

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

MASSACHUSETTS PORT AUTHORITY
YEAR ENDED JUNE 30, 2012



The Administration and Finance department is pleased to issue this comprehensive annual financial report for the fiscal year ending June 30, 2012. 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, 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 is an economic engine standing 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.





In Memoriam

davedavis

1932 - 2012

Appointed by Governor Dukakis, David W. Davis was Massport's Executive Director from 1975 to 1990. Massport prospered during his 16-year tenure, but his proudest achievements were improving relations with Logan's neighbors and opening opportunities to women and minorities. Dave was highly respected for his financial acumen and devotion to the working class. He was elected as an employee representative to the Massport Employees' Retirement Board in 1996 and served until his passing.

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In 1959, control of the public terminals of the Port of Boston was transferred to the newly-created Massachusetts Port Authority. Sea-Land introduced containerized shipping to Boston in 1966 at what was then known as Castle Island Container Terminal. The shipping world was rapidly switching to container transportation, and a second container terminal was built by Massport in Charlestown to accommodate this traffic. In 1980, Sea-Land gave up its lease of the Castle Island Terminal and Massport built a new, larger container facility on the site, later named the Paul W. Conley Marine Terminal. In the mid-1990s, Massport undertook a port modernization and optimization initiative in which all container operations were then consolidated at Conley Terminal.





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Telephone (617) 568-5000
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November 26, 2012*

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, 2012 (“fiscal year 2012”). This report was prepared by the Authority’s Administration and Finance Department. Responsibility for the accuracy of the presented data and the complete and fair presentation, including all disclosures, rests with the Authority. This report, in all material respects, presents fairly and discloses the Authority’s financial position, results of operations, and cash flows as of and for the year ended June 30, 2012 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, 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 under the CFC Trust Agreement dated as of May 18, 2011 (the “CFC Trust Agreement”) between the Authority and U.S. Bank National Association, as Trustee. Together the 1978 Trust Agreement, the PFC Trust Agreement, and the CFC Trust Agreement, collectively are called the “Trust Agreements” and collectively referred to as “Trust Accounting.” Specifically, information within the CAFR under the Annual Disclosure, PFC Disclosure and CFC Disclosure tabs are presented in accordance with the respective Trust Agreements. Please see Note 2 in the notes to the financial statements as of June 30, 2012 for the reconciliation between GAAP and Trust Accounting. In addition, 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.

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 the Massachusetts Department of Transportation (“MassDOT”). Members are not compensated for their service.

On September 20, 2012, the Members of the Authority appointed Thomas P. Glynn to serve as CEO and Executive Director of the Authority effective November 1, 2012. In this position, Mr. Glynn is responsible for operations at Massport’s Aviation and Port businesses as well as Massport’s customer service, safety and security activities. In addition, Mr. Glynn is focused on positioning Massport to play a larger role in today’s increasingly global economy so that the Authority fulfills one of its primary missions: promoting growth and opportunity in New England. Mr. Glynn has also emphasized greater collaboration with state and local government and with surrounding communities impacted by Massport’s facilities so as to build constructive partnerships that both enhance the transportation services Massport provides and the quality of life for Massachusetts residents.

*The information derived from the Authority’s audited financial statements is as of the date of such audit, September 28, 2012.

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 the 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 11th largest domestic origin-destination air travel market in the U.S. and was the fastest growing of the large domestic origination and destination ("O&D") markets with passenger growth of 7.7% compared to the average growth of 1.3% for the top 20 markets. Logan Airport is the primary source of the Authority's revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. Worcester Regional Airport supports the commercial service and general aviation needs of central Massachusetts. 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 the travelers and shippers in Boston, the Commonwealth and New England.

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

1. maintain and enhance safety and security at Massport-owned facilities;
2. provide high quality standards of service, superior facilities and customer convenience to the 29.3 million aviation passengers at Logan Airport, 380,000 cruise passengers, and Massport's primary shipping partners that service over 107,000 containers of product at the Port;
3. 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;
4. allocate sufficient resources to build and maintain Massport's transportation facilities that promote local and regional economic prosperity and development;
5. as a global entity, recruit and retain a global workforce that reflects the diversity of the local communities and national and international labor market;
6. be a good corporate neighbor towards the surrounding communities affected by all of our business operations; and
7. 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, while at the same time effectively and efficiently operating its facilities, and providing services to its constituents.

The Authority's business consists of two distinct operating departments: Aviation and the Port. During fiscal year 2012, the Authority generated approximately \$558.5 million in operating revenues from these departments, which represented an increase of \$20.8 million or 3.9% compared to fiscal year 2011. Operating expenses were approximately \$541.1 million, an increase of \$16.8 million, or 3.2% from fiscal year 2011. This produced operating net income of \$17.3 million, an increase of \$4.0 million over fiscal year 2011 which was used to help finance the Authority's five year Capital Program. Please see further discussion in the MD&A section.

Economic Conditions and Local Economy

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: Logan Airport (i) serves the 11th largest O&D 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) is the second largest U.S. international gateway airport among non-hub airports based on the number of international passengers, and (iii) 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.

As an O&D 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 2012, the largest airline accounted for approximately 16.0% of total landing fee and terminal rent revenues. In addition, the top three airlines at Logan Airport accounted for 36.0% of its total landing fee and terminal rental revenues.

Logan Airport serves the Boston-Cambridge-Quincy Metropolitan Area consisting of Essex, Middlesex, Norfolk, Plymouth and Suffolk counties in Massachusetts and Rockingham and Strafford counties in New Hampshire. According to the Census Bureau for 2011 this metropolitan area (the "Boston MSA") is the nation's 10th largest measured by population and 9th largest regional economy measured by gross metropolitan product.

The strength of a regional economy correlates with the demand for resident airline traffic, as well as business travel by both residents and visitors. Leisure travel to this area is related to the health of the broader U.S. economy and the attractiveness of the region as a personal travel destination. According to the U.S. Commerce Department's Bureau of Economic Analysis, in 2010 the Boston MSA had personal income that was 27% higher than that of the nation as a whole.

For the last 20 years, unemployment rates in the Boston area have been lower than in the nation. According to the Bureau of Labor Statistics 2012 estimates, the unemployment rate in the Boston MSA was 6.8%, well below the national average of 8.4%. The Boston MSA ranks among the top 14 metropolitan areas in the nation with the 6th lowest unemployment rate among large metropolitan areas. The lower unemployment rate reflects the resilience of the technology, health care and higher education sectors and the effects of federal funding for local scientific and medical research. The Boston MSA's substantial concentration of universities, colleges, hospitals and medical research facilities results in a greater share of 2012 employment in this sector (20.8%) than the national average (15.2%). Similarly, in the Boston MSA the professional/business services sector accounts for 14.9% of employment compared to a national average of 13.3%. Each of these sectors generates a significant demand for air travel.

Boston and its surrounding region is a popular destination for tourists from throughout the United States and around the world. Boston is one of the top-ranking destinations for overseas visitors to the United States ranking 13th in the nation in 2010 according to the U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries. Also, Boston is home to two major convention centers - the John B. Hynes Veterans Memorial Convention Center (the "Hynes Center") and the Boston Convention & Exhibition Center ("BCEC"). Boston has been named one of North America's top 10 convention destinations by *Tradeshaw Week* magazine every year since 2006.

Logan Airport was ranked the 19th largest ranking of U.S. Large Hub Airports based on total passengers and was the third fastest growing U.S. Large Hub airport, with passenger traffic increasing more than two times faster than the average growth of 2.3% of its peer group airports in calendar year 2011. Logan's

29.3 million passengers serviced in fiscal year 2012 is a new record high for the Authority and surpasses the number of passengers it serviced prior to the start of the economic recession.

Although Massport owns and operates other facilities important to the local economy, Logan Airport provides the primary economic stability to the Authority.

Legislative Developments

In June 2009, the Massachusetts Transportation Reform Act (Chapters 25, 26 and 120 of the Acts of 2009, collectively, 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, required the Authority to transfer the Bridge to MassDOT on January 1, 2010, without consideration. It also required the Authority to acquire Worcester Regional Airport from the City of Worcester, Massachusetts, which was completed on July 1, 2010 for \$15.1 million. Prior to the acquisition, the Authority had 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 February 16, 2012, the Members of the Authority approved its capital program for fiscal years 2012 through 2016 (the “FY12-FY16 Capital Program”). The FY12-FY16 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 Federal Aviation Administration (“FAA”) and Transportation Security Administration (“TSA”) grant receipts and utilizing a \$4.50 Passenger Facility Charge (“PFC”). Also, the program includes the construction of a new consolidated car rental facility specifically financed by a \$6.00 Customer Facility Charge (“CFC”). The FY12-FY16 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, Airport terminals 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 FY12-FY16 Capital Program includes \$1.078 billion of capital projects. Funding for these projects will be provided from Massport generated funds, FAA, TSA and other grant funding, bond proceeds, PFCs, CFCs and third party or other non-recourse funding sources. The Authority continues to place the highest priority on protecting its customers and making 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 2012 and 2011 totaled \$37.5 million and \$19.6 million, respectively. AIP grant revenue represented approximately 92.1% and 87.0% of total capital grant revenue earned during fiscal year 2012 and 2011, respectively. In addition to the AIP Program, the Authority received Federal funding totaling of \$3.1 million and \$2.9 million during fiscal year 2012 and 2011, respectively, for environmental and security enhancements.

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 2012, the Authority secured \$2.5 million in grants receipts under the LOI, for a total award to date of \$84.4 million.

In addition, the Authority was awarded \$23.9 million and \$15.9 million in fiscal year 2012 and 2011, respectively, in FAA AIP grants for the construction of the Runway Safety End for Runway 33L.

Passenger Facility Charge Program

During fiscal year 2012, the Authority received approval from the FAA to increase the PFC approved for use authorization to \$1.352 billion. The projected expiration date for the collection is December 1, 2023. For further information regarding the PFC program please see further discussion in the MD&A section and Note 1 in the notes to the financial statements attached hereto.

Customer Facility Charge Program

In fiscal year 2010, the Members of the Authority approved a CFC of \$6.00 per day for car rentals that originate from Logan Airport. CFCs and the proceeds from the CFC Bonds are being used to design and construct a Consolidated Rental Car Facility (the “ConRAC”) that is scheduled to open in the Fall of 2013. For further information regarding the CFC program please see Notes 1 and 5 to the financial statements attached hereto.

Financial Policies and Practices

Internal Control Environment

The Authority’s financial statements are prepared on an accrual basis of accounting. The Authority’s management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the complete and accurate preparation of financial statements in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Additionally, 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, Ernst & Young LLP. Internal Audit reports directly to the Authority’s Audit and Finance Committee.

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.

Cash Management and Investments

All investments must be made pursuant to the Investment Policy adopted in fiscal year 2000 and most recently amended in March 2012 by the Members of the Authority. The majority of the Authority's cash and investments are held by the Trustees (in the Authority's name) under the Trust Agreements 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 external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

Cash collections during fiscal year 2012 of approximately \$561.9 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. For additional information regarding the Authority's cash management and investment policy please read the MD&A section and supporting notes.

Capital Financing and Debt Management

All debt must be issued pursuant to the Debt Issuance and Debt Management Policy adopted in February 2010 and amended in March 2012 by the Members of the Authority. As of June 30, 2012 outstanding debt obligations of the Authority issued pursuant to the Trust Agreements totaled approximately \$1.56 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 2012, the total amount applied to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations), the PFC Trust Agreement and the CFC Trust Agreement was an aggregate of \$107.0 million, \$23.2 million and \$11.8 million, respectively.

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2012, the Authority's revenue bonds had ratings of AA by Fitch, Aa3 by Moody's and AA- by S&P. The Authority has met or exceeded its debt service requirements, coverage ratios and other compliance issues related to the Trust Agreements.

For additional information regarding the Authority's capital financing and debt management policy please read the MD&A section and supporting notes.

OTHER INFORMATION

Independent Audit

An audit of the Authority's financial statements as of and for fiscal year ended June 30, 2012 has been completed by the Authority's independent auditor, Ernst & Young LLP. Its report is included herein and includes an unqualified opinion on the Authority's financial statements. The financial statements for the fiscal year ended June 30, 2011 were audited by PricewaterhouseCoopers LLP whose report dated September 27, 2011, except for Note 1, as to which the date is September 28, 2012, expressed an unqualified opinion on those statements.

Awards

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2011. This was the 11th 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 2012.

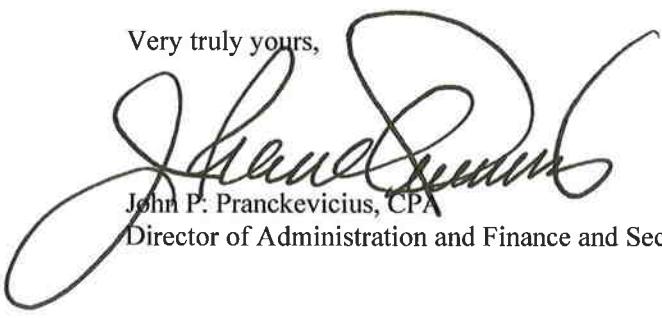
Acknowledgements

We would like to take this opportunity to thank the Members of the Authority and our employees for their dedication and commitment to our mission - established more than 50 years ago - to own and operate an integrated world-class transportation network that promotes economic growth and opportunity, enhances the quality of life of New England residents and protects the freedom to travel safely, securely, efficiently and cost-effectively. Our efforts each day to provide high levels of customer service, safe, sound, and reliable infrastructure and a business 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 and business partners who are also an integral part of the Authority's success. Most importantly, we thank all of our loyal customers, 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/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2012 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,



John P. Prankevicius, CPA

Director of Administration and Finance and Secretary-Treasurer

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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, 2011

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.



Linda C. Sandison

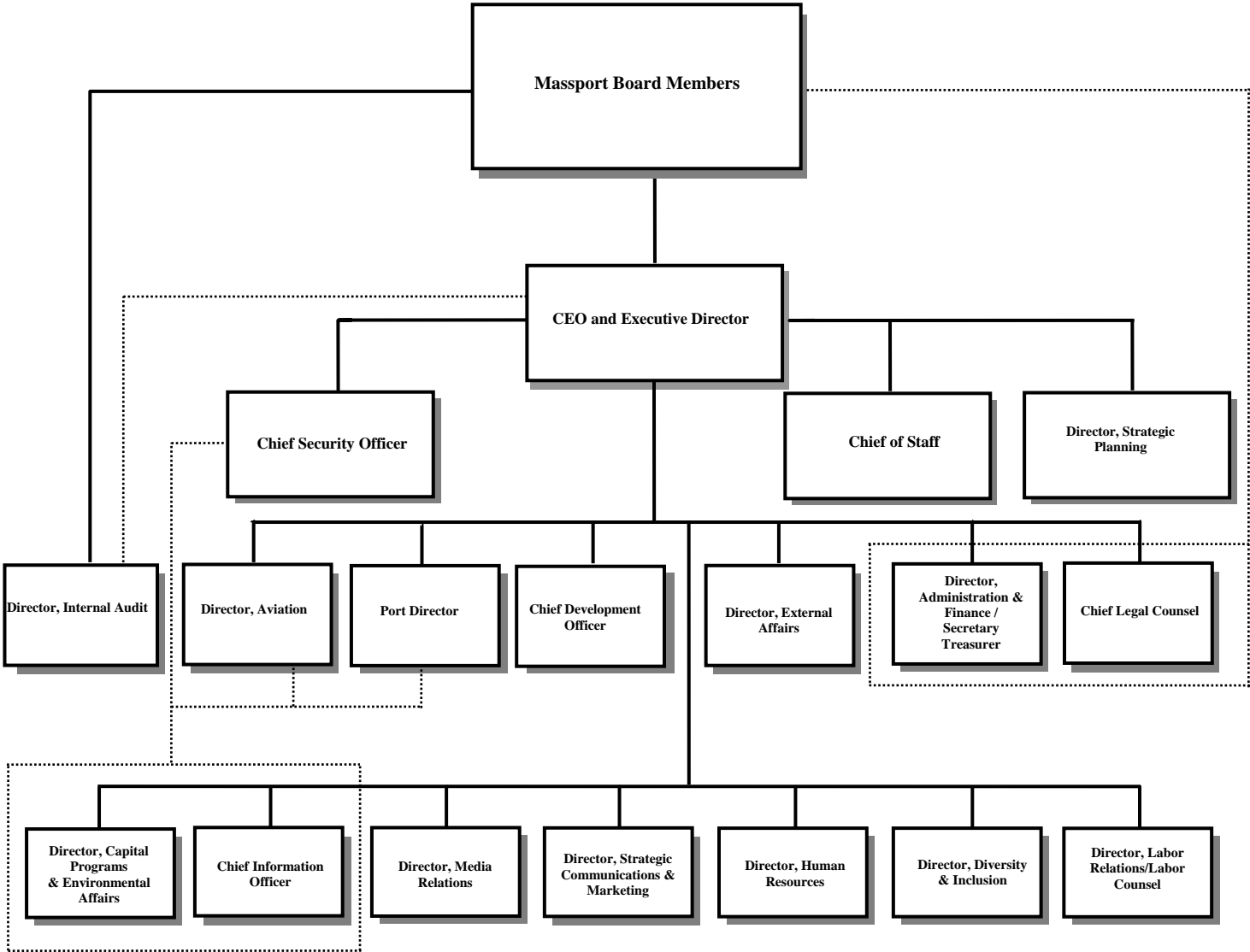
President

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.

Richard A. Davey, Chairman, Secretary and Chief Executive Officer of MassDOT

Michael P. Angelini

Douglas M. Husid

L. Duane Jackson

Frederic Mulligan

Sean M. O'Brien

Kathryn E. West

Executive Staff

Thomas P. Glynn, CEO and Executive Director

Betty J. Desrosiers, Acting Chief of Staff, Director of Strategic Planning

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

Francis X. Anglin, Chief Information Officer

Matthew Brelis, Director of Media Relations

Sandra Casey Buford, Director of Diversity and Inclusion

James P. Doolin, Acting Chief Development Officer

Edward C. Freni, Director of Aviation

David M. Gambone, Director of Human Resources

Deborah A. Hadden, Acting Port Director

Joris M. Jabouin, Director of Internal Audit

Danny T. Levy, Director of Strategic Communications and Marketing

David S. Mackey, Chief Legal Counsel

Houssam H. Sleiman, Director of Capital Programs & Environmental Affairs

Kelly B. Strong, Director of Labor Relations/Labor Counsel

Dennis P. Treece, Chief Security Officer

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cruiseportboston



Cruiseport Boston's Black Falcon terminal was constructed during the early 1900's on land that was once tidal flats. The building originally served as warehouse space, and at one time was also home to a United States Army base. The terminal was named after a 440-foot Norwegian merchant vessel that caught fire November 2, 1953 claiming the lives of eight longshoremen. In 1984, sections of the building were refurbished to accommodate incoming cruise ships and opened for business in 1986. Cruiseport Boston's inaugural year saw 13 cruise ships visit with a total of 11,723 passengers. Today, about 380,000 passengers on more than 100 ships travel through Cruiseport Boston annually. In 2010, the Black Falcon Cruise Terminal underwent an \$11 million renovation.

FINANCIAL



MASSACHUSETTS PORT AUTHORITY

Financial Statements, Required Supplementary Information, and
Supplementary Schedules

Years Ended June 30, 2012 and 2011

(With Report of Independent Auditors)

Report of Independent Auditors

To the Members of the Massachusetts Port Authority

We have audited the accompanying statement of net assets of the Massachusetts Port Authority (the Authority) as of June 30, 2012, and the related statement of revenues, expenses and changes in net assets, and statement of cash flows for the year then ended and the accompanying statement of trust net assets of the Massachusetts Port Authority Retiree Benefits Trust (the Trust) as of June 30, 2012, and the related statement of changes in trust net assets for the year then ended. 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 audit. The financial statements of the Authority and the Trust for the year ended June 30, 2011, were audited by other auditors whose report dated September 27, 2011, except for Note 1, as to which the date is September 28, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Port Authority at June 30, 2012, and the changes in its financial position and its cash flows for the year then ended and the financial position of the Massachusetts Port Authority Retiree Benefits Trust at June 30, 2012, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States require that the Management Discussion and Analysis, Schedule of Pension Funding Progress and Schedule of OPEB Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Authority's and the Trust's financial statements taken as a whole. The Supplementary Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for that pertaining to the 2011 financial statements, on which other auditors have expressed an unqualified opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Ernst + Young LLP

Boston, MA
September 28, 2012

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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 fiscal years ended June 30, 2012, 2011 and 2010, 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 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 International Airport ("Logan Airport"), Hanscom Field, Worcester Regional Airport ("Worcester Airport"), 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 purchased Worcester Regional Airport as required under the Transportation Reform Act of 2009. Please see Notes 1, 4 and 13 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 issues revenue bonds which are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement, the PFC Trust Agreement and the CFC 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 other 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, 2012, and 2011, and include 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, 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, CFCs, investment income and capital grants are

(Continued)

reported as non-operating revenues and their uses are restricted and generally are not available for operating purposes.

The Statements of Cash Flows present 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

- Logan Airport serviced 29.3 million passengers in fiscal year 2012. This represents an increase of passenger use of 877,000 or 3.2% when compared to fiscal year 2011. Logan Airport's passenger growth reflects the continued expansion of low cost and legacy carrier air service to preferred destinations, an increase in market share from other New England regional airports, and the recovering regional economy.
- Maritime serviced 107,477 containers at its Conley terminal in fiscal year 2012, a 0.6% increase over fiscal year 2011 despite a slowdown in the overall global shipping business. Cruiseport Boston serviced 380,151 cruise passengers, a 23.7% increase over fiscal year 2011 with the addition of Carnival Cruise lines.
- The Authority's net assets grew to \$1.79 billion, an \$89.7 million or 5.3% increase over last year. This 5.3% increase in net assets during fiscal year 2012 was generated by operating revenues exceeding operating expenses by \$17.4 million, net non-operating revenues contributing \$31.5 million and capital grant revenues used for facility improvements totaling \$40.8 million.
- The Authority's total operating income increased by \$4.0 million over fiscal year 2011 as the Authority's total operating revenues increased a total of 3.9%, while total operating expenses increased only 3.2% over fiscal year 2011.
- The Authority renewed its commercial paper program in an amount not to exceed \$100 million and entered into a three-year Letter of Credit and Reimbursement Agreement with TD Bank, N.A., to provide security for the commercial paper notes. The commercial paper program is secured by the Authority's Improvement and Extension Fund and is expected to be repaid using PFC revenues.

Increase in Net Assets

The Authority's net assets increased \$89.7 million or 5.3% during fiscal year 2012. The increase in net assets in fiscal year 2012 was a result of operating revenues exceeding operating expenses and depreciation and amortization expense by \$17.4 million. Net non-operating revenues generated during fiscal year 2012 were \$31.5 million primarily through the collection of PFCs and CFCs. Also, the Authority received \$40.8 million in capital grants used to finance various Airport airfield and terminal related projects.

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

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Operating revenues	\$ 558.5	\$ 537.6	\$ 20.9	3.9%
Operating expenses	359.9	354.8	5.1	1.4%
Depreciation and amortization	181.2	169.4	11.8	7.0%
Operating income	17.4	13.4	4.0	29.9%
Nonoperating revenues (expenses):				
Passenger facility charges	59.2	58.5	0.7	1.2%
Customer facility charges	28.7	26.2	2.5	9.5%
Investment income	10.2	11.7	(1.5)	-12.8%
Other income/(expense), net	1.5	(1.7)	3.2	-188.2%
PFC contribution to Terminal A debt service	(9.1)	(6.1)	(3.0)	49.2%
Interest expense	(59.0)	(60.0)	1.0	-1.7%
Total nonoperating revenues (expenses), net	31.5	28.6	2.9	10.1%
Capital grant revenue	40.8	22.5	18.3	81.3%
Increase in net assets	89.7	64.5	25.2	39.1%
Net assets, beginning of year	1,699.1	1,634.6	64.5	3.9%
Net assets, end of year	\$ 1,788.8	\$ 1,699.1	\$ 89.7	5.3%

The Authority's net assets increased by \$75.3 million or 4.6% during fiscal year 2011 as a result of generating operating income of \$13.4 million, \$28.6 million in net non-operating revenue, primarily through the collection of PFC and CFC revenues, and \$22.5 million in capital grant revenues which will be used to finance various Airport airfield and terminal related projects.

(Continued)

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

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Operating revenues	\$ 537.6	\$ 527.9	\$ 9.7	1.8%
Operating expenses	354.8	343.4	11.4	3.3%
Depreciation and amortization	169.4	164.1	5.3	3.2%
Operating income	13.4	20.4	(7.0)	-34.3%
Nonoperating revenues (expenses):				
Passenger facility charges	58.5	58.6	(0.1)	-0.2%
Customer facility charges	26.2	20.7	5.5	26.6%
Investment income	11.7	14.9	(3.2)	-21.5%
Other income/(expense), net	(1.7)	2.5	(4.2)	-168.0%
PFC contribution to Terminal A debt service	(6.1)	-	(6.1)	-100.0%
Interest expense	(60.0)	(66.9)	6.9	-10.3%
Total nonoperating revenues (expenses), net	28.6	29.8	(1.2)	-4.0%
Capital grant revenue	22.5	34.3	(11.8)	-34.4%
Increase in net assets before special item	64.5	84.5	(20.0)	-23.7%
Transfer Tobin Bridge	0.0	(78.00)	78.0	-100.0%
Increase in net assets	64.5	6.5	58.0	892.3%
Net assets, beginning of year	1,634.6	1,617.3	17.3	1.1%
Net assets, end of year	\$ 1,699.1	\$ 1,623.8	\$ 75.3	4.6%

Operating Revenues

Operating revenues of the Authority consist primarily of fees, rentals, concessions and operating grants. Fees and other services ("Fee Revenue") are comprised essentially of parking fees, landing fees, 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, Worcester Airport and Port properties. Concession revenues consist 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 shown on the Authority's Condensed Statements of Revenues, Expenses and Changes in Net Assets.

The Authority's Condensed Operating Revenues

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Operating revenues:				
Fees and other services	\$ 285.4	\$ 276.4	\$ 9.0	3.3%
Rentals	180.6	174.4	6.2	3.6%
Concessions	70.1	65.9	4.2	6.4%
Other, including operating grants	22.4	20.9	1.5	7.2%
Total operating revenues	\$ 558.5	\$ 537.6	\$ 20.9	3.9%

The Authority's operating revenues for fiscal year 2012 were \$558.5 million, an increase of \$20.9 million or 3.9% from fiscal year 2011. The increase in operating revenue is mainly attributable to the record 29.3

(Continued)

million total passengers serviced at Logan Airport in fiscal year 2012. Fees and other services increased by \$9.0 million, or 3.3% in fiscal year 2012 due mainly to higher parking revenues generated from increased parking activity and an increase in commercial parking rates at Logan Airport that took effect in March 2012. Rental revenue increased \$6.2 million, or 3.6% over fiscal year 2011. This increase is due to higher Logan Airport terminal rents, and an increase in commercial real estate rental revenues generated on South Boston properties and other Maritime facilities. Concession revenues increased \$4.2 million, or 6.4% in fiscal year 2012 due to increased rental car concession revenues, terminal advertising, and terminal concession sales within Logan Airport's terminals. Other income increased \$1.5 million, or 7.5% in fiscal year 2012, from Logan Airport shuttle service, aircraft parking fees, and other Authority miscellaneous revenues.

The Authority's Condensed Operating Revenues

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Operating revenues:				
Fees, tolls and other services	\$ 276.4	\$ 277.8	\$ (1.4)	-0.5%
Rentals	174.4	167.2	7.2	4.3%
Concessions	65.9	62.3	3.6	5.8%
Other, including operating grants	20.9	20.6	0.3	1.5%
Total operating revenues	<u>\$ 537.6</u>	<u>\$ 527.9</u>	<u>\$ 9.7</u>	<u>1.8%</u>

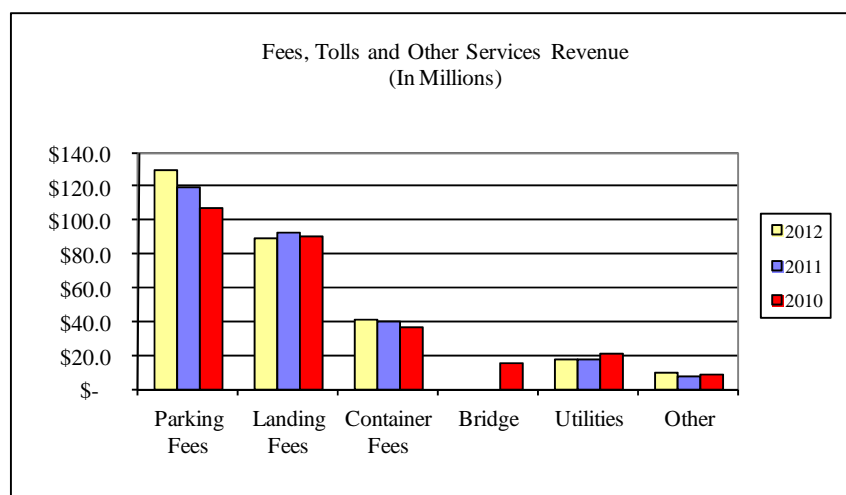
Fiscal year 2011 operating revenues when compared to fiscal year 2010 increased \$9.7 million, or 1.8% to \$537.6 million. Logan Airport, Hanscom Field and Worcester Airport generated \$18.4 million in new revenues driven primarily by the 2.1 million more passengers serviced at Logan Airport in fiscal year 2011 as compared to fiscal year 2010. Maritime revenues increased \$6.4 million primarily from the nearly 6,000 more container operations serviced at the Port as well as from an increase in real estate revenues generated by the Authority's South Boston properties. This \$24.8 million increase in operating revenues from these facilities was offset by the loss of \$15.1 million in Bridge revenues previously generated by the Maurice J. Tobin Bridge that was transferred to MassDOT in January 2010.

Fees, Tolls and Other Services

Fees and Other Services revenues totaled \$285.4 million during fiscal year 2012, an increase of \$9.0 million or 3.3% when compared to \$276.4 million generated during fiscal year 2011. Parking revenues increased \$9.7 million or 8.3% due to increased passengers and a 12.5% increase in the daily commercial parking rate that took effect in March 2012 at Logan Airport. Landing fees were 3.5% lower than the previous year from flat operations, a slight increase in landed weights, lower capital costs, and a lower landing fee rate. Revenues from container activity were slightly higher as the Port serviced 107,477 containers in fiscal year 2012 as compared to the 106,857 containers serviced in fiscal year 2011. Overall utility revenues were lower by about 4.5% as low natural gas prices and the warm winter season helped keep utility costs low. These savings were passed onto Airline tenants.

