on July 1, 2012 - 1999-B Bonds	14,820,000
6	Principal Payment to be made on July 1, 2012 - 2007-B and 2007-D Bonds	4,385,000
7	Principal Payment to be made on July 1, 2013 - 1999-B Bonds	15,635,000
8	Principal Payment to be made on July 1, 2013 - 2007-B and 2007-D Bonds	4,560,000
9	Principal Payment to be made on July 1, 2014 - 1999-B Bonds	16,495,000
10	Principal Payment to be made on July 1, 2014 - 2007-B and 2007-D Bonds	4,735,000
11	Principal Payment to be made on July 1, 2015 - 1999-B Bonds	12,280,000
12	Principal Payment to be made on July 1, 2015 - 2007-B and 2007-D Bonds	8,965,000
13	Principal Payment to be made on July 1, 2016 - 2007-B and 2007-D Bonds	22,325,000
14	Principal Payment to be made on July 1, 2017 - 2007-B and 2007-D Bonds	<u>52,910,000</u>
15	Principal Balance Remaining to be Paid as of June 30, 2010 (Sum of Rows 1-14)	<u>\$192,770,000</u>
16	Interest Payments to be made July 2, 2009 through July 1, 2010 - 1999-B Bonds	2,375,095
17	Interest Payments to be made July 2, 2009 through July 1, 2010 - 2007-B and 2007-D Bonds	2,524,250
17	Interest Payments to be made July 2, 2010 through July 1, 2011 - 1999-B Bonds	4,025,615
18	Interest Payments to be made July 2, 2010 through July 1, 2011 - 2007-B and 2007-D Bonds	4,886,275
18	Interest Payments to be made July 2, 2011 through July 1, 2012 - 1999-B Bonds	3,253,505
19	Interest Payments to be made July 2, 2011 through July 1, 2012 - 2007-B and 2007-D Bonds	4,717,725
19	Interest Payments to be made July 2, 2012 through July 1, 2013 - 1999-B Bonds	2,439,053
20	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2007-B and 2007-D Bonds	4,542,525
20	Interest Payments to be made July 2, 2013 through July 1, 2014 - 1999-B Bonds	1,579,487
21	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2007-B and 2007-D Bonds	4,360,275
21	Interest Payments to be made July 2, 2014 through July 1, 2015 - 1999-B Bonds	673,550
22	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2007-B and 2007-D Bonds	4,137,650
23	Interest Payments to be made July 2, 2015 through July 1, 2016 - 2007-B and 2007-D Bonds	3,731,450
24	Interest Payments to be made July 2, 2016 through July 1, 2017 - 2007-B and 2007-D Bonds	<u>2,579,400</u>
25	Interest Remaining to be Paid as of June 30, 2010 (Sum of Rows 16-24)	<u>\$45,825,855</u>
26	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2010 assuming all bonds are held to maturity (Sum of Rows 15 and 25)	<u><u>\$238,595,855</u></u>
27	Projected earnings on Debt Service Reserve Fund as of June 30, 2010	(5,787,573)
28	Projected earnings on the Project Fund as of June 30, 2010	(0)
29	Balance of the Debt Service Fund as of June 30, 2010	(27,188,190)
30	Balance of the Debt Service Reserve Fund as of June 30, 2010	<u>(29,437,000)</u>
31	Subtotal (Sum of Rows 27-30)	<u><u>(\$62,412,763)</u></u>
32 *	Amount necessary to pay or redeem the PFC Bonds at maturity: (Sum of Row 26 and Row 31)	<u><u>\$176,183,092</u></u>

* Minimum amount necessary to pay or redeem the PFC Bonds at maturity or redemption.



Report Prepared by
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