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

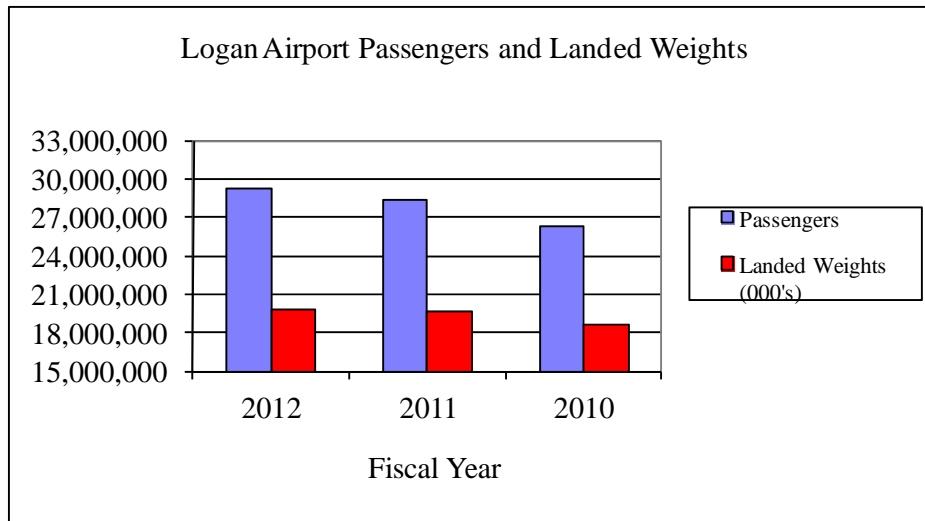


Aviation Activity. Logan Airport, Hanscom Field and Worcester Airport (collectively “Aviation”) parking fees, landing fees and utility fees comprise the majority of Aviation fee revenue. During fiscal year 2012, Aviation generated approximately \$484.5 million in total revenues. This represents a \$17.9 million or 3.8% increase over the \$466.6 million generated in fiscal year 2011.

Logan Airport has experienced passenger growth for three consecutive fiscal years. In fiscal year 2012 Logan Airport serviced 29.3 million passengers, an increase of 877 thousand passengers, or 3.2% in comparison to the 28.4 million passengers served during fiscal year 2011. The increase in passenger activity can be attributed to the recapture of passenger market share from other New England airports, growth in both low costs and legacy carriers, and other economic factors. Logan Airport served 26.3 million passengers in fiscal year 2010, an increase of 1.3 million passengers, or 5.2% from the fiscal year prior. Logan Airport runways serviced 365,000 aircraft operations (take-offs and landings) during fiscal year 2012. This was a .07% increase over the 362,000 aircraft operations serviced in fiscal year 2011. Aircraft operations for fiscal year 2010 were 348,000. The increase in aircraft operations in fiscal year 2012 is mainly attributed to the growth in flights provided by low cost carriers at Logan Airport.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The landing fee is determined annually based on full cost recovery to maintain the landing field. Landing fees earned from airline activity were \$89.2 million during fiscal year 2012, a 3.5% decrease compared to \$92.4 million earned during fiscal year 2011. Management cost controls, a mild winter, and lower capital costs limited overall airfield expenses during the year resulting in a 3.5% decrease in the landing field rate compared to fiscal year 2011. In fiscal year 2011 landing fee revenue was \$92.4 million, a 2.0% increase over fiscal year 2010 landing fee revenue of \$90.6 million. During fiscal years 2012, 2011 and 2010, Logan Airport handled 19.85 billion pounds, 19.71 billion pounds, and 18.68 billion pounds of landed weights, respectively.

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During fiscal year 2012, the Authority collected \$126.2 million in parking revenue, an increase of \$9.7 million or 8.3% compared to fiscal year 2011. This increase in parking revenues is attributable to a 12.5% increase in the daily commercial parking rate that took effect in March 2012 and a 3.2% increase in passenger volume at Logan Airport.

During fiscal year 2011, the Authority collected \$116.5 million in parking revenue, an increase of \$9.4 million or 8.8% compared to fiscal year 2010. This increase in parking revenues was attributable primarily to the 8.0% increase in passenger volume at Logan Airport in fiscal year 2011 and the opening of the new economy parking garage at Logan Airport.

Port Activity. The Port generated \$47.0 million in fee revenue during fiscal year 2012. This was an increase of \$2.0 million or 4.4% over the \$45.0 million in total fee revenue generated by the Port in fiscal year 2011. 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 2012 the Port serviced 107,477 containers, 0.6% increase compared to the 106,857 containers serviced in fiscal year 2011. The higher container volume reflects an increase in imports and exports processed through the Port as the economy improved, unemployment in Massachusetts declined, and consumers and businesses increased spending. During fiscal year 2011 the Port generated \$45.0 million in Port revenue, a 10.8% or \$4.4 million increase over fiscal year 2010 revenues of \$40.6 million. The 106,857 containers serviced by the Port in fiscal year 2011 were 5.8% higher than the 100,970 containers serviced in fiscal year 2010. The improving economy, increased business and individual consumption, and a decrease in regional unemployment resulted in greater imports and exports processed by the Port in fiscal year 2011.

Tobin Bridge Activity. With the transfer of the Bridge to MassDOT in January 2010 the Authority did not earn any toll revenue in fiscal years 2012 or 2011. 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 was 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.

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Rentals

The Authority's rental revenues for fiscal year 2012 totaled \$180.6 million, a \$6.2 million or 3.6% increase over fiscal year 2011. Logan Airport accounts for \$155.6 million or 86.2% of the \$180.6 million in total rental revenue recorded in the Authority's financial statements. Airport rental revenue is earned from airlines and other tenants for the terminal buildings, cargo and hangar space they occupy on airport property.

Rental revenues at Logan Airport were \$155.6 million, an increase of \$5.7 million or 3.8% in fiscal year 2012, when compared to the \$149.9 million in fiscal year 2011. The \$5.7 million increase in rental revenues generated at Logan Airport reflects the recovery of operating costs and capital on various terminal improvements made throughout Logan Airport's terminals. In addition, the Authority collects rental revenue on Port properties and other land that it owns. During fiscal year 2012, the Authority earned approximately \$16.1 million in rental revenue on Port properties, an increase of approximately \$1.3 million or 8.8% over fiscal year 2011. Other rental revenues from Maritime properties, Hanscom Field and Worcester Airport were \$8.9 million in fiscal year 2012. This was a decrease of \$840 thousand or 8.7% over the amount collected in fiscal year 2011 due mainly to a new lease agreement at the Autoport where the lessor assumed additional operating and capital cost commitments. Rental revenue for Maritime Operations, Hanscom Field and Worcester Airport in fiscal year 2012 was \$4.0 million, \$4.6 million and \$0.26 million, respectively.

The Authority's rental revenues for fiscal year 2011 totaled \$174.4 million, a \$7.2 million or 4.3% increase over fiscal year 2010. During fiscal year 2011, Logan Airport rental revenues were \$149.9 million, an increase of \$6.2 million or 4.3% when compared to fiscal year 2010. The Port properties rental revenues of \$14.8 million were \$1.1 million or 8.0 % higher when compared to fiscal year 2010. The combined total of rental revenue from Maritime Operations, Hanscom Field, and Worcester Airport was \$9.7 million in fiscal year 2011, a 2.0% or \$200 thousand decrease from the amount collected in fiscal year 2010. Rental revenue for Maritime Operations, Hanscom Field and Worcester Airport in fiscal year 2011 was \$5.2 million, \$4.3 million, and \$0.2 million, respectively.

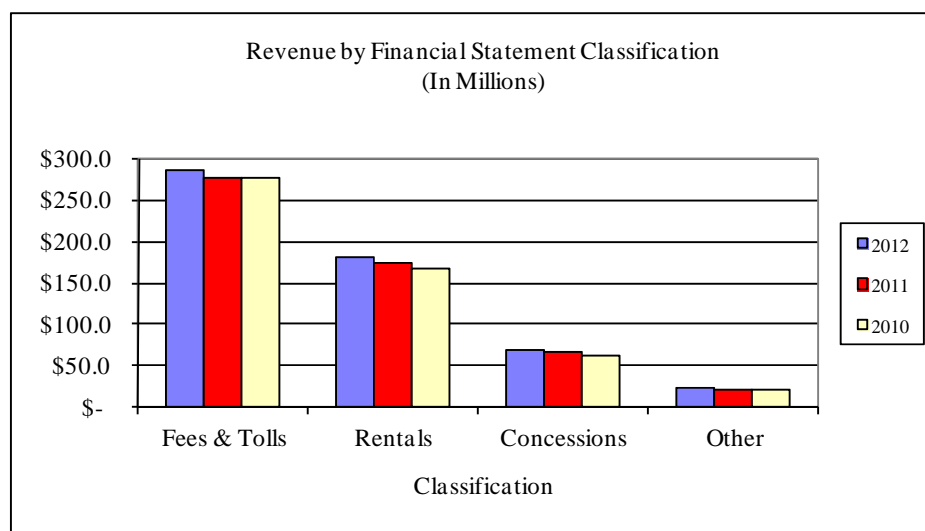
Concessions

During fiscal year 2012, the Authority earned \$70.1 million in concessions revenue compared to \$65.9 million in fiscal year 2011, an increase of \$4.2 million or 6.4%. Concessions revenue consists of fees earned from ground services for airport passengers such as car rentals, taxis, bus and limousine services, as well as retail operations within the Airport's terminals. During fiscal year 2012, the Authority earned approximately \$36.3 million in ground service fees compared to \$35.0 million in fiscal year 2011. This represented an increase of \$1.3 million or 3.7% in ground service fees, primarily from an increase in rental car activity at Logan Airport. During fiscal year 2012, other concession revenues generated from food and beverage, news and gifts, foreign exchange, duty free shops, specialty shops and other concessions totaled \$33.8 million or 9.4% more than the \$30.9 million collected in fiscal year 2011. Higher passenger volumes at Logan Airport increased terminal sales and a new foreign exchange servicing contract resulted in higher concession revenues at Logan Airport.

During fiscal year 2011, the Authority's concessions revenue totaled \$65.9 million, an increase of \$3.6 million or 5.8% when compared to fiscal year 2010. During fiscal year 2011, the Authority's ground service fees increased \$1.2 million or 3.6% over fiscal year 2010. In fiscal year 2011, other concession revenues also increased by \$2.4 million or 8.4% over fiscal year 2010. The concessions revenue increase during fiscal year 2011 was primarily the result of the 8.0% increase in passenger activity at Logan Airport.

(Continued)

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



Operating Expenses (including depreciation and amortization)

Fiscal year 2012 operating expenses for the Authority were \$541.1 million, an increase of \$16.9 million or 3.2% compared to fiscal year 2011. The Authority's expenses for operations and administration totaled \$309.6 million, an increase of \$1.2 million, or 0.4% over fiscal year 2011. Reduced labor costs due to vacancies, lower utility expenses from favorable natural gas prices, and a mild winter season contributed to keeping overall operating costs low. Authority expenses for liability insurance premiums, employee pension and OPEB contributions, and other expenses totaled \$50.3 million, an increase of \$3.9 million, or 8.4% compared to fiscal year 2011. The increase was primarily driven by higher property insurance premiums and workers compensation expenses, higher employee pension and OPEB contributions, PILOT payments, and other expenses. Finally, the non-cash depreciation expense on Authority-owned assets increased \$11.8 million, or 7.0% on \$2.65 billion of Authority-owned assets as a result of new capital assets being placed into service during fiscal year 2012.

The Authority's Condensed Operating Expenses

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Operating expenses:				
Operations & maintenance	\$ 265.6	\$ 262.4	\$ 3.2	1.2%
General & administrative	44.0	46.0	(2.0)	-4.3%
Insurance	8.0	7.3	0.7	9.6%
Pension	5.7	4.9	0.8	16.3%
Other post-employment benefits	17.9	16.5	1.4	8.5%
Payments in lieu of taxes	17.6	17.3	0.3	1.7%
Provision for uncollectible accounts	1.1	0.4	0.7	175.0%
Depreciation and amortization	181.2	169.4	11.8	7.0%
Total operating expenses	<u>\$ 541.1</u>	<u>\$ 524.2</u>	<u>\$ 16.9</u>	<u>3.2%</u>

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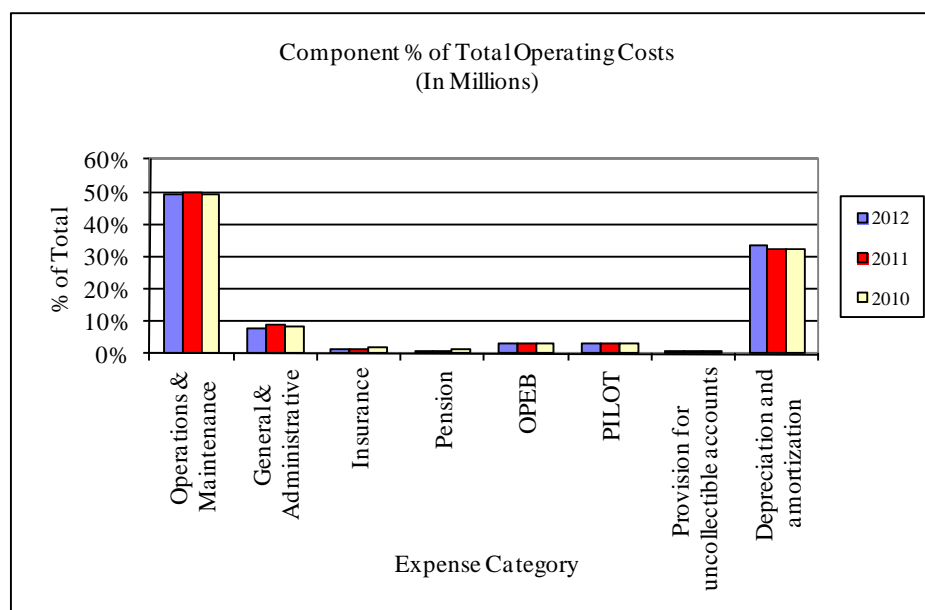
	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Operating expenses:				
Operations & maintenance	\$ 262.4	\$ 249.7	\$ 12.7	5.1%
General & administrative	46.0	41.7	4.3	10.3%
Insurance	7.3	8.9	(1.6)	-18.0%
Pension	4.9	7.6	(2.7)	-35.5%
Other post-employment benefits	16.5	17.5	(1.0)	-5.7%
Payments in lieu of taxes	17.3	17.5	(0.2)	-1.1%
Provision for uncollectible accounts	0.4	0.5	(0.1)	-20.0%
Depreciation and amortization	169.4	164.1	5.3	3.2%
Total operating expenses	<u>\$ 524.2</u>	<u>\$ 507.5</u>	<u>\$ 16.7</u>	<u>3.3%</u>

Fiscal year 2011 operating expenses for the Authority were \$524.2 million, an increase of \$16.7 million or 3.3% compared to fiscal year 2010. The Authority had expense increases due to an extraordinary winter weather season, greater Maritime container volume and supplies for newly purchased cranes. Additionally, health insurance and earned benefit payments, and other general expenses including utilities, terminal maintenance, and computer services were higher to service the 2.1 million more airline passengers at Logan Airport. Considerable savings were made in lower employer pension contribution payments resulting from the rebound in the stock market that produced positive price appreciation on pension assets, better pricing negotiated on insurance coverage, and adjustments to other post employment benefits premiums. The non-cash depreciation expense increased by approximately \$5.3 million or 3.2% as a result of new capital assets being placed into service during fiscal year 2011.

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 recognized 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.

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



Operations and Maintenance

During fiscal year 2012, the Authority incurred \$265.6 million in operations and maintenance costs, which represents an increase of \$3.2 million or 1.2% from fiscal year 2011. The increase is primarily the result of an increase in service costs for busing, maintenance, terminal cleaning, and repairs to runways and facilities due to an increase in use mainly attributable to the 3.2% increase in passenger activity at Logan Airport. Operations and maintenance expenses represent 49.1% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities which includes Logan Airport, Hanscom Field, Worcester Airport, and the Port of Boston.

During fiscal year 2011, the Authority incurred \$262.4 million in operations and maintenance costs, an increase of \$12.7 million or 5.1% from fiscal year 2010. The increase was primarily the result of approximately \$5.0 million in snow removal costs from severe winter conditions, \$2.8 million in earned benefits, employee health insurance rates and enrollment and professional training, \$2.2 million of Terminal and facilities maintenance, fleet repairs, and miscellaneous general expenses to service the 2.1 million more airline passengers at Logan Airport, \$1.7 million for pollution remediation, and \$1.0 million in stevedoring expenses related to cargo volumes and supplies to outfit newly purchased cranes. Fiscal year 2011 also included a full year of Worcester Airport costs totaling \$3.3 million and a reduction of expense from the Tobin Bridge transfer in fiscal year 2010 of \$3.1 million. Operations and maintenance expenses represent 50.1% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities which includes Logan Airport, Hanscom Field, Worcester Airport, and the Port of Boston.

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 was primarily a result of a formal cost reduction plan that included Bridge direct expenses, lower employee expenses as a result of a hiring freeze, stevedoring work rule changes, reduced PILOT obligations as well as discretionary expense cuts in marketing, travel, services, and training. Operations and maintenance expenses represent

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49.2% of the Authority's total operating expenses in fiscal year 2010 and include Logan Airport, Hanscom Field, the Port of Boston, and a half year of the Tobin Bridge costs.

General and Administrative

During fiscal year 2012, the Authority incurred \$44.0 million in general and administrative expenses, a decrease of \$2.0 million or 4.3% compared to fiscal year 2011. The decrease in expenses is primarily attributable to lower salary, and benefits for general and administrative employees due to vacancies, and the reductions in payments to professional consultants. These expense reductions were offset by higher maintenance and support service agreements. General and administrative expenses as a percent of the Authority's total expense declined slightly to 8.1% of total expenses in fiscal year 2012, as compared to 8.8% in fiscal year 2011.

During fiscal year 2011, the Authority incurred \$46.0 million in general and administrative expenses, an increase of \$4.3 million or 10.3% compared to fiscal year 2010. Increases include \$2.0 million due to higher health care rates, earned benefits, and career training and development, \$1.5 million for website and financial system development, computer purchases, IT and operational security analysis, mitigation payments, marketing promotions and commercial advertising, and other costs. Fiscal year 2011 also included a full year of Worcester Airport costs totaling \$1.6 million and a reduction of expense from the Tobin Bridge transfer in fiscal year 2010 of \$1.2 million. General and administrative expenses as a percent of the Authority's total expense remained constant at 8.8% and 8.2% for fiscal years 2011 and 2010, respectively.

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 expense remained relatively constant at 8.2% and 8.1% for fiscal years 2010 and 2009, respectively.

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, 2012 was \$8.0 million, an increase of \$0.7 million or 9.6% from fiscal year 2011. This increase in insurance expense is due to higher property insurance premiums, the recording of expenses on future claims that the Authority may incur for the workers compensation expenses of the International Longshoreman Association who performs work on Maritime properties, and certain other self insurance adjustments to the Authority's self insurance accounts made during the fiscal year 2012.

Insurance expense at June 30, 2011 was \$7.3 million, a decrease of \$1.6 million or 18.0% from fiscal year 2010. This decrease in insurance expense is due to lower insurance premiums, and other self insurance adjustments to the Authority's self insurance accounts made during the fiscal year. During fiscal year 2010, insurance expense was \$8.9 million, an increase of \$1.5 million or 20.3% over fiscal year 2009. The increase during fiscal year 2010 was a result of the Authority settling a number of self insurance claims during the year.

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Other Post-employment Benefits

The Authority established an irrevocable Retiree Benefits Trust in 2008 to provide sufficient resources to finance post-employment health care, life insurance and other 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 in June 2008. This created a net OPEB asset on the Authority’s Statements of Net Assets.

To comply with GASB Statements 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 benefits rather than when they use their postemployment benefits. 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 over funds 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 Annual Required Contribution for fiscal years 2012, 2011, and 2010 was \$18.4 million, \$17.2 million, and \$18.3 million, respectively. The Authority’s actual cash contributions to the Retirement Benefit Trust for fiscal years 2012, 2011 and 2010 were \$13.8 million, \$17.1 million, and \$15.3 million, respectively. More information about the Trust activities can be found in the separately issued Retiree Benefits Trust financial statements, Note 7 to these financial statements, and the Schedule of Funding Progress found in the Required Supplementary Information section of this report.

Payment in Lieu of Taxes

During fiscal year 2012, the Authority incurred \$17.6 million in statutorily required Payment-in-Lieu-of-Tax (“PILOT”) agreements with the City of Boston and the Town of Winthrop. The payments were a \$0.3 million or 1.7% increase from fiscal year 2011 payments of \$17.3 million. During fiscal year 2010 the Authority made payments of \$17.5 million. During fiscal year 2010, the Authority made PILOT payments attributable to the city of Boston and Chelsea attributable to the Tobin Bridge for half the year while still under the ownership of the Authority. The Tobin Bridge was transferred to MassDOT in accordance with the Transportation Reform Act, and 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. 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. Please see Note 10 in the financial statements attached hereto.

Depreciation and Amortization

The Authority recognized \$181.2 million in depreciation and amortization expense in fiscal year 2012, an increase of \$11.8 million or 7.0% compared to fiscal year 2011. This increase is the result of \$131.0 million in new assets being placed into service during fiscal year 2012. In comparison, during fiscal year 2011 and 2010, the Authority recognized depreciation and amortization expenses of \$169.4 million and \$164.1 million, respectively. During this same period, the Authority placed into service new assets totaling \$187.3 million and \$191.2 million, respectively. During fiscal year 2010, the Authority retired \$78.0 million in capital assets associated with the Tobin Bridge transfer resulting in lowered depreciation and amortization expenses for that period. Please see the Capital Assets section and Note 1 to the financial statements attached hereto.

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Non-operating Revenue and Expense

The Authority recognized a net \$31.5 million in non-operating revenue in fiscal year 2012, an increase of \$2.9 million or 10.1% over the \$28.6 million recognized in fiscal year 2011. Non-operating revenue in fiscal year 2011 was \$28.6 million, a decrease of \$1.2 million or 4.0% over the \$29.8 million recognized in fiscal year 2010. The following provides a brief explanation of the account changes by category for the last two fiscal years.

Passenger Facility Charge Revenues

PFC revenues for fiscal year 2012 were \$59.2 million compared to \$58.5 million for fiscal year 2011, representing an increase of \$0.7 million or 1.2%. During fiscal year 2011, PFC revenues decreased \$0.1 million or 0.2% when compared to fiscal year 2010. 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 changes in the time between ticket purchase date and the actual travel date.

As part of the Final Agency Decision issued by the FAA in 2011, the Authority was authorized to use up to \$14.4 million per year in PFCs to pay approximately one-third of the debt service on the Terminal A Special Facility Bonds. The Authority chose to make this use of PFC revenue in order to offset the increase in Terminal A rates and charges that would have resulted from the scheduled increase in Terminal A debt service associated with the beginning of principal payments on January 1, 2012 for the Terminal A bonds. As Terminal A was already the most expensive terminal at Logan, this use of PFCs will keep the disparity of the rates across terminals from growing, and facilitate the Authority's ability to assign carriers to Terminal A. During fiscal year 2012, the Authority made contributions of \$9.1 million from PFC revenues to the debt service accounts of Terminal A. This contribution was \$3.0 million higher than the \$6.1 million contributed in fiscal year 2011. The increase in PFC contributions to Terminal A debt service expenses reflects an increase in the number of monthly payments made by the Authority to stabilize the Terminal A rental rate.

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 have been used to evaluate, design and construct a consolidated rental car facility ("ConRAC"). During fiscal year 2011, the Authority adopted a new CFC Trust Agreement and issued \$214.1 million in CFC backed Special Facility Revenue Bonds to further the design and construction of the ConRAC. The Authority recognized \$28.7 million, \$26.2 million, and \$20.7 million in CFC revenues in fiscal year 2012, 2011, and 2010, respectively. CFC revenues increased \$2.5 million, or 9.5% in fiscal year 2012 over fiscal year 2011 consistent with the 10% increase in rental car transaction days at Logan Airport during the same period. The Authority recorded 4.8 million transactions days during fiscal year 2012, an increase of 424,000 rental car transaction days over fiscal year 2011. The CFC rate per transaction day remains at \$6.00 a day. The revenue collected from CFC's will be used to pay debt service on the \$214.1 million ConRAC Special Facility Revenue Bonds, funding of capital projects, and certain other costs.

Investment Income

The Authority earned \$10.2 million in investment income during fiscal year 2012. This represents a decrease of \$1.5 million or 12.8% as compared to fiscal year 2011. This decrease is the result of the continuation of declining interest rates throughout much of the year. During fiscal year 2011, the

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Authority's investment income was \$11.7 million, a decrease of \$3.2 million or 21.5% when compared to fiscal year 2010 as a result of declining interest rates, and the payment of \$21.7 million to defease Tobin Bridge related outstanding bonds in July 2009 (inclusive of a \$0.8 million call premium) which reduced the amount of cash available for investment purposes.

Other Non-operating Income (Expense), net

Other non-operating income (expense) includes miscellaneous non-operating revenues and expenses, settlement of claims, gains or losses on the short term investments, and any gains or losses on sale of equipment. For fiscal year 2012, other non-operating income totaled \$1.5 million, a change of \$3.2 million over the prior year. The increase in other non-operating income is primarily the results of realizing a \$3.7 million gain in the fair value of investments held by the Authority. Also during fiscal year 2012, the Authority made a voluntary contribution of \$9.1 million in PFCs to the Terminal A debt service fund originally as described in the PFC section above. This \$9.1 million voluntary contribution was \$3.0 million higher than the amount contributed in fiscal year 2011.

For fiscal year 2011 other net non-operating expenses totaled \$1.7 million, a change of \$4.2 million lower than prior year. The decline in other net non-operating expense is primarily the result of realizing a \$3.5 million expense cause by a net decrease in the fair value of investments held by the Authority. Also during fiscal year 2011, the Authority expensed a voluntary contribution of \$6.1 million in PFCs to the Terminal A debt service fund established by Delta Airlines which was approved by the FAA.

Interest Expense

During fiscal year 2012, the Authority's interest expense was \$59.0 million, a decrease of \$1.0 million or 1.7% from fiscal year 2011. The decline in interest expense is attributable to declining interest rates on the \$126.5 million in variable rate bonds outstanding. The outstanding amount of variable rate debt is approximately 8.1% of the Authority's total \$1.56 billion in senior and subordinate debt outstanding.

Interest expense incurred in fiscal year 2011 was \$60.0 million, a decrease of \$6.9 million or 10.3% from fiscal year 2010. The decline in interest expense for this period is attributable to \$326.5 million in refunding bonds executed in August 2010 and the continued low interest rates during fiscal year 2011 on the Authority's variable rate debt instruments. The outstanding variable rate debt was approximately 8.1% of the Authority's debt portfolio.

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 was approximately 8.6% of the Authority's debt portfolio. The decrease was 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.

Capital Grant Revenues

Capital grant revenues received in fiscal year 2012 was \$40.8 million an increase of \$18.3 million or 81.3% over the amount the Authority received in fiscal year 2011. The majority of the Authority's capital grants were awarded by the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects, and other capital related projects primarily at Logan Airport.

Capital grant revenues received in fiscal year 2011 was \$22.5 million, a decrease of \$11.8 million or 34.4% from the \$34.3 million received in fiscal year 2010. The majority of the Authority's capital grants

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were awarded by the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects and other capital related projects primarily at Logan Airport.

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 years. 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, 2012, 2011 and 2010 is as follows:

The Authority's Condensed Statements of Net Assets

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Assets				
Current assets	\$ 603.4	\$ 599.6	\$ 3.8	0.6%
Capital assets, net	2,653.3	2,579.8	73.5	2.8%
Other non-current assets	443.1	454.5	(11.4)	-2.5%
Total Assets	\$ 3,699.8	\$ 3,633.9	\$ 65.9	1.8%
Liabilities				
Current liabilities	\$ 257.8	\$ 212.2	\$ 45.6	21.5%
Bonds and notes payable, including current portion	1,590.8	1,664.1	(73.3)	-4.4%
Other non-current liabilities	62.4	58.5	3.9	6.7%
Total Liabilities	\$ 1,911.0	\$ 1,934.8	\$ (23.8)	-1.2%
Net Assets				
Invested in capital assets, net of debt	\$ 1,059.1	\$ 1,055.2	\$ 3.9	0.4%
Restricted:				
Debt service	187.2	182.7	4.5	2.5%
Capital projects	213.6	149.0	64.6	43.4%
Passenger facility charges	62.5	70.6	(8.1)	-11.5%
Customer facility charges	71.7	35.3	36.4	103%
Other purposes	52.3	52.1	0.2	0.4%
Unrestricted	142.4	154.2	(11.8)	-7.7%
Total Net Assets	\$ 1,788.8	\$ 1,699.1	\$ 89.7	5.3%

The Authority ended fiscal year 2012 with total assets of \$3.70 billion, total liabilities of \$1.91 billion and total net assets of \$1.79 billion. The Authority's assets consist primarily of capital assets, which represents approximately \$2.65 billion or 71.70% of the Authority's total assets as of June 30, 2012.

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	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Assets				
Current assets	\$ 599.6	\$ 445.0	\$ 154.6	34.7%
Capital assets, net	2,579.8	2,517.6	62.2	2.5%
Other non-current assets	454.5	377.4	77.1	20.4%
Total Assets	<u>\$ 3,633.9</u>	<u>\$ 3,340.0</u>	<u>\$ 293.9</u>	<u>8.8%</u>
Liabilities				
Current liabilities	\$ 212.2	\$ 224.5	\$ (12.3)	-5.5%
Bonds and notes payable, including current portion	1,664.1	1,434.8	229.3	16.0%
Other non-current liabilities	58.5	56.9	1.6	2.8%
Total Liabilities	<u>\$ 1,934.8</u>	<u>\$ 1,716.2</u>	<u>\$ 218.6</u>	<u>12.7%</u>
Net Assets				
Invested in capital assets, net of debt	\$ 1,055.2	\$ 999.3	\$ 55.9	5.6%
Restricted:				
Debt service	182.7	187.2	(4.5)	-2.4%
Capital projects	149.0	159.7	(10.7)	-6.7%
Passenger facility charges	70.6	73.5	(2.9)	-3.9%
Customer facility charges	35.3	26.0	9.3	36%
Other purposes	52.1	49.1	3.0	6.1%
Unrestricted	154.2	129.0	25.2	19.5%
Total Net Assets	<u>\$ 1,699.1</u>	<u>\$ 1,623.8</u>	<u>\$ 75.3</u>	<u>4.6%</u>

The Authority ended fiscal year 2011 with total assets of \$3.63 billion, total liabilities of \$1.93 billion, and total net assets of \$1.70 billion. The Authority's assets consist primarily of capital assets, which represent approximately \$2.58 billion or 71.0% of the Authority's total assets as of June 30, 2011.

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 \$2.52 billion or 75.4% of the Authority's total assets as of June 30, 2010.

The Authority's liabilities consists primarily of bonds payable (including current portion), which account for 83.2%, 85.5% and 86.0% of total liabilities at June 30, 2012, 2011 and 2010, respectively. Notes payable and accrued interest payable are included in current liabilities and represented approximately 7.1%, 6.3% and 7.1% of total liabilities at June 30, 2012, 2011 and 2010, respectively.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012 and 2011, the Authority had approximately \$2.65 billion and \$2.58 billion of capital assets (net of depreciation), respectively. This includes land, construction in process, buildings, runways, roadways, machinery and equipment, air rights and parking rights. The Authority's net capital assets increased approximately \$73.5 million, or 2.8% in fiscal year 2012. The increase is due to several large capital projects constructed and placed into service during the year and discussed further below.

Capital assets comprised approximately 71.7% of the Authority's total assets at June 30, 2012 and 71.0% and 75.4% of the Authority's total assets at June 30, 2011 and 2010, respectively. During fiscal years 2012, 2011 and 2010, the Authority spent approximately \$225.7 million, \$225.1 million and \$171.7 million, respectively, constructing new assets and improving existing assets already in service, inclusive of construction in process. Please see Note 1 and Note 4 in the financial statements attached hereto.

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Major construction projects completed or in process during fiscal year 2012 at Logan Airport included the ConRAC, the Green Bus Depot which will be the onsite maintenance facility for all Massport owned buses, runway safety end improvements that will reinstall the use of Emergency Material Arrest Systems (EMAS) for Runway 33L, the Terminal C Central Checkpoint reconfiguration and rehabilitation, the Terminal B garage renovation project and road way improvement program, and the Chelsea Airport Bypass Road to be used as a dedicated truck and bus traffic to and from the Airport to Chelsea. During fiscal year 2012, construction began on Rehabilitation of Run/Way 15R/33L.

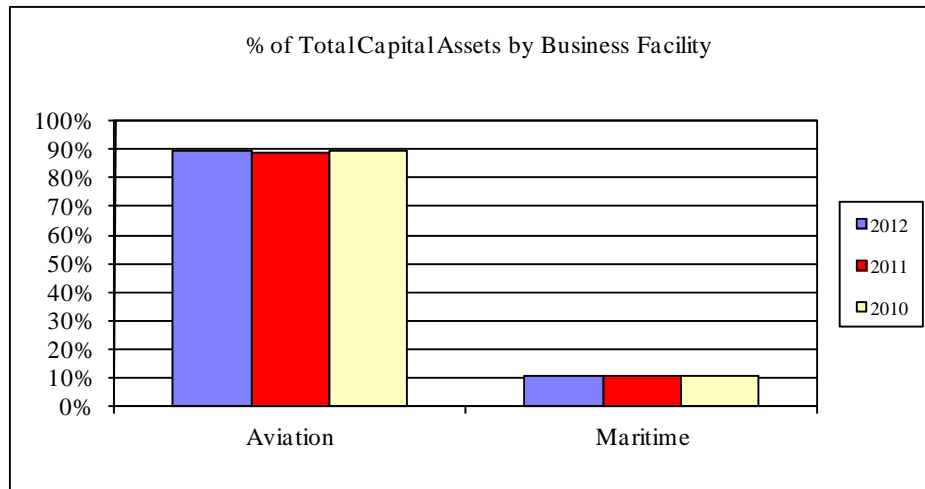
Major construction projects completed or in process during fiscal year 2011 at Logan Airport included the Terminal C Central Checkpoint renovation, the completion of the new Economy Parking Facility, the Terminal B garage renovation, the modification of Gate 1 at Terminal E, the restrooms renovation at Terminal B and C and the rehabilitation and improving of runways and taxiways. During fiscal year 2011, construction commenced on two major projects: the ConRAC and the runway safety ends for 33L. The major projects associated with the Maritime Facilities involved the renovation of its cruise terminal, acquisitions of new dock and yard cranes for the Conley Terminal as well as rehabilitation to existing cranes. The Authority also invested in the newly acquired Worcester Airport located in the central region of Massachusetts.

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.

Following is a breakdown of capital assets at June 30:

		2012	2011	2010	Percentage Change 2012-2011	Percentage Change 2011-2010
Land	\$	173,036	\$ 173,023	\$ 172,462	0.01%	0.33%
Construction in progress		257,828	130,798	84,422	97.12%	54.93%
Buildings		1,271,832	1,291,616	1,267,220	-1.53%	1.93%
Runway and other paving		375,997	392,542	389,937	-4.21%	0.67%
Roadway		362,968	381,431	404,223	-4.84%	-5.64%
Machinery and equipment		94,745	86,670	69,702	9.32%	24.34%
Air rights		87,578	92,845	97,230	-5.67%	-4.51%
Parking rights		29,299	30,841	32,383	-5.00%	-4.76%
Capital assets, net	\$	<u>2,653,283</u>	<u>\$ 2,579,766</u>	<u>\$ 2,517,579</u>	<u>2.85%</u>	<u>2.47%</u>

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

Debt Administration

The Authority's 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 to maintain its investment grade bond ratings. As of June 30, 2012, 2011, and 2010, the Authority's debt service coverage under the 1978 Trust Agreement was 2.21, 2.07, and 2.08, respectively. The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2012, 2011, and 2010, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 3.73, 4.09, and 1.57, respectively.

The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. In fiscal year 2012, the CFC debt service coverage was 2.78. Due to the timing of the issuance of the CFC Bonds, no debt service was due in fiscal year 2011, therefore debt service coverage was not required to be calculated in fiscal year 2011.

The Authority has net bonds payable outstanding as of June 30, 2012 in the amount of approximately \$1.59 billion, a net decrease of approximately \$73.3 million compared to fiscal year 2011. The decrease was the result of principal paid during fiscal year 2012.

The Authority's net bonds payable outstanding as of June 30, 2011 in the amount of approximately \$1.66 billion, a net increase of approximately \$229.3 million from fiscal year 2010. The increase was primarily the result of the issuance of two bond sales during the year that included the Special Facilities Revenue Bonds ("ConRAC" Project) Series A and B totaling \$214.1 million and the Series 2010 A bonds totaling \$97.9 million, offset by principal payments of \$71.2 million, and net refunding of approximately \$11.5 million.

On July 11, 2012, the Authority issued \$275.6 million of the Massachusetts Port Authority Revenue Bonds in two series. The Series 2012 A Revenue Bonds, in the principal amount of \$116.8 million were issued with an original issue premium of approximately \$11.5 million and interest rates ranging from

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3.0% to 5.0%. The projects to be financed with Series A bond proceeds include capital improvements to Terminals B and C, hangar upgrades, and replacement substations from Terminals B and E. Due to the “private activity” nature of the construction projects, they were sold as AMT bonds.

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 to the financial statements attached hereto.

Credit Ratings:

The Authority’s revenue bonds have an underlying rating of AA by Fitch, Aa3 by Moody’s and AA- by S&P. In June 2012, all three rating agencies affirmed the Authority’s ratings. In June 2011, Fitch affirmed the Authority’s AA rating. In June 2010, S&P affirmed the Authority’s AA- rating while improving the outlook from negative to stable and Moody’s also affirmed the Authority’s Aa3 rating. When the Authority issued the multi-modal 2010 D Bonds in August 2010, they were assigned a long-term rating of AAA, Aaa, AAA, and a short-term rating of F1+, VMIG1, and A1, by Fitch, Moody’s and S&P, respectively, reflecting the Letter of Credit from the Bank of America. The Authority’s underlying ratings of AA, Aa3 and AA- were affirmed by Fitch, Moody’s and S&P, respectively. The multi-modal 2008 A Bonds carry the same rating.

The Authority’s PFC Revenue Bonds, Series 2007 B and D, are insured by Financial Security Assurance Inc. and are rated Aa3 and AA+, as insured, by each of Moody’s, and S&P, respectively. When the Authority issued the Series 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 2012. These bonds were also affirmed in June 2010 when the ratings were also assigned to the Series 2010 E Bonds which are not insured.

The Authority’s ConRAC Bonds were rated in May of 2011 as A- by Fitch, and A3 by Moody’s and A by S&P. The ConRAC bonds are not insured. The Authority’s Commercial Paper Notes are rated A1+ and P1 by S&P and Moody’s, respectively, based on credit enhancement provided by TD Bank.

Net Assets

The Authority’s net assets, which represent the residual interest in the Authority’s assets after liabilities are deducted, is \$1.79 billion as of June 30, 2012, an increase of \$89.7 million, or 5.3% from fiscal year 2011. Of this amount, \$1.06 billion is invested in capital assets net of debt. This amount is slightly higher than the \$1.055 billion the Authority reported for invested in capital assets net of debt in fiscal year 2011. The Authority’s restricted net assets of \$587.3 million as of June 30, 2012 are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement or custodial agreements in the Authority’s name. The Authority’s restricted net assets increased \$97.6 million as of June 30, 2012. The increase is primarily attributable to the increase in the capital projects funds used by the Authority to finance capital projects approved by the Board during the year. The Authority’s unrestricted net assets for fiscal year ending June 30, 2012 were \$142.4 million, a decrease of \$11.8 million, or less than 0.7% when compared to the \$154.2 million of unrestricted net assets reported in fiscal year ending June 30, 2011.

Net assets at June 30, 2011 were \$1.70 billion, an increase of \$75.3 million as compared to the \$1.62 billion reported in fiscal year 2010. Net assets invested in capital assets, net of related debt were \$1.06 billion for the fiscal year ending June 30, 2011, an increase of \$55.9 million compared to fiscal year 2010 amount of \$999.3 million. The Authority’s restricted net assets total \$489.7 million as of June 30, 2011 and are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement or custodial agreements in the Authority’s name. Restricted net assets as of June 30, 2011 decreased by \$5.8 million, or 1.2% compared to the \$495.5 million reported in fiscal year 2010. This decrease is attributable to the timing of bond issuances, acquisition of the Worcester Regional Airport and

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the schedule of construction projects. The Authority's unrestricted net assets of \$154.2 million in fiscal year 2011 increased by \$25.5 million or 19.5% as net operating revenues exceeded expenses for the year.

The Authority's Condensed Cash Flows

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

	(in millions)		2012 vs. 2001	
	2012	2011	\$ Change	% Change
Net cash provided by operating activities	\$ 210.7	\$ 176.3	\$ 34.4	19.5%
Net cash (used)/provided for capital and related financing activities	(235.5)	38.4	(273.9)	-713.3%
Net cash used by investing activities	(15.6)	(136.6)	121.0	-88.6%
Net (decrease)/increase in cash and cash equivalents	(40.4)	78.1	(118.5)	-151.7%
Cash and cash equivalents, beginning of year	230.9	152.8	78.1	51.1%
Cash and cash equivalents, end of year	<u>\$ 190.5</u>	<u>\$ 230.9</u>	<u>\$ (40.4)</u>	<u>-17.5%</u>

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Net cash provided by operating activities	\$ 176.3	\$ 202.3	\$ (26.0)	-12.9%
Net cash provided/(used) for capital and related financing activities	38.4	(215.3)	253.7	-117.8%
Net cash used by investing activities	(136.6)	(7.5)	(129.1)	1721.3%
Net increase/(decrease) in cash and cash equivalents	78.1	(20.5)	98.6	-481.0%
Cash and cash equivalents, beginning of year	152.8	173.3	(20.5)	-11.8%
Cash and cash equivalents, end of year	<u>\$ 230.9</u>	<u>\$ 152.8</u>	<u>\$ 78.1</u>	<u>51.1%</u>

The Authority's cash and cash equivalents at the end of June 30, 2012 is \$190.5 million. This is a decrease of \$40.4 million, or 17.5% from the \$230.9 million in cash and cash equivalents reported in fiscal year 2011. The Authority generated \$210.7 million in cash from operations during fiscal year 2012. This was \$34.4 million, or 19.5% higher than the previous fiscal year's cash provided by operating activities totaling \$176.3 million. This increase in cash from operating activities was generated from the record 29.3 million passengers serviced at Logan Airport, as well as a 12.5% increase in the daily commercial parking rate that took effect in March 2012 at Logan Airport. Also, operating and general administrative costs collectively increased only 0.4% during the year as compared to fiscal year 2011. The Authority used \$235.5 million in cash for capital and related financing activities to finance the Authority's capital program and to pay debt service expenses during the year. This is a \$273.9 million increase in the use of cash over the \$38.4 million in cash generated for capital and related financing activities in fiscal year 2011. The Authority used \$15.6 million in cash for investing purposes to be used for future capital and operating needs, a decrease of \$121.0 million over the amount of cash used for investing activities in fiscal year 2011.

The Authority's cash and cash equivalents at the end of June 30, 2011 was \$230.9 million. This is an increase of \$78.1 million, or 51.1% from \$152.8 million in cash and cash equivalents reported in fiscal year 2010. The Authority generated \$176.3 million in cash from operations during fiscal year 2011. This was \$26.0 million less than the previous year's amount of \$202.3 million and is primarily attributable to the loss of Tobin Bridge revenues, operating losses from Worcester Airport, and an increase in operating expenses to keep pace with increased passenger activity. The Authority generated \$38.4 million in cash

(Continued)

from capital and related financing activities primarily from its August 2010 Authority revenue bond sale and the June 2011 CFC bond sale. The Authority also used \$136.6 million in cash for investing purposes, an increase of \$129.1 million in fiscal year 2011. This increase in investing activities primarily reflects the investment of bond proceeds by the Authority.

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.

MASSACHUSETTS PORT AUTHORITY

Statements of Net Assets

June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 43,013	\$ 51,334
Investments (note 3)	42,130	39,601
Restricted cash and cash equivalents (note 3)	147,537	179,629
Restricted investments (note 3)	296,451	265,704
Accounts receivable:		
Trade, net (note 1)	50,903	47,253
Grants receivable	7,929	8,565
Total receivables (net)	<u>58,832</u>	<u>55,818</u>
Prepaid expenses and other assets	<u>15,461</u>	<u>7,570</u>
Total current assets	603,424	599,656
Noncurrent assets:		
Investments (note 3)	53,493	48,229
Restricted investments (note 3)	327,213	339,086
Prepaid expenses and other assets	16,766	19,692
Investment in joint venture (note 13b)	2,075	2,254
Net OPEB asset (note 7)	43,533	45,241
Capital assets, net (note 4)	<u>2,653,283</u>	<u>2,579,766</u>
Total assets	\$ <u><u>3,699,787</u></u>	\$ <u><u>3,633,924</u></u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 105,197	\$ 79,007
Compensated absences (note 1)	1,610	1,568
Contract retainage	8,073	4,853
Current portion of long term debt (note 5)	90,586	82,743
Commercial notes payable (note 5)	100,000	89,000
Accrued interest on bonds payable	36,140	32,138
Deferred income	<u>6,741</u>	<u>5,613</u>
Total current liabilities	348,347	294,922
Noncurrent liabilities:		
Accrued expenses	27,287	26,483
Compensated absences (note 1)	20,591	20,055
Contract retainage	2,275	2,160
Long-term debt, net (note 5)	1,500,226	1,581,352
Deferred income	<u>12,268</u>	<u>9,806</u>
Total liabilities	<u>1,910,994</u>	<u>1,934,778</u>
Net Assets		
Invested in capital assets, net of related debt	1,059,110	1,055,161
Restricted:		
Bond funds	187,223	182,695
Project funds	213,629	148,993
Passenger facility charges	62,500	70,623
Customer facility charges	71,649	35,327
Other purposes	<u>52,332</u>	<u>52,109</u>
Total restricted	587,333	489,747
Unrestricted	142,350	154,238
Total net assets	\$ <u><u>1,788,793</u></u>	\$ <u><u>1,699,146</u></u>

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, 2012 and 2011

(In thousands)

	2012	2011
Operating revenues:		
Fees, tolls, and other services	\$ 285,410	\$ 276,430
Rentals	180,568	174,431
Concessions	70,121	65,857
Other	19,998	18,476
Operating grants	2,357	2,448
Total operating revenues	558,454	537,642
Operating expenses:		
Operations and maintenance	265,607	262,410
Administration	43,987	45,988
Insurance	8,059	7,326
Pension	5,710	4,924
Other postemployment benefits	17,850	16,527
Payments in lieu of taxes	17,642	17,327
Provision for uncollectible accounts	1,085	412
Depreciation and amortization	181,166	169,366
Total operating expenses	541,106	524,280
Operating income	17,348	13,362
Nonoperating revenues and (expenses):		
Passenger facility charges	59,212	58,531
Customer facility charges	28,749	26,203
Investment income	10,176	11,676
Net increase in fair value of investments	255	(3,503)
Other revenues	618	1,817
Settlement of claims	640	1
Terminal A debt service contribution	(9,105)	(6,070)
Other expenses	(398)	(92)
Gain on sale of equipment	354	88
Interest expense	(58,952)	(59,960)
Total nonoperating revenues, net	31,549	28,691
Increase in net assets before capital grant revenue	48,897	42,053
Capital grant revenue	40,750	22,484
Increase in net assets	89,647	64,537
Net assets, beginning of year	1,699,146	1,634,609
Net assets, end of year	\$ 1,788,793	\$ 1,699,146

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

MASSACHUSETTS PORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers and operating grants	\$ 561,879	\$ 536,265
Payments to vendors	(198,951)	(201,350)
Payments to employees	(120,828)	(123,350)
Payments in lieu of taxes	(17,642)	(18,127)
Other postemployment benefits	(13,807)	(17,100)
Net cash provided by operating activities	<u>210,651</u>	<u>176,338</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(225,738)	(225,068)
Proceeds from the issuance of bonds, net	—	657,965
Principal payments on refunded debt	—	(353,190)
Interest paid on bonds and notes	(69,835)	(69,913)
Principal payments on long-term debt	(70,770)	(71,245)
Proceeds from commercial paper financing	100,000	—
Principal payments on commercial paper	(89,000)	—
Terminal A debt service contribution	(9,105)	(6,070)
Proceeds from passenger facility charges	59,687	57,317
Proceeds from customer facility charges	28,352	25,908
Proceeds from capital grants	39,907	22,551
Settlement of claims	640	1
Proceeds from sale of equipment	383	130
Net cash (used in) provided by capital and related financing activities	<u>(235,479)</u>	<u>38,386</u>
Cash flows from investing activities:		
Purchases of investments, net	(824,217)	(809,081)
Sales of investments, net	797,775	659,772
Interest received on investments	10,857	12,725
Net cash used in investing activities	<u>(15,585)</u>	<u>(136,584)</u>
Net (decrease) increase in cash and cash equivalents	(40,413)	78,140
Cash and cash equivalents, beginning of year	<u>230,963</u>	<u>152,823</u>
Cash and cash equivalents, end of year	<u>\$ 190,550</u>	<u>\$ 230,963</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating income	\$ 17,348	\$ 13,362
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	181,166	169,366
Provision for uncollectible accounts	1,085	411
Changes in operating assets and liabilities:		
Trade receivables	(5,027)	(3,864)
Prepaid expenses and other assets	2,642	1,239
Prepaid expenses and other assets – long-term	1,708	(2,515)
Accounts payable and accrued expenses	7,614	(1,254)
Compensated absences	578	206
Deferred revenue	3,537	(613)
Net cash provided by operating activities	<u>\$ 210,651</u>	<u>\$ 176,338</u>
Noncash investing activities:		
Net increase in the fair value of investments	<u>\$ 1,993</u>	<u>\$ 1,738</u>

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

**MASSACHUSETTS PORT AUTHORITY
RETIREE BENEFITS TRUST**

Statements of Trust Net Assets

June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 2,384	\$ 457
Investments:		
Commingled funds:		
Domestic equity	39,303	37,818
Fixed income	32,960	29,826
International equity	18,939	20,096
Real estate investment trust	5,526	4,912
Commodities	4,594	5,126
Total investments	<u>101,322</u>	<u>97,778</u>
Receivables and other assets	<u>109</u>	<u>18</u>
Total assets	<u>103,815</u>	<u>98,253</u>
Liabilities:		
Accounts payable and accrued expenses	<u>580</u>	<u>265</u>
Total liabilities	<u>580</u>	<u>265</u>
Net assets held in trust for OPEB benefits	<u>\$ 103,235</u>	<u>\$ 97,988</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, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Additions:		
Contributions:		
Authority	\$ 13,807	\$ 17,100
Total contributions	13,807	17,100
Investment income		
Interest and dividends	3,277	2,204
Net (depreciation)/appreciation in fair value of investments	(3,145)	13,128
Management fees	(136)	(129)
Net investment income	(4)	15,203
Total additions	13,803	32,303
Deductions:		
Insurance premiums	8,431	7,507
Administrative expenses	125	151
Total deductions	8,556	7,658
Net increase in plan net assets	5,247	24,645
Net assets held in trust for OPEB benefits:		
Beginning of year	97,988	73,343
End of year	\$ 103,235	\$ 97,988

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

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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, Worcester Regional Airport, 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 bonds outstanding, which was equal to the amount of bonds then outstanding that financed Tobin Bridge improvements. The MOA addressed the transfer of all Tobin Bridge assets and the assumption by MassDOT of all 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. As part of the Transportation Reform Act, the Authority purchased the Worcester Regional Airport on July 1, 2010. Prior to the purchase of Worcester Regional Airport, the Authority had been operating this facility under Memorandum of Understanding since April 1999.

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 and supplemented (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”), the Passenger Facility Charges (“PFC”) Revenue Bond Trust Agreement dated May 6, 1999, as amended and supplemented (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”) and the Customer Facility Charges (“CFC”) Revenue Bond Trust Agreement dated May 18, 2011, as amended and supplemented (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association as trustee (the “CFC Trustee”), govern all funds, with limited exceptions, received by the Authority pursuant to the Enabling Act.

In April 1981, 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 legally separate from the Authority and is reported as a Fiduciary

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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, 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.

CFC revenue is deposited in the CFC Revenue Fund established pursuant to the CFC Trust Agreement and are utilized to pay debt service on CFC Special Facilities Bonds as required in the CFC Trust Agreement. Any remaining funds are transferred to the CFC Stabilization 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*,

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

which requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- 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 the construction funds held pursuant to the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the self insurance fund.
- 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 (the "Board") or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

(a) Cash and Cash Equivalents

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

(b) Investments

Investments with a 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 a maturity date 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 \$0.3 million at June 30, 2012 and unrealized holding losses of approximately \$3.5 million at June 30, 2011.

(c) Restricted Cash and Investments

Certain cash, cash equivalents and investments are restricted for use by the 1978 Trust Agreement, the PFC Trust Agreement, the CFC 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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

The capitalization threshold is noted below:

Asset Category	Dollar Threshold
Buildings	\$ 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 taxable and tax exempt borrowing, less any interest earned on the proceeds of those borrowings, during the period of construction. Interest expense of \$12.7 million and \$3.7 million, reduced by interest income of \$0.7 and \$0.2 million, resulted in capitalized interest of \$12.0 million and \$3.5 million for the years ended June 30, 2012 and 2011, 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, including air rights, was approximately \$9.5 million and \$9.2 million for fiscal years 2012 and 2011, 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
Buildings	25
Runways and other airfield paving	25
Roadway	25
Machinery and equipment	5 to 10
Land use rights	30

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

(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.

(g) *Amortization*

Revenue bond discounts and premiums are deferred and amortized on a straight line basis over the term of the bonds, as this approximates the effective interest method. Unamortized amounts are presented as a (reduction)/addition 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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

(h) Revenue Recognition

Fees, tolls, and other services consist of parking fees, landing fees, and container handling fees. Parking fees and container handling fees 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 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.

Rates and charges are set annually based on the budgeted operating costs and actual capital costs. A true-up calculation is performed for landing fees, terminal rents, and baggage fees at year-end based on the actual results. In the event the actual costs are more than the budgeted amounts for the year, the Authority will recover additional rates and charges. In the event the actual costs are less than the budgeted amounts, the Authority will issue credits to the respective airlines.

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 \$2.2 million and \$3.5 million at June 30, 2012 and 2011, respectively.

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

(i) Passenger Facility Charges

In 1993, the Authority received initial approval from the Federal Aviation Administration ("FAA") to impose a \$3.00 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. 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, 2012, the Authority had cumulative cash collections of \$789.7 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 application, 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 that was approved by the FAA in April 2011 that increased the collection authorization to \$1.35 billion.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

As part of the Final Agency Decision issued by the FAA in 2011, the Authority was authorized, but not required, to use up to \$14.4 million per year in PFCs to pay approximately one-third of the debt service on the Terminal A Special Facility bonds. The Authority chose to make this use of PFC revenue in order to offset the increase in Terminal A rates and charges that would have resulted from the scheduled increase in Terminal A debt service associated with the beginning of principal payments on January 1, 2012 for the Terminal A bonds. As Terminal A was already the most expensive terminal at Logan, this use of PFCs will keep the disparity of the rates across terminals from growing and facilitate the Authority's ability to assign carriers to Terminal A.

In March 2012, the FAA issued a Final Agency Decision approving the use of \$18.3 million PFCs for the Runway 33L Safety Ends. This increased the Authority's total use approval to \$1.35 billion.

As of June 30, 2012 and 2011, \$143.5 million and \$159.3 million of PFC bonds were outstanding, respectively.

Revenues derived from the collection of PFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the airlines. Due to their restricted use, PFCs are categorized as nonoperating revenues. The Authority recognized \$59.2 million and \$58.5 million in PFC revenue for the fiscal years ended June 30, 2012 and 2011, respectively.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

(j) Customer Facility Charges

Effective December 1, 2008, the Board established a 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 (the "ConRAC"). Revenues derived from the collection of CFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the rental car companies. Due to their restricted use, CFCs are categorized as non-operating revenues. Pursuant to the CFC Trust Agreement dated May 18, 2011 between the Authority and U.S. Bank National Association, as trustee, the Authority issued two series of Special Facilities Revenue Bonds (the "Series 2011 Bonds"). The Series 2011 Bonds were issued for the purpose of providing funds sufficient, together with other available funds of the Authority, to finance the development and construction of a ConRAC and related improvements at Logan Airport, fund certain deposits to the Debt Service Reserve ConRAC Fund and the Supplemental Reserve Fund, and pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds and any additional bonds that may be issued under the CFC Trust Agreement on parity with the Series 2011 Bonds are secured by CFC Pledged Revenues and by Contingent Rent from the rental car companies if any, and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. The Authority recognized \$28.7 million and \$26.2 million in CFC revenue for the fiscal years ended June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, \$214.1 million of CFC bonds were outstanding, respectively.

(k) Compensated Absences

The Authority accrues for vacation and sick pay liabilities when they are earned by the 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, 2012 and 2011 and for the year then ended (in thousands):

	2012	2011
Liability balance, beginning of year	\$ 21,623	\$ 21,417
Vacation and sick pay earned during the year	12,324	15,210
Vacation and sick pay used during the year	(11,746)	(15,004)
Liability balance, end of year	<u>\$ 22,201</u>	<u>\$ 21,623</u>

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 amounts in the fiscal year 2011 financial statements have been reclassified to conform to fiscal year 2012 presentation. The reclassifications were related primarily to the Net OPEB Asset which is presented as an unrestricted net asset for all periods presented. In previously issued financial statements the Net OPEB Asset was classified as a restricted net asset. The reclassification of the Net OPEB Asset did not change operating income, increase in net assets, total net assets or the categories of cash flows.

The Authority revised the Net Assets at July 1, 2010 in the amount of \$10.8 million to correct certain revenue related to fiscal years 2007 through 2010. This correction resulted in an increase in net assets at July 1, 2010 of \$10.8 million and a decrease in previously reported current liabilities of \$10.8 million at June 30, 2011. There was no impact on the Authority's June 30, 2011 Statement of Revenues, Expenses and Changes in Net Assets or the Statement of Cash Flow.

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Notes to Financial Statements

June 30, 2012 and 2011

(n) New Accounting pronouncements

In fiscal year 2012, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (“GASB No. 60”). The Statement is effective for financial statements with periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (“SCAs”), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. It alleviates the confusion that arises when determining what guidance should be applied in complex circumstances that are not specifically addressed by existing standards. This Statement contributes to the assessment of interperiod equity by reporting up-front payments or the present value of installment payments primarily as deferred inflows of resources, reflecting the acquisition of resources that are applicable to a future reporting period. The provisions of this Statement result in a faithful representation of a governmental operator’s rights under SCAs by reporting rights to access SCA facilities as intangible assets. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 60.

In fiscal year 2012, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (“GASB No. 61”). The Statement is effective for financial statements with periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

The requirements of this Statement result in the financial reporting entity’s financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 61.

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Notes to Financial Statements

June 30, 2012 and 2011

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB No. 63”). This Statement was effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 63.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB No. 65”). The Statement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

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Notes to Financial Statements

June 30, 2012 and 2011

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 65.

In fiscal year 2012, GASB issued Statement No. 66, *Technical Corrections-2012 - an amendment of GASB Statements No. 10 and No. 62* (“GASB No. 66”). The Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 66.

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Notes to Financial Statements

June 30, 2012 and 2011

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.

	<u>2012</u>	<u>2011</u>
Increase in Net Assets per GAAP	\$ 89,647	\$ 64,537
Additions (1)		
Depreciation and amortization	181,166	169,365
Interest expense	58,952	59,960
Payments in lieu of taxes	17,642	17,327
Other operating expenses	4,324	279
Self insurance expenses	(266)	(1,514)
Terminal A Bonds-Debt Service contribution by PFC Fund	9,105	6,070
OPEB expenses, net	5,859	4,505
Less (2):		
Passenger facility charges	(59,212)	(58,531)
Customer facility charges	(28,749)	(26,203)
Capital grant revenue	(40,750)	(22,484)
Net increase in the fair value of investments	(255)	3,503
Gain on sale of equipment	(354)	(88)
Other revenues	1,331	(2,164)
Other non operating revenues	(220)	(1,724)
Settlement of claims	(640)	(1)
Investment income	<u>(3,481)</u>	<u>(3,336)</u>
Net Revenue per the 1978 Trust Agreement	\$ <u>234,099</u>	\$ <u>209,501</u>

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

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Notes to Financial Statements

June 30, 2012 and 2011

Total net revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were \$234.1 million and \$209.5 million for the years ended June 30, 2012 and 2011, respectively.

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 issues publicly available audited financial statements for the Trust. The report may be obtained by writing to the Massachusetts Port Authority, Attn: John P. Pranckevicius, CPA, Director of Administration and Finance and Secretary-Treasurer, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909.

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement, the PFC Trust Agreement, and the CFC Trust Agreement along with the investment policy adopted by the Board (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, 2012 and 2011, all investments were held on behalf of the Authority by the Trustee, the PFC Trustee, the CFC Trustee or custodians in the Authority's name. The 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement 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, PFC Trustee, or CFC 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 \$2.0 million and \$1.7 million as of June 30, 2012, and 2011, respectively.

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Notes to Financial Statements

June 30, 2012 and 2011

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2012 and 2011 (in thousands):

2012	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 174,013	\$ 174,013	0.003
Federal Home Loan Bank	AA+ / Aaa	67,325	67,623	2.041
Federal Deposit Insurance Corporation	AA / Aaa	19,984	20,225	0.473
Forward Delivery Agreements	AA+ / Aaa	60,008	60,008	1.458
Federal Home Loan Mortgage Corp.	AA+ / Aaa	70,102	70,627	1.932
Federal National Mortgage Association	AA+ / Aaa	110,099	110,509	2.097
Federal Farm Credit	AA+ / Aaa	28,789	28,996	1.684
Guaranteed Investment Contracts (ParkEx)	AA+ / Aa3 (3)	35,226	35,226	12.869
Cash Deposit	Unrated	15,464	15,464	0.003
Certificates of Deposit	AAA / Aaa (2)	9,060	9,060	0.178
Commercial Paper	A-1 / P-1 (4)	250,222	250,222	0.297
Morgan Stanley Government Fund	AAA / Aaa (4)	1,073	1,073	0.003
Municipal Bond	AA+ / Aa1	66,478	66,791	3.185
		<u>\$ 907,843</u>	<u>\$ 909,837</u>	

2011	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 206,725	\$ 206,725	0.003
Federal Home Loan Bank	AAA/Aaa	98,324	98,561	0.974
Federal Deposit Insurance Corporation	AAA/Aaa	60,823	61,757	0.869
Forward Delivery Agreements	AAA/Aaa	75,007	75,007	1.158
Federal Home Loan Mortgage Corp.	AAA/Aaa	55,460	55,785	0.597
Federal National Mortgage Association	AAA/Aaa	105,532	105,310	0.667
Federal Farm Credit	AAA/Aaa	19,498	19,909	1.339
Guaranteed Investment Contracts (ParkEx)	AA+/Aa2 (3)	33,843	33,843	13.152
Cash Deposits	Unrated	21,189	21,189	0.003
Certificates of Deposits	AAA/Aaa (2)	7,031	7,031	0.204
Commercial Paper	A-1+/P-1 (4)	235,272	235,272	0.478
Morgan Stanley Government Fund	AAA/Aaa (4)	1,072	1,072	0.003
Municipal Bond	AA+/Aa1	2,068	2,122	1.957
		<u>\$ 921,844</u>	<u>\$ 923,583</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.

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Notes to Financial Statements

June 30, 2012 and 2011

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

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Securities maturing in 1 year or more	\$ 378,966	\$ 380,706	\$ 386,029	\$ 387,315
Securities maturing in less than 1 year	338,327	338,581	304,852	305,305
Cash and cash equivalents	190,550	190,550	230,963	230,963
	<u>\$ 907,843</u>	<u>\$ 909,837</u>	<u>\$ 921,844</u>	<u>\$ 923,583</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, PFC Trust Agreement, and CFC 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 without regard to gradations within rating categories, by both Moody's (AAA, Aa1, Aa2 and Aa3) and S&P (AAA, AA+, AA, and AA-); commercial paper of a U.S. corporation, 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 the 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, 2012 and 2011 were \$15.7 million and \$25.4 million, respectively. Of these amounts, \$0.75 million was insured, and none was collateralized at June 30, 2012 and 2011, respectively.

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Notes to Financial Statements

June 30, 2012 and 2011

(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, 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, the 2011 CFC 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 which is the same as the value of the pool.

The following guaranteed investment contracts were in force as of June 30, 2012 and 2011, respectively; they are uncollateralized and recorded at cost:

Investment Agreement				
Provider	Rate	Maturity	2012	2011
Trinity Plus Funding Company	4.360%	January 2, 2031	\$ 15,312	\$ 14,666
GE Funding Capital Markets	3.808%	December 31, 2030	19,914	19,177
Total			\$ 35,226	\$ 33,843

(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 at cost, that exceed 5% of the portfolio are as follows:

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Notes to Financial Statements

June 30, 2012 and 2011

Issuer:	2012	2011
Commercial Paper		
Bank of Tokyo Mitsu	\$ 34,599	\$ -
Citi Group	-	85,552
Deutsche Bank	39,910	-
HSBC	24,977	-
ING FDG	37,901	-
Nordea Bank	29,978	-
Rabobank	39,927	-
Toyota Motor Corporation	42,930	76,866
UBS	-	72,854
Total	\$ <u>250,222</u>	\$ <u>235,272</u>
% of Portfolio	<u>27.56%</u>	<u>25.52%</u>

(d) Credit Ratings

As a result of the S&P's credit rating downgrade of several U.S Treasury supported federal agencies in August of 2011 certain investments owned, and purchased by the Authority since that point were lowered and their ratings are reflected in the above chart. Prior to the August 2011 downgrade it was management's practice to purchase debt securities that had an implied credit rating of AAA, or the investment(s) were collateralized to AAA. Investments in bank Certificates of Deposits were fully collateralized. Also, the Authority invested in the Massachusetts Municipal Depository Trust (MMDT), managed by the State Treasury, which is not rated.

The 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement, and the Board approved Investment Policy limits the Authority in the types of investments it can purchase to the two highest rating categories without regard to gradations within the rating categories by both S&P (AAA, AA+, AA, and AA-) and Moody's (Aaa, Aa1, Aa2, and Aa3).

(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. The Authority mitigates interest rate risk by managing the weighted average maturity of each portfolio type to best meet liquidity needs.

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Notes to Financial Statements

June 30, 2012 and 2011

(f) *Cash, Cash Equivalents and Investments by Fund*

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

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
1978 Trust				
Improvement and Extension Fund	\$ 83,039	\$ 83,302	\$ 88,608	\$ 89,077
Capital Budget Account	148,822	149,094	92,512	93,009
Debt Service Reserve Funds	111,554	112,287	111,917	112,587
Debt Service Funds	82,268	82,268	78,234	78,234
Maintenance Reserve Fund	100,013	100,179	87,905	88,137
Operating/Revenue Fund	55,334	55,334	50,086	50,086
Subordinated Debt Funds	37,623	37,623	36,239	36,239
Self-Insurance Account	30,282	30,510	29,785	29,989
2010 A Construction Fund	3,439	3,439	23,091	23,091
Other Funds	14,219	14,220	13,386	13,405
1999 PFC Trust				
Debt Service Reserve Funds	27,971	27,984	27,802	27,802
Debt Service Funds	20,312	20,312	19,592	19,592
Other PFC Funds	8,233	8,233	16,580	16,580
2007-B & D PFC Project	-	-	44	44
2012-B PFC Project	12	12	-	-
2011 CFC Trust				
Customer facility charges	-	-	2,322	2,322
2011-A & B CFC Project Funds	88,774	88,774	183,328	183,204
Debt Service Reserve Funds	24,097	24,264	23,933	23,776
Debt Service Funds	7,007	7,007	-	-
Other CFC Funds	64,844	64,995	36,480	36,409
Total	<u>\$ 907,843</u>	<u>\$ 909,837</u>	<u>\$ 921,844</u>	<u>\$ 923,583</u>

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Notes to Financial Statements

June 30, 2012 and 2011

4. Capital Assets

Capital assets consisted of the following at June 30, 2012 and 2011 (in thousands):

	<u>June 30, 2011</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>June 30, 2012</u>
Capital assets, not being depreciated				
Land	\$ 173,023	\$ 13	\$ —	\$ 173,036
Construction in progress	<u>130,798</u>	<u>258,018</u>	<u>130,988</u>	<u>257,828</u>
Total capital assets, not being depreciated	<u>303,821</u>	<u>258,031</u>	<u>130,988</u>	<u>430,864</u>
Capital assets, being depreciated				
Buildings	2,411,225	79,963	5,765	2,485,423
Runway and other paving	667,323	9,895	80	677,138
Roadway	609,943	6,419	1,317	615,045
Machinery and equipment	241,829	32,006	326	273,509
Air rights	174,110	2,692	—	176,802
Parking rights	<u>46,261</u>	<u>—</u>	<u>—</u>	<u>46,261</u>
Total capital assets, being depreciated	<u>4,150,691</u>	<u>130,975</u>	<u>7,488</u>	<u>4,274,178</u>
Less accumulated depreciation for:				
Buildings	1,119,609	97,575	3,593	1,213,591
Runway and other paving	274,781	26,409	49	301,141
Roadway	228,512	24,179	614	252,077
Machinery and equipment	155,159	23,902	297	178,764
Air rights	81,265	7,959	—	89,224
Parking rights	<u>15,420</u>	<u>1,542</u>	<u>—</u>	<u>16,962</u>
Total accumulated depreciation	<u>1,874,746</u>	<u>181,566</u>	<u>4,553</u>	<u>2,051,759</u>
Total capital assets, being depreciated, net	<u>2,275,945</u>	<u>(50,591)</u>	<u>2,935</u>	<u>2,222,419</u>
Capital assets, net	<u>\$ 2,579,766</u>	<u>\$ 207,440</u>	<u>\$ 133,923</u>	<u>\$ 2,653,283</u>

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Notes to Financial Statements

June 30, 2012 and 2011

	<u>June 30, 2010</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>June 30, 2011</u>
Capital assets, not being depreciated				
Land	\$ 172,462	\$ 561	\$ —	\$ 173,023
Construction in progress	<u>84,422</u>	<u>233,692</u>	<u>187,316</u>	<u>130,798</u>
Total capital assets, not being depreciated	<u>256,884</u>	<u>234,253</u>	<u>187,316</u>	<u>303,821</u>
Capital assets, being depreciated				
Buildings	2,299,518	116,164	4,457	2,411,225
Runway and other paving	638,496	28,827	—	667,323
Roadway	608,876	1,067	—	609,943
Machinery and equipment	204,454	37,415	40	241,829
Air rights	170,829	3,281	—	174,110
Parking rights	<u>46,261</u>	<u>—</u>	<u>—</u>	<u>46,261</u>
Total capital assets, being depreciated	<u>3,968,434</u>	<u>186,754</u>	<u>4,497</u>	<u>4,150,691</u>
Less accumulated depreciation for:				
Buildings	1,032,298	90,010	2,699	1,119,609
Runway and other paving	248,559	26,222	—	274,781
Roadway	204,653	23,859	—	228,512
Machinery and equipment	134,752	20,446	39	155,159
Air rights	73,599	7,666	—	81,265
Parking rights	<u>13,878</u>	<u>1,542</u>	<u>—</u>	<u>15,420</u>
Total accumulated depreciation	<u>1,707,739</u>	<u>169,745</u>	<u>2,738</u>	<u>1,874,746</u>
Total capital assets, being depreciated, net	<u>2,260,695</u>	<u>17,009</u>	<u>1,759</u>	<u>2,275,945</u>
Capital assets, net	<u>\$ 2,517,579</u>	<u>\$ 251,262</u>	<u>\$ 189,075</u>	<u>\$ 2,579,766</u>

Depreciation and amortization for fiscal year 2012 and 2011 was \$181.2 million and \$169.4 million, respectively.

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Notes to Financial Statements

June 30, 2012 and 2011

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

	<u>2012</u>	<u>2011</u>
Facilities completed by operation:		
Airports	\$ 3,967,585	\$ 3,850,443
Port	<u>479,629</u>	<u>473,271</u>
Capital assets (excluding construction in progress)	<u>\$ 4,447,214</u>	<u>\$ 4,323,714</u>

On July 1, 2010, the Authority purchased the Worcester Regional Airport from the City of Worcester. The purchase price was \$15.1 million, which included the purchase of land, buildings, and equipment in the amount of \$12.4 million and the assumption of liabilities of \$2.7 million.

5. Bonds and Notes Payable

Long term debt at June 30, 2012 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

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June 30, 2012 and 2011

	<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:					
1998, Series A, 5.75%, issued January 29, 1998 due 2012	\$ 36,760	\$ —	\$ 17,595	\$ 19,165	\$ 19,165
2003, Series A, 3.00% to 5.00%, issued May 22, 2003 due 2012 to 2034	194,875	—	4,835	190,040	5,010
2003, Series C, 5.00%, issued May 22, 2003 due 2012 to 2019	44,300	—	7,155	37,145	7,520
2005, Series A, 3.50% to 5.00%, issued May 5, 2005 due 2012 to 2036	176,315	—	3,725	172,590	3,900
2005, Series C, 3.50% to 5.00%, issued May 5, 2005 due 2012 to 2030	220,495	—	9,240	211,255	8,990
2007, Series A, 3.75% to 4.50%, issued May 31, 2007 due 2012 to 2038	48,775	—	1,015	47,760	1,050
2007, Series C, 4.00% to 5.00%, issued May 31, 2007 due 2012 to 2028	32,080	—	1,255	30,825	1,310
2008, Series A Multi-Modal, variable, issued June 19, 2008 due 2012 to 2039	23,580	—	380	23,200	2,770
2008, Series C, 4.00% to 5.00%, issued July 9, 2008 due 2012 to 2021	35,980	—	1,035	34,945	1,085
2010, Series A, 3.25% to 5.00%, issued August 5, 2010 due 2014 to 2041	97,905	—	—	97,905	—
2010, Series B, 3.00% to 5.00%, issued August 5, 2010 due 2012 to 2040	138,015	—	1,375	136,640	1,580
2010, Series C, 5.00%, issued August 5, 2010 due 2012 to 2019	23,875	—	2,290	21,585	2,485
2010, Series D, Multi-Modal variable, issued August 5, 2010 due 2012 to 2030	107,505	—	4,200	103,305	14,304
Subtotal Senior Debt	1,180,460	—	54,100	1,126,360	69,169
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	34,000	—	—	34,000	—
Subtotal Subordinate Debt	74,000	—	—	74,000	—

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Senior Debt - PFC Trust Agreement:					
2007, Series B, 4.00% to 5.00%, issued May 31, 2007 due 2012 to 2018	\$ 37,170	\$ —	\$ 4,120	\$ 33,050	\$ 4,285
2007, Series D, 3.80% to 5.50%, issued May 31, 2007 due 2012 to 2018	64,930	—	100	64,830	100
2010, Series E, 5.00%, issued August 5, 2010 due 2012 to 2018	<u>57,150</u>	<u>—</u>	<u>11,515</u>	<u>45,635</u>	<u>11,775</u>
Subtotal PFC Senior Debt	159,250	—	15,735	143,515	16,160
Senior Debt - CFC Trust Agreement:					
2011, Series A, 5.125%, issued June 8, 2011 due 2038 to 2042	58,030	—	—	58,030	—
2011, Series B, 0.900% to 6.352%, issued June 8, 2011 due 2012 to 2038	<u>156,030</u>	<u>—</u>	<u>—</u>	<u>156,030</u>	<u>2,575</u>
Subtotal CFC Senior Debt	<u>214,060</u>	<u>—</u>	<u>—</u>	<u>214,060</u>	<u>2,575</u>
Total Bonds Payable	1,627,770	—	69,835	1,557,935	87,904
Less unamortized amounts:					
Bond premium/(discount), net	60,170	—	5,229	54,941	4,468
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	<u>(23,845)</u>	<u>—</u>	<u>(1,781)</u>	<u>(22,064)</u>	<u>(1,786)</u>
Total Bonds Payable, net	<u>\$ 1,664,095</u>	<u>\$ —</u>	<u>\$ 73,283</u>	<u>\$ 1,590,812</u>	<u>\$ 90,586</u>

Included in the Authority's bonds payable are \$126.5 million and \$131.1 million of variable rate demand bonds ("VRDB") as of June 30, 2012 and 2011, 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 Bank of America which expires on August 12, 2013 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. As such, the Authority would look to identify an alternative financing arrangement in advance of the bank bonds debt service payment becoming due to satisfy this obligation. 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 classified \$12.2 million and \$12.9 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, 2012 and 2011, respectively.

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

	2011 Beginning balance	Additions	Reductions	2012 Ending balance	Due within one year
Senior Debt-1978 Trust Agreement:	\$ 1,180,460	\$ —	\$ 54,100	\$ 1,126,360	\$ 69,169
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	159,250	—	15,735	143,515	16,160
Senior Debt - CFC Trust Agreement:	<u>214,060</u>	<u>—</u>	<u>—</u>	<u>214,060</u>	<u>2,575</u>
	<u>\$ 1,627,770</u>	<u>\$ —</u>	<u>\$ 69,835</u>	<u>\$ 1,557,935</u>	<u>\$ 87,904</u>
	2010 Beginning balance	Additions	Reductions	2011 Ending balance	Due within one year
Senior Debt-1978 Trust Agreement:	\$ 1,146,925	\$ 367,300	\$ 333,765	\$ 1,180,460	\$ 67,008
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	192,770	57,150	90,670	159,250	15,735
Senior Debt - CFC Trust Agreement:	<u>—</u>	<u>214,060</u>	<u>—</u>	<u>214,060</u>	<u>—</u>
	<u>\$ 1,413,695</u>	<u>\$ 638,510</u>	<u>\$ 424,435</u>	<u>\$ 1,627,770</u>	<u>\$ 82,743</u>

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Debt service requirements on revenue bonds (1978 Trust, PFC Trust and CFC Trust) outstanding at June 30, 2012 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 75,745	\$ 72,390	\$ 148,135
2014	64,435	69,020	133,455
2015	68,295	66,453	134,748
2016	70,470	63,552	134,022
2017	71,515	60,469	131,984
2018 – 2022	312,015	254,396	566,411
2023 – 2027	277,560	195,978	473,538
2028 – 2032	318,130	130,527	448,657
2033 – 2037	184,120	55,102	239,222
2038 – 2042	115,650	16,216	131,866
Total	<u>\$ 1,557,935</u>	<u>\$ 984,103</u>	<u>\$ 2,542,038</u>

a) *Senior Debt - 1978 Trust Agreement*

On August 5, 2010, the Authority issued \$367.3 million of Massachusetts Port Authority Revenue Bonds in four series. The Series 2010 A Revenue Bonds, in the amount of \$97.9 million were issued with an original issue premium of approximately \$6.8 million. The projects financed with Series A bond proceeds include capital improvements to Terminals C and E, the economy parking deck, the bus maintenance facility, and cruise terminal upgrades. Due to a provision of the American Recovery and Reinvestment Act of 2009 ("ARRA"), these bonds were sold as Non-AMT debt; otherwise (as a result of the "private activity" nature of the construction projects) they would have been sold as AMT bonds.

The Authority also issued \$138.0 million in Revenue Refunding Bonds, Series 2010 B and \$23.9 million of Revenue Refunding Bonds, Series 2010 C. The Series 2010 B Bonds had an original issue premium of approximately \$10.8 million and refunded a portion of the 1998 A bonds and all of the 1998 D and 2008 B bonds. The current refunding resulted in the recognition of an accounting loss of \$1.8 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded 1998 A, 1998 D bonds and the refunding debt service was \$9.2 million. This refunding had an economic gain and achieved a net present value savings of \$6.1 million or 11.6%. The annual savings for fiscal year 2011 through fiscal year 2028 are approximately \$0.34 million. The 2008 B VRDBs were also refunded into fixed rate debt by the issuance of the 2010 B bonds; this refunding transformed the 2008 B bonds that were subject to the AMT into 2010 B bonds that are not subject to the AMT. When compared with the fixed rates available in 2008, this refunding had a net present value savings of 13.9%. The Series 2010 C Bonds had an original issue premium of approximately \$2.2 million and refunded all of the 1998 B bonds. The current refunding resulted in the recognition of an accounting loss of \$0.1 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 \$2.7

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million. This refunding had an economic gain and achieved a net present value savings of \$2.2 million or 8.7%. The annual savings for fiscal year 2011 through fiscal year 2018 are approximately \$0.33 million.

The Authority also issued \$107.5 million in Multi-Modal Revenue Refunding Bonds, Series 2010 D. The Series 2010 D Bonds were issued at par value and refunded all of the 1998 E bonds and 1999 D bonds. The current refunding resulted in the recognition of an accounting loss of \$3.6 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 \$2.1 million. Assuming a fixed rate of 4.11% this refunding had an economic gain and achieved a net present value savings of \$1.4 million or 1.3%. The annual savings for fiscal year 2011 through fiscal year 2029 will vary with the actual variable rate paid. The Series 2010 D refunding enabled the Authority to maintain approximately 10% of its long term debt portfolio in variable rate debt while refunding its most expensive outstanding series of debt.

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 to maintain its investment grade bond ratings. As of June 30, 2012 and 2011, the Authority's debt service coverage under the 1978 Trust Agreement was 2.21 and 2.07, respectively.

b) Subordinate Debt - 1978 Trust Agreement

Subordinate 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, the PFC Trust Agreement or the CFC 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, 2012, the value of the two GICs was approximately \$35.2 million as compared to \$33.9 million as of June 30, 2011.

c) Senior Debt - PFC Trust Agreement

On August 5, 2010, the Authority issued \$57.2 million of PFC Revenue Refunding Bonds, Series 2010 E with an original issue premium of approximately \$4.2 million to refund all of the 1999 B bonds. The current refunding resulted in the recognition of an accounting loss of \$0.5 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 \$19.6 million. This refunding had an economic gain and achieved a net present value savings of \$5.1 million or 7.0%. The annual savings for fiscal year 2011 through fiscal year 2018 are approximately \$3.9 million.

The Authority's outstanding PFC debt continues to be backed by a pledge of the \$4.50 PFC collections. The Authority earned PFC Revenues, as defined by the PFC Trust Agreement, of approximately \$59.3 million and \$58.7 million during fiscal years 2012 and 2011, respectively. These amounts include approximately \$0.1 million and \$0.2 million of investment income on PFC receipts during fiscal years 2012 and 2011, respectively.

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The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2012 and 2011, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 3.73 and 4.09, respectively.

d) Senior Debt - CFC Trust Agreement

On June 8, 2011, the Authority issued its Special Facilities Revenue Bonds (ConRAC Project), Series 2011 A in the amount of \$58.0 million with an original issue discount of approximately \$1.5 million, and its Special Facilities Revenue Bonds (ConRAC Project), Series 2011 B (Federally Taxable) in the amount of \$156.0 million at par, pursuant to the CFC Trust Agreement (collectively, the "Series 2011 Bonds"). The Series 2011 Bonds are being issued for the purpose of providing funds sufficient, together with other available funds, to finance the development and construction of a new ConRAC facility and related improvements at Logan Airport, fund certain deposits to the Debt Service Reserve Fund and the Supplemental Reserve Fund, and pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds and any additional bonds that may be issued under the CFC Trust Agreement on parity with the Series 2011 Bonds are secured by CFC Pledged Revenues and by Contingent Rent from the rental car companies, if any, and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. The Series 2011 Bonds will be payable solely from the CFC Pledged Receipts pledged under the CFC Trust Agreement and from certain funds and accounts held by the Trustee.

All of the Authority's outstanding ConRAC debt is backed by a pledge of the \$6.00 CFC collections. The Authority earned CFC Revenues, as defined by the CFC Trust Agreement, of approximately \$29.6 million and \$26.4 million during fiscal years 2012 and 2011, respectively. These amounts include approximately \$0.8 million and \$0.2 million of investment income on CFC receipts during fiscal years 2012 and 2011, respectively.

The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. In fiscal year 2012, the CFC debt service coverage was 2.78. Due to the timing of the issuance of the CFC Bonds, no debt service was due in fiscal year 2011; therefore debt service coverage was not required to be calculated.

e) 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, 2012, were approximately \$30.2 million.

f) Special Facility Bonds

To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued eight 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

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any subdivision thereof and, accordingly, have not been reflected in the accompanying financial statements. As of June 30, 2012 and 2011, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately \$683.2 million and \$703.0 million, respectively. The Authority has no obligation for \$200.0 million of Special Facility Bonds and only limited obligation for the \$483.2 million of special facility bonds related to Terminal A described below. For additional discussion regarding the Authority's limited obligation, see Note 1(i).

Approximately \$483.2 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 an obligation to remit to the trustee of the Terminal A bonds 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.

g) Commercial Notes Payable

The Authority's commercial notes payable as of June 30, 2012 and 2011 were as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Commercial paper notes	\$ 89,000	\$ 89,000
Commercial paper notes issued	100,000	—
Principal paid on commercial paper notes	<u>(89,000)</u>	<u>—</u>
Commercial paper notes	<u>\$ 100,000</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 the lesser of 10% of the Authority's outstanding long term debt or \$100.0 million, and is backed by a Letter of Credit Agreement with the TD Bank expiring in June 2015.

The 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 expect to make principal payments on the existing commercial notes payable, which are 2012 Series A and B, during fiscal year 2013. The blended interest rate on Series 2003 A Notes was 0.17% and 0.33% and Series 2003 B Notes was 0.19% and 0.35% during July 1, 2011 through May 14, 2012 of fiscal year 2012 and all fiscal year 2011, respectively. The blended interest rate on Series 2012 A Notes was 0.75% and Series 2012 B Notes was 0.77% during May 15, 2012 through June 30, 2012 of fiscal year 2012.

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During fiscal year 2012 and fiscal year 2011, the Authority did not participate in any Interest Rate Swaps.

h) Arbitrage – Rebate Liability

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage liability and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage liability arises 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, 2012 and 2011 of \$12.1 million and \$12.0 million, respectively.

6. Employee Benefit Plans

a) Plan Description – Pension Plan

The Massachusetts Port Authority Employees' Retirement System plan (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, 2011 and 2010 other than investments in mutual funds, external investment pools and other pooled investments. No long term contracts for contributions to the Plan existed at December 31, 2011 and 2010.

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 \$30.0 thousand. The Authority is required to contribute amounts pursuant to Section 22(6A) of MGL Chapter 32.

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c) Annual Pension Cost

The annual required contribution (“ARC”) for the year ended June 30, 2012 was determined as part of the January 1, 2011 actuarial valuation. In the January 1, 2011 actuarial valuation, the actuarial cost method utilized to determine contributions to the Plan for the year ended December 31, 2011 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) 7.75% 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 3.0% on the first \$12.0 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
2011	\$ 5,710	100%
2010	4,924	100
2009	7,621	100

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 future retirees earn 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, 2012, approximately 739 retirees and 1172 active and

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inactive employees meet the eligibility requirements. To comply with the requirements of GASB 45, the Authority performed an actuarial valuation at January 1, 2011. 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, 2012 or 2011.

b) Annual OPEB Costs and Net OPEB Obligation

The Authority's 2012 and 2011 OPEB expense is calculated based on the 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, 2012 and 2011, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of January 1, 2011 (in thousands).

	2012	2011	2010
Annual Required Contribution (ARC)	\$ 18,444	\$ 17,229	\$ 18,345
Interest on net OPEB obligation	(3,032)	(3,311)	(3,386)
Adjustment to ARC	2,438	2,609	2,549
Annual OPEB cost	17,850	16,527	17,508
Current premiums on a pay-as-you-go basis	—	—	—
Subsidy	2,335	1,943	1,200
Contributions made	13,807	17,100	15,338
Change in net OPEB obligation	(1,708)	2,516	(970)
Net OPEB Asset – beginning of year	45,241	42,725	43,695
Net OPEB Asset – end of year	\$ 43,533	\$ 45,241	\$ 42,725

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c) Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of January 1, 2011, was as follows (in thousands):

Actuarially accrued liability ("AAL")	\$	237,462
Actuarial value of plan assets		<u>76,693</u>
Unfunded actuarial accrued liability ("UAAL")	\$	<u>160,769</u>
Funded ratio (actuarial value of plan assets/AAL)		32.3%
Covered payroll (active plan members)	\$	95,400
UAAL as a percentage of covered payroll		168.5%

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 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. 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.

The January 1, 2011 actuarial valuation used the projected unit credit cost method. The actuarial value of assets was \$76.7 million. The actuarial assumptions included a 7.75% investment rate of return and an initial annual healthcare cost trend rate range of 10.0% which decreases to a 5.0% 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. At June 30, 2012, 26 years are remaining to be amortized. This has been calculated assuming an inflation rate of 3.25%.

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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, 2012 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2013	\$ 21,898	2033 – 2037	\$ 4,436
2014	16,683	2038 – 2042	4,436
2015	12,235	2043 – 2047	4,436
2016	9,151	2048 – 2052	4,436
2017	9,086	2053 – 2057	4,436
2018 – 2022	23,313	2058 – 2062	4,436
2023 – 2027	4,436	2063 – 2067	4,436
2028 – 2032	4,436	2068 – 2070	2,348
		Total	<u>\$ 134,638</u>

Rent expense and other operating lease related payments were \$30.8 million and \$26.7 million for fiscal years 2012 and 2011, respectively.

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.

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The following is a schedule by years of minimum future rental income on noncancelable operating leases as of June 30, 2012 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2013	\$ 81,874	2048 – 2052	\$ 48,951
2014	69,336	2053 – 2057	45,476
2015	65,731	2058 – 2062	46,937
2016	41,645	2063 – 2067	47,815
2017	36,438	2068 – 2072	49,464
2018 – 2022	159,617	2073 – 2077	50,476
2023 – 2027	109,765	2078 – 2082	52,016
2028 – 2032	91,297	2083 – 2087	43,578
2033 – 2037	87,214	2088 – 2092	38,087
2038 – 2042	78,531	2093 – 2097	36,546
2043 – 2047	64,646	2098 – 2102	5,549
		2103 – 2107	1,132
		Total	\$ <u><u>1,352,121</u></u>

Rental income and concession income, including contingent payments received under these provisions, were approximately \$250.7 million and \$240.3 million for the fiscal years 2012 and 2011, 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 accrued liability was approximately \$6.8 million and \$5.6 million as of June 30, 2012 and 2011, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2012 and 2011.

Changes in the accrued liability accounts, related to self insurance, in fiscal year 2012 and 2011 were as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Liability balance, beginning of year	\$ 5,569	\$ 5,990
Provision to record estimated losses	3,488	836
Payments	<u>(2,214)</u>	<u>(1,257)</u>
Liability balance, end of year	\$ <u><u>6,843</u></u>	\$ <u><u>5,569</u></u>

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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 \$0.75 million for worker's compensation per job-related accident, up to \$0.25 million per occurrence for automobile liability, general liability and other types of third party claims, \$0.25 million 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 years 2012 and 2011 has not changed significantly from prior periods.

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 City of Boston 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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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%.

PILOT payments to the City of Boston for fiscal year 2012 and 2011 were \$16.7 million and \$16.4 million, respectively. PILOT payments to the Town of Winthrop for fiscal year 2012 and 2011 were \$0.9 million for each year.

11. Commitments

a) Contractual Obligations for Construction

The Authority enters into construction contracts with various construction and engineering companies. Construction contracts outstanding were approximately \$221.2 million and \$236.5 million as of June 30, 2012 and 2011, respectively.

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

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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 (“ATSSSA”), 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”), which amended ATSSSA to provide 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.

As of September 2012, there are two remaining property damage lawsuits (both brought by World Trade Center Properties, LLC) naming the Authority and other defendants. On July 27, 2011, the court dismissed the last remaining wrongful death case against the Authority. 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.

Absent the limitation of liability in ATSSSA, 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

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

or subsequent challenges, if any, to ATSSSA, 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, 2012 and 2011 is \$4.2 million and \$4.0 million, respectively, which represents the approximate amounts the Authority expects to pay for future remediation activities. The Authority paid approximately \$0.7 million and \$1.0 million in fiscal years 2012 and 2011, respectively. 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

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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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 \$15.1 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 2012 and 2011, the Authority recognized gains of approximately \$0.1 and \$0.2 million, respectively, representing its share of the earnings of the RTC.

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 July 11, 2012, the Authority issued \$275.6 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2012 A Revenue Bonds, in the principal amount of \$116.8 million were issued with an original issue premium of approximately \$11.5 million and interest rates ranging from 3.0% to 5.0%. The projects financed with Series A bond proceeds include capital improvements to Terminals B and C, hangar upgrades, and replacement substations for Terminals B and E. Due to the “private activity” nature of the construction projects, they were sold as AMT bonds.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

The Authority also issued \$158.8 million in Revenue Refunding Bonds, Series 2012 B. The Series 2012 B Bonds had an original issue premium of approximately \$27.4 million and refunded portions of the 2003 A and 2003 C bonds. The aggregate difference in debt service between the refunded 2003 A and C bonds and the refunding debt service was \$19.0 million. This refunding had an economic gain and achieved a net present value savings of \$14.7 million or 8.2%. The annual savings for fiscal year 2013 through fiscal year 2033 are approximately \$0.817 million.

b) Other

Pursuant to Section 9 of Chapter 132 of the Acts of 2012, an Act relative to Financing and Reforming Public Transportation in Massachusetts, the Authority submitted a report dated August 31, 2012 to the Commonwealth's house and senate committees on ways and means and the joint committee on transportation on the subject of what issues would need to be addressed if the Massachusetts Bay Transportation Authority (the "MBTA") transfers all right, title and interest in its properties affiliated with its commute boat service to the Authority.

MASSACHUSETTS PORT AUTHORITY
Required Supplementary Information
Schedule of Pension Funding Progress / OPEB Funding Progress
June 30, 2012
(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)
1/1/2011	\$ 420,801	\$ 419,272	\$ (1,529)	100.4%	\$ 82,541	(1.9)%
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)
1/1/2011	\$ 76,693	\$ 237,462	\$ 160,769	32.3%	\$ 95,400	168.5%
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 report of independent auditors.

MASSACHUSETTS PORT AUTHORITY

Schedule I

Combining Schedule of Net Assets

June 30, 2012

(In thousands)

Assets	Authority Operations	PFC Program	CFC Program	Combined Totals
Current assets:				
Cash and cash equivalents	\$ 43,013	\$ —	\$ —	\$ 43,013
Investments	42,130	—	—	42,130
Restricted cash and cash equivalents	94,798	28,812	23,927	147,537
Restricted investments	186,669	—	109,782	296,451
Accounts receivable:				—
Trade, net	39,322	8,624	2,957	50,903
Grants	7,929	—	—	7,929
Total receivables, net	47,251	8,624	2,957	58,832
Prepaid expenses and other assets	7,420	7,309	732	15,461
Total current assets	421,281	44,745	137,398	603,424
Noncurrent assets:				
Investments	53,493	—	—	53,493
Restricted investments	248,153	27,729	51,331	327,213
Prepaid expenses and other assets, long-term	13,753	739	2,274	16,766
Investment in joint venture	2,075	—	—	2,075
Net OPEB asset	43,533	—	—	43,533
Capital assets, net	1,995,336	529,907	128,040	2,653,283
Total assets	\$ 2,777,624	\$ 603,120	\$ 319,043	\$ 3,699,787
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 88,742	\$ (10)	\$ 16,465	\$ 105,197
Compensated absences	1,610	—	—	1,610
Retainage	8,073	—	—	8,073
Current portion of long-term debt	70,715	17,347	2,524	90,586
Commercial notes payable	—	100,000	—	100,000
Accrued interest payable	26,705	3,525	5,910	36,140
Deferred income	6,741	—	—	6,741
Total current liabilities	202,586	120,862	24,899	348,347
Noncurrent liabilities				
Accrued expenses	27,091	196	—	27,287
Compensated absences	20,591	—	—	20,591
Retainage	125	—	2,150	2,275
Long-term debt, net	1,159,770	130,387	210,069	1,500,226
Deferred income	12,268	—	—	12,268
Total liabilities	1,422,431	251,445	237,118	1,910,994
Net Assets				
Invested in capital assets, net of related debt	759,659	289,175	10,276	1,059,110
Restricted for other purposes				
Bond funds	187,223	—	—	187,223
Project funds	213,629	—	—	213,629
Passenger facility charges	—	62,500	—	62,500
Customer facility charges	—	—	71,649	71,649
Other purposes	52,332	—	—	52,332
Total restricted	453,184	62,500	71,649	587,333
Unrestricted	142,350	—	—	142,350
Total net assets	\$ 1,355,193	\$ 351,675	\$ 81,925	\$ 1,788,793

See accompanying report of independent auditors.

Schedule II

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2012

(In thousands)

	<u>Authority Operations</u>	<u>PFC Program</u>	<u>CFC Program</u>	<u>Combined Totals</u>
Operating revenues:				
Fees, tolls and other services	\$ 285,410	\$ —	\$ —	\$ 285,410
Rentals	180,568	—	—	180,568
Concessions	70,121	—	—	70,121
Other	19,998	—	—	19,998
Operating grants	2,357	—	—	2,357
Total operating revenues	<u>558,454</u>	<u>—</u>	<u>—</u>	<u>558,454</u>
Operating expenses:				
Operations and maintenance	264,033	1,574	—	265,607
Administration	43,987	—	—	43,987
Insurance	8,059	—	—	8,059
Pension	5,710	—	—	5,710
Other post-employment benefits	17,850	—	—	17,850
Payments in lieu of taxes	17,642	—	—	17,642
Provision for uncollectible accounts	1,085	—	—	1,085
Depreciation and amortization	135,518	45,565	83	181,166
Total operating expenses	<u>493,884</u>	<u>47,139</u>	<u>83</u>	<u>541,106</u>
Operating income (loss)	<u>64,570</u>	<u>(47,139)</u>	<u>(83)</u>	<u>17,348</u>
Nonoperating revenues and (expenses):				
Passenger facility charges	(46)	59,258	—	59,212
Customer facility charges	—	—	28,749	28,749
Investment income	8,233	1,141	802	10,176
Net (decrease)/increase in the fair value of investments	(428)	13	670	255
Other revenues	74	544	—	618
Settlement of claims	640	—	—	640
Terminal A debt service contribution	—	(9,105)	—	(9,105)
Other expenses	—	(184)	(214)	(398)
Gain on sale of equipment	354	—	—	354
Interest expense	(52,265)	(6,545)	(142)	(58,952)
Total nonoperating (expense) revenue, net	<u>(43,438)</u>	<u>45,122</u>	<u>29,865</u>	<u>31,549</u>
Increase (decrease) in net assets before capital grant revenue	21,132	(2,017)	29,782	48,897
Capital grant revenue	<u>40,584</u>	<u>—</u>	<u>166</u>	<u>40,750</u>
Increase (decrease) in net assets	61,716	(2,017)	29,948	89,647
Net assets, beginning of year	<u>1,293,477</u>	<u>353,692</u>	<u>51,977</u>	<u>1,699,146</u>
Net assets, end of year	<u>\$ 1,355,193</u>	<u>\$ 351,675</u>	<u>\$ 81,925</u>	<u>\$ 1,788,793</u>

See accompanying report of independent auditors.

MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Net Assets

June 30, 2011

(In thousands)

Assets	Authority Operations	PFC Program	CFC Program	Combined Totals
Current assets:				
Cash and cash equivalents	\$ 51,334	\$ —	\$ —	\$ 51,334
Investments	39,601	—	—	39,601
Restricted cash and cash equivalents	74,525	36,539	68,565	179,629
Restricted investments	160,937	—	104,767	265,704
Accounts receivable:				—
Trade, net	35,380	9,099	2,774	47,253
Grants	8,565	—	—	8,565
Total receivables, net	43,945	9,099	2,774	55,818
Prepaid expenses and other assets	6,811	628	131	7,570
Total current assets	377,153	46,266	176,237	599,656
Noncurrent assets:				
Investments	48,229	—	—	48,229
Restricted investments	239,228	27,480	72,378	339,086
Prepaid expenses and other assets, long-term	16,768	956	1,968	19,692
Investment in joint venture	2,254	—	—	2,254
Net OPEB asset	45,241	—	—	45,241
Capital assets, net	2,021,443	536,681	21,642	2,579,766
Total assets	<u>\$ 2,750,316</u>	<u>\$ 611,383</u>	<u>\$ 272,225</u>	<u>\$ 3,633,924</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 71,945	\$ 265	\$ 6,797	\$ 79,007
Compensated absences	1,568	—	—	1,568
Retainage	4,853	—	—	4,853
Current portion of long-term debt	65,822	16,921	—	82,743
Commercial notes payable	—	89,000	—	89,000
Accrued interest payable	27,856	3,757	525	32,138
Deferred income	5,613	—	—	5,613
Total current liabilities	177,657	109,943	7,322	294,922
Noncurrent liabilities				
Accrued expenses	26,470	13	—	26,483
Compensated absences	20,055	—	—	20,055
Retainage	1,777	—	383	2,160
Long-term debt, net	1,221,074	147,735	212,543	1,581,352
Deferred income	9,806	—	—	9,806
Total liabilities	1,456,839	257,691	220,248	1,934,778
Net Assets				
Invested in capital assets, net of related debt	755,442	283,069	16,650	1,055,161
Restricted for other purposes				
Bond funds	182,695	—	—	182,695
Project funds	148,993	—	—	148,993
Passenger facility charges	—	70,623	—	70,623
Customer facility charges	—	—	35,327	35,327
Other purposes	52,109	—	—	52,109
Total restricted	383,797	70,623	35,327	489,747
Unrestricted	154,238	—	—	154,238
Total net assets	<u>\$ 1,293,477</u>	<u>\$ 353,692</u>	<u>\$ 51,977</u>	<u>\$ 1,699,146</u>

See accompanying report of independent auditors.

Schedule IV

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2011

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Operating revenues:				
Fees, tolls and other services	\$ 276,430	\$ —	\$ —	\$ 276,430
Rentals	174,431	—	—	174,431
Concessions	65,857	—	—	65,857
Other	18,476	—	—	18,476
Operating grants	2,448	—	—	2,448
Total operating revenues	<u>537,642</u>	<u>—</u>	<u>—</u>	<u>537,642</u>
Operating expenses:				
Operations and maintenance	262,410	—	—	262,410
Administration	45,988	—	—	45,988
Insurance	7,326	—	—	7,326
Pension	4,924	—	—	4,924
Other post-employment benefits	16,527	—	—	16,527
Payments in lieu of taxes	17,327	—	—	17,327
Provision for uncollectible accounts	412	—	—	412
Depreciation and amortization	125,688	43,678	—	169,366
Total operating expenses	<u>480,602</u>	<u>43,678</u>	<u>—</u>	<u>524,280</u>
Operating income (loss)	<u>57,040</u>	<u>(43,678)</u>	<u>—</u>	<u>13,362</u>
Nonoperating revenues and (expenses):				
Passenger facility charges	46	58,485	—	58,531
Customer facility charges	—	—	26,203	26,203
Investment income	10,172	1,345	159	11,676
Net increase in the fair value of investments	(3,150)	—	(353)	(3,503)
Other revenues	1,817	—	—	1,817
Settlement of claims	1	—	—	1
Terminal A debt service contribution	—	(6,070)	—	(6,070)
Other expenses	—	(92)	—	(92)
Gain on sale of equipment	88	—	—	88
Interest expense	(52,347)	(7,607)	(6)	(59,960)
Total nonoperating (expense) revenue, net	<u>(43,373)</u>	<u>46,061</u>	<u>26,003</u>	<u>28,691</u>
Increase in net assets before capital grant revenue	13,667	2,383	26,003	42,053
Capital grant revenue	<u>22,484</u>	<u>—</u>	<u>—</u>	<u>22,484</u>
Increase in net assets	36,151	2,383	26,003	64,537
Net assets, beginning of year	<u>1,257,326</u>	<u>351,309</u>	<u>25,974</u>	<u>1,634,609</u>
Net assets, end of year	<u>\$ 1,293,477</u>	<u>\$ 353,692</u>	<u>\$ 51,977</u>	<u>\$ 1,699,146</u>

See accompanying report of independent auditors.

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worcesterregionalairport

Worcester's entry into the world of aviation began in 1925 when city officials commissioned a study to examine suitable sites for the city's first airport. On the list of probable sites was the land in Grafton owned by Whitin Whitall, who constructed a two-runway airport for leisure travel that opened on October 12, 1927. As air travel became more popular throughout the country, the question of airport expansion in Central Massachusetts led the City of Worcester to organize a second study commission. Since the Grafton airport was deemed too small to accommodate the growing air travel needs of the region, Worcester Regional Airport was constructed on its present site on Tatnuck Hill, which straddles the borders of Worcester, Leicester, and Paxton. Massport acquired the airport from the City of Worcester as part of the Transportation Reform Act in 2010.



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 and performance.

Financial Trends:

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

- 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, Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement and Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement

Revenue Capacity:

These schedules present trend information on the Authority's most significant revenue sources.

- 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 the Authority's current levels of outstanding debt and its ability to support existing or issue additional debt.

- S-6 Calculation of Debt Service Coverage and Debt Metrics Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC 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, 2003 through June 30, 2012
(In Thousands)

S-1 Changes in Net Assets

	2003	2004	2005	2006	2007
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 214,116	\$ 236,287	\$ 249,323	\$ 268,723	\$ 290,679
Rentals	90,431	115,225	139,731	154,991	158,848
Concessions	46,829	45,054	49,923	53,678	55,826
Other	15,117	13,539	16,147	16,752	18,500
Operating grants	7,314	4,859	5,454	3,490	2,976
Total operating revenues	373,807	414,964	460,578	497,634	526,829
<u>Operating expenses</u>					
Operations and maintenance	\$ 181,765	\$ 201,394	\$ 211,905	\$ 236,359	\$ 252,905
Administration	38,810	39,422	43,005	42,126	43,094
Insurance	8,685	10,234	11,221	6,632	10,689
Pension	-	1,834	2,141	3,715	3,140
Other post-employment benefits	3,004	3,672	4,018	4,527	5,139
Payments in lieu of taxes	12,559	12,419	12,028	15,771	16,732
Provision for uncollectible accounts	1,211	573	320	2,609	(2,256)
Depreciation and Amortization	102,388	111,726	136,007	142,071	157,550
Total operating expenses	348,422	381,274	420,645	453,810	486,993
Operating income	25,385	33,690	39,933	43,824	39,836
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	29,090	32,845	35,316	48,324	57,504
Customer facility charges (2)	N/A	N/A	N/A	N/A	N/A
Investment income	11,486	10,239	13,456	20,648	26,845
Net gain in change in the fair value of investments	-	-	-	-	1,812
Other revenues	-	-	-	351	-
Gain on sales of assets	31	9	60	102	45
Settlement of claims	-	1,000	3,354	438	200
Total nonoperating revenues	40,607	44,093	52,186	69,863	86,406
<u>Nonoperating expenses</u>					
Interest expense	45,806	59,665	64,620	69,601	76,860
Loss from sale of equipment	-	-	-	-	-
Net loss in change in the fair value of investments	-	-	-	2,870	-
Terminal A Debt Service Payment (PFC)	-	-	-	-	-
Other expense / arbitrage	3,962	176	230	2,780	382
Total nonoperating expenses	49,768	59,841	64,850	75,251	77,242
Total nonoperating revenues (expenses)	(9,161)	(15,748)	(12,664)	(5,388)	9,164
Income before capital grant revenue and Special item	16,224	17,942	27,269	38,436	49,000
Capital grant revenue	43,994	90,115	47,709	36,209	10,708
Tobin Bridge transfer	-	-	-	-	-
Change in net assets	60,218	108,057	74,978	74,645	59,708
Net assets, beginning of year	1,073,622	1,133,840	1,241,897	1,316,875	1,391,520
Net assets, end of year	\$ 1,133,840	\$ 1,241,897	\$ 1,316,875	\$ 1,391,520	\$ 1,451,228
Total net assets composed of:					
Invested in capital assets, net of debt	701,423	772,532	772,931	814,180	901,516
Restricted	378,268	402,599	467,014	495,974	405,157
Unrestricted	54,149	66,766	76,930	81,366	144,555
Total Net Assets	\$ 1,133,840	\$ 1,241,897	\$ 1,316,875	\$ 1,391,520	\$ 1,451,228

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

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

(3) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(4) The Authority revised the Net Assets at July 1, 2010 in the amount of \$10.8 million to correct an understatement of certain revenue related to fiscal years 2007 through 2010.

Source: Authority's audited financial statements.

Massachusetts Port Authority
Statistical Section

.....
Revenues, Expenses and Changes in Net Assets
Fiscal Years Ended June 30, 2003 through June 30, 2012
(In Thousands)
.....

S-1 Changes in Net Assets (Continued)

	2008	2009	2010	2011	2012
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 312,248	\$ 298,368	\$ 277,825	\$ 276,430	\$ 285,410
Rentals	166,424	166,016	167,204	174,431	180,568
Concessions	65,414	60,794	62,321	65,857	70,121
Other	18,509	14,533	17,770	18,476	19,998
Operating grants	2,896	3,055	2,773	2,448	2,357
Total operating revenues	<u>565,491</u>	<u>542,766</u>	<u>527,893</u>	<u>537,642</u>	<u>558,454</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 275,824	\$ 276,071	\$ 249,633	\$ 262,411	\$ 265,607
Administration	45,495	42,022	41,646	45,988	43,987
Insurance	8,548	7,402	8,874	7,326	8,059
Pension	1,006	408	7,621	4,924	5,710
Other post-employment benefits	15,850	16,731	17,508	16,527	17,850
Payments in lieu of taxes	17,108	18,460	17,547	17,327	17,642
Provision for uncollectible accounts	158	1,632	473	412	1,085
Depreciation and Amortization	162,388	156,745	164,141	169,365	181,166
Total operating expenses	<u>526,377</u>	<u>519,471</u>	<u>507,443</u>	<u>524,280</u>	<u>541,106</u>
Operating income	<u>39,114</u>	<u>23,295</u>	<u>20,450</u>	<u>13,362</u>	<u>17,348</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	53,740	50,102	58,598	58,531	59,212
Customer facility charges (2)	N/A	5,211	20,668	26,203	28,749
Investment income	29,920	22,613	14,890	11,676	10,176
Net gain in change in the fair value of investments	2,739	3,312	248	-	255
Other revenues	2,099	11,995	2,659	1,557	618
Gain on sales of assets	49	-	-	88	354
Settlement of claims	84	3,987	8	1	640
Total nonoperating revenues	<u>88,631</u>	<u>97,220</u>	<u>97,071</u>	<u>98,056</u>	<u>100,004</u>
<u>Nonoperating expenses</u>					
Interest expense	80,862	73,710	66,870	59,960	58,952
Loss from sale of equipment	-	1	110	-	-
Net loss in change in the fair value of investments	-	-	-	3,503	-
Terminal A Debt Service Payment (PFC)	-	-	-	6,070	9,105
Other expense / arbitrage	1,027	11,418	312	(168)	398
Total nonoperating expenses	<u>81,889</u>	<u>85,129</u>	<u>67,292</u>	<u>69,365</u>	<u>68,455</u>
Total nonoperating revenues (expenses)	<u>6,742</u>	<u>12,091</u>	<u>29,779</u>	<u>28,691</u>	<u>31,549</u>
Income before capital grant revenue and Special item	<u>45,856</u>	<u>35,386</u>	<u>50,229</u>	<u>42,053</u>	<u>48,897</u>
Capital grant revenue	<u>41,818</u>	<u>42,998</u>	<u>34,340</u>	<u>22,484</u>	<u>40,750</u>
Tobin Bridge transfer	<u>-</u>	<u>-</u>	<u>(78,058) (3)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>87,674</u>	<u>78,384</u>	<u>6,511</u>	<u>64,537</u>	<u>89,647</u>
Net assets, beginning of year	<u>1,451,228</u>	<u>1,538,902</u>	<u>1,617,286</u>	<u>1,634,609 (4)</u>	<u>1,699,146</u>
Net assets, end of year	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>	<u>\$ 1,623,797</u>	<u>\$ 1,699,146</u>	<u>\$ 1,788,793</u>
Total net assets composed of:					
Invested in capital assets, net of debt	903,001	988,026	999,312	1,055,161	1,059,110
Restricted	503,646	504,505	538,211	489,747	587,333
Unrestricted	132,255	124,755	86,274	154,238	142,350
Total Net Assets	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>	<u>\$ 1,623,797</u>	<u>\$ 1,699,146</u>	<u>\$ 1,788,793</u>

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

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

(3) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(4) The Authority revised the Net Assets at July 1, 2010 in the amount of \$10.8 million to correct an understatement of certain revenue related to fiscal years 2007 through 2010.

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, 2003 through June 30, 2012

S-2 Principal Revenues and Rates as of June 30

	2003	2004	2005	2006	2007
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 68,969	\$ 75,050	\$ 69,929	\$ 76,743	\$ 82,241
Terminal Rentals and Fees	47,109	66,196	85,843	102,967	103,193
Parking Fees	75,381	88,169	93,014	92,324	99,407
<u>Logan Airport Rates and Charges ⁽¹⁾</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 3.76	\$ 3.58	\$ 3.07	\$ 3.89	\$ 4.20
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	-	-	-	-	-
Terminal A (opened March 2005) ⁽²⁾	-	-	\$ 75.20	\$ 57.45	\$ 80.51
Terminal B	\$ 48.04	\$ 75.12	\$ 80.58	\$ 83.76	\$ 87.91
Terminal C - Main Terminal	\$ 82.13	\$ 97.93	\$ 102.87	\$ 107.17	\$ 108.79
Terminal E - Type 3 Space	\$ 81.28	\$ 92.05	\$ 119.46	\$ 121.43	\$ 117.91
<u>Baggage Fee (per checked bag)</u>	-	\$ 0.48	\$ 1.08	\$ 0.92	\$ 0.99
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 6.98	\$ 7.33	\$ 7.41	\$ 8.42	\$ 11.63
Outbound	\$ 1.89	\$ 1.85	\$ 1.61	\$ 3.18	\$ 2.85
Inbound Domestic	\$ 0.39	\$ 0.39	\$ 0.37	\$ 1.09	\$ 1.08
Common Use Check-in Fee	\$ -	\$ 5.62	\$ 7.56	\$ 8.41	\$ 8.51
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 24.00

(1) Rates approved by the Members of the Authority each fiscal year.

(2) Excludes Terminal A facility rent rate.

Source: Authority reports.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2003 through June 30, 2012

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

	2008	2009	2010	2011	2012
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 87,065	\$ 89,041	\$ 89,718	\$ 91,515	\$ 88,287
Terminal Rentals and Fees	107,260	106,021	106,079	110,267	115,567
Parking Fees	110,602	102,778	106,918	116,059	125,771
<u>Logan Airport Rates and Charges ⁽¹⁾</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 4.41	\$ 4.82	\$ 4.82	\$ 4.61	\$ 4.36
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	-	-	-	-	-
Terminal A (opened March 2005) (2)	\$ 87.43	\$ 84.04	\$ 83.34	\$ 84.62	\$ 89.90
Terminal B	\$ 95.91	\$ 91.47	\$ 95.31	\$ 95.89	\$ 98.14
Terminal C - Main Terminal	\$ 110.17	\$ 98.56	\$ 104.59	\$ 101.47	\$ 112.90
Terminal E - Type 3 Space	\$ 117.49	\$ 115.76	\$ 105.28	\$ 109.48	\$ 117.16
<u>Baggage Fee (per checked bag)</u>	\$ 1.15	\$ 1.38	\$ 1.49	\$ 1.23	\$ 1.27
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 13.31	\$ 12.32	\$ 14.06	\$ 12.17	\$ 11.40
Outbound	\$ 2.79	\$ 2.62	\$ 3.35	\$ 3.26	\$ 3.36
Inbound Domestic	\$ 1.07	\$ 1.07	\$ 8.37	\$ 10.84	\$ 11.40
Common Use Check-in Fee	\$ 9.06	\$ 8.39	\$ 8.33	\$ 8.06	\$ 8.31
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 27.00

(1) Rates approved by the Members of the Authority each fiscal year.

(2) Excludes Terminal A facility rent rate.

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, 2012			For the Fiscal Year Ended June 30, 2003		
Customer	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees
JETBLUE AIRWAYS (1)	\$ 17,193	1	19.47%	\$ -	-	0.00%	-	-	0.00%
DELTA AIRLINES (2)	10,158	2	11.51%	11,209	2	16.25%	-	-	0.00%
US AIRWAYS, INC.	9,825	3	11.13%	8,872	3	12.86%	6,666	1	14.15%
UNITED AIRLINES, INC. (3)	8,843	4	10.02%	6,147	4	8.91%	5,273	4	11.19%
AMERICAN AIRLINES	8,313	5	9.42%	11,660	1	16.91%	3,016	6	6.40%
SOUTHWEST AIRLINES CO (4); (5)	4,229	6	4.79%	-	-	0.00%	4,118	5	8.74%
AIRTRAN AIRLINES (5)	2,986	7	3.38%	1,401	11	2.03%	1,866	8	3.96%
BRITISH AIRWAYS, PLC	2,580	8	2.92%	1,830	9	2.65%	-	-	0.00%
FEDERAL EXPRESS CORP.	2,175	9	2.46%	2,517	8	3.65%	872	12	1.85%
LUFTHANSA GERMAN AIRLINES	2,113	10	2.39%	1,020	15	1.48%	1,689	9	3.59%
NORTHWEST AIRLINES (2)	-	-	0.00%	3,566	5	5.17%	2,155	7	4.57%
AMERICAN EAGLE AIRLINES INC (6)	401	34	0.45%	2,841	6	4.12%	5,611	3	11.91%
CONTINENTAL AIRLINES (3)	N/A	-	0.00%	2,618	7	3.80%	941	10	2.00%
SIGNATURE FLIGHT SUPPORT	1,684	11	1.91%	1,726	10	2.50%	-	-	0.00%
ALL OTHER PAYERS	17,787	-	20.15%	13,562	-	19.66%	8,596	-	18.25%
Total Landing Fees	\$ 88,287		100.00%	\$ 68,969		100.00%	\$ 47,109		100.00%

Terminal Rents and Fees				For the Fiscal Year Ended June 30, 2012			For the Fiscal Year Ended June 30, 2003		
Customer	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	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees
DELTA AIRLINES (2)	\$ 22,320	1	19.31%	\$ 6,306	2	13.39%	-	-	0.00%
JETBLUE AIRWAYS (1)	15,068	2	13.04%	-	-	0.00%	-	-	0.00%
AMERICAN AIRLINES	12,623	3	10.92%	6,666	1	14.15%	6,666	1	14.15%
US AIRWAYS, INC.	10,434	4	9.03%	5,273	4	11.19%	5,273	4	11.19%
BRITISH AIRWAYS, PLC	6,650	5	5.75%	3,016	6	6.40%	3,016	6	6.40%
UNITED AIRLINES, INC. (3)	9,648	6	8.35%	4,118	5	8.74%	4,118	5	8.74%
LUFTHANSA GERMAN AIRLINES	5,635	7	4.88%	1,866	8	3.96%	1,866	8	3.96%
SOUTHWEST AIRLINES CO (4)	4,612	8	3.99%	-	-	0.00%	-	-	0.00%
AIR FRANCE	4,036	9	3.49%	872	12	1.85%	872	12	1.85%
AER LINGUS	3,386	10	2.93%	1,689	9	3.59%	1,689	9	3.59%
CONTINENTAL AIRLINES (3)	N/A	-	0.00%	2,155	7	4.57%	2,155	7	4.57%
NORTHWEST AIRLINES (2)	-	-	0.00%	5,611	3	11.91%	5,611	3	11.91%
GLOBEGROUND NORTH AMERICA LLC	-	-	0.00%	941	10	2.00%	941	10	2.00%
ALL OTHER PAYERS	21,155	-	18.32%	8,596	-	18.25%	8,596	-	18.25%
Total Terminal Rental and Fees	\$ 115,567		100.00%	\$ 47,109		100.00%	\$ 47,109		100.00%

Parking Revenue				For the Fiscal Year Ended June 30, 2012			For the Fiscal Year Ended June 30, 2003		
Customer	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue
PUBLIC PARKING AT AIRPORT	\$ 117,032	1	93.05%	\$ 66,756	1	88.22%	66,756	1	88.22%
TENANT EMPLOYEE PARKING	5,676	2	4.51%	4,932	2	6.52%	4,932	2	6.52%
PUBLIC OFF-AIRPORT PARKING	3,063	3	2.44%	3,983	3	5.26%	3,983	3	5.26%
Total Parking Revenue	\$ 125,771		100.00%	\$ 75,671		100.00%	\$ 75,671		100.00%

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

(2) Delta Airlines and Northwest Airlines closed their merger during 2008 and continued to operate under their separate names until January 2010.

(3) United and Continental Airlines closed their merger during October 2010 and continued to operate under their separate names until November 2011.

(4) Southwest Airlines commenced service at Logan Airport in August 2009.

(5) Southwest Airlines and AirTran Airlines closed their merger during May 2011 and continued to operate under their separate names.

(6) American Eagle Airlines ceased operations in Boston during November 2011.

Source: Authority's accounting reports.

Massachusetts Port Authority
Statistical Section

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Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
Fiscal Years Ended June 30, 2003 through June 30, 2012
(In Thousands)
.....

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Revenue:					
Per Financial Statements	<u>\$ 373,807</u>	<u>\$ 414,964</u>	<u>\$ 460,578</u>	<u>\$ 497,634</u>	<u>\$ 526,829</u>
Adjustments:					
Provision for uncollectible accounts	(1,211)	(573)	(320)	(2,609)	2,256
Other	(6,880)	-	-	-	-
Operating Revenue:					
Per the 1978 Trust Agreement	<u>365,716</u>	<u>414,391</u>	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>
Income on Investments:					
Per Financial Statements	<u>11,486</u>	<u>10,239</u>	<u>13,456</u>	<u>20,648</u>	<u>26,845</u>
Adjustments:					
PFC - Trust Agreement	(2,159)	(2,158)	(2,044)	(2,736)	(2,429)
CFC	-	-	-	-	-
Self Insurance and Other Accounts	(1,365)	(1,513)	(1,924)	(2,566)	(3,432)
Income on Investments:					
Per the 1978 Trust Agreement	<u>7,962</u>	<u>6,568</u>	<u>9,488</u>	<u>15,346</u>	<u>20,984</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement	<u>373,678</u>	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>
Operating Expenses:					
Per Financial Statements	<u>\$ 348,422</u>	<u>\$ 381,274</u>	<u>\$ 420,645</u>	<u>\$ 453,810</u>	<u>\$ 486,993</u>
Adjustments:					
Insurance	358	(1,610)	(2,195)	1,074	(2,583)
Payments in Lieu of Taxes	(12,559)	(12,419)	(12,028)	(15,771)	(16,732)
Provision for uncollectible accounts	(1,211)	(573)	(320)	(2,609)	2,256
Depreciation and Amortization	(102,388)	(111,726)	(136,007)	(142,071)	(157,550)
Other post-employment benefits	-	-	-	-	-
Other Expenses	(1,923)	(12,666)	(2,391)	(1,515)	(826)
Other Expense / State Police Details	(6,880)	-	-	-	-
Administration Expenses	-	1,000	2,000	1,000	1,000
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>223,819</u>	<u>243,281</u> ⁽¹⁾	<u>269,704</u> ⁽¹⁾	<u>293,918</u>	<u>312,558</u>
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 149,859</u>	<u>\$ 177,678</u> ⁽¹⁾	<u>\$ 200,042</u> ⁽¹⁾	<u>\$ 216,453</u>	<u>\$ 237,511</u>

(1) Column does not add due to rounding.

(2) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of the CFC Trust Agreement adopted on May 18, 2011. CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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, 2003 through June 30, 2012
(In Thousands)

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

	2008	2009	2010	2011	2012
Operating Revenue:					
Per Financial Statements	\$ 565,491	\$ 542,766	\$ 527,893	\$ 537,642	\$ 558,454
Adjustments:					
Provision for uncollectible accounts	(158)	(1,632)	(473)	(419)	(1,061)
Other	-	-	-	(533)	3,979
Operating Revenue:					
Per the 1978 Trust Agreement	565,333	541,134	527,420	536,690	561,372
Income on Investments:					
Per Financial Statements	29,920	22,613	14,890	11,676	10,176
Adjustments:					
PFC - Trust Agreement	(2,753)	(2,271)	(2,037)	(1,344)	(1,141)
CFC	-	(10)	(85)	(159)	(802)
Self Insurance and Other Accounts	(3,164)	(2,849)	(1,525)	(1,833)	(1,538)
Income on Investments:					
Per the 1978 Trust Agreement	24,003	17,483	11,243	8,340	6,695
TOTAL REVENUES					
Per the 1978 Trust Agreement (*excludes CFCs) (2)	589,336	558,617 *	538,663 *	545,030 *	568,067 *
Operating Expenses:					
Per Financial Statements	\$ 526,377	\$ 519,471	\$ 507,443	\$ 524,280	\$ 541,106
Adjustments:					
Insurance	(824)	5,476	(1,891)	1,514	266
Payments in Lieu of Taxes	(17,108)	(18,460)	(17,547)	(17,327)	(17,642)
Provision for uncollectible accounts	(158)	(1,632)	(473)	(412)	(1,085)
Depreciation and Amortization	(162,388)	(156,745)	(164,141)	(169,365)	(181,166)
Other post-employment benefits	(6,702)	(5,526)	(5,570)	(4,505)	(5,859)
Other Expenses	(2,315)	(9,044)	1,447	(287)	(4,300)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses/Revenues	-	1,280	1,201	1,631	2,648
TOTAL EXPENSES					
Per the 1978 Trust Agreement	336,882	334,820	320,469	335,529	333,968
Net Revenue:					
Per the 1978 Trust Agreement	\$ 252,454	\$ 223,797	\$ 218,194	\$ 209,501	\$ 234,099

(1) Column does not add due to rounding.

(2) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of the CFC Trust Agreement adopted on May 18, 2011. CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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 PFC Trust Agreement
Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement
Fiscal Years Ended June 30, 2003 through June 30, 2012
(In Thousands)

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

1978 Trust Agreement	2003	2004	2005	2006	2007
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 68,969	\$ 75,050	\$ 69,929	\$ 76,743	\$ 82,241
Parking Fees	75,381	88,169	93,014	92,324	99,407
Utility Fees	13,577	12,407	15,696	21,690	25,257
Terminal Rentals	47,109	66,196	85,843	102,967	103,193
Non-Terminal Building and Ground Rents	30,269	31,905	36,133	34,699	34,510
Concessions	45,949	43,870	48,195	51,948	53,724
Other	14,912	17,501 (1)	19,485	16,232	21,765
	<u>296,166</u>	<u>335,098</u>	<u>368,295</u>	<u>396,603</u>	<u>420,097</u>
Airport Properties - Hanscom	4,093	5,646	6,219	7,167	8,911
Airport Properties - Worcester (2)	N/A	N/A	N/A	N/A	N/A
Total Airport Properties	<u>300,259</u>	<u>340,744</u>	<u>374,514</u>	<u>403,770</u>	<u>429,008</u>
Port Properties					
Maritime Operations	35,056	35,687	42,247	46,588	48,708
Business Development	8,055	-	-	-	-
Maritime Real Estate (3)	-	13,931	15,947	16,394	20,030
	<u>43,111</u>	<u>49,618</u>	<u>58,194</u>	<u>62,982</u>	<u>68,738</u>
Bridge	<u>22,346</u>	<u>24,029</u>	<u>27,550</u>	<u>28,273</u>	<u>31,339</u>
Total Operating Revenue	<u>365,716</u>	<u>414,391</u> (4)	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>
Investment Income (5)	<u>7,962</u>	<u>6,568</u>	<u>9,488</u>	<u>15,346</u>	<u>20,984</u>
Total Revenues before CFC	<u>373,678</u>	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>
CFC Revenues (6)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Revenues	<u>373,678</u>	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>
Operating Expenses (7):					
Airport Properties					
Logan	163,779	179,970	198,380	218,674	232,418
Hanscom	4,642	4,952	6,468	7,096	7,765
Worcester (2)	N/A	N/A	N/A	N/A	N/A
	<u>168,421</u>	<u>184,922</u>	<u>204,848</u>	<u>225,770</u>	<u>240,183</u>
Port Properties					
Maritime Operations	40,067	37,589	42,006	45,151	47,415
Business Development	6,620	-	-	-	-
Maritime Real Estate (3)	-	11,198	13,195	13,464	14,597
	<u>46,687</u>	<u>48,787</u>	<u>55,201</u>	<u>58,615</u>	<u>62,012</u>
Bridge	<u>8,711</u>	<u>9,572</u>	<u>9,655</u>	<u>9,533</u>	<u>10,363</u>
Total Operating Expenses	<u>223,819</u>	<u>243,281</u> (4)	<u>269,704</u>	<u>293,918</u>	<u>312,558</u>
Net Revenue	<u>\$ 149,859</u>	<u>\$ 177,678</u>	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>
Net Revenue Excluding CFCs	<u>\$ 149,859</u>	<u>\$ 177,678</u>	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>
PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (8)	\$ 29,090	\$ 32,845	\$ 35,316	\$ 48,324 (9)	\$ 57,504
PFC Investment Income (11)	<u>771</u>	<u>607</u>	<u>621</u>	<u>1,265</u>	<u>938</u>
PFC Revenue	<u>\$ 29,861</u>	<u>\$ 33,452</u>	<u>\$ 35,937</u>	<u>\$ 49,589</u>	<u>\$ 58,442</u>
CFC Trust Agreement					
Revenues:					
CFC Collections (12)	N/A	N/A	N/A	N/A	N/A
CFC Investment Income	N/A	N/A	N/A	N/A	N/A
CFC Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes on next page.

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 PFC Trust Agreement
Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement
Fiscal Years Ended June 30, 2003 through June 30, 2012
(In Thousands)

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

1978 Trust Agreement	2008	2009	2010	2011	2012
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 87,065	\$ 89,041	\$ 89,718	\$ 91,515	\$ 88,287
Parking Fees	110,602	102,778	106,918	116,059	125,771
Utility Fees	26,562	26,005	18,442	16,144	15,275
Terminal Rentals	107,260	106,021	106,079	110,267	115,567
Non-Terminal Building and Ground Rents	35,063	36,693	37,574	39,547	40,107
Concessions	63,058	58,685	60,179	62,750	71,342
Other	20,208	16,177	19,908	19,417	20,467
	<u>449,818</u>	<u>435,400</u>	<u>438,818</u>	<u>455,699</u>	<u>476,816</u>
Airport Properties - Hanscom	10,063	9,037	9,227	9,371	9,984
Airport Properties - Worcester (2)	N/A	N/A	N/A	911	1,238
Total Airport Properties	<u>459,881</u>	<u>444,437</u>	<u>448,045</u>	<u>465,981</u>	<u>488,038</u>
Port Properties					
Maritime Operations	54,107	49,299	46,540	50,630	50,876
Business Development	-	-	-	-	-
Maritime Real Estate (3)	20,783	18,516	17,682	20,079	22,458
	<u>74,890</u>	<u>67,815</u>	<u>64,222</u>	<u>70,709</u>	<u>73,334</u>
Bridge	30,562	28,882	15,153	-	-
Total Operating Revenue	<u>565,333</u>	<u>541,134</u>	<u>527,420</u>	<u>536,690</u>	<u>561,372</u>
Investment Income (5)	24,003	17,483	11,243	8,340	6,695
Total Revenues before CFC	<u>589,336</u>	<u>558,617</u>	<u>538,663</u>	<u>545,030</u>	<u>568,067</u>
CFC Revenues (6)	N/A	5,221	20,752	-	-
Total Revenues	<u>589,336</u>	<u>563,838</u>	<u>559,415</u>	<u>545,030</u>	<u>568,067</u>
Operating Expenses (7):					
Airport Properties					
Logan	247,026	246,561	243,180	253,062	251,718
Hanscom	9,301	8,710	8,159	8,726	8,162
Worcester (2)	N/A	N/A	N/A	5,122	5,048
	<u>256,327</u>	<u>255,271</u>	<u>251,339</u>	<u>266,910</u>	<u>264,928</u>
Port Properties					
Maritime Operations	52,616	50,576	49,345	53,239	52,403
Business Development	-	-	-	-	-
Maritime Real Estate (3)	15,611	16,344	14,506	15,380	16,637
	<u>68,227</u>	<u>66,920</u>	<u>63,851</u>	<u>68,619</u>	<u>69,040</u>
Bridge	12,328	12,629	5,279	-	-
Total Operating Expenses	<u>336,882</u>	<u>334,820</u>	<u>320,469</u>	<u>335,529</u>	<u>333,968</u>
Net Revenue	<u>\$ 252,454</u>	<u>\$ 229,018</u>	<u>\$ 238,946</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>
Net Revenue Excluding CFCs	<u>\$ 252,454</u>	<u>\$ 223,797</u>	<u>\$ 218,194</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>
PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (8)	\$ 53,740	\$ 50,102	\$ 58,598 (10)	\$ 58,485	\$ 59,258
PFC Investment Income (11)	1,006	597	469	177	81
PFC Revenue	<u>\$ 54,746</u>	<u>\$ 50,699</u>	<u>\$ 59,067</u>	<u>\$ 58,662</u>	<u>\$ 59,339</u>
CFC Trust Agreement					
Revenues:					
CFC Collections (12)				\$ 26,203	\$ 28,749
CFC Investment Income	N/A	N/A	N/A	159	802
CFC Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,362</u>	<u>\$ 29,551</u>

See notes on next page.

Source: Authority's accounting reports.

MASSACHUSETTS PORT AUTHORITY
Statistical Section

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Notes to table S-5:

- (1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.
- (2) On July 1, 2010, the Authority acquired Worcester Regional Airport as required under the Transportation Reform Act.
- (3) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.
- (4) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.
- (5) Excludes investment income earned by and deposited into Construction, PFC, CFC and other funds not held under the 1978 Trust Agreement.
- (6) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of the CFC Trust Agreement adopted on May 18, 2011.
- (7) Includes allocation of all operating expenses related to Authority General Administration.
- (8) PFC revenue collection began at Logan Airport on November 1, 1993. The PFC Trust Agreement became effective May 6, 1999.
- (9) 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.
- (10) In fiscal year 2010, the Authority changed its accrual policy for calculating PFC revenue.
- (11) PFC investment income, per the PFC statute, includes only interest income generated by PFC collections. It does not include earnings on PFC bonds funds.
- (12) CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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MASSACHUSETTS PORT AUTHORITY
Statistical Section

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Calculation of Debt Service Coverage and Debt Metrics
Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement
Fiscal Years Ended June 30, 2003 through June 30, 2012
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1978 Trust Agreement					
Net Revenue	\$ 149,859	\$ 177,678	\$ 200,042	\$ 216,453	\$ 237,511
Debt Service - Principal	29,185	33,185	35,210	41,575	45,465
Debt Service - Interest	47,473	56,104	48,088	65,216	60,018
Credits to Debt Service (1)	(2,570)	(8,593)	(6,492)	(13,858)	(7,057)
Annual Debt Service	<u>\$ 74,089</u>	<u>\$ 80,696</u>	<u>\$ 76,806</u>	<u>\$ 92,934</u>	<u>\$ 98,426</u>
Debt Service Coverage	2.02	2.20	2.60	2.33	2.41
PFC Trust Agreement					
Net PFC Revenue (2)	\$ 29,861	\$ 33,452	\$ 35,937	\$ 49,589	\$ 58,442
Debt Service - Principal	9,585	9,995	10,425	10,945	11,435
Debt Service - Interest	11,960	11,553	11,118	10,601	8,374
Credits to Debt Service (3)	(3,841)	(895)	(1,329)	(1,305)	(1,318)
Annual Debt Service	<u>\$ 17,704</u>	<u>\$ 20,652</u>	<u>\$ 20,213</u>	<u>\$ 20,241</u>	<u>\$ 18,490</u>
Debt Service Coverage (4)	1.69	1.62	1.78	2.45	3.16
First Line Sufficiency Covenant	2.42	2.50	2.55	2.39	1.79
CFC Trust Agreement					
CFC Revenue (5)	N/A	N/A	N/A	N/A	N/A
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Credits to Debt Service	-	-	-	-	-
Annual Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Coverage before the benefit of Rolling Cov Fund and Sup Reserve Fund balances	-	-	-	-	-
Debt Service Coverage after the benefit of Rolling Cov Fund and Sup Reserve Fund balances	-	-	-	-	-
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 6.59	\$ 6.60	\$ 5.74	\$ 6.80	\$ 7.10
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,218,335	\$ 1,193,900	\$ 1,384,905	\$ 1,348,045	\$ 1,357,240
Less Annual Debt Service - Principal (includes reserved money)	23,160	31,910	36,860	41,675	42,540
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,195,175</u>	<u>\$ 1,161,990</u>	<u>\$ 1,348,045</u>	<u>\$ 1,306,370</u>	<u>\$ 1,314,700</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 106.24	\$ 94.97	\$ 100.74	\$ 95.62	\$ 94.80
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.57	\$ 1.69	\$ 1.51	\$ 1.48	\$ 1.33
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 231,290	\$ 221,705	\$ 211,710	\$ 201,285	\$ 236,285
Less Annual PFC Debt Service - Principal	9,585	9,995	10,425	10,945	11,435
PFC Trust Agreement Bonds Outstanding	<u>\$ 221,705</u>	<u>\$ 211,710</u>	<u>\$ 201,285</u>	<u>\$ 190,340</u>	<u>\$ 224,850</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 19.71	\$ 17.30	\$ 15.04	\$ 13.93	\$ 16.21
CFC Trust Agreement Bonds Outstanding (GAAP)					
Less Annual CFC Debt Service - Principal	N/A	N/A	N/A	N/A	N/A
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	N/A	N/A	N/A	N/A
Total Outstanding Bonds at June 30 (GAAP)	<u>\$ 1,449,625</u>	<u>\$ 1,415,605</u>	<u>\$ 1,596,615</u>	<u>\$ 1,549,330</u>	<u>\$ 1,593,525</u>

See notes on next page.

Source: Authority's accounting reports.

MASSACHUSETTS PORT AUTHORITY
Statistical Section

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Calculation of Debt Service Coverage and Debt Metrics
Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement
Fiscal Years Ended June 30, 2003 through June 30, 2012
(In Thousands - except coverage and per passenger calculations)
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S-6 Debt Service Coverage and Debt Metrics (Continued)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1978 Trust Agreement					
Net Revenue	\$ 252,454	\$ 223,797	\$ 218,194	\$ 209,501	\$ 234,099
Debt Service - Principal	48,140	50,780	53,855	54,100	57,010
Debt Service - Interest	61,767	55,889	50,836	50,913	50,024
Credits to Debt Service (1)	-	-	-	(3,994)	(1,198)
Annual Debt Service	<u>\$ 109,907</u>	<u>\$ 106,669</u>	<u>\$ 104,691</u>	<u>\$ 101,019</u>	<u>\$ 105,836</u>
Debt Service Coverage	2.30	2.10	2.08	2.07	2.21
PFC Trust Agreement					
Net PFC Revenue (2)	\$ 54,746	\$ 50,699	\$ 59,067	\$ 58,662	\$ 59,339
Debt Service - Principal	15,540	16,540	17,390	15,735	16,160
Debt Service - Interest	11,771	10,648	9,799	7,214	6,999
Credits to Debt Service (3)	(2,153)	(2,758)	(1,642)	(1,618)	(924)
Annual Debt Service	<u>\$ 25,158</u>	<u>\$ 24,430</u>	<u>\$ 25,547</u>	<u>\$ 21,331</u>	<u>\$ 22,235</u>
Debt Service Coverage (4)	2.18	2.08	2.31	2.75	2.67
First Line Sufficiency Covenant	1.86	1.63	1.57	4.09	3.73
CFC Trust Agreement					
CFC Revenue (5)	N/A	N/A	N/A	\$ 26,203	\$ 28,749
Debt Service - Principal	-	-	-	-	2,575
Debt Service - Interest	-	-	-	-	9,239
Credits to Debt Service	-	-	-	-	(221)
Annual Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,593</u>
Debt Service Coverage before the benefit of Rolling Cov Fund and Sup Reserve Fund balances	-	-	-	-	2.48
Debt Service Coverage after the benefit of Rolling Cov Fund and Sup Reserve Fund balances	-	-	-	-	2.78
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 8.07	\$ 8.57	\$ 7.98	\$ 7.15	\$ 7.26
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,338,355	\$ 1,292,560	\$ 1,220,925	\$ 1,254,460	\$ 1,200,360
Less Annual Debt Service - Principal (includes reserved money)	45,415	50,780	53,855	54,100	57,010
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,292,940</u>	<u>\$ 1,241,780</u>	<u>\$ 1,167,070</u>	<u>\$ 1,200,360</u>	<u>\$ 1,143,350</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 94.97	\$ 99.72	\$ 88.97	\$ 84.91	\$ 78.46
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.85	\$ 1.96	\$ 1.95	\$ 1.51	\$ 1.53
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 224,850	\$ 209,310	\$ 192,770	\$ 159,250	\$ 143,515
Less Annual PFC Debt Service - Principal	15,540	16,540	17,390	15,735	16,160
PFC Trust Agreement Bonds Outstanding	<u>\$ 209,310</u>	<u>\$ 192,770</u>	<u>\$ 175,380</u>	<u>\$ 143,515</u>	<u>\$ 127,355</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 15.37	\$ 15.48	\$ 13.37	\$ 10.15	\$ 8.74
CFC Trust Agreement Bonds Outstanding (GAAP)				\$ 214,060	\$ 214,060
Less Annual CFC Debt Service - Principal	N/A	N/A	N/A	-	2,575
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,060</u>	<u>\$ 211,485</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	N/A	N/A	\$ 15.14	\$ 14.51
Total Outstanding Bonds at June 30 (GAAP)	<u>\$ 1,563,205</u>	<u>\$ 1,501,870</u>	<u>\$ 1,413,695</u>	<u>\$ 1,627,770</u>	<u>\$ 1,557,935</u>

See notes on next page.

Source: Authority's accounting reports.

MASSACHUSETTS PORT AUTHORITY
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.....

Notes to table S-6:

- (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.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and investment income generated by the PFC Debt Service Funds that were not received from PFC collections.
- (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 Members of the Authority on May 17, 2007.
- (5) CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011. The CFC Bonds were issued June 15, 2011. Due to the timing of the issuance, no debt service was due or paid in fiscal year 2011 and, hence, coverage cannot be calculated for fiscal year 2011.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

**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 (1)

Calendar Year 2012 (2)			
Employer	Headquarters	Product or Service	Employee Size Range
Alere Inc	Waltham	Professional Diagnostics & Health Management	10,000+
Boston Scientific Corp	Natick	Surgical Instruments-Manufacturers	10,000+
Care Group Inc	Boston	Health Services	10,000+
De Moulas Super Markets Inc	Tewksbury	Grocers-Retail	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+
Massachusetts Mutual Life Ins	Springfield	Insurance	10,000+
National Amusements Inc	Dedham	Theatres-Movie	10,000+
Partners Health Care	Boston	Health Maintenance Organizations	10,000+
Philips Electronics N America	Andover	Health Equipment & Supls-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+
University of MA System	Shrewsbury	Schools-Universities & Colleges Academic	10,000+

Calendar Year 2003			
Employer	Headquarters	Product or Service	Employee Size Range
Bay State Medical Center	Springfield	Rehabilitation Services	5,000+
Beth Israel Care Group	Boston	Physicians & Surgeons	5,000+
Beth Israel Deaconess Medical Center	Boston	Hospitals	5,000+
Boston University	Boston	Schools-Universities & Colleges Academic	5,000+
Brigham & Womens Hospital	Boston	Hospitals	10,000+
EMC Corp	Hopkinton	Computer Storage Devices (manufacturers)	5,000+
Fidelity Investments	Boston	Investment Securities	5,000+
GE Aircraft Engines	Lynn	Aircraft Engines & Engine Parts-mfrs	5,000+
Harvard University	Cambridge	Schools-Universities & Colleges Academic	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+

(1) Top 20 Massachusetts largest employers with 5,000+ employees.

(2) Updated data as of November 2012.

Sources: InfoUSA, Inc.

**Massachusetts Port Authority
Statistical Section**

.....
Demographics and Employment Data
Calendar Years Ended 2002 through 2011
.....

S-8 Demographics and Employment Data

(Calendar Years)

Boston Metropolitan Statistical Area (1)	2002	2003	2004	2005	2006
Population	4,459,011	4,458,187	4,456,479	4,458,891	4,473,477
Total personal income (in millions)	\$191,283	\$193,938	\$203,465	\$212,287	\$230,353
Per capita personal income	\$42,898	\$43,502	\$45,656	\$47,610	\$51,493
Unemployment rate (annual average)	5.3%	5.7%	5.0%	4.5%	4.4%

Employment By Industry

Industry Type (In thousands)

Educational and Health Services	421.5	425.3	430.9	437.8	449.5
Trade, Transportation and Utilities	433.1	426.4	423.0	421.2	419.7
Professional and Business Services	382.5	368.0	376.4	386.0	396.7
Government	301.5	297.4	293.1	294.9	297.2
Manufacturing	255.6	237.6	230.3	226.5	223.3
Leisure and Hospitality	203.0	203.9	206.3	208.7	212.1
Financial Activities	191.9	186.6	183.2	186.2	188.4
Construction	104.1	100.4	100.6	101.3	101.9
Other Services	87.0	86.3	85.8	86.4	87.2
Information	84.5	77.2	73.7	73.9	74.3
Total	2,464.7	2,409.1	2,403.3	2,422.9	2,450.3

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

(2) U.S. Department of Labor changed its release date for statistical data estimates of personal income for all local areas. Data is expected to be released 11 months after the end of the referenced year.

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 2002 through 2011**

S-8 Demographics and Employment Data (Continued)

(Calendar Years)

Boston Metropolitan Statistical Area (1)	2007	2008	2009	2010	2011
Population	4,503,921	4,544,705	4,588,680	4,559,372	4,591,112
Total personal income (in millions)	\$243,740	\$250,810	\$246,471	\$252,729	N/A (2)
Per capita personal income	\$54,117	\$55,187	\$53,713	\$55,431	N/A (2)
Unemployment rate (annual average)	4.1%	4.9%	7.6%	7.6%	6.6%

Employment By Industry

Industry Type (In thousands)

Educational and Health Services	463.9	575.7	486.3	495.0	498.8
Trade, Transportation and Utilities	419.1	401.3	398.2	398.9	403.5
Professional and Business Services	408.3	395.0	391.2	394.6	401.0
Government	299.1	312.5	304.7	305.2	301.1
Manufacturing	222.0	182.7	197.9	194.4	195.4
Leisure and Hospitality	216.7	202.7	215.3	222.0	224.7
Financial Activities	189.4	176.5	178.5	173.9	172.3
Construction	99.3	91.8	81.2	78.0	79.2
Other Services	88.4	87.5	90.4	91.6	95.0
Information	74.7	76.7	73.1	73.0	72.2
Total	2,480.9	2,502.4	2,416.8	2,426.6	2,443.2

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

(2) U.S. Department of Labor changed its release date for statistical data estimates of personal income for all local areas. Data is expected to be released 11 months after the end of the referenced year.

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, 2003 through June 30, 2012
.....

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

<u>Facility</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tobin Bridge	49	53	53.0	54.5	54.5
Logan Airport	606	633	691.0	692.0	702.0
Hanscom Field	19	19	19.0	18.0	19.0
Worcester Regional Airport (3)	-	-	-	-	-
Maritime	114	104	109.0	111.0	112.5
General Administration	265	276	286.5	274.5	281.0
Total Employees	<u><u>1,053</u></u>	<u><u>1,085</u></u>	<u><u>1,158.5</u></u>	<u><u>1,150.0</u></u>	<u><u>1,169.0</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 2012, there were 133 State Police positions assigned to the Authority.

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

(3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

Source: Authority-Wide Vacancy report as of June 30 each fiscal year.

**Massachusetts Port Authority
Statistical Section**

.....
Number of Employees by Facility
Fiscal Years Ended June 30, 2003 through June 30, 2012
.....

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

<u>Facility</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tobin Bridge	53.5	51.5	- (2)	-	-
Logan Airport	705.0	705.5	698.5	686.5	696.5
Hanscom Field	18.0	18.0	19.0	18.0	19.0
Worcester Regional Airport (3)	-	-	-	5.0	24.0
Maritime	116.0	119.0	115.0	113.0	114.0
General Administration	297.0	271.0	264.5	258.0	255.0
Total Employees	<u><u>1,189.5</u></u>	<u><u>1,165.0</u></u>	<u><u>1,097.0</u></u>	<u><u>1,080.5</u></u>	<u><u>1,108.5</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 2012, there were 133 State Police positions assigned to the Authority.

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

(3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

Source: Authority-Wide Vacancy report as of June 30 each fiscal year.

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2003 through June 30, 2012

S-10 Logan International Airport Activity:

	2003	2004	2005	2006	2007
Aircraft Operations (1)					
Domestic (2)	190,609	184,836	210,357	206,426	214,441
International (3)	39,234	39,799	39,554	36,772	37,368
Regional	123,702	132,496	131,074	128,337	126,097
General Aviation	27,880	28,890	32,352	31,016	30,716
Total Operations	381,425	386,021	413,337	402,551	408,622
Aircraft Landed Weights (1,000 pounds) (4)	19,576,000	19,864,000	20,822,000	20,376,000	20,408,164
Passengers Traffic					
Domestic (2)					
Enplaned	8,284,960	8,919,352	9,880,689	10,292,917	10,438,225
Deplaned	8,304,108	8,952,770	9,937,869	10,324,060	10,485,949
International (3)					
Enplaned	1,906,562	2,040,079	2,129,374	2,071,481	1,995,778
Deplaned	1,919,516	2,047,766	2,117,983	2,071,740	2,013,591
Regional					
Enplaned	1,058,709	1,276,296	1,371,024	1,297,303	1,433,466
Deplaned	1,042,212	1,240,351	1,307,858	1,272,474	1,432,862
Subtotal	22,516,067	24,476,614	26,744,797	27,329,975	27,799,871
General Aviation					
Enplaned	47,072	43,234	60,687	58,315	58,852
Deplaned	45,471	42,920	60,687	58,315	58,852
Total Passengers	22,608,610	24,562,768	26,866,171	27,446,605	27,917,575
Total Enplaned Passengers (excluding GA)	11,250,231	12,235,727	13,381,087	13,661,701	13,867,469
Average Passengers Per Flight					
Domestic (2)	87.0	96.7	94.2	99.9	97.6
International (3)	97.5	102.7	107.4	112.7	107.3
Regional	17.0	19.0	20.4	20.0	22.7
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	Delta	Delta	US Airways
Primary carrier market share	19.2%	18.0%	17.0%	15.0%	13.8%
Two top carriers market share	36.8%	35.5%	33.2%	30.0%	27.6%
Origination & destination share (1) & (5)	NA	88.0% (6)	NA	NA	87.7% (7)
Compensatory airline payments to Massport per enplaned passenger	\$10.22	\$11.42	\$11.56	\$12.97	\$13.18
Logan Airport revenue per enplaned passenger	\$26.33	\$27.39	\$27.52	\$29.03	\$0.00
Total Cargo & Mail (1,000 pounds)	817,843	809,179	796,252	759,326	680,079

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

(2) Includes jet and charter aircraft.

(3) Includes jet, charter and international commuter.

(4) Excludes general aviation 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 12 months ended September 30, 2004.

(7) Data for 12 months ended September 30, 2006.

(8) Data for 12 months ended September 30, 2007.

(9) Data for 12 months ended June 30, 2010.

(10) Data for nine months ended March 31, 2011.

(11) Data for 12 months ended September 30, 2011.

Source: Authority reports.

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2003 through June 30, 2012

S-10 Logan International Airport Activity: (Continued)

	2008	2009	2010	2011	2012
Aircraft Operations (1)					
Domestic (2)	207,693	190,271	200,015	216,249	213,668
International (3)	39,094	34,919	33,814	33,961	36,835
Regional	115,529	109,208	100,148	91,307	85,657
General Aviation	27,724	16,690	13,766	20,740	29,062
Total Operations	390,040	351,088	347,743	362,257	365,222
Aircraft Landed Weights (1,000 pounds) (4)	19,905,370	18,741,720	18,681,983	19,712,898	19,858,768
Passengers Traffic					
Domestic (2)					
Enplaned	10,223,459	9,314,138	10,062,680	11,110,527	11,389,143
Deplaned	10,279,164	9,344,673	10,085,288	11,152,038	11,394,464
International (3)					
Enplaned	2,064,293	1,868,603	1,818,370	1,874,108	2,067,974
Deplaned	2,100,097	1,884,406	1,834,023	1,896,528	2,100,128
Regional					
Enplaned	1,326,073	1,270,475	1,236,145	1,152,967	1,114,704
Deplaned	1,322,741	1,272,569	1,223,010	1,152,971	1,117,810
Subtotal	27,315,827	24,954,864	26,259,516	28,339,139	29,184,223
General Aviation					
Enplaned	54,029	32,606	27,473	42,048	58,899
Deplaned	54,029	32,606	27,473	42,048	58,899
Total Passengers	27,423,885	25,020,076	26,314,462	28,423,235	29,302,021
Total Enplaned Passengers (excluding GA)	13,613,825	12,453,216	13,117,195	14,137,602	14,571,821
Average Passengers Per Flight					
Domestic (2)	98.7	98.1	100.7	102.9	106.6
International (3)	106.5	107.5	108.0	111.0	113.2
Regional	22.9	23.3	24.6	25.3	26.1
Air Carrier and Passenger Metrics					
Primary carrier	American	JetBlue	JetBlue	JetBlue	JetBlue
Primary carrier market share	14.1%	14.7%	16.9%	21.2%	23.8%
Two top carriers market share	27.6%	28.8%	29.9%	32.9%	35.0%
Origination & destination share (1) & (5)	88.4% (8)	NA	95.0% (9)	96.0% (10)	94.2% (11)
Compensatory airline payments to Massport per enplaned passenger	\$14.30	\$15.66	\$14.93	\$13.65	\$13.19
Logan Airport revenue per enplaned passenger	\$33.04	\$34.96	\$33.45	\$32.23	\$32.72
Total Cargo & Mail (1,000 pounds)	644,552	571,186	563,210	568,806	546,243

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

(2) Includes jet and charter aircraft.

(3) Includes jet, charter and international commuter.

(4) Excludes general aviation 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 12 months ended September 30, 2004.

(7) Data for 12 months ended September 30, 2006.

(8) Data for 12 months ended September 30, 2007.

(9) Data for 12 months ended June 30, 2010.

(10) Data for nine months ended March 31, 2011.

(11) Data for 12 months ended September 30, 2011.

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 2012		Fiscal Year 2003	
	Passenger	%	Passenger	%
JetBlue Airways Corp. (1)	6,970,516	23.8%	NA	NA
United Air Lines, Inc. (2)	3,409,743	11.6%	2,231,945	9.9%
US Airways, Inc. (3)	3,293,040	11.2%	2,994,270	13.2%
Delta Air Lines, Inc. (4)	3,246,763	11.1%	4,261,654	18.8%
American Airlines, Inc. (5)	3,124,678	10.7%	3,943,443	17.4%
Foreign Flag	2,822,001	9.6%	2,518,718	11.1%
Regional Carriers (6)	2,134,955	7.3%	2,453,948	10.9%
Southwest Airlines Co. (7); (8)	1,612,011	5.5%	NA	NA
Others	1,551,260	5.3%	988,102	4.4%
AirTran Airlines, Inc. (8)	1,137,054	3.9%	581,978	2.6%
Continental Airlines, Inc. (2)	NA	NA	1,059,870	4.7%
Northwest Airlines, Inc. (4)	NA	NA	1,192,656	5.3%
America West Airlines, Inc. (3)	NA	NA	382,026	1.7%
Total	29,302,021	100.0%	22,608,610	100.0%

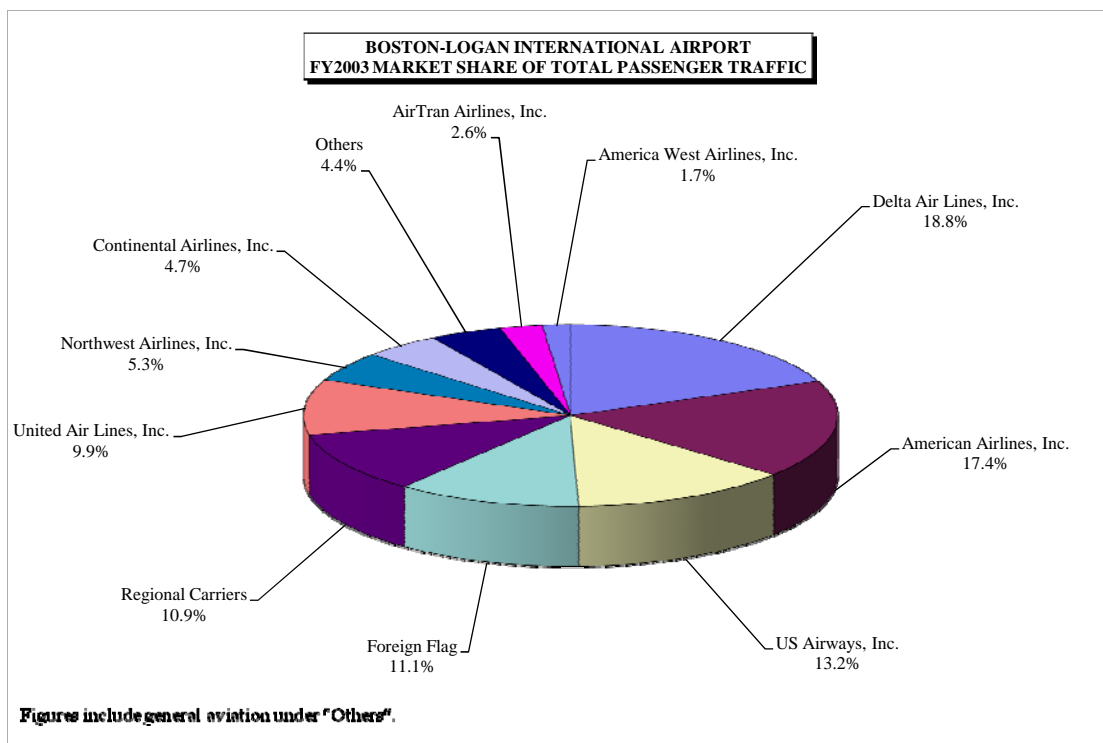
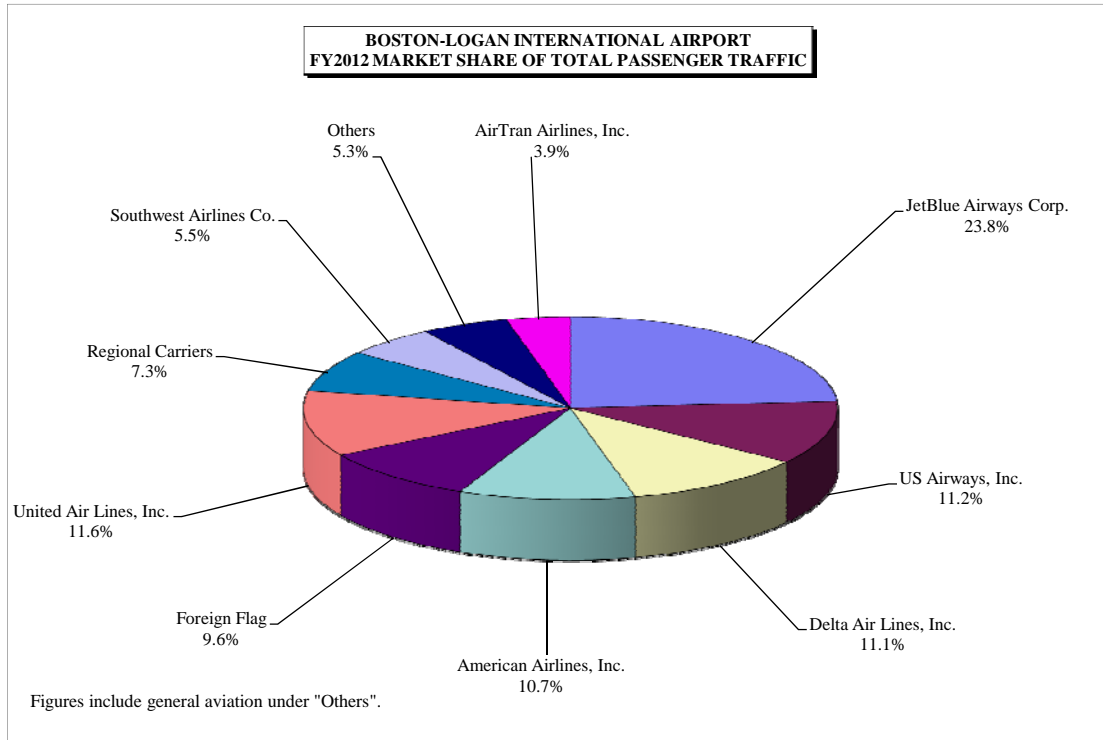
- (1) JetBlue Airways commenced service at Logan Airport in January 2004.
(2) United and Continental Airlines closed their merger during October 2010 and continued to operate under their separate names until November 2011.
(3) America West Airlines acquired US Airways and changed its name to US Airways in 2005.
(4) Delta Airlines and Northwest Airlines closed their merger during 2008 and continued to operate under their separate names until January 2010.
(5) AMR Corporation, the parent company of American Airlines ("American"), filed for Chapter 11 bankruptcy protection on November 29, 2011 in an effort to reduce labor costs and decrease its debt burden. American continues operate normally throughout the bankruptcy process, as other airlines have done during previous bankruptcy restructuring proceedings.
(6) These figures for passengers traveling on U.S. flag regional carriers include passengers traveling internationally.
(7) Southwest Airlines commenced service at Logan Airport in August 2009.
(8) Southwest Airlines and AirTran Airlines closed their merger during May 2011 and continue to operate under their separate names.

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 Share -Charts



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**Massachusetts Port Authority
Statistical Section**

.....
**Logan International Airport
Passenger Markets
Calendar Year 2011 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 2011, as reported by the United States Department of Transportation. 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 2002.

Market	Calendar 2011 Percentage	Calendar 2011 Rank	Calendar 2002 Rank
Washington D.C.	10.2%	1	2
New York, New York / Newark, New Jersey	5.7%	2	1
San Francisco, California	5.5%	3	7
Chicago, Illinois	5.4%	4	4
South Florida *	4.8%	5	3
Los Angeles, California	4.5%	6	8
Orlando, Florida	4.3%	7	6
Atlanta, Georgia	3.3%	8	5
Philadelphia, Pennsylvania	3.0%	9	11
Denver, Colorado	2.5%	10	12
Fort Myers, Florida	2.1%	11	15
Dallas, Texas	2.1%	12	10
Tampa, Florida	2.0%	13	13
Charlotte-Douglas, North Carolina	1.9%	14	**
Raleigh/Durham, North Carolina	1.9%	15	17
West Palm Beach, Florida	1.8%	16	**
Las Vegas, Nevada	1.7%	17	14
Minneapolis - St. Paul, Minnesota	1.7%	18	16
Seattle/Tacoma, Washington	1.7%	19	**
Pittsburgh, Pennsylvania	1.6%	20	**
 Total for Cities Listed	 67.6%		

* Florida South consists of Miami and Fort Lauderdale.

**Not listed in top twenty for calendar year 2002.

Source: Diio APGDAT.

**Massachusetts Port Authority
Statistical Section**

.....
**Port of Boston
Cargo and Passenger Activity**
Fiscal Years Ended June 30, 2003 through June 30, 2012
.....

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Containers (1)	86,149	93,627	103,631	111,020	116,156
Cruise Passengers	207,254	200,836	192,869	246,365	200,998
Automobiles (2)	29,559	12,198	10,657	11,170	10,252
Bulk Tonnage	162,824	144,304	189,517	202,681	188,311

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

(2) Does not include vehicles entered by over-the-road means.

Source: Authority reports.

**Massachusetts Port Authority
Statistical Section**

.....
**Port of Boston
Cargo and Passenger Activity**
Fiscal Years Ended June 30, 2003 through June 30, 2012
.....

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

Port Activity	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Containers (1)	124,122	114,871	100,970	106,857	107,477
Cruise Passengers	236,922	275,407	310,482	307,224	380,151
Automobiles (2)	15,546	26,966	33,208	42,256	37,215
Bulk Tonnage	206,494	167,881	89,394	112,667	144,430

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

(2) Does not include vehicles entered by over-the-road means.

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 2012

Direct Service

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

Shipping Lines

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

Cruise Lines

Aida Cruises
Carnival Cruise Lines
Crystal Cruise Line
Cunard
Holland America
Navitrans Shipping
Norwegian Cruise Lines
Oceania Cruises
P&O cruises
Princess
Regent Seven Seas
Residen Sea
Royal Caribbean
Seabourn Cruise Lines
Silversea Cruises
V-Ships Leisure

Large Customs House Brokers

A.N. Deringer
Albatrans, Inc.
BDP International, Inc.
C.H. Powell Company
DB Schenker
DHL Forwarding
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 2003

Direct Service

Atlantic Container Line
China Ocean Shipping Co.
CMA - CGM
Columbia Coastal Transport
Hanjin Shipping
K-Line
Mediterranean Shipping Corp.
SPM Marine Line
Yang Ming Line

Shipping Lines

China Ocean Shipping Co.
Evergreen America
Hanjin Shipping
Hapag Lloyd
K-Line
Lykes Line
Maersk SeaLand
Mediterranean Shipping Corp.
Orient Overseas Container Line
Yang Ming Line
ZIM Container
Lloyd Triestino
Senator
Lykes Line

Cruise Lines

Carnival Cruise Line
Crystal Cruises
Holland America Line
Norwegian Cruise Line
P & O Cruises
Princess Cruises
Royal Caribbean Cruise Line
Seabourn Cruise Line
Silversea Cruises
Hapag Lloyd
Costa Cruise Line
Radisson Cruise Lines
Phoenix Reisin
Swan Hellenic

Large Customs House Brokers

AIS International, Inc.
C.H. Powell Company
Danzas A & I
Deringer, A.N.Inc.
Dynasty International
Emery Worldwide
Expeditors International
Fedex Trade Networks
Kuehne & Nagel, Inc.
Liberty International
UPS Freight Services
Panalpina, Inc.
Albatrans
Geologistics America

Source: Authority reports.

**Massachusetts Port Authority
Statistical Section**

.....
Tobin Memorial Bridge
Fiscal Years Ended June 30, 2003 through June 30, 2010
.....

S-15 Bridge Statistics (In-Bound)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tobin Bridge Toll	<u>\$2.00</u>	<u>\$3.00</u> (2)	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>
Class 1 - Passenger vehicles					
Class 1	9,817,665	9,427,512	8,164,954	8,384,939	9,203,180
Passenger (1)					
Resident:	<u>512,014</u>	<u>585,811</u>	<u>648,510</u>	<u>695,357</u>	<u>655,520</u>
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	10,329,679	10,013,323	8,813,464	9,080,296	9,858,700
Class 2 - 6	<u>909,273</u>	<u>885,858</u>	<u>796,425</u>	<u>862,845</u>	<u>1,031,598</u>
Commercial					
Total Paying Vehicles	<u>11,238,952</u>	<u>10,899,181</u>	<u>9,609,889</u>	<u>9,943,141</u>	<u>10,890,298</u>
Massachusetts Bay					
Transportation Authority	30,883	23,302	48,231	54,460	68,143
(MBTA)					
Other Non-Revenue Vehicles	<u>48,183</u>	<u>61,827</u>	<u>65,093</u>	<u>44,039</u>	<u>39,463</u>
Total Non-Paying Vehicles	<u>79,066</u>	<u>85,129</u>	<u>113,324</u>	<u>98,499</u>	<u>107,606</u>
Total Vehicles	<u>11,318,018</u>	<u>10,984,310</u>	<u>9,723,213</u>	<u>10,041,640</u>	<u>10,997,904</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) 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.

(3) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority reports.

**Massachusetts Port Authority
Statistical Section**

**Tobin Memorial Bridge
Fiscal Years Ended June 30, 2003 through June 30, 2010**

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

	<u>2008</u>	<u>2009</u>	<u>2010 ⁽³⁾</u>
Tobin Bridge Toll	\$3.00	\$3.00	\$3.00
Class 1 - Passenger vehicles			
Class 1	8,988,012	8,526,559	4,498,957
Passenger (1)			
Resident:	702,354	739,921	400,356
Vehicles with			
Resident Discount (1)			
Total Passenger Vehicles	9,690,366	9,266,480	4,899,313
Class 2 - 6	979,516	901,558	458,740
Commercial			
Total Paying Vehicles	<u>10,669,882</u>	<u>10,168,038</u>	<u>5,358,053</u>
Massachusetts Bay			
Transportation Authority	74,289	70,609	34,547
(MBTA)			
Other Non-Revenue Vehicles	48,012	56,729	27,468
Total Non-Paying Vehicles	<u>122,301</u>	<u>127,338</u>	<u>62,015</u>
Total Vehicles	<u><u>10,792,183</u></u>	<u><u>10,295,376</u></u>	<u><u>5,420,068</u></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) 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.

(3) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority reports.

Massachusetts Port Authority

Statistical Section

Insurance Coverage

Fiscal Year Ended June 30, 2012

S-16 Insurance Coverage

POLICY - 7/01/11 - 6/30/2012	BROKER / UNDERWRITER	LIMITS	RETENTION / UNDERLYING
PROPERTY INSURANCE			
All Risk Property Insurance including Boiler & Mach., Contractor's Equip. & Bus. Int. Property Terrorism Coverage	Beecher Carlson / Lexington	\$500,000,000	\$250,000
	Beecher Carlson / Lexington	\$500,000,000	\$250,000
Hull Insurance - 8 scheduled vessels including: Fireboat and State Police Patrol Boat Including Terrorism Coverage	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	Aon / ACE USA	\$500,000,000	\$250,000
			\$1,000,000
Comprehensive Marine Liability Terminal Operator's Liability Including Port & Stevedore Liability Primary and Excess Including Terrorism	HUB International / Starr Marine	\$100,000,000	\$25,000
Automobile Liability For Fleet & Buses Comprehensive & Collision Deductible	Willis / Hanover	\$5,000,000	\$1,000
WORKERS' COMPENSATION			
Excess Workers' Compensation	HUB International / ACE USA	Statutory	\$750,000
Excess Workers' Compensation (ILA & Port Officers)	HUB International / ACE USA	Statutory	\$1,000,000
Self-Insurer's WC Bond	HUB International / Travelers	\$600,000	\$0
OTHER COVERAGE			
Crime, Dishonesty Burglary and Robbery	Braley & Wellington	\$3,000,000	\$100,000
Secretary-Treasurer's Bond	Braley & Wellington Hartford Insurance Company	\$1,000,000	\$0
Customs Bond	Braley & Wellington American Casualty Company	\$50,000	\$0
Marine Terminal Operator's Bond	Braley & Wellington Western Surety Company	\$100,000	\$0

Source: Authority reports.

Massachusetts Port Authority

Statistical Section

Physical Asset Data

Fiscal Year Ended June 30, 2012

S-17 List of Certain Physical Asset Characteristics

2012

Logan Airport

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

Runway 15R/33L (length in feet)	10,081
Runway 4R/22L (length in feet)	10,005
Runway 4L/22R (length in feet)	7,860
Runway 9/27 (length in feet)	7,000
Runway 15L/33R (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
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<u>Cargo Facilities</u> (square feet)	440,000
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Hanscom Field

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

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

Worcester Regional Airport

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

Runways

Runway 11/29 (length in feet)	7,000
Runway 15/33 (length in feet)	5,000

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
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Source: Authority reports.

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hanscomfield

In 1941 the Commonwealth of Massachusetts acquired 500 acres of land in the towns of Bedford, Concord, Lexington, and Lincoln to build the airport. By 1943, the airport was leased by the Army Air Corps and named in honor of the late Laurence G. Hanscom, a founding member and commander of the Massachusetts Wing of the Civilian Air Reserve. Military operations dominated Hanscom until it became a joint military and civilian facility in the 1950's. The Massachusetts Port Authority assumed control of the state land in 1959. In 1974, general operations and maintenance of the airfield became the responsibility of Massport. Today Hanscom serves as a full-service general aviation airport and popular choice for business executives who want convenient access to Eastern Massachusetts, playing a critical role as a corporate reliever for Boston Logan International Airport.



**STATEMENT OF
ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2012**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 26, 2012 (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”). Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2012 (“fiscal year 2012”) updating the financial information and operating data presented in the Authority’s Statement of Annual Financial Information and Operating Data dated as of November 29, 2011 (the “2011 Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority’s Official Statement dated July 11, 2012 (the “2012 Official Statement”). This Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 26, 2012 (the “CAFR”) for fiscal year 2012 and the remaining sections of the CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2012 and comparative information for fiscal year 2011, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included in the financial section of the CAFR. The 2012 Official Statement and the 2011 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 2012 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 2012-A (AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2012-B (Non-AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2010-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-B (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-C (AMT)
- Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2010-D (AMT)
- Massachusetts Port Authority Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (Non-AMT)
- 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)

As of June 30, 2012, the Authority had issued and outstanding 14 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. Please see Note 5 of the Authority’s Financial Statements as of June 30, 2012 for more detailed information. On July 19, 2012 the Authority issued \$116,785,000 Series 2012-A Bonds (AMT) (the “Series 2012-A Bonds”). Proceeds of the Series 2012-A Bonds are being used to finance various capital projects. The Authority simultaneously issued \$158,830,000 of Series 2012-B Revenue Refunding Bonds (Non-AMT) (the “Series 2012-B Bonds”). The Series 2012-B Bonds advance refunded portions of the Series 2003-A Bonds and 2003-C Bonds.

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 Note 5 of the Authority’s financial statements as of June 30, 2012 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 2012 (the “2012 PFC Disclosure Statement”) with respect to the PFC Bonds.

On June 15, 2011, the Authority issued its \$58,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011-A (Non-AMT) and \$156,030,000 Series 2011-B (Federally Taxable) (collectively, the “CFC Bonds”) pursuant to a Trust Agreement dated May 18, 2011 (the “CFC Trust Agreement”) between the Authority and U.S. Bank National Association (the “CFC Trustee”). The CFC Bonds were issued for the purpose of providing funds sufficient, together with other available funds, to finance the design and construction of a new consolidated rental car facility and related improvements at Logan Airport, fund certain deposits to the debt service reserve and supplemental reserve funds for the CFC Bonds, and pay certain costs of issuance of the CFC Bonds. Please see Note 5 of the Authority’s financial statements as of June 30, 2012 for more detailed information.

Pursuant to the Continuing Disclosure Certificate dated as of June 15, 2011 (the “CFC Disclosure Certificate”), delivered by the Authority, the Authority is also including as part of the CAFR its Statement of Annual Financial Information and Operating Data for fiscal year 2012 (the “2012 CFC Disclosure Statement”) with respect to the CFC 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/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement,

the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2012 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. 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 that 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. 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 2012, Logan Airport accounted for 83.9% of the Authority’s Revenues and 96.2% 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 2012, please refer 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 2011, based upon total passenger volume, Logan Airport was the most active in New England, the 19th most active in the United States and the 48th most active in the world, according to the Airports Council International (“ACI”). Enplaned plus deplaned passengers at Logan Airport for fiscal year 2012 totaled approximately 29.3 million passengers. This is a 3.2% increase from the 28.4 million passengers that used Logan Airport in fiscal year 2011.

The primary destinations of passengers using Logan Airport for calendar year 2011 were: 16.1% to Florida, 10.2% to Washington, DC, and 6.8% to the New York/New Jersey area. The proportion of domestic passengers traveling to the West Coast cities of California was 11.8%.

In fiscal year 2012, international passengers (including those traveling on foreign flag and regional carriers) accounted for 14.2% of passenger traffic, or approximately 4.2 million passengers. The shares of international passengers at Logan Airport were 70.2% for Europe and the Middle East, 14.2% for Canada, and 15.1% for Bermuda and the Caribbean. In fiscal year 2012, the top five international origin-destination markets were London, Paris, Toronto, Frankfurt and Amsterdam. International passenger traffic grew by 10.5% and 3.2% in fiscal years 2012 and 2011, respectively.

In fiscal year 2012, regional airlines accounted for approximately 7.6% of total passenger traffic at Logan Airport, or approximately 2.2 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 3.2% and 6.2% in fiscal years 2012 and 2011, respectively. As of June 30, 2012, the top five regional airlines were COMAIR Delta Connection with 20.2% of domestic regional passengers, followed by Air Wisconsin Airlines Corporation with 11.9%, Shuttle America, Corporation with 10.1%, Republic Airlines with 8.1% and Pinnacle Airlines, Inc. with 5.4% of domestic regional passengers.

During fiscal year 2012, low-cost carriers handled 36.8% of Logan Airport’s passengers. As of June 30, 2012, the low-cost carriers providing service at Logan Airport were AirTran Airways, JetBlue Airways, Midwest/Frontier Airlines, Porter Airlines, Southwest Airlines, Spirit Airlines and Virgin America. As of June 30, 2012, these seven carriers served 67 non-stop destinations. Logan Airport passenger traffic as a whole grew by 3.2% in fiscal year 2012 while passenger traffic for the low-cost carriers serving Logan Airport grew 7.1%.

In fiscal year 2012, total combined cargo and mail volume was approximately 546.2 million pounds. Between fiscal years 2007 and 2011, the total volume of air cargo and mail handled at Logan Airport decreased by 16.4%, and the volume in fiscal year 2012 decreased by 4.0% from fiscal year 2011. From fiscal year 2011 to fiscal year 2012, air cargo (small package/express and freight) decreased by 3.5%. 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, DHL Airways, ABX

Air, Inc., Air Transport International and Capital Cargo International Airlines, Inc. Integrated carriers accounted for 64.3% of total domestic and international cargo volume in fiscal year 2012 and 60.7% in fiscal year 2011.

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 2012 and comparative data for fiscal year 2011, together with the report thereon of Ernst & Young 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") and customer facility charges ("CFCs") 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 2012 PFC Disclosure Statement. CFCs are pledged to secure the CFC Bonds, pursuant to the CFC Trust Agreement, and certain specific information pertaining to the CFC Bonds, as required by the CFC Disclosure Certificate, is set forth in the separate 2012 CFC 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 Operating Revenues in fiscal year 2012 were \$568.1 million compared to \$545.0 in fiscal year 2011, while Operating Expenses were \$334.0 million in fiscal year 2012 compared to \$335.5 in fiscal year 2011, resulting in Net Revenues of \$234.1 million and \$209.5 million in fiscal year 2012 and fiscal year 2011, respectively. 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 and CFC revenues, which are required under federal law, the PFC Trust Agreement and the CFC Trust Agreement to be applied to certain capital projects at the Airport and are not pledged for the benefit of holders of the Bonds.

Airport Properties

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) increased \$24.0 million or 12.1% from fiscal year 2011. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2012 was 3.0% higher than in fiscal year 2011. Landed weights were 0.7% higher than the prior fiscal year. Parking revenues were 8.4% higher than revenues in fiscal year 2011, due to the increased passenger traffic at Logan Airport and the 12.5% increase in the daily commercial parking rate that took effect in March 2012. Logan Airport generated

approximately \$476.8 million of Operating Revenues and incurred \$251.7 million of Operating Expenses in fiscal year 2012 compared to \$455.7 million of Operating Revenues and \$253.1 million of Operating Expenses in fiscal year 2011. 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, terminal rentals, baggage screening fee and public space utilities fee. Instead, the landing fees, terminal rentals, baggage screening fee and public space utilities fee 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 per thousand pounds of landed weight and the rental rates for the terminals, based upon historical capital costs and projected landed weights, terminal rentable square feet (as applicable), number of bags screened and utility usage and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year.

Landing Fees. Logan Airport generated \$88.3 million in landing fee revenue in fiscal year 2012. This was a \$3.2 million or 3.5% decrease over the \$91.5 million generated in fiscal year 2011. Logan Airport's 2012 landing fee rate of \$4.36 per thousand pounds was lower than the \$4.61 per thousand pounds approved in 2011. Total landed weights in fiscal year 2012 was 19,859,000 pounds, an increase of 146,000 pounds compared to fiscal year 2011. The combination of a lower landing fee rate and the increase in landed weight resulted in the overall 3.5% decrease in landing fee revenue during fiscal year 2012.

Parking Fees. Logan Airport parking revenues (including Logan Express) increased from \$116.1 million in fiscal year 2011 to \$125.8 million in fiscal year 2012. This increase is a result of more passengers traveling to and from Logan Airport, parking exits increasing by 0.6% and the 12.5% daily commercial parking rate increase that took effect in March 2012. 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 that 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 ("Delta"). 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 on March 31, 2015. In fiscal year 2012, rentals from Terminal A were \$25.0 million, and rentals from Terminal B were \$24.5 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, 2011, JetBlue leased 13 gates in Terminal C. The JetBlue lease ran 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, 2011, United Airlines leased eight 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 \$65.0 million in fiscal year 2012. In fiscal year 2012 rental income from buildings other than Terminals totaled \$24.3 million and income from land rentals produced an additional \$16.9 million.

Concessions. Revenues from concessions increased from \$62.8 million in fiscal year 2011 to \$71.3 million in fiscal year 2012. The increase is primarily due to a new foreign exchange contract upfront payment made during fiscal year 2012. Concession revenues include payments made by rental car companies that 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 2012, Revenues from operations at Hanscom Field represented approximately 1.8% of the total Revenues of the Authority, and Hanscom Field's Operating Expenses constituted approximately 2.4% of the Authority's Operating Expenses. In fiscal year 2012, Hanscom Field generated \$10.0 million of Revenue, with Operating Expenses of \$8.2 million, yielding an operating surplus before debt service or other capital expenses of approximately \$1.8 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. On July 1, 2010, the Authority purchased the Worcester Regional Airport for approximately \$15.1 million in accordance with the terms of Transportation Reform Act. During fiscal year 2012, Worcester Airport generated \$1.2 million of Revenue, with Operating Expenses of \$5.0 million, yielding an operating deficit before debt service or other capital expenses of approximately \$3.8 million. Operating revenue and expense figures for Worcester Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Worcester Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Port Properties

In fiscal year 2012, the Revenue attributable to the Port Properties totaled approximately \$73.3 million, or approximately 12.9% of the Revenues of the Authority, and the Port Properties accounted for approximately \$69.0 million of Operating Expenses, or approximately 20.7% of the Authority's Operating Expenses. The Port Properties realized a surplus of approximately \$4.3 million and \$2.1 million in Net Revenues in fiscal years 2012 and 2011, respectively. The net loss (or negative Net

Revenues) from Maritime Operations was \$1.5 million for fiscal year 2012, while the Net Revenue from Maritime Real Estate was \$5.8 million in fiscal year 2012. 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.

Other

Investment Income. Investment income (excluding CFCs, PFCs and other funds not held under the 1978 Trust Agreement) decreased from \$11.2 million in fiscal year 2010 to \$8.3 million in fiscal year 2011 and decreased to \$6.7 million in fiscal year 2012. The decline in investment income during fiscal year 2010 was attributed to declining interest rates combined with a reduction in cash available for investment due to the loss of the Bridge toll revenue subsequent to January 1, 2010. Further declines in interest income in fiscal year 2012 were the result of the continuing reduction in interest rates throughout the year.

Exhibit - I

	Airport Properties	Port Properties	Investment Income	Net change in the fair value of investments	6/30/2012 Fiscal Year 2012 Total	6/30/2011 Fiscal Year 2011 Total
(In Thousands)						
Trust revenues:						
Pledged revenues	\$ 486,126	\$ 73,950	\$ -	\$ -	\$ 560,076	\$ 534,491
Operating grants	2,332	25	-	-	2,357	2,618
Subtotal	488,458	73,975	-	-	562,433	537,109
Operating interest income	-	-	6,695	-	6,695	8,340
Adjustment for uncollectible accounts	(420)	(641)	-	-	(1,061)	(419)
Total Trust Revenues	488,038	73,334	6,695	-	568,067	545,030
Trust operating expenses:						
Operations and maintenance	207,505	53,802	-	-	261,307	262,124
Administration	36,632	10,003	-	-	46,635	47,619
Insurance	5,920	2,405	-	-	8,325	8,840
Pension	4,847	863	-	-	5,710	4,924
Other Postemployment Benefits (1978 Trust)	10,024	1,967	-	-	11,991	12,022
Total Trust Expenses	264,928	69,040	-	-	333,968	335,529
Excess of revenues over operating Expenses as prescribed by the 1978 Trust Agreement	223,110	4,294	6,695	-	234,099	209,501
<u>ADD:</u>						
Revenues recognized under GAAP which are excluded under 1978 Trust Agreement:						
Investment income self insurance / others	-	-	1,538	-	1,538	1,833
Passenger facility charge (PFC)-Logan	59,258	-	-	-	59,258	58,485
Investment income PFC-FAA	-	-	81	-	81	177
Investment income PFC-Non FAA	-	-	1,060	-	1,060	1,167
Passenger facility charge (PFC)-Worcester	(46)	-	-	-	(46)	46
Customer facility charge (CFC)	28,749	-	-	-	28,749	26,203
Investment income CFC	-	-	802	-	802	159
Capital grant revenue	40,017	733	-	-	40,750	22,484
Gain/Loss on sale of equipment	286	68	-	-	354	88
Administration Expenses	2,219	429	-	-	2,648	1,631
Operating revenues	(3,979)	-	-	-	(3,979)	703
Settlement of claims	585	55	-	-	640	1
Nonoperating other revenues	618	-	-	-	618	1,816
LESS:						
Expenses recognized under GAAP which are excluded under 1978 Trust Agreement:						
PILOT	(15,687)	(1,955)	-	-	(17,642)	(17,327)
Other Postemployment Benefits	(4,900)	(959)	-	-	(5,859)	(4,505)
Self insurance cost	258	8	-	-	266	1,514
Interest expense	(55,185)	(3,767)	-	-	(58,952)	(59,960)
Unrealized net (decrease) in the fair value of investments	-	-	-	255	255	(3,503)
Depreciation and amortization (1)	(163,538)	(17,628)	-	-	(181,166)	(169,365)
Operating expenses	(3,513)	(787)	-	-	(4,300)	(286)
Adjustment for operating grant	-	-	-	-	-	(170)
Adjustment for uncollectible accounts-nonTrust fund	(20)	(4)	-	-	(24)	7
Terminal A debt service contributions by PFC	(9,105)	-	-	-	(9,105)	(6,070)
Nonoperating other expenses	(398)	-	-	-	(398)	(92)
Increase / (decrease) in net assets	\$ 98,729	\$ (19,513)	\$ 10,176	\$ 255	\$ 89,647	\$ 64,537

(1) Capital Assets are depreciated under GAAP but not under 1978 Trust Agreement.

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bostonlogan 

Boston Logan International Airport opened on September 8, 1923 as Boston Airport on the site of the Landing Field at Jeffries Point, which was used primarily by the Massachusetts Air Guard and the Army Air Corps. Colonial Air Transport offered the airport's first scheduled commercial passenger flights, between Boston and New York City, beginning in 1927. In 1944 the airport was renamed Commonwealth Airport and again in 1956 in honor of General Edward Lawrence Logan, who served in the Spanish-American War. Logan is New England's largest transportation center and offers service to over 70 nonstop domestic and 30 international destinations.

**STATEMENT OF
PFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2012**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 26, 2012 (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, 2012 (“fiscal year 2012”) 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 29, 2011 (the “2011 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 26, 2012 (the “2012 CAFR”) for fiscal year 2012 and the remaining sections of the 2012 CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2012 and comparative information for fiscal year 2011, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included as part of the 2012 CAFR. The 2010 PFC Official Statement and the 2011 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 PFC 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)
Massachusetts Port Authority PFC Revenue Bonds, Series 2007-B (Non-AMT)
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)

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).

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/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2012 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, 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 2012 CAFR on-line, please visit: <http://www.massport.com/cafr>.

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, 2012 is attached hereto as APPENDIX PFC-1.

First Lien Sufficiency Covenant

A calculation of the First Lien Sufficiency Covenant (as defined in the PFC Trust Agreement) as of June 30, 2012 is attached hereto as APPENDIX PFC-2.

Sources and Uses of Funds for 1999 PFC Bond Projects, now refunded by the 2007-D and 2010-E Bonds

The 1999 PFC Bonds 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 and as of October 2011, work had been completed 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 (excluding the cost of the baggage screening improvements). As of June 30, 2012, the cost of the International Gateway Project was \$458.6 million (including \$40.5 million of baggage screening improvements) and the project has been completed. The primary sources of funding for the International Gateway Project were 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.

Subsequent PFC Applications and Amendments

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 \$483.6 million including financing costs. On September 2, 2005, the FAA issued a Final Agency Decision (“FAD”) 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 \$483.6 million including financing costs, and decreasing the amount of PFCs to be used for certain completed PFC projects.

On December 6, 2005, the Authority submitted a PFC Application to the FAA to amend one previously approved project, add ten new projects to Logan Airport’s PFC Program and request authority to collect a \$4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a FAD approving the PFC Application (the “2006 Approval”). The FAD 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.

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 the FAA to amend the existing PFC collection and use authority, 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. On April 26, 2011, the Authority received approval from the FAA to utilize \$392.1 million of PFC revenues to fund certain projects including the Rehabilitation of Taxiway N, Access Control to the Airport Operation Area ("AOA"), Access Control Data Storage and Server Capacity Enhancements, Replacement of Fireboat Marine 1, Terminal E Gate Departure Improvements, Terminal C Checkpoint Consolidation, Terminal A Debt Service and Airfield Electrical System upgrades. The request also included a request to collect PFCs for the Runway Safety Area ("RSA") for Runway 33L.

On November 1, 2011, the Authority submitted an application to use PFCs for the RSA for Runway 33L. In March 2012, the Authority received approval for the use of PFCs for the RSA for Runway 33L in the amount of \$18.3 million. The Authority's total PFC impose and use authority was amended to \$1.352 billion with an expected expiration date of December 1, 2023.

**FAA PFC # 6: International Gateway Project Sources and Uses
including Gateway Roadways and Hold Baggage**

	Gateway Roadways	Gateway Terminal Building Including Hold Baggage	Total
<u>PFC Pay-as-you-go Funding:</u>			
Design:	\$ 3,281,400	\$ 3,266,000	\$ 6,547,400
Construction Costs:	5,388,777	107,142,321	112,531,098
Subtotal PFC Pay-as-you-go Funding:	8,670,177	110,408,321	119,078,499
<u>PFC Revenue Bonds:</u>			
Series 1999 A:	39,237,376	-	39,237,376
Series 1999 B:	374	182,671,928	182,672,302
2012 A CP Note Project-non AMT (1)	335,454	-	335,454
2012 B CP Note Project- AMT (1)	-	44,000,000	44,000,000
2003B-D	-	-	-
Subtotal PFC-Related Funding:	48,243,381	337,080,249	385,323,630
<u>Non-PFC Revenue Bonds:</u>			
Series 1990:	-	1,562,899	1,562,899
Series 1997B:	-	14,569	14,569
Series 1999D:	1,674,743	37,753,018	39,427,761
Series 2003B:	-	3,551,938	3,551,938
Series 2005B:	10,441	15,871,739	15,882,180
I&E Fund:	-	707,831	707,831
<u>Other Sources:</u>			
TSA Grant:	-	12,092,231	12,092,231
Total Funding for International Gateway:	\$ 49,928,565	\$ 408,634,473	\$ 458,563,039

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. The project fund for the 2007-B Bonds is fully expended. The projects funded (in whole or in part) by the 2007-B Bonds have been completed.

(1) Expected to be repaid with PFCs.

PFC PROJECTS AS APPROVED IN FAA FINAL AGENCY DECISIONS

Project	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 as of 6/30/11
PFC PROJECTS INCLUDED IN THE 1997 APPROVAL								
Residential Sound Insulation Program - 1999 Contour	\$82.7 million	--	\$15.3 million	--	\$65.7 million	\$1.6 million	March 1991	December 2000
Logan Modernization Preliminary Design and Environmental Approval	\$23.1 million	--	\$9.5 million	--	--	\$13.6 million	May 1993	December 1997
Terminal E Modernization	\$34.9 million	--	\$20.9 million	--	--	\$13.9 million	July 1995	July 1997
Circulating Roadways	\$164.1 million	--	\$144.9 million	\$19.1 million	--	--	August 1998	July 2006
Elevated Walkways	\$112.3 million	--	\$112.3 million	--	--	--	April 1997	March 2005
PFC PROJECTS INCLUDED IN THE 1998 APPROVAL FUNDED WITH 2007D AND 2010 E BONDS (WHICH REFUNDED THE 1999 A & B BONDS)								
* International Gateway including Terminal E Hold Baggage Screening System (1)	\$458.6 million	\$222 million	\$119.1 million	\$44.3 million	\$12.1 million	\$61.1 million	August 1998	October 2011
ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL AS AMENDED IN APRIL 2010								
Hold Baggage Screening at Terminal C	\$46.5 million	--	\$6.2 million	--	\$40.3 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	\$7.6 million	--	\$7.6 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	\$15.1 million	--	\$4.3 million	--	--	\$10.8 million	September 2005	September 2008
Access Control	\$29.5 million	--	\$25.1 million	--	\$4.2 million	\$0.2 million	November 2004	July 2008
Terminals B, C and E Aprons and Alleyways Reconstruction	\$12.0 million	--	\$12.0 million	--	--	--	July 2005	January 2007
Taxiway D Extension	\$18.7 million	--	\$3.2 million	--	\$10.6 million	\$4.9 million	May 2010	October 2009
Residential Sound Insulation Program - 1998, 2001 and Runway 14-32 Mitigation Contours	\$69.1 million	--	\$13.8 million	--	\$51.7 million	\$3.6 million	July 2001	May 2012
Centerfield Taxiway	\$43.9 million	--	\$10.0 million	--	\$28.9 million	\$5.0 million	April 2008	February 2012
APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2006 APPROVAL AS AMENDED IN APRIL 2010								
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	\$23.2 million	\$5.0 million	--	--	\$14.8 million	\$3.4 million	April 2007	December 2007
Runway 4L-22R and 4R-22L Improvements	\$31.9 million	\$16.6 million	\$4.0 million	--	\$10.6 million	\$0.7 million	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	\$0.4 million	\$0.4 million	--	--	--	--	June 2007	December 2007
APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2011 APPROVAL								
Reconstruction of Runway 22L (2)	\$6.4 million	\$5.4 million	--	\$0.9 million	--	--	September 2008	December 2008

PFC PROJECTS AS APPROVED IN FAA FINAL AGENCY DECISIONS (Continued)

Project	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 as of 6/30/12
PFC PROJECTS INCLUDED IN THE 2011 APPROVAL								
Development of Runway Safety Area for Runway 33L (3)	\$65.5 million	--	--	\$13.5 million	\$49.9 million	\$2.1 million	June 2011	November 2012
Airfield Electrical System Upgrade	\$13.4 million	--	--	\$11.0 million	--	\$2.4 million	May 2009	May 2014
Rehabilitation of Taxiway N	\$5.0 million	--	--	\$3.5 million	\$1.0 million	\$0.5 million	September 2010	November 2010
Access Control to AOA from Ancillary Buildings	\$1.2 million	--	--	\$1.1 million	--	\$0.1 million	June 2009	December 2012
Access Control Data Storage & Server Enhancements	\$2.8 million	--	--	\$1.1 million	--	\$1.7 million	May 2010	June 2013
Replace Fireboat Marine 1	\$6.2 million	--	--	\$6.2 million	--	--	May 2010	October 2011
** Terminal C Checkpoint Consolidation	\$58.6 million	--	--	\$18.0 million	\$0.2 million	\$40.4 million	January 2010	June 2011
** Terminal E Gate Departure Area & Baggage System Upgrade	\$30.5 million	--	--	\$18.2 million	--	\$12.3 million	December 2009	March 2010
Terminal A Development (4)	\$180.9 million	--	\$180.9 million	--	--	--	June 2011	December 2030

* Funded in part by the proceeds of the 2012 A commercial paper

** Funded in part by the proceeds of the 2012 B commercial paper

Notes: Amounts shown reflect FAA approved PFC funding authority for project costs through June 30, 2012. (1) The International Gateway is complete. Accordingly, Authority expects to file an amendment to its PFC application to reduce the amount of PFC for this project to the actual costs. (2) The Authority received PFC funding approval for the Runway 22L reconstruction project in April 2011 and used remaining proceeds from the 2007-B PFC Bonds for this project. (3) The Authority received PFC “impose” authority for the “Development of Runway Safety Area for Runway 33L,” in 2011; an application for “use” authority was approved by the FAA in March 2012 for the above project costs. (4) In April 2011 the Authority received FAA approval to use PFCs to fund 37% of the debt service from 2011-2031, including \$180.9 million of principal payments associated with \$180.9 million of project costs.

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, 2012, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2012 CAFR.

* * *

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

Appendix PFC-1
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 Collections 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	58,443	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,745	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
2011	14,138	-0.86%	94.23%	58,485	177	58,662	22,949	1,618	21,331	2.75
2012	14,572	3.07%	92.63%	59,258	81	59,340	23,159	924	22,236	2.67

- (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, 2012, 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 through 2012 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 PFC-2

**First Lien Sufficiency Covenant
for the fiscal year ending June 30, 2012
(see attached notes and exhibits)
Unaudited**

Unspent PFC Authority + Projected Additional Pledged Revenue

First Lien Sufficiency Covenant = _____ = 3.73

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	\$1,352,273,158	\$0	Amount necessary to pay or redeem the 2007-B, 2007-D, 2010-E 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	579,812,152		(D) Aggregate amount of Annual Debt Service for the period commencing July 1, 2012 assuming all bonds redeemed at maturity including future interest on commercial paper \$190,615,025
(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)	249,290,604		minus
Unspent PFC Authority =	\$523,170,402		amounts on deposit as of June 30, 2012
(A) minus sum of (B) and (C)			in the Debt Service Fund and \$20,307,669
			Debt Service Reserve Fund, 27,510,555
			and projected interest earnings on the Project Funds and 0
			the Debt Service Reserve Fund 2,624,663
			(E) Subtotal \$50,442,887
			Projected Aggregate Debt Service = \$140,172,138
			(D) minus (E)

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

Notes:

(A) See FAA's Final Agency Decision (Record of Decision), March 20, 2012 (Exhibit 1)			
(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2012 plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2012).			
		<u>PFC Project Expenses "Pay-Go"</u>	
		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	135,908,985	0
PFC Project 6:	International Gateway	94,101,275	0
PFC Project 17:	Elevated Walkways	110,720,934	0
PFC Project 20:	Residential Sound Insulation 1998 and 200165 Ldn Contours	8,715,896	0
PFC Project 21:	Residential Sound Insulation 14/32 Mitigation Contour	5,128,613	0
PFC Project 23:	Taxiway Improvements	4,284,582	0
PFC Project 24:	Runway Improvements	4,013,848	0
PFC Project 25:	Reconstruction of Aprons & Alleyways	12,053,535	0
PFC Project 26:	Security Improvements	61,278,275	0
PFC Project 27:	Centerfield Taxiway	9,075,823	0
PFC Project 32:	Development of Runway Safety Area for Runway 33L	-	13,553,000
PFC Project 33:	Reconstruction of Runway 22L	986,644	0
PFC Project 35:	Airfield Electrical System	-	10,950,000
PFC Project 36:	Rehabilitation of Taxiway "N"	-	3,500,000
PFC Project 37:	Access Control to Ancillary Buildings	-	1,105,000
PFC Project 38:	Access Control Data Storage and Server Capacity	-	1,080,000
PFC Project 39:	Replacement of Fireboat Marine 1	-	6,168,000
PFC Project 40:	Terminal "C" Checkpoint Consolidation	30,907	18,000,000
PFC Project 41:	Terminal "E" Gate Area and Baggage System Upgrades	-	18,251,000
PFC Project 42:	Terminal "A" Development	15,174,869	0
Total of Paid to Date and Legally Obligated to be Paid:		\$ 507,205,152	\$ 72,607,000
*Source: June 30, 2012 FAA Passenger Facility Charge Quarterly Report. (See Exhibit 2.)			
**Source: Capital Programs Project Reports (as of June 30, 2012) and FAA PFC Quarterly Report (as of June 30, 2012)			
(C) Debt Service Paid-to-Date consists of the interest and principal payments made to bondholders through January 1, 2012, the interest paid for commercial paper through June 30, 2012, and in FY11 the amount paid for bond principal to defease the 1999-B bonds. The amount of PFC Pledged Revenue used to pay debt service was \$225,118,516; interest amount paid on commercial paper was \$13,955,588; and the PFC funded amount used to defease the 1999-B bonds was \$10,216,500.			
(D) Aggregate amount of projected Annual Debt Service as of June 30, 2012 assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity (See attached Exhibit 3)		\$	173,059,025
Aggregate amount of projected future interest payments on commercial paper, as of June 30, 2012		\$	17,556,000
(E) Sum of amounts on deposit as of June 30, 2012 in the Debt Service Fund, Debt Service Reserve Fund, and projected interest earnings on any PFC project funds and PFC Debt Service Reserve fund assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity (See attached Exhibit 3)		\$	50,442,887

Cumulative PFC Authority

For the purpose of any future amendments under 14 CFR §158.37 that might increase the total approved net PFC revenue, the amounts "Approved for Use" are specified here. The applicability of 14 CFR §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	(\$31,768,000)	(\$31,768,000)
09-05-U-00-BOS	\$0	\$9,756,941
10-06-C-00-BOS	\$392,093,000	\$373,815,000
12-07-U-00-BOS	\$0	\$18,278,000
Totals	\$1,352,273,158	\$1,352,273,158

**P F C Quarterly Report
Project Activity
General Edward Lawrence
Logan International Airport
Quarter Ended June 30, 2012
(Unaudited)**

Projects	Approval of PFC Use Date	Project Construction Start	Cumulative Project Expenditures	Amount of PFC Use Approval	Current Estimated PFC Costs
Project 1- Residential Sound Insulation (RSIP)	Jan-27-97	Jan-01-91	\$ 15,325,217	\$ 15,323,217	\$ 15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design, and Environmental Analysis	Aug-24-93	Jul-01-93	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Improvements	Jan-27-97	Jul-01-94	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	Jan-27-97	Jul-01-95	138,978,978	172,655,000	171,269,000
Project 6 - International Gateway	Feb-05-98	Jul-01-95	353,794,229	483,631,000	483,631,000
Project 17 - Elevated Walkways	Apr-20-06	Jun-01-95	110,720,934.07	112,298,000.00	112,298,000.00
Project 20 - Residential Sound Insulation -1998 & 2001- 65 LDN Contours	Apr-20-06	Jul-01-01	8,715,896	8,590,000	8,590,000
Project 21 - Residential Sound Insulation -Runway 14/32 Mitigation Contour	Apr-20-06	Sep-01-05	5,128,613	5,200,000	5,200,000
Project 22 - Runway 14/32	Apr-20-06	Aug-01-04	10,711,559	23,178,000	23,178,000
Project 23 - Taxiway Improvement	Apr-20-06	Oct-01-06	7,440,998	11,243,000	11,243,000
Project 24 - Runway Improvement -to 4L-22R and 4R-22L	Apr-20-06	Apr-01-04	14,677,487	27,137,000	27,137,000
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	Apr-20-06	Sep-01-05	12,053,535	12,054,000	12,053,535
Project 26 - Security Improvement	Apr-20-06	Aug-01-02	48,177,997	48,191,000	48,191,000
Project 27 - Centerfield Taxiway	May-14-09	Jun-01-05	9,075,823	9,756,941	9,756,941
Project 30 - Airfield Drainage Improvement	Apr-20-06	Jul-01-06	40,295	237,000	237,000
Project 31 - Airfield Perimeter	Apr-20-06	Jul-01-07	47,325	280,000	280,000
Project 32 - Development of Runway Safety Area for Runway 33L	Mar-20-12	Jun-01-11	0	18,278,000	18,278,000
Project 33 - Reconstruction of Runway 22L	Apr-25-11	Sep-01-08	2,179,855.17	8,741,000.00	8,741,000.00
Project 35 - Airfield Electrical System Upgrades	Apr-25-11	May-01-10	0.00	13,646,000.00	13,646,000.00
Project 36 - Rehabilitation of Taxiway "N"	Apr-25-11	Jul-01-10	0.00	4,720,000.00	4,720,000.00
Project 37 - Access Control to the AOA from Terminal and Ancillary Buildings	Apr-25-11	Oct-01-10	0.00	1,490,000.00	1,490,000.00
Project 38 - Access Control Data Storage and Server Capacity Enhancements	Apr-25-11	Aug-01-10	0	1,456,000	1,456,000
Project 39 - Replacement of Fireboat Marine 1	Apr-25-11	May-01-10	0.00	8,318,000.00	8,318,000.00
Project 40 - Terminal "C" Checkpoint Consolidation	Apr-25-11	Jan-01-10	41,630.87	22,431,000.00	22,431,000.00
Project 41 - Terminal "E" Gate Departure Area Modifications & Baggage System Upgrades	Apr-25-11	May-01-08	10,723.92	24,613,000.00	24,613,000.00
Project 42 - Terminal A Development	Apr-25-11	Jun-20-11	15,174,869	288,400,000	288,400,000
Total Impose and Use			\$ 782,701,715	\$ 1,352,273,158	\$ 1,350,888,442

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

1	Principal Payment to be made on July 1, 2012 - 2010-E Bonds	\$11,775,000
2	Principal Payment to be made on July 1, 2012 - 2007-B and 2007-D Bonds	4,385,000
3	Principal Payment to be made on July 1, 2013 - 2010-E Bonds	12,365,000
4	Principal Payment to be made on July 1, 2013 - 2007-B and 2007-D Bonds	4,560,000
5	Principal Payment to be made on July 1, 2014 - 2010-E Bonds	12,985,000
6	Principal Payment to be made on July 1, 2014 - 2007-B and 2007-D Bonds	4,735,000
7	Principal Payment to be made on July 1, 2015 - 2010-E Bonds	8,510,000
8	Principal Payment to be made on July 1, 2015 - 2007-B and 2007-D Bonds	8,965,000
9	Principal Payment to be made on July 1, 2016 - 2007-B and 2007-D Bonds	22,325,000
10	Principal Payment to be made on July 1, 2017 - 2007-B and 2007-D Bonds	<u>52,910,000</u>
11	Principal Balance remaining to be paid as of June 30, 2012 (Sum of Rows 1-10)	<u>\$143,515,000</u>
13	Interest Payments to be made July 2, 2011 through July 1, 2012 - 2010-E Bonds	2,281,750
13	Interest Payments to be made July 2, 2011 through July 1, 2012 - 2007-B and 2007-D Bonds	4,717,725
14	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2010-E Bonds	1,693,000
14	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2007-B and 2007-D Bonds	4,542,525
15	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2010-E Bonds	1,074,750
15	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2007-B and 2007-D Bonds	4,360,275
16	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2010-E Bonds	425,500
16	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2007-B and 2007-D Bonds	4,137,650
17	Interest Payments to be made July 2, 2015 through July 1, 2016 - 2007-B and 2007-D Bonds	3,731,450
18	Interest Payments to be made July 2, 2016 through July 1, 2017 - 2007-B and 2007-D Bonds	<u>2,579,400</u>
19	Interest remaining to be paid as of June 30, 2012 (Sum of Rows 13-18)	<u>\$29,544,025</u>
20	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2012 assuming all bonds are held to maturity (Sum of Rows 11 and 19)	<u><u>\$173,059,025</u></u>
21	Projected earnings on Debt Service Reserve Fund as of June 30, 2012	(2,624,663)
22	Projected earnings on the Project Fund as of June 30, 2012	0
23	Balance of the Debt Service Fund as of June 30, 2012	(20,307,669)
24	Balance of the Debt Service Reserve Fund as of June 30, 2012	<u>(27,510,555)</u>
25	Subtotal (Sum of Rows 21-24)	<u><u>(\$50,442,887)</u></u>
26 *	Amount necessary to pay or redeem the PFC Bonds at maturity: (Sum of Rows 20 and 25)	<u><u>\$122,616,138</u></u>

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

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consolidated rental car facility

The Southwest Service Area (SWSA) redevelopment program will consolidate rental car operations into one facility on a 49-acre site. Before Massport could proceed with construction of a Consolidated Rental Car Facility (ConRAC) Garage, Customer Service Center, Quick Turn Around areas and new elevated roadways, a number of enabling projects had to be completed to clear the site for construction. This included temporary relocation of the Cell Phone Lot, the Taxi Pool, and Bus/Limo Pool. The ConRAC will be a LEED (Leadership in Energy and Environmental Design) Silver certified facility. Environmental benefits will include a reduction in ground transportation and air quality impacts, consolidated shuttle bus operations and use of clean fuel vehicles, completion of the SWSA Edge Buffer and improved level of service on adjacent roadways.

**STATEMENT OF
CFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2012**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 26, 2012 (the “CFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Certificate dated as of June 15, 2011 (the “CFC Disclosure Certificate”) executed and delivered by the Authority for the benefit of the owners of the CFC Bonds. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2012 (“fiscal year 2012”) updating the financial information and operating data presented in the Authority’s Official Statement dated June 8, 2011 relating to the 2011 CFC Bonds (the “2011 CFC Official Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2011 CFC Official Statement. This CFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 26, 2012 (the “2012 CAFR”) for fiscal year 2012. The Authority’s audited financial statements for fiscal year 2012 and comparative information for fiscal years 2011, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included as part of the 2012 CAFR. The 2011 CFC Official Statement is on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the CFC Bonds, reference is made to the 2011 CFC Official Statement.

This CFC Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively the “CFC Bonds”), issued pursuant to a Trust Agreement dated as of May 18, 2011, as supplemented and amended (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “CFC Trustee”):

Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project),
Series 2011-A (Non-AMT)
Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project),
Series 2011-B (Federally Taxable)

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/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2012 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, the Authority’s Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Annual Disclosure Statement

This CFC 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 CFC Trust Agreement, and not on the basis of GAAP.*** The information set forth herein does not contain all material information concerning the CFC Bonds or the Authority necessary to make an informed investment decision. This CFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the CFC Bonds.

This CFC Annual Disclosure Statement is submitted pursuant to the CFC Disclosure Certificate. The intent of the Authority's undertaking under the CFC Disclosure Certificate is to provide on a continuing basis for the benefit of the owners of the CFC 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 CFC Disclosure Certificate 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 CFC Disclosure Certificate, the Authority has agreed with respect to the CFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the CFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the CFC Disclosure Certificate, 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 CFC Trustee or for the underwriters of the CFC Bonds, any registered owner or beneficial owner of CFC Bonds, any municipal securities broker or dealer, any potential purchaser of the CFC 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 CFC Disclosure Certificate 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 CFC Trust Agreement or any other instruments relating to the CFC Bonds.

UPDATED OPERATING INFORMATION

Incorporation by Reference

To view the 2012 CAFR on-line, please visit: <http://www.massport.com/cafr>.

CFC ANNUAL FILING

The following information is provided with respect to the CFC Bonds pursuant to the CFC Disclosure Certificate.

Historical Total Enplaned Passengers, By Type of Passenger

A table presenting historical Total Enplaned Passengers, by Type of Passenger as of June 30, 2012 is attached hereto as APPENDIX CFC-1.

Debt Service Coverage – Rate Covenant

A table presenting forecasts of CFC Revenues (as defined in the CFC Trust Agreement) and debt service coverage on the CFC Bonds as of June 30, 2012 is attached hereto as APPENDIX CFC-2.

Additional Information

The remaining information required to be included in the Authority's Annual Filing under subsection 4(a) of the CFC Disclosure Certificate is included in the Authority's audited financial statements for the fiscal year ended June 30, 2012 included in the 2012 CAFR.

* * *

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

Appendix CFC-1

TOTAL ENPLANED PASSENGERS, BY TYPE OF PASSENGER

Boston-Logan International Airport

For the Fiscal Year ended June 30, 2012 and 2011; passengers in thousands

Fiscal Year	Outbound O&D passengers					Connecting and other passengers	Total
	Residents		Visitors				
	Passengers	Percent of O&D total	Passengers	Percent of O&D total	Total		
2011	7,129	52.6%	6,426	47.4%	13,555	625	14,180
2012	7,368	52.7%	6,601	47.3%	13,969	662	14,631

Notes: Because foreign-flag carriers are not required to report with respect to the U.S. DOT Air Passenger Origin-Destination Survey, some LeighFisher estimates were used to develop the data in the above table.

Source: Massachusetts Port Authority; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.

Appendix CFC-2

DEBT SERVICE COVERAGE – RATE COVENANT

	<u>Fiscal Year 2012</u>
Rental car transaction days	4,791,440
Percentage change from prior year	9.71%
CFC Revenues	\$ 28,748,640
Plus: Portion of Rolling Coverage Fund balance (a)	\$ 2,898,063
Plus: Portion of Supplemental Reserve Fund balance (b)	\$ 579,613
Total	<u>\$ 32,226,316</u>
Aggregate Debt Service	\$ 11,592,253
Debt service coverage	2.78
Debt service coverage (without Rolling Coverage Fund and Supplemental Reserve Fund balances)	2.48

(a) An amount equivalent to not more than 25% of Aggregate Debt Service.

(b) An amount equivalent to not more than 5% of Aggregate Debt Service.

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Report Prepared by
The Administration and Finance Department

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

Betsy Taylor
Director of Finance and Treasury

Joseph McCann
Comptroller

Winnie K. Diep
